

Corporate Governance



VIA's Board of Directors plays a critical role in providing oversight and direction for the management of VIA, and ensuring that the long-term strategic policy of the corporation reflects the best interests of the shareholder. As VIA is a Crown Corporation, the shareholder is the Government of Canada and — ultimately — the people of Canada.

Review of corporate governance practices

A) Independent Review

Corporate governance has been thoroughly reviewed and plans have been put in place to direct on-going improvement at VIA. The result is the emergence of an innovative, effective and wholly modern governance system at the Corporation. The process and results of the changes are described below.

In 2002, the Public Policy Forum, an independent organization, reviewed the governance culture, structure and practices of VIA's Board of Directors. The review concluded that VIA's Board is functioning well. Both management and Directors give the Board high ratings for its effectiveness, noting recent improvements in the Board's structure and rigour in its decision-making process. Directors are seen to represent a diversity of regional interests and other backgrounds that have served the Corporation well.

The Public Policy Forum also found that the relationship between management and the Board is strong, with ample evidence of mutual respect and trust, a situation that is due in part to the Directors' consistent focus on policy rather than operational issues.

In addition, shareholder relations were found to be increasingly professional and efficient. The shareholder, represented by the Minister of Transport and public servants, were also found to be generally pleased with how VIA is working.

The review concluded that the Board is discharging most of its "high-level" stewardship functions efficiently and effectively. However, the Public Policy Forum offered a number of recommendations to further enhance the effectiveness of the Corporation.

As a result of the review's findings, VIA implemented several initiatives to improve corporate governance in 2003. The program was developed to reflect and reinforce the special role of VIA's Board of Directors, which is quite different from that of a board in a private sector corporation.

B) Unique Context

For corporate governance purposes, VIA is a public sector entity with a profound difference from its private sector counterparts. It is an instrument of government policy in transportation, employment and capital expenditure, with a mandate that is fixed by statute and regulation under the *Canada Transportation Act*. The only shareholder is the Government of Canada. There are no external investors. All aspects of corporate management and operations are overseen by Parliament (standing and *ad hoc* committees of the House of Commons and the Senate), Transport Canada, the Minister of Transport, the Department of Finance, the Treasury Board, the Minister of Finance and the Auditor General.

VIA is subject to the *Financial Administration Act*. It thereby has restrictions on transactions, as well as audit restrictions and an internal audit function (by an external audit firm). Every year, the Corporation is audited jointly by an independent auditor and the Auditor General. VIA is also subject to Treasury Board restrictions and to a five-year special examination (a comprehensive, "value for money" audit). VIA's annual budget, operating plans and strategic plans are filed and reviewed by the Minister of Transport, Transport Canada, the Department of Finance and the Treasury Board. VIA's annual reports are filed and reviewed with the Minister of Transport and tabled with both Houses of Parliament.

In addition, VIA's activities are subject to extensive day-to-day review and regulation by Transport Canada, the Transportation Safety Board, the Canadian Transportation Agency, the Canadian Industrial Relations Board, Labour Canada, the Canadian Human Rights Commission, the Commissioner of Official Languages and the Privacy Commissioner. It is also governed by the *Canada Transportation Act*, the *Rail Safety Act*, the *Financial Administration Act*, the *Official Languages Act*, and the *Human Rights Act*.



C) Gold Standard For Corporate Governance

With these considerations in mind, VIA developed a five-part program to enhance corporate governance. The first three components of the program were implemented in 2003, and implementation of the fourth was well under way. The fifth component will be implemented early in 2004.

Board mandate and agenda

The first component of the program was to define the Board's mandate, and establish the annual agenda for Board business. It was felt that this was particularly important given the unique nature of corporate governance at VIA.

Corporate governance manual

All Directors are now provided with a corporate governance manual, which sets out the Corporation's mandate, Board committees, corporate bylaws, and summaries of legislation governing VIA's operations.

Orientation and training for Directors

A two-part orientation and training program for new members of VIA's Board of Directors is being implemented. The first part, provided by the Government of Canada, includes a general orientation to corporate governance in Crown Corporations. The second part, customized specifically for VIA, provides training in matters unique to VIA's mandate and operations. This training will be implemented in 2004.

Regular Board evaluations

A process for conducting regular evaluations of Board performance, in consultation with the Board members themselves, has been established. The first such review was completed in 2003.

Improved communications

A confidential, secure Web site for use by Directors has been developed, and will be operational in 2004. The Web site will make information and documentation easily accessible to Board members, including information on VIA's corporate activities, as well as relevant legislative and regulatory issues. In addition, the site will provide secure e-mail communications between Board members.