

BOARD OF DIRECTORS' GUIDELINES

INTRODUCTION

The Terms of Reference for the Board of Directors define the role of the Board for the Motor Vehicle Sales Authority of British Columbia (MVSABC). The Board of Directors' Guidelines outlines how the Board will operate to carry out its duties of stewardship and accountability.

As provided by the Section 6(1) of the MVSABC Society Act, and any other bylaws, the Board shall regulate its affairs and determine its own procedures from time to time. These Guidelines shall be a bylaw of the Board. The parties to these Guidelines are the Directors; the Secretary; the President; and such employees or directors as may be delegated from time to time to directly support the functioning or operation of the Board of Directors and its Committees.

1. OFFICERS OF THE BOARD

The Officers of the Board are the Chair, Vice-Chair, Secretary and Treasurer. The Directors shall elect a first Chair from among the Directors appointed to the Board of Directors, in accordance with section 5(1) of the Motor Vehicle Sales Authority of British Columbia Bylaws. Also pursuant to the MVSABC Bylaw 5(2), the Treasurer need not be a director or member of the Society, however, the Chair, Vice-Chair and Secretary must be.

2. BEST INTERESTS OF THE MVSABC

The Board of Directors (the "Board") oversees the conduct of business and supervises management, which is responsible for the day-to-day conduct of the Authority's business. Although Directors are appointed to bring special skills and experience to Board deliberations, the best interests of MVSABC are paramount at all times. The Board recognizes certain challenges that may

arise on balancing corporate interests with the consumer or industry interests that bear on the deliberations of the Board.

The Chair and the President will keep the Board apprised of emerging public policy issues and provide advice on how the Board may respond on these matters.

3. TERMS OF REFERENCE

Terms of Reference for the Board of Directors, Board Committees, the Board Chair and the President are reviewed annually by a Committee of the Board (the Committee delegated this responsibility is the Governance Committee). This committee will propose any changes to the Board for approval.

4. CORPORATE STRATEGY

Management is responsible for the development of an overall corporate business strategy to be presented to the Board. The Board's role is to ensure there is a strategic and business planning process, and then review, question, validate, and ultimately endorse the strategy for the Authority and monitor its implementation.

5. BUSINESS PLAN

Management will prepare, review and seek approval from the Board on the annual business plan.

6. PRINCIPAL RISKS

The Board should have a continuing understanding of the principal risks associated with the Authority's business and the processes and systems to be used to mitigate such risk. It is the responsibility of management to ensure that the appropriate systems, procedures and mechanisms are in place to identify, manage

and monitor principal risks and that processes are established to keep the Board and its Committees well informed on changing risks.

The mechanisms through which the Board reviews risks include the strategic business planning process and the quarterly reports of the Finance Committee, (that monitor business and other risks and apprise the Board and Management on the status of each principal risk and its impact on the direction of the Authority). It is important that the Board understands and supports the key risk decisions of the Authority.

7. INTERNAL CONTROLS AND MANAGEMENT INFORMATION SYSTEMS

Integral to the Board's overall responsibilities is the existence of control systems, which ensure the effective discharge of these responsibilities. A balance has to be achieved between imposing controls that give the Board reasonable assurance that its responsibilities are being discharged and avoiding the creation of an unnecessarily bureaucratic and costly system of control mechanisms. Through the President, management will establish systems to ensure that appropriate and responsible levels of internal controls are in place for the Authority. The confidence of the Board in the ability and integrity of management is the paramount control mechanism.

8. COMMUNICATIONS POLICY

The Board approves a communications policy and a process for the review and approval of major reports to the public, including the Annual Report.

Together, and in consultation with one another, the President and the Chair act as the primary spokespeople for the Authority and oversee interfaces with the Government and other stakeholders including:

- (i) developing and implementing a stakeholder relations program; and

- (ii) maintaining regular and effective communications with Government, industry, consumer organizations and other stakeholders.

The Board recognizes the need for the Chair and the President to have regular meetings or communications with Cabinet Ministers, other senior government officials, industry leaders and other stakeholders. The Chair and the President are expected to establish an understanding of their respective roles in such meetings or communications. The Chair and the President will be expected to keep the Board informed on key matters from meetings or communications with government, industry and other stakeholders.

It is expected that members of Government, industry, the public and persons interested in MVSABC will, from time to time, communicate their concerns and questions to Directors rather than to management. Directors recognize the authority for policy decisions and operational matters rest with the Board of Directors and management respectively. It is important that Directors inform the Chair or the President of such communications, so proper action can be taken and accurate responses can be made by the appropriate representative of MVSABC.

Directors may be requested to assist with communications or a Director may be approached directly to speak publicly about MVSABC. In all cases, Directors are asked to advise the Chair's office through the President of the request. The Chair is responsible for ensuring that Director communication activities are properly coordinated and Directors are provided with full assistance in preparing and making any public statements or presentations.

9. THE CHAIR OF THE BOARD

The Board supports the concept that the role of Chair is separate from that of President. The Board is able to function independently of management when necessary and the Chair provides leadership to the Board. In the absence of the

Board Chair, the Chair shall pass to the Directors in the following order: Vice Chair, Secretary, Chair of the Governance Committee.

10. THE VICE CHAIR OF THE BOARD

The Vice Chair provides leadership in guiding the Board and coordinating its activities in the absence of the Board Chair. In performing this role, the Vice Chair manages the affairs of the Board, presides over the Board meetings and, working with the President, ensures that decisions of the Board are implemented. In the event that the Chair is incapacitated, the Vice Chair assumes all duties and obligations of the Chair as defined in the MVSABC Board Governance manual. On occasion, at the request of the Chair, the Vice Chair may represent the Authority at public gatherings or serve as a spokesperson for MVSABC.

11. COMMITTEES

The governance structure of the MVSABC includes a number of standing committees. The standing committees are assigned specific roles and responsibilities that support the business of the Board. The standing committees shall be comprised of Directors of the MVSABC Board. The standing committees shall report to the MVSABC Board and provide recommendations to the Board that are appropriate and within the mandate of the respective committees.

12. ADVISORY COMMITTEES AND TASK GROUPS

Task groups are committees of the Board, but differ from other committees in that each task group is established for a specific period of time to undertake a specific task, and is then disbanded. Each operates according to a Board approved mandate outlining its duties and responsibilities.

Advisory committees may include members who are not Directors of the Authority and provide general advice rather than recommendations on matters of corporate policy.

This structure will be reviewed regularly as the Board considers which of its responsibilities will be best fulfilled through task groups and/or advisory committees.

The Board Chair is responsible to the Board for annually proposing the leadership and membership of each task group/advisory committee. In preparing recommendations, the Board Chair will consult with the President and the Board, taking into account the preferences, skills and experience of each Director.

13. COMMITTEE CHAIRS AND COMMITTEE MEMBERS

The Board Chair is responsible to the Board for annually proposing the membership of each committee. In preparing recommendations, the Board Chair will consult with the Board and the President, taking into account the preferences, skills and experience of each Director. The committee members shall select a Chair from amongst their membership.

The Board supports a periodic rotation in committee leadership and membership in a way which recognizes and balances the needs for new ideas, continuity and maintenance of functional expertise.

Each committee's meeting schedule and agenda will be determined by its Chair and members with the assistance of the Corporate Secretary, based on the committee's work plan and terms of reference. Each committee reports in a timely manner to the Board on the results of its meetings.

14. BOARD MEETINGS AND AGENDAS

The Board plans for a minimum of eight (8) meetings per year.

The date, time and place of a regular meeting of the Board shall be fixed not less than 28 calendar days in advance of the date when it shall occur. The agenda of such meetings shall generally be issued not less than five working days in advance, but in special circumstances not less than 48 hours in advance. Management shall submit to the Board Chair notice and an outline of all agenda items it plans to bring forward directly, at least ten days in advance.

More than one half of the Directors holding office constitute a quorum. Questions arising at any meeting of Directors shall be decided by a majority of votes.

The Board Chair, in consultation with the President, will develop the agenda for each Board meeting. Under normal circumstances, the agenda and the material will be distributed to Directors not less than five business days before the meeting. All Directors are free to suggest additions to the agenda.

A resolution in writing, signed by all the Directors, shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted.

Meetings are usually held at a venue in the Lower Mainland. Special meetings may be held by teleconference or in locations as decided upon by the Board.

15. BOARD MINUTES

The Chair shall be provided with the draft minutes of each meeting of the Board within fourteen calendar days of its occurrence and the members shall be provided with the draft minutes of each meeting of the Board within twenty-one calendar days of its occurrence. The approved minutes serve as the official record of the Board meeting.

16. BOARD DELIBERATIONS AND CONFIDENTIALITY

The Board of Directors and Management recognize that certain materials for or deliberations by the Board must remain in confidence with the Board. Directors and Managers will respect the provision that the official record of the Board's deliberations is provided through the approved minutes of the Board meeting. The views or opinions of individual directors or managers shall be treated with an appropriate level of respect and confidence.

17. SPECIAL MEETINGS OF THE BOARD

Special Meetings of the Board may be held at any time at the call of the Chair or, in the Chair's absence, by the Vice Chair, or at the call of any two Directors. The Chair shall be bound to call a special meeting of the Board on the requisition of three Directors and, if the Chair fails to do so within twenty-four hours from receipt of such requisition, any three Directors may convene a Special Meeting of the Board.

Notice of a special meeting of the Board shall only be given to Directors who are known to be in the Province of British Columbia at the time of the giving of notice of such meeting. Such notice shall be mailed at least two calendar days before the date fixed for the meeting, or telephoned, telegraphed, or communicated orally at least two hours before the time fixed for the meeting.

If all of the Directors known to be in the Province of British Columbia at the time such a special meeting is held are present at such meeting, notice thereof may be waived by them.

18. INFORMATION MATERIAL FOR BOARD MEETINGS

Material distributed to the Directors in advance of Board meetings should be concise, yet complete, and prepared in a way that focuses attention on critical issues to be considered and the decisions required from the Board. Materials assembled in support of Board meetings will be coordinated by the President, who will distribute it with the Board meeting agenda, five working days prior to the meeting. All materials submitted for consideration by the Board or by a committee become part of the record of the Board, and shall be deposited with the Board Secretary for maintenance, safekeeping and access. Reports may be presented during Board meetings by Directors, Management or staff, or by invited outside advisors. Presentations on specific subjects at Board meetings should briefly summarize the material sent to Directors, identifying the principal decision items and impacts arising from the issue or matter so as to maximize the time available for discussion on questions regarding the material.

It is recognized that under some circumstances, due to the confidential nature of matters to be discussed at a meeting, it would not be prudent or appropriate to distribute written material in advance. Certain materials, due to their sensitivity, may be considered strictly confidential and are not for distribution or discussion outside the Board of Directors.

19. INFORMATION FLOW TO THE BOARD

The Board requires clear, consistent and reliable information that is focused on the key strategies and critical issues facing the Authority. The type, quality and timing of information are critical to achieving good governance at MVSABC. The Board will receive regular reports from management that provide certain information on the measured performance against the annual and multi-year strategic business plan. Information that enables the Board to fulfill its decision-making and oversight responsibilities will be based against certain key performance measures that are directly linked to the Authority's Strategic Plan. The Board and management will agree on the type, the form, the extent and the regularity of information that will allow Directors to assess the Authority's performance against its strategic and operational plans.

20. NON-DIRECTORS AT BOARD MEETINGS

The Board appreciates the value of having members of Management attend Board meetings to provide information and opinions to assist the Directors in their deliberations. The Board, through the Chair and the President, will determine Management attendees at Board meetings, not less than 48 hours in advance for employees, consultants or other representatives who do not normally attend such meetings. No third party shall attend or table material at Board meetings without the prior approval by the Board Chair, and in the case of Board Committee meetings, the Committee Chair. As a courtesy, management shall be apprised of any plans or intentions in this regard.

Both the Board and Management recognize that throughout the year there are times when the Board needs to meet without management in attendance.

21. BOARD RELATIONS WITH MANAGEMENT

Board policies and guidelines are issued to management for their adherence. Directors may direct questions or concerns on management performance to the Chair, to the President, or through Board and Committee meetings.

The Board of Directors and management must develop a sense of trust and confidence in each other's abilities and performance. The Chair, representing the Board of Directors and the President, representing management, set the tone and extent of leadership at the Authority. There must be a clear understanding of the roles, responsibilities and expectations between the Board and management. There must also be agreement on and support for the strategies, plans and processes that are to be used to achieve the vision and the "ends" for the Authority. To achieve this, the Board and management recognize the importance for each to establish a positive relationship that is built on trust and respect, with each Director or Manager assuming appropriate responsibilities and being held accountable for their respective actions.

Directors must respect the organizational structure of management. A Director has no authority to direct any staff member.

22. THE BOARD AND THE REGISTRAR

The President will also hold the title of Registrar. The Registrar has delegated responsibilities under the Motor Dealer Act. As Registrar, this official is unfettered from the Board. The Registrar is not accountable to the MVSABC Board or the Government of British Columbia. The Board of the MVSABC and its Directors will respect the independence of the Registrar and questions to the Board on matters pertaining to the Registrar will be referred to the Registrar. Any decisions of the Registrar are final and can only be appealed through a special process established by the Registrar or through the judiciary of British Columbia.

23. SIZE AND COMPOSITION OF THE BOARD

From time to time, the Board will consider its size and composition to ensure it has the necessary diversity of skills and experience to fulfill its obligations. The current size of the Board numbers eleven (11) Directors; six members from the motor dealer industry and five from the public-at-large.

24. CRITERIA FOR BOARD MEMBERSHIP

The Board annually reviews the strategic direction of the Authority and the skills, experience, background and diversity of the Board in relationship to the Authority's strategic direction. Based upon the review, the Board may identify different skills or experience that would assist the Board. Using its own criteria, the Board may develop a list of suitable candidates who could be considered for appointment. Any recommendations that result from the review will be discussed with the full Board.

25. NEW DIRECTOR ORIENTATION

New Directors will be provided with an orientation and education program which will include written information about the duties and obligations of Directors, the business and operations of the Authority, documents from recent Board meetings as well as opportunities for meetings and discussion with senior Management and other Directors. The orientation program for each new Director will be tailored to that Director's needs and areas of interest.

26. ASSESSING THE BOARD'S PERFORMANCE

The Governance Committee is responsible for annually assessing the overall performance of the Board and its committees. The objective of this review is to contribute to a process of continuous improvement in the Board's execution of its responsibilities. The review should identify any areas where the Directors or

Management believe that the Board could make a better collective contribution to overseeing the affairs of the Authority. The results of the review will be used to determine the Board's operating plan for the subsequent year.

27. BOARD COMPENSATION

The Board of Directors establishes the compensation levels paid to MVSABC Directors. The Executive Committee will review Director compensation annually and will recommend changes in compensation when warranted. Details regarding Director compensation are outlined in the Board Manual.

28. TERM OF SERVICE

The term of service is established in sections 4.5 and 4.6 of the MVSABC Bylaws, which sets the term and the process for appointment or re-appointment.

Note: As per Section 4.4 of the MVSABC Bylaws, the first Directors shall convene a meeting of the Board of Directors, nine months from the date of the Society's Incorporation (Date of Incorporation: July 21, 2003), at which time the Board of Directors shall be appointed under Section 4.5 of the MVSABC Bylaws.

29. EVALUATION OF THE PRESIDENT

The Executive Committee will conduct an annual Performance Evaluation Process of the President, measured against objectives and other relevant criteria established in the previous year by the Board and the President.

This performance evaluation will be communicated to the President by the Board Chair. The evaluation also will be used by the Executive Committee in its deliberations concerning the President's annual compensation.

30. SUCCESSION PLANNING AND MANAGEMENT DEVELOPMENT

The Board considers succession planning and management development to be ongoing processes, including annual reports to the Board by the President. The President's views on succession and management development plans should be discussed regularly with the Governance Committee.

31. LEVELS OF AUTHORITY FOR THE PRESIDENT AND THE BOARD

The Board of Directors has established policy that sets levels of authority for the President and Directors, and specifies the requirements and the authorization that accompanies the approved level of authority.

32. CODE OF CONDUCT

The Directors review the Code of Conduct and acknowledge their support and understanding of the Code by signing the Code of Conduct Declaration Statement annually. The Code can be found at Tab 8.

33. OUTSIDE ADVISORS FOR INDIVIDUAL DIRECTORS

Occasionally, a Director may need the services of an advisor to assist with matters involving responsibilities as a Director. A Director who wishes to engage an outside advisor at the expense of the Authority must first obtain the authorization of the Board Chair.

34. EMPLOYEE RECOGNITION

The Board recognizes and appreciates that the most valuable resource to the Authority is its employees.

35. ADMINISTRATIVE SUPPORT FOR DIRECTORS

The Office of the President will provide all required administrative services for Directors in their capacity as Directors of the MVSABC.

36. BOARD OF DIRECTORS' GUIDELINES REVIEW

The Governance Committee annually reviews these Guidelines and makes recommendations to the Board when necessary.