

1 Q. Further to the responses to PUB-NLH-139 and NP-NLH-058 given that Hydro and  
2 Nalcor have the same Boards of Directors and the same officers, explain in detail  
3 the policies, procedures and practices which are in place to ensure that the best  
4 interests of Hydro are considered and dominant in any decision making process. In  
5 the response include the policies, procedures and practices which are followed  
6 where there are potential conflicts of interest between Hydro and Nalcor.

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9 A. The extensive statutory framework within which both Hydro and Nalcor operate is a  
10 very important component of a governance structure which ensures that the best  
11 interests of both Hydro and Nalcor are appropriately considered in any decision  
12 making processes.

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14 The activities of Nalcor and Hydro are governed by the *Energy Corporation Act*  
15 (EPCA) and the *Hydro Corporation Act*, respectively. These statutes set out both the  
16 objects and powers of these corporations and they ultimately regulate the actions  
17 and decisions of both employees and directors, to ensure they are consistent with  
18 the companies' mandates as set out in legislation.

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20 Both Nalcor and Hydro are governed by the EPCA. As it relates to Hydro in  
21 particular, the EPCA sets out various expectations related to efficiency, access, cost  
22 and reliability in relation to how all sources and facilities used for the production,  
23 transmission and distribution of power in the province are to be managed and  
24 operated.

1 Hydro is also regulated by the *Public Utilities Act*. This statute sets out various  
2 requirements that extensively regulate standards of service, service rates, capital  
3 expenditures, and many other aspects of the Company's operations.  
4

5 Both entities are also governed by the *Transparency and Accountability Act*. Under  
6 this statute, both Nalcor and Hydro are required to develop multi-year strategic,  
7 business and activity plans, and to annually report on their activities and  
8 accomplishments relative to these plans to the Minister of Natural Resources.

9 Among other things, these plans must take into account the strategic direction of  
10 the provincial government in the area of the companies' mandates as  
11 communicated by the Minister of Natural Resources, and with the mandates set out  
12 in the Acts creating Nalcor and Hydro as crown corporation entities.  
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14 Hydro's response to NP-NLH-058 (page 1, lines 25-26; page 2, lines 1-6) explained  
15 that the senior management and Board of Director structures of Nalcor Energy and  
16 Hydro are separate. The Boards of both entities are appointed under separate  
17 Orders in Council. Each company has its own budget and risk strategy.  
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19 Meetings of the senior management groups and the Boards of both entities are  
20 conducted separately from each other, and there are separate Board papers for  
21 each of the Boards. Meeting minutes and/or action items are documented  
22 separately as well and reflect the specific issues and business interests of each  
23 company. Within these structures and in meetings, directors and executives are  
24 aware of their duty to represent the best interests of the entity they are  
25 representing at any given time.  
26

27 Board members for all Nalcor companies are provided with a comprehensive  
28 orientation when they first become a Board member. These orientations are

1 coordinated and provided by the Company's Corporate Secretary/Legal  
2 Department, and contain information that is specific to the Board and the  
3 corporation to which an individual is appointed. The orientation covers a wide  
4 range of topics relevant to the mandate and role of a Board member, and includes  
5 specific sections and documents related to the provincial statutes noted above; the  
6 mandate of the Board of Directors; Hydro's Core Values and its Code of Business  
7 Conduct and Ethics; and a comprehensive overview of Best Practices in Corporate  
8 Governance prepared by the Company's external legal counsel. The latter  
9 document includes guidance and discussion regarding the fiduciary and other duties  
10 of Directors and Director liabilities as established in Canadian common law and in  
11 the *Canada Business Corporations Act*.  
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13 Both companies are governed by Nalcor's Conflict of Interest Policy and its Code of  
14 Business Conduct and Ethics, as these have been formally adopted by both Nalcor  
15 and Hydro. Employees and directors are also directly governed by the Province's  
16 Conflict of Interest Act, or are deemed to be covered by that Act by the Company's  
17 Code of Business Conduct and Ethics. Under both the Code and the Conflict of  
18 Interest Policy, clear standards and processes are outlined for disclosing and  
19 avoiding potential conflict of interest situations.  
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21 All Board of Director meetings are attended by the Corporate Secretary or Assistant  
22 Corporate Secretary. Board and Leadership Team members are aware of their  
23 obligations to serve the interests of the company they represent and to avoid  
24 and/or disclose any potential conflict of interest involving two or more Nalcor  
25 entities. The Corporate Secretary also assists in ensuring these standards are met,  
26 and is available to provide immediate guidance if required in relation to any  
27 question or issue that may arise.