



BOARD OPERATING GUIDELINES

INTRODUCTION

The Terms of Reference (Tab 2.3) for the Board of Directors (the “Board”) define the role of the Board at the Insurance Corporation of British Columbia (“ICBC”). The Board Operating Guidelines outline how the Board will operate to carry out its duties of stewardship and accountability.

These Guidelines complement By-Law No. 9 and apply to and are for the benefit of the Directors, the Corporate Secretary, the Board Chair and President/Chief Executive Office (the “CEO”), Senior Management, and such employees or Officers as may be delegated from time to time to directly support the functioning or operation of the Board and its Committees.

1. Officers of the Corporation

The Officers of the Corporation (all of whom, except the Chair, are appointed by the Board) are the Chair, , the President/CEO, (subject to the approval of the Lieutenant Governor in Council), the Chief Financial Officer and the Corporate Secretary. The Board can appoint other Officers from time to time if required.

2. Best Interests of the Corporation

The Board oversees the conduct of business of the Corporation and provides direction to management, which is responsible for the day-to-day conduct of business. Although Directors are appointed to the Board to bring special expertise or a point of view to Board deliberations, the best interests of the Corporation are paramount at all times. The Board recognizes certain challenges that may arise in balancing ICBC's commercial interests with the public policy mandate assigned to it by Government and those of its policyholders. The Chair and the President/CEO will keep the Board apprised of emerging public policy issues that are of major strategic importance and provide advice on how the Corporation may respond on these matters.

3. Government Mandate Letter

The most important document outlining the relationship between the Minister Responsible for ICBC and the Corporation is the Government Mandate Letter (the “Mandate Letter”).

- i) This is an agreement between the Corporation and the Minister responsible for ICBC, setting out the mutual understanding of the respective expectations and performance deliverables.
- ii) The Mandate Letter will be updated and renewed annually.



BOARD OPERATING GUIDELINES

4. Terms of Reference

Terms of Reference for the Board (Tab 2.3), the Board Chair (Tab 2.4), the Vice-Chair/Lead Director (Tab 2.5), a Director (Tab 2.6), the President/CEO (Tab 4.1) and guidelines for Committees of the Board (Tab 3.2) are reviewed annually by the Governance Committee. The Governance Committee proposes changes to the Board for approval as required.

5. Evaluation of the President/CEO

The Human Resources and Compensation Committee will conduct an annual performance review of the President/CEO, measured against objectives and other relevant criteria established in the previous year by the Board and the President/CEO. An outline of the Performance Evaluation Process for the CEO can be found in Tab 4.2 of the Governance Manual.

6. Corporate Strategy and Policy

Development and implementation of corporate strategy is a continuous, iterative process. Management is responsible for the development of an overall corporate business strategy and policy to be presented to the Board (Tab 1.5). The Board's role is to ensure there is a strategic and business planning process, to become engaged in the process and then review, question, validate, and ultimately endorse the strategy for the Corporation and monitor performance. In preparing for strategic planning sessions, Board members will be consulted on areas of strategic importance or matters for discussion. The Board is also responsible for setting major corporate policy and for monitoring compliance of such policy.

7. Financial Plan

Management will prepare, review and seek approval from the Board on the annual Financial Plan, including the operating and capital budgets for the Corporation.

8. Top Corporate Risks

The Board should have a continuing understanding of the top corporate financial and non-financial risks associated with the Corporation's objectives. It is Management's responsibility to ensure the Board and its Committees are kept well informed of changing risks. The principal mechanisms through which the Board reviews risks are the strategic planning process, updates from the Board Committees and ongoing reports to the Board.

BOARD OPERATING GUIDELINES

9. 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/CEO, Management will establish systems to ensure that appropriate and responsible level of internal controls are in place for the Corporation. The confidence of the Board in the ability and integrity of Management is the paramount control mechanism.

10. Communications Plan

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

The Board Chair and the President/CEO act as the primary spokespersons for ICBC and its Subsidiaries and oversee interfaces with Government and the public including:

- (i) developing and implementing a communications policy consistent with strategic and operating plans, service plan, and rate changes plan; and
- (ii) interfacing with Government, regulatory bodies and the public.

The Board recognizes the need for the Board Chair and the President/CEO to have regular meetings or communications with the Minister Responsible for ICBC and other senior government officials. The Board Chair and the President/CEO are expected to keep the Board informed on key matters from meetings or communications with the Minister and/or senior officials.

It is expected that Government, the public and persons interested in ICBC will, from time to time, communicate their concerns and questions to Directors rather than to Management. It is important that Directors inform the Board Chair and/or President/CEO of such communications, so that proper action can be taken and accurate responses made by the appropriate ICBC representative.

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



BOARD OPERATING GUIDELINES

11. Management Succession Planning and Development

The Board considers succession planning and Management development ongoing processes that include annual reports to the Board, through the Human Resources and Compensation Committee, by the CEO. Tab 4.3 outlines the Succession Planning Process.

The CEO's views as to a successor in the event of unexpected incapacity and ongoing management development plans should be discussed regularly with the Human Resources and Compensation Committee.

12. Levels of Spending Authority

Levels of Spending Authority are set out in Tab 1.4, "Levels of Spending and Payment Authority".

13. Code of Ethics

The Directors review the Code of Ethics (Tab 1.3) and acknowledge their support and understanding of the Code by signing it annually.

14. The Board Chair and The Vice-Chair/Lead Director

The Board's preference under most circumstances is that the President/CEO and Board Chair roles be separated. The Board may, from time to time, decide that it is appropriate for the President/CEO and Chair roles to be combined. The roles of Board Chair and President/CEO are distinctly different and are outlined in detail in the Terms of Reference for the Board Chair (Tab 2.4) and President/Chief Executive Officer (Tab 4.1).

The Board may appoint a Vice Chair at any time; however, in instances where the position of the Board Chair and President/CEO are held by the same individual, the Board shall appoint a Vice-Chair/Lead Director (Tab 2.5) with specific responsibilities that reinforce the Board's ability to function independently.

The Vice-Chair/Lead Director provides leadership in guiding the Board and coordinating its activities in the absence of the Board Chair. In the event that the Board Chair is incapacitated, the Vice-Chair/Lead Director assumes all duties and obligations of the Chair as defined in the ICBC Board Governance Manual. On occasion, at the request of the Chair, the Vice-Chair/Lead Director may represent the Corporation at public gatherings or serve as a spokesperson for ICBC.



BOARD OPERATING GUIDELINES

15. Board Committees

The function of Board Committees is to help a Board with a task that belongs to the Board. It is a mechanism that permits deeper examination to be given to issues than could reasonably be given by the full Board in consideration of the many items with which it must deal at any one point in time. The role of Committees is to support, not supplant, Board responsibility.

The Board has developed a set of guidelines that apply to all Committees established by the Board (Tab 3.2). Each Committee operates according to a Board approved mandate outlining its duties and responsibilities. The established Board Committees are the:

- i) Audit Committee;
- ii) Human Resources and Compensation Committee;
- iii) Investment Committee;
- iv) Governance Committee; and
- v) Operations and Planning Committee.

This structure is subject to change from time-to-time, as the Board considers which of its responsibilities will best be fulfilled through more detailed review by a Committee. Each Committee's meeting schedule will be determined by its Chair and members based on the Committee's work plan and terms of reference. By-Law No. 9 requires the Corporation to establish an Audit Committee. Section 4.01 of the By-Law sets the mandate of the Audit Committee.

The Committee Chair will develop the agenda for each Committee meeting, in consultation with the CEO. Each Committee will report in a timely manner to the Board on the results of its meetings.

16. Committee Chairs and Committee Members

The Board Chair, in consultation with the Vice-Chair/Lead Director, is responsible to the Board for annually proposing the leadership and membership of each Committee. In preparing recommendations, the Board Chair will take into account the preferences, skills and experience of each Director.

Committee Chairs and members are appointed by the Board. The Board favours a periodic rotation in Committee leadership and membership in a way that recognizes and balances the needs for new ideas, continuity and maintenance of functional expertise.



BOARD OPERATING GUIDELINES

17. Special Committees/Task Forces

Special Committees/task forces are Board Committees, but differ from other Committees in that each task force is established for a specific period of time to undertake a specific task, and are then disbanded.

Each task force operates according to a Board approved mandate outlining its duties and responsibilities. Guidelines and any terms of reference for current task forces can be found in Tab 3.8 of the Board Manual.

18. Board Meetings and Agendas

The By-Law requires a minimum of four meetings per year on dates determined by the Board.

The date, time, and place of a regular meeting of the Board shall be fixed and notified in writing not less than three (3) business days in advance of the date when it shall occur. The Board Chair and CEO, in consultation with the Corporate Secretary or delegate, will develop and issue the agenda for each Board meeting.

The agenda of such meetings shall generally be distributed not less than five (5) business days in advance but, in special circumstances, not less than twenty-four (24) 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 (10) days in advance. All Directors are free to suggest additions to the agenda.

A majority of the Directors holding office constitutes a quorum for the transaction of business at a meeting and a quorum of Directors may exercise all the powers of Directors at a meeting. No business shall be transacted by the Directors at a meeting unless a quorum is present. A Director may participate in a meeting of the Board or one of its Committees by telephone, video conference or other communications facilities, provided all participants are able to hear each other. A Director participating in a meeting in one of those ways is deemed to be present at the meeting. Questions arising at any meeting of Directors shall be decided by a majority of votes. In a case of an equality of votes, the Chair of the meeting will have a second or casting vote.

A resolution in writing (including by email or other secure electronic means), and agreed to by written signature or by electronically verifiable means by all the Directors, shall be as valid as if it had been passed at a meeting of the Directors duly called and constituted.

The location of meetings shall be as determined by the Board from time to time.



BOARD OPERATING GUIDELINES

19. Board Meetings without Management

Practices that provide opportunity to build relationships, confidence and cohesion among Directors are essential to allow the Board to develop an understanding of its role. One such practice is a regular meeting of Directors without management or management Directors present.

It is important that these opportunities occur regularly, even if the meetings are short, so that they become a recognized and accepted governance practice. Any issues arising in these sessions that bear on the relationship between the Board and management should be communicated quickly and directly to the CEO by the Chair or, in the absence of the Chair or if the same person is serving as both the CEO and Chair, by the Vice-Chair/Lead Director.

The last agenda item at each Board meeting shall be an in-camera session for which item the President/CEO, Corporate Secretary, Management, Management Directors and any staff in attendance shall withdraw.

20. Board Minutes

The Chair shall be provided with the draft minutes of each meeting of the Board within fourteen (14) calendar days of its occurrence and the members shall be provided with the draft minutes of the previous meeting at the next Board meeting. The approved minutes serve as the official record of the Board meeting.

21. Board Deliberations and Confidentiality

The Board of Directors and Management recognize that certain materials for deliberation 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.

22. 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 Office of the Corporate Secretary or delegate who will distribute it with the Board meeting agenda, not less than three business 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 Office of the Corporate 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

BOARD OPERATING GUIDELINES

regarding the material. Matters that are brought to the Board for a decision, particularly those of a strategic or financial nature, will be in a format and at a level and type of information that enables the Board to make a decision. The Board and management will agree on the format and the checklist of information items required for the Board to make a decision.

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 of the Board of Directors, but will be made available to the Office of the Corporate Secretary for inclusion as part of the official record of the Board.

23. Information Flow to the Board

The Board requires clear, consistent and reliable information and analysis that is focused on the key strategies and critical issues facing the Corporation. The type, quality and timing of information are critical to achieving good governance at ICBC. The Board will receive regular reports from management that provide certain information on the measured performance against the annual and multi-year financial, services and capital plans. Information that enables the Board to fulfill its decision-making and oversight responsibilities will be based on certain key performance measures that are directly linked to the Corporation's strategic objectives. 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 Corporation's performance against its strategic and operational plans.

24. 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/CEO, will determine Management attendees at Board meetings, for employees, consultants or other representatives who do not normally attend such meetings. For issues which fall within the terms of reference of a Committee, a Committee Chair may also recommend Management attendees to the Board Chair. No third party shall attend or table material at the Board without prior approval of the Board Chair and, in the case of Board Committee meetings, the Committee Chair.

BOARD OPERATING GUIDELINES

25. Board Relations with Management

Board policies and guidelines shall be made available to Management. Directors may direct questions or concerns regarding Management performance to the Chair and President/CEO, or through Board and Committee meetings.

The Board of Directors and Management must work at developing a sense of trust and confidence in each other's abilities and performance. There must be a clear understanding of and respect for the roles, responsibilities and expectations between the Board and Management.

Directors must respect the organizational structure of Management. As a rule, a Director has no authority to direct staff. An exception to this would involve the unique roles of members of the Audit Committee, who may have occasion to provide direction to the Corporate Auditor. A Board member's requests for information must be coordinated through the President or the appropriate Vice President.

26. Size of the Board

The *Insurance Corporation Act*, section 2(2) sets a minimum size for the Board to consist of three members appointed by the Lieutenant Governor in Council.

From time to time, the Board will consider its size to ensure it has the necessary diversity of skills and experience to fulfill its obligations and make recommendations to government as required. Government sets the Board size through the appointment process.

27. Board Vacancies

The Board may act notwithstanding any vacancy in its body as long as the minimum number of Directors remains in office.

28. Criteria for Board Membership

Although Government has the responsibility to appoint the Directors, the ICBC Board has a responsibility to provide Government with advice regarding the needs of ICBC and the criteria Government might consider when making appointments.

The Board annually reviews the Corporation's strategic direction and the skills, experience, background and diversity of the Board relative to the Corporation'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 and review a list of suitable candidates to be considered for appointment. Any recommendations, which result from the review, will be discussed with the full Board before their being communicated to Government.

BOARD OPERATING GUIDELINES

29. Communicating Director Criteria to the Government

The Board Chair has the responsibility to ensure the criteria developed by the Board are communicated to Government well in advance of the appointment of a Director. The communication should explain the reason(s) the criteria were developed, a list of suitable candidates, and encourage Government to consider the needs of ICBC when making its appointments.

30. Director Orientation and Development

The Governance Committee and the Board Chair and President/CEO share the responsibility to ensure that there is a new Director orientation program and that Directors receive continuing education/development as required.

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 Corporation, 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. As well, there may be occasion for all Directors to participate in special orientation sessions that are to educate and inform on issues of strategic importance to the Corporation.

31. Assessing Board Performance

The Governance Committee is responsible for ensuring there is a process for annually assessing the 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 be working more effectively.

The Board evaluation process may change from year to year on the recommendation of the Governance Committee. It may not be appropriate to do a 'stem to stern' Board evaluation every year. Some years it may be appropriate to focus attention on some aspect of the governance process that the Board feels requires particular attention.

The Board evaluation methodology may also vary from year to year. Some years a questionnaire may be appropriate, other years it may be more effective to undertake interviews with each Director.

There is currently no formal individual Director evaluation process; however the Board Chair has the responsibility to deal with individual Director issues or problems as they may occur from time to time. As well, each year the Board Chair shall meet individually with each Board member to ensure that the Board is functioning effectively and the Director has the resources needed to fulfill his or her responsibilities to the Board.

32. Term of Service



BOARD OPERATING GUIDELINES

Directors serve at the pleasure of the Lieutenant Governor in Council and are appointed for three-year terms or as set out in the relevant Order in Council.

33. Board Compensation

The Government establishes the compensation paid to ICBC Directors. The Governance Committee will review Director compensation annually and will recommend changes in compensation when warranted. Details regarding Director compensation are outlined in Tab 1.9 of this Manual.

34. Outside Advisors for Committees and Directors

Occasionally, a Committee or a Director may need the services of a consultant or an advisor to assist with matters involving their responsibilities. A Committee or Director who wishes to engage an outside advisor at the expense of the Corporation must first obtain the authorization of the Board Chair or the Vice-Chair/Lead Director, in either case in consultation with the CEO.

35. ICBC Subsidiaries

From time to time, ICBC may create subsidiary companies or separate operating units to accomplish specific objectives or tasks. While it is recognized that subsidiaries have separate Board and management, for governance purposes, the subsidiaries are treated as if they were divisions of ICBC (see Tab 7.1).

36. Administrative Support for Directors

The Corporate Secretary or his/her delegate will provide all required administrative services for the Directors of ICBC.

37. Board Guidelines Review

These Board Guidelines are reviewed annually by the Governance Committee and any changes are recommended to the Board for approval.

Last reviewed by the Committee: October 25, 2017

Last updated (per By-Law No.9): July 28, 2016