

Forestry Innovation Investment Ltd.

Status of Concurrence with Best Practices Guidelines

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1. Board Composition and Succession

Guideline 1	Status
a) The board is made up of individuals who, collectively, have the required competencies and personal attributes to carry out their responsibilities effectively.	FII's Board of Directors is appointed by the Sole Shareholder of FII, the Minister of International Trade. The Board is composed of 4 members:
b) Unless specified otherwise in the governing legislation, board members are independent from management and have no material interest in the organization.	<ul style="list-style-type: none"> ■ Tim Sheldon, Deputy Minister of Forests, Lands and Natural Resource Operations(chair) ■ Shannon Baskerville, Deputy Minister of International Trade (vice-chair) ■ Sandra Carroll, Deputy Minister of Advanced Education ■ Dave Peterson, Assistant Deputy Minister of Forests, Lands and Natural Resource Operations
c) The board has a committee that develops director selection criteria and identifies and evaluates potential candidates.	Board terms expire at the annual reference date of the Company, except as otherwise set out by the Shareholder. Board member biographies are posted on FII's website (www.bcfii.ca) under "About FII – Corporate Governance".
d) The board has a competency matrix that is updated annually and when vacancies arise. The competency matrix is used to identify competency "gaps" on the board and direct the search for new candidates.	The Board does not have a nominating committee, formal succession plan, or formal descriptions of required competencies.
e) The board has a board succession plan to recommend to Government the orderly turnover of directors.	
f) The board publishes the name, appointment term and a comprehensive biography for each director.	

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2. Board Responsibilities

Guideline 2

Status

- a) The board publishes a charter that details its roles and responsibilities and the governance processes used to fulfill them.

Board members discharge their duties according to the Terms of Reference, posted on FII's website (www.bcfii.ca) under "About FII – Corporate Governance – Board of Directors Terms of Reference". Directors are responsible for the Company meeting the directives of the Shareholder, as detailed in the current Government's Letter of Expectations and the Taxpayer Accountabilities Addendum which are posted on FII's website (www.bcfii.ca) under "About FII – Corporate Governance".

3. Committees

Guideline 3

Status

- a) The board has committees that address the Finance, Governance, Human Resources and Compensation, and Audit functions as well as other committees relevant to board operations.
- b) Each board committee has written terms of reference that are available publicly and that outline the committee's composition and responsibilities.
- c) Each committee keeps informed about emerging best practices in corporate governance relevant to its functions.
- d) Every board task force and working group established to address board needs has written terms of reference outlining its composition, responsibilities, working procedures and termination date.

Membership of the Board's Audit Committee is listed under the Status of Guideline 4 in this document, and its terms of reference are posted on FII's website (www.bcfii.ca) under "About FII – Corporate Governance – Audit Committee Terms of Reference".

The Board has no other committees, task forces or working groups.

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4. Audit Committee

Guideline 4	Status
a) Audit Committee members are financially literate and at least one member has accounting or related financial management expertise.	<p>The Board's Audit Committee is made up of:</p> <ul style="list-style-type: none"> ■ Sandra Carroll, Deputy Minister of Advanced Education (chair) ■ John Desjardines, Partner, KPMG
b) Members of the Audit Committee are independent from the external auditors.	A third position is currently vacant.
c) The Audit Committee has written terms of reference that set out its roles and responsibilities.	Mr. Desjardines is a Chartered Accountant.
d) The Audit Committee annually reviews its terms of reference and assesses its effectiveness in meeting the needs of the board of directors.	The Audit Committee's terms of reference are posted on FII's website (www.bcfii.ca) under "About FII – Corporate Governance – Audit Committee Terms of Reference".
e) The external auditor reports directly to the Audit Committee, not to management.	The committee operates in accordance with Guideline 4.
f) The Audit Committee has an auditor independence policy or reviews and pre-approves all non-audit services to be provided to the organization or its subsidiaries by the external auditor.	
g) The Audit Committee periodically reviews the need for an internal audit function.	
<p>h) If the organization has an internal audit function:</p> <ul style="list-style-type: none"> i. the internal audit group reports functionally to the Audit Committee and administratively to the Chief Executive Officer; ii. the Audit Committee oversees the work of the internal audit group. 	
i) The Audit Committee meets from time to time with the external and internal auditors without management present.	

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- j) The Audit Committee reviews any proposed changes to the position of the organization's chief financial officer.
- k) The Audit Committee has the authority to engage independent counsel and other advisors, with prior approval from the board chair.

5. The Board Chair

Guideline 5	Status
a) The positions of chair and CEO are separate.	The Chair's position is separate from the CEO position. On FII's website (www.bcfii.ca) under "About FII – Corporate Governance – Responsibilities of the Board Chair" is a description of the Chair's responsibilities.
b) The board publishes a position description that sets out in detail the responsibilities of the chair.	
c) The chair and the responsible Minister communicate regularly to build their working relationship.	The current Chair is the Deputy Minister of Forests, Lands and Natural Resource Operations. The Vice-Chair is the Deputy Minister for International Trade. Both individuals have regular contact with the responsible Minister. The Chair and the Vice Chair meet with the responsible Minister on a quarterly basis as directed under the Government's Taxpayer Accountability Principles.

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6. Individual Directors

Guideline 6	Status
a) The board publishes a charter or similar document for directors that details the expectations of individual board members.	The <i>Guidelines for Individual Directors</i> are available on the FII website at www.bcfii.ca under "About FII – Corporate Governance – Guidelines for Individual Directors". The Guidelines include a <i>Code of Conduct & Rules of Conflict for Directors and Directors' & Officers' Indemnity</i> .
b) The board develops and publishes minimum attendance expectations for directors and makes public the directors' attendance records.	The full board meets at least quarterly.
c) As part of public sector transparency, the organization annually discloses the amount of compensation paid to each individual director for the preceding year.	No Board members are paid any remuneration beyond their normal compensation as deputy ministers / assistant deputy minister.

7. The Chief Executive Officer or President

Guideline 7	Status
a) The board has a job description that sets out in detail the responsibilities of the CEO.	The CEO's position description is posted on FII's website (www.bcfii.ca) under "About FII – Corporate Governance – Chief Executive Officer Job Description".
b) The board establishes annual performance expectations for the CEO.	The Board assesses the CEO's performance through periodic discussion about FII programs and functionality.
c) The board annually assesses the CEO's performance against the position description and the performance expectations.	Board members confer informally from time to time without FII management being present. The Board also meets "in camera" on a regular basis.
d) The directors regularly meet together without management present.	

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8. Corporate Secretary

Guideline 8	Status
a) The board has a position description that sets out in detail the responsibilities of the corporate secretary.	The responsibilities of the Corporate Secretary are posted on FII's website (www.bcfii.ca) under "About FII – Corporate Governance – Responsibilities of the Corporate Secretary".

9. Code of Conduct and Ethics

Guideline 9	Status
a) The board has adopted a Code of Conduct and Ethics that is consistent with the Standards of Ethical Conduct for Public Sector Organizations. b) The organization publishes its Code of Conduct and Ethics.	The Board's <i>Code of Conduct & Rules of Conflict for Directors</i> are posted on FII's website (www.bcfii.ca) under "About FII – Corporate Governance – Guidelines for Individual Directors". The Guidelines are also included in a comprehensive package of materials provided to each director on his or her appointment to the Board. Each new Board member is expected to formally agree to the <i>Code</i> when he or she joins the Board.

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10. Orientation and Professional Development

Guideline 10	Status
<p>a) The board has a comprehensive orientation program for new directors.</p> <p>b) The board has a culture that encourages new directors to participate fully and effectively in board activities as soon as possible.</p> <p>c) The board provides ongoing educational opportunities for directors to learn about the organization, its sector and its corporate governance practices, and maintains a policy encouraging directors to take advantage of these opportunities.</p>	<p>Being fully conversant with the organization in their roles as senior BC Government officials, current Board members have had limited need for structured “educational opportunities” related to FII’s mandate and function. FII does, however, provide incoming directors with a comprehensive orientation manual, containing key information on the financial and operational performance of the Company. Documentation also includes information on the responsibilities and obligations of directors. FII seeks an early opportunity to fully brief incoming directors.</p>

11. Board, Committee and Director Assessment

Guideline 11	Status
<p>a) The board annually assesses its performance and the performance of each of its committees against their respective charters or terms of reference.</p> <p>b) The board annually assesses the performance of the chair against the chair’s position description.</p> <p>c) The board annually assesses the performance of individual directors against the directors’ charter of expectations.</p>	<p>Being as small as it is, the Board assesses its performance informally through <i>ad hoc</i> discussions among the members and through quarterly meetings with the Minister responsible.</p> <p>FII’s governance was assessed as part of a comprehensive Core Review undertaken between April and June, 2014, and confirmed.</p>

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12. Communications Strategy

Guideline 12	Status
a) An appropriate communications strategy is in place that meets the needs of all stakeholders, employees and Government and reflects a public sector organization's requirement for transparency and accountability.	FII publishes many documents each year to inform a wide variety of audiences about its priorities, strategies, and performance. These include its annual <i>Service Plan</i> , <i>Annual Service Plan Report</i> , annual <i>Report to Stakeholders</i> , and annual investment strategies for core program areas.
b) The board chair is the authorized spokesperson for the board and the CEO is the primary spokesperson for the organization.	The Board Chair, the CEO, and FII executive team members frequently discuss the organization's programming with a wide variety of stakeholders in the private and public sectors.