

CORPORATE GOVERNANCE

The issue of governance in all Crown Corporations has become a priority for the Government of Canada. It was a particular concern for VIA Rail in 2004, following a report by the Auditor General with respect to federal sponsorship programs, which the Corporation had participated in. Throughout 2004, VIA worked to enhance governance as a part of its corporate culture, both through initiatives designed to clarify Board and Management roles, and through the development of new measures to ensure clarity and accountability at all levels of the organization.

The Board of Directors continued to implement a five-part governance program that was developed in 2003. This included the development of a clear Board mandate and agenda as well as a corporate governance manual.

All directors receive this corporate governance manual, that sets out the Corporation's mandate, Board committees, corporate by-laws, and a summary of the legislation governing VIA's operations. Directors also benefit from orientation and training sessions designed specifically for them, thereby facilitating and improving communications between directors.

The Board engaged in a number of initiatives examining the respective roles and responsibilities of the Board and Management. As a result, the Board has implemented a "governance matrix" that clearly defines roles with respect to strategic planning and direction, performance management of Executives and Directors, succession planning, risk assessment and financial oversight.

BOARD COMMITTEES

The Board also worked with VIA management to clarify the mandates of committees of the Board.

AUDIT AND FINANCE COMMITTEE

The mandate for the Audit and Finance Committee deals primarily with reviewing and assessing VIA's financial reporting practices and procedures, and the activities of both internal and external auditors.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee has a broad responsibility for examining governance practices in place at VIA Rail and for making recommendations with respect to such matters to the Board of Directors.

INVESTMENT COMMITTEE

The Investment Committee oversees and makes recommendations to the Board of Directors on the management of the Pension Fund and the Asset Renewal Fund. The Committee also reviews policies, performance and other matters as required.

HUMAN RESOURCES COMMITTEE

The Human Resources Committee is responsible for reviewing and approving total compensation policy and practices, evaluating the performance of the President and Chief Executive Officer, ensuring a succession plan is in place, and reviewing organizational structure.

NOMINATING COMMITTEE

The Nominating Committee makes recommendations to the Board of Directors, which in turn makes recommendations to the Minister of Transport regarding appointments and re-appointments to the positions of the President and Chief Executive Officer and Chairman of the Board. VIA was one of the first Crown Corporations to fully implement the new guidelines for this nominating process, which were established by Treasury Board in 2004.

A NEW COMMITTEE TO OVERSEE RISK MANAGEMENT

The Board believes that the Corporation should have the best possible procedures in place for identifying, assessing and managing risk. In 2004, the Board worked with Management Committee to evaluate and enhance risk oversight functions within the Board's committee structure. As a result, a new Audit and Risk Management Committee has been established for 2005.

ACCOUNTABILITY AND CORPORATE STANDARDS OF CONDUCT

The Board of Directors worked closely with management to address concerns raised by the Auditor General regarding sponsorship issues. The initiatives taken in 2004 include:

- The reinforcement and clarification of contracting and procurement policies, with stricter controls, standardized documentation procedures and regular management oversight.
- The establishment of clearer corporate sponsorship guidelines as well as strengthened approval, control and documentation policies and procedures. These guidelines ensure that VIA, and the federal government, continue to receive good value on sponsorship investments.

In addition, in 2005, VIA will implement a new, system-wide Code of Conduct, based on a thorough review of existing rules and procedures governing employees. VIA will also retain the services of an independent, third-party compliance officer. The officer will set up an ombudsman process to ensure that anyone — inside or outside of the Corporation — is free to raise concerns about VIA operations, and be assured that those concerns will be recognized, addressed and resolved fairly.