



CHARTER OF THE BOARDS OF DIRECTORS OF CANADA LANDS COMPANY LIMITED AND CANADA LANDS COMPANY CLC LIMITED

The Corporate Context and Mandate

Canada Lands Company Limited (CLCL) is an arm's length, self-financing federal Crown corporation, which reports to the Parliament of Canada through the Minister of Transport, Infrastructure and Communities. It is a *Canada Business Corporations Act* (CBCA) corporation listed in Schedule III, Part 1 of the *Financial Administration Act* (FAA) and is an agent of Her Majesty. The corporation has one wholly-owned subsidiary:

- Canada Lands Company CLC Limited (CLC), a non-agent Crown corporation, which carries out the core real estate business, owns and manages Canada's National Tower (the CN Tower), and is active in 20 municipalities across Canada.

CLCL also holds shares of two other Crown corporations in trust for Her Majesty in right of Canada:

- Old Port of Montréal Corporation Inc. (OPMC), an agent Crown corporation, which is responsible for redeveloping the Old Port of Montréal, and which reports to Parliament as if it were a parent Crown corporation; and
- Parc Downsview Park Inc. (PDP), an agent Crown corporation, which was incorporated in 1998 to manage and develop the former Canadian Forces Base Toronto lands as Downsview Park, and which reports to Parliament as a deemed parent Crown corporation.

CLCL optimizes the financial and community value from strategic properties no longer required for program purposes by the Government of Canada. It works through its CLC subsidiary to purchase such surplus properties at fair market value, which properties it may resell either with or without improvements through development or, in certain cases, retain and manage, in order to optimize the benefit both for CLCL's sole shareholder, the Government of Canada, and for local communities.

The corporation's activities ensure that government properties are redeveloped or managed in accordance with their highest and best use, and that they are harmoniously reintegrated into local communities to meet the needs of Canadians.

Each of CLCL and CLC is expected to be self-financing and is authorized to use private sector sources of funding and such standard financial instruments and arrangements as appropriate. While striving to maximize commercial viability with the inventory of properties that CLC purchases, CLCL and CLC may also take into account any relevant strategic considerations of the Government of Canada. Strategic planning and time horizons for corporate activities are designed to achieve the most effective manner of balancing both the financial and community value objectives identified by the respective Boards of Directors (the "Boards").



Legal Environment

Both CLCL and CLC are governed by Part X of the FAA and certain Regulations made under that Act, the CBCA and its Regulations, a variety of other federal and provincial laws, both entities' own by-laws and by a variety of policies adopted by their respective Boards.

Overall Role and Responsibilities of the Boards and the CEO

Pursuant to Part X of the FAA and the CBCA, the Boards are responsible for the management of the businesses, activities and other affairs of their respective corporations. In fulfilling their responsibilities, the Boards direct the overall strategy of their corporations, evaluate their performances and seek to ensure that proper leadership and accountability systems are in place.

On a day-to-day basis, meanwhile, the President and Chief Executive Officer (CEO) is responsible and accountable for the conduct of the business and other activities of both CLCL and CLC. The CEO is also a director of CLC.

Specific Responsibilities of the Boards

The Boards explicitly assume responsibility for the stewardship of their respective corporations. Their stewardship responsibilities are carried out under the following broad categories:

- A. Integrity – Legal and Ethical Conduct
- B. Strategic Direction
- C. Identification and Management of Risk and Internal Controls
- D. Leadership Development and Succession Planning
- E. Importance of Information
- F. Board Development and Independence

A. Integrity – Legal and Ethical Conduct

The Boards are responsible, together with senior management, for promoting a culture of integrity and of ethical business conduct throughout both corporations. Towards this end, the Boards monitor compliance with (i) each of CLCL's and CLC's policies, systems and practices that have been put in place to ensure the observance of legal and best practice standards of ethical conduct and (ii) more generally, the financial, human resources, environmental and corporate social responsibility obligations of the corporations.

B. Strategic Direction

The Boards facilitate the achievement of CLCL's and CLC's long-term goals by overseeing the corporations' strategic planning processes. The Boards provide senior management with input, guidance, validation and a critical evaluation of the corporations' strategic plans and initiatives. Annually, the Boards, directly and through their respective committees, review, challenge and ultimately approve the consolidated Corporate Plan of each of CLCL and CLC, and related business strategies and business objectives. Once approved, the Boards



oversee the strategic initiatives of the corporations and provide ongoing support in the implementation, monitoring and measurement of the success of those plans and initiatives.

In addressing their responsibilities for strategic planning, the Boards:

- document the current public policy objectives of the corporations;
- take into consideration the contemporary trade-offs between each of CLCL's and CLC's public policy and commercial objectives;
- periodically assess the relevance of each of CLCL and CLC's mandate and, if appropriate, propose changes for the consideration of the responsible Minister; and
- represent and speak collectively, through the CLCL Chairperson, to the responsible Minister as part of the consultations on the Statement of Priorities and Accountabilities (the Letter of Expectations) and provide input on issues related to each of CLCL's and CLC's mandate.

C. Identification and Management of Risk and Internal Controls

The Boards ensure that their respective corporations have adequate systems in place to evaluate, monitor and manage effectively the principal risks affecting each of CLCL's and CLC's operations and their fulfillment of their mandates. This is accomplished by ensuring that each of CLCL and CLC:

- have all major decisions involving the corporations' assets and their financing reviewed and approved by the relevant Board;
- maintain clear roles and responsibilities and reporting lines within each of CLCL and CLC for risk management;
- incorporate risk management into each of CLCL's and CLC's decision-making, business planning and performance management processes;
- monitor risk management and related internal control measures on a regular basis;
- take necessary precautions to reduce potential risks associated with the inappropriate treatment of employees;
- reinforce the importance of effective risk management through training, general guidance and the provision of opportunities for shared learning for staff; and
- where possible, arrange suitable insurance coverage to manage the impact of unavoidable risks.

D. Leadership Development and Succession Planning

The Boards, directly or through their committees, oversee the appointment and discharge of all executive officers of their respective corporations, regularly review the management succession plan and promote programs to develop leadership throughout each of CLCL and CLC. In meeting their responsibilities for leadership development and succession planning, the Boards:

- in conjunction with the CEO, ensure an appropriate allocation of responsibilities between the Boards and management;



- identify the skills and the characteristics they judge are essential for the position of CEO relative to the performance of the corporations and the major issues, risks and challenges facing each of CLCL and CLC;
- in conjunction with the CLCL Chairperson and the CEO, develop a position description for the CEO;
- in conjunction with the CEO, develop a set of corporate objectives that the CEO is accountable for achieving; and
- on an annual basis, formally evaluate the CEO's performance against the established duties and objectives that were agreed to by the Boards and the CEO.

E. Importance of Information:

The Boards ensure the integrity of CLC's information systems and management practices, thereby ensuring that the information provided to the Government of Canada, through the responsible Minister, accurately reflects the corporations' state of operations and plans for the future. In order to achieve this objective, the Boards discuss and define with each of CLCL and CLC management the parameters, quantity, timing, frequency, and the usefulness of the information they receive from management. The Boards are expected to:

- ensure that the corporations' reports adequately communicate the significant issues confronting CLCL and CLC (i.e., Corporate Plan and Annual Report);
- ensure that the information provided to the Government of Canada is sufficient to allow an evaluation of how well the corporations have fulfilled their objectives; and,
- report results-based performance information on each of CLCL's and CLC's public policy objectives.

F. Board Development and Independence

The Boards acknowledge the importance of development initiatives for directors as a means for ensuring that the Boards remain effective. To facilitate such development, the Boards:

- in conjunction with the Chairperson and CEO, develop position descriptions for the Boards;
- ensure that training and continuing education for each of CLCL and CLC directors is provided on a regularly scheduled basis;
- regularly review the adequacy and form of compensation for the directors;
- consider issues concerning the ongoing renewal of the Boards;
- on a triennial basis, evaluate the effectiveness of the Boards, their committees and individual directors; and
- assume responsibility for the corporations' overall approaches to governance issues by developing and approving a corporate governance working agenda.

To be effective, a Board of Directors should have the ability to function independently of management. Towards this end, the members of the Boards confer regularly without members of management (including the CEO) present.



Roles and Responsibilities of the Chairperson

In addition to being subject to the roles and responsibilities that apply to directors generally, the Chairpersons of the Boards are also responsible for leading the Boards and ensuring that they act in the long-term best interests of each of CLCL and CLC. The Chairpersons ensure that the Boards function properly, that they meet their obligations and responsibilities and that they fulfill the mandate given to each of CLCL and CLC by the Government of Canada. The Chairpersons also act as the Boards' primary contacts with their respective corporations. The Chairpersons:

- manage the day to day activities of the Boards, such as:
 - scheduling and setting the agenda for Board meetings,
 - presiding at and chairing Board meetings,
 - arranging for senior management and others to attend Board meetings as appropriate,
 - facilitating the delivery of accurate, timely and clear information to the Boards to enable them to successfully carry out their responsibilities,
 - assigning tasks to other directors and Board committees, and
 - participating as appropriate on Board committees;
- serve as leaders of the Board;
- encourage participation and contribution of directors;
- seek information flow between meetings and provide feedback to directors;
- assist the Chairpersons of Board committees in developing agendas for committee meetings that will enable them to successfully carry out their responsibilities; and
- acts as a liaison and maintain communication with all directors and Board committee Chairpersons to optimize and co-ordinate input from directors, and to optimize effectiveness of the Boards and Board committees.

The Chairpersons also act to promote open and continuous communication between each of CLCL and CLC and the responsible Minister, as well as other interested parties. The Chairperson of CLCL is the responsible Minister's primary contact within the corporations and is the mechanism (i) by which that Minister is kept apprised of the corporations' ongoing development and (ii) through which information from the Minister's office should normally flow to each of CLCL and CLC. In meeting their communications-related responsibilities, the Chairpersons:

- ensure that high quality communications emanate from the Boards to the responsible Minister on an on-going basis;
- represent and speak to the responsible Minister, on behalf of each of the CLCL and CLC Boards, on emerging issues, such as the Letter of Expectations;
- consult with the responsible Minister on each of CLCL's and CLC's appointment needs and provides advice to the Minister on desired skill sets in members;
- keep the responsible Minister informed of membership changes as a result of resignations, etc.; and
- act as co-spokesperson for their respective corporations (sharing this responsibility with the CEO) in their dealings with government authorities, the media, the public and private sector partners, stakeholders in the Canadian industry and other players outside Canada, in accordance with the corporate communication strategy.



Roles and Responsibilities of Individual Directors

As set out in Section 115 of the FAA, every director in exercising his/her powers and performing his/her duties is required to (i) act honestly and in good faith with a view to the best interests of the corporation that he or she represents, (ii) exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances and (iii) comply with Part X of the FAA, any regulations issued pursuant to Part X of the FAA, his or her respective corporation's charter, its by-laws and any directive given to his or her corporation.

In addition to his or her legal responsibilities, each director shall:

- seek to participate in his or her Board's approval of each of CLCL's and CLC's strategic direction and Corporate Plan;
- seek to ensure that the principal risks of each of CLCL's and CLC's business have been identified and that appropriate systems to manage these risks have been implemented;
- seek to participate in the approval of management's succession plan, including appointing, training and monitoring senior management;
- seek to ensure that each of CLCL's and CLC's information systems and management practices meet their needs and give his or her Board confidence in the integrity of the information produced;
- be reasonably conversant with his or her corporation's policies and by-laws and with Canada's *Conflict of Interest Act*;
- remain independent from each of CLCL and CLC management;
- proactively pursue training and education relating to his or her position as a director;
- conduct himself or herself according to the highest ethical standards of integrity and probity;
- promote the highest standards of corporate governance;
- keep abreast of significant issues that may affect each of CLCL and CLC, including their sector of operations, clientele, market, public environment, competitors, etc.;
- keep abreast of each of CLCL's and CLC's public policy objectives and their impact on the corporations;
- seek to strengthen and uphold each of CLCL's and CLC's relationship with their key stakeholders;
- interface with management through the Chairpersons of the Boards and Committees, the CEO and the Corporate Secretary;
- respect the organizational hierarchy of management within each of CLCL and CLC;
- establish and maintain an effective working relationship with the CEO and senior management;
- employ sound judgment, integrity and personal commitment with respect to his or her Board; and
- respect the confidentiality of each of CLCL's and CLC's business information and its deliberations.