

## INDIVIDUAL DIRECTOR'S

### TERMS OF REFERENCE

---

#### I. INTRODUCTION

- A. The terms of reference for an individual director (a "Director" or "Directors") of Capital Power Corporation (the "Corporation") outline the personal and professional characteristics required of all Directors. These terms of reference will be used as the basis for the evaluation of the performance of Directors and will also serve as the model for establishing the general attributes and expectations in screening and selecting nominees to the Board of Directors (the "Board").
- B. Broadly speaking, a Director has the following three fundamental obligations to perform:

(i) Honesty and Good Faith

Both the common law and the *Canada Business Corporations Act* (the "Act") require a Director to act honestly and in good faith with a view towards the best interests of the Corporation. The key elements of this standard of behaviour are as follows.

- (a) A Director must act in the best interests of the Corporation 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 or her own self-interest.
- (b) A Director cannot take advantage personally of opportunities that come before him or her in the course of performing his or her corporate duties.
- (c) A Director must disclose to the Board any personal interests that he or she holds that may conflict with the interests of the Corporation.
- (d) A Director must respect the Corporation's confidentiality requirements.

(ii) Skillful Management

Both the common law and the Act require that a Director or officer will exercise the degree of care, diligence and skill that a

reasonably prudent person would exercise in similar circumstances. This means:

- (a) The standard of behavior expected of a Director will depend upon the particular qualities or characteristics that the Director brings to the Corporation in relation to the particular matters under consideration.
- (b) The Director must be proactive in the performance of his or her duties by:
  - 1. preparing for and attending meetings;
  - 2. participating in a meaningful way; and
  - 3. being vigilant to ensure the Corporation is being properly managed and is complying with the law.
- (iii) Disclosure of Interests

Subject to the Act, a Director or officer who is a party to, or who is a director or officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with the Corporation must disclose in writing to the Corporation or request to have entered in the minutes of meetings of the Directors the nature and extent of the disclosed interest at the time provided in the Act. The Director should thereafter refrain from any discussion or vote on any matters in which he or she has a conflict.

## **II. STANDARDS OF BEHAVIOUR ESTABLISHED BY THE BOARD**

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

### **A. Board of Directors Activity**

As a member of the Board, each Director will:

- (i) demonstrate high ethical standards and integrity in his or her personal and professional dealings, and be willing to act on – and remain accountable for – his or her boardroom decisions;
- (ii) 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;

- (iii) demonstrate a high level of financial literacy (as defined in National Instrument 52-110 *Audit Committees*, as implemented by the Canadian Securities Administrators and as amended from time to time), know how to read financial statements, and understand the use of financial ratios and other indices for evaluating company performance;
- (iv) respect confidentiality;
- (v) be available as a resource to Management and the Board;
- (vi) advise the President and Chief Executive Officer (the “CEO”), or Chair in advance of introducing significant and previously unknown information at a Board meeting;
- (vii) as necessary and appropriate, communicate with the Chair and the CEO between Board and committee meetings;
- (viii) demonstrate a willingness and availability for individual consultation with the Chair or CEO; and
- (ix) be a positive force, using abilities and influence constructively.

## **B. Preparation and Attendance**

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

- (i) prepare for each Board and committee meeting by reading the reports and background materials provided for the meeting;
- (ii) maintain an excellent Board and committee meeting attendance record<sup>1</sup>; and
- (iii) request information necessary or desirable for decision making.

## **C. 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:

- (i) participate fully and frankly in the deliberations and discussions of the Board;

---

<sup>1</sup> The target is 100% attendance. Anything less than 80%, without extenuating circumstances, would create considerable concern for the Board

- (ii) 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;
- (iii) approach others assertively, responsibly and supportively, and be willing to raise tough questions in a manner that encourages open discussion;
- (iv) establish an effective, independent and respected presence and a collegial relationship with other Directors;
- (v) focus inquiries on issues related to strategy, policy, and results rather than issues relating to the day-to-day management of the Corporation; and
- (vi) respect the fact that the CEO and in some instances the Chair, is the chief spokesperson for the Corporation and individual Directors are only involved in external communications at the request of and/or with the approval of, and in coordination with, the CEO or the Chair.

**D. Independence**

Each Director will:

- (i) think, speak and act independently with confidence and courage;
- (ii) give appropriate consideration to change and act with an open mind;
- (iii) resist behaving independently merely for the sake of being a revolutionary character; being objective when considering tradeoffs and consequences; and
- (iv) be willing to risk rapport with the Chair, other Directors and/or the CEO in taking a reasoned, independent position.

**E. Committee Work**

In order to assist Board committees in being effective and productive, each Director will:

- (i) participate on committees and become knowledgeable about the purpose and goals of each committee; and

- (ii) understand the process of committee work and the role of management and staff supporting each committee on which the Director participates.

**F. Industry and Corporate Knowledge**

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

- (i) become generally knowledgeable of the business of the Corporation and its industry;
- (ii) participate in Director orientation and development programs developed by the Corporation from time to time;
- (iii) maintain a current understanding of the regulatory, legislative, business, social and political environments within which the Corporation operates;
- (iv) become acquainted with the senior managers of the Corporation; and
- (v) visit the Corporation's facilities when appropriate.