

June 18, 2009

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Board Charter and Code of Conduct

The Board of Directors of the Independent Electricity System Operator (IESO) has adopted this Charter as part of its commitment to high standards of corporate governance in pursuing the objects of the IESO set out in the Electricity Act, 1998. This Charter describes the Board's mandate, accountability and composition, and sets out a specific Code of Conduct for the Board.

More detailed information about the IESO's corporate governance is set out in the Governance and Structure By-law and in corporate policies, notably the *Terms of Reference for a Director*. The activities of the Board and its Committees are formally recorded in minutes of meetings.

MANDATE

The Board shall manage and supervise the management of the IESO's business and affairs and shall provide insight, input into and oversight of the development of the IESO's strategic direction. More specifically, the Board's mandate includes:

- periodically reviewing with Management: the strategic environment; the emergence of new risks and opportunities and the implications of such risks and opportunities for the IESO's strategic direction; and the establishment and operation of the IESO-administered markets to promote the purposes of the Electricity Act, 1998 including, without limitation, making market rules and amendments thereto;
- approving strategic plans that take into account the IESO's major risks and opportunities and overseeing the management of those risks;

- appointing, monitoring and assessing the performance of the Chief Executive Officer (“CEO”);
- charging the CEO with the general management and direction of the business and affairs of the IESO;
- overseeing the appointment and training and monitoring the performance of, and succession planning for, Senior Management;
- monitoring the integrity of the IESO’s internal control and management information systems; and
- approving the annual Business Plan, including budgets, of the IESO and monitoring its financial performance to seek to ensure the financial viability of the IESO and the efficient and effective use of its resources.

In fulfilling this mandate, the Board shall meet as often as is necessary but no less than four times per year.

ACCOUNTABILITY

The IESO is not an agent of the Provincial Government and acts independently from the Ministry of Energy and Infrastructure. The Board is accountable for the IESO’s performance within its objects set out in the Electricity Act, 1998, including maintaining the reliability of the IESO-controlled grid and the establishment and operation of the IESO-administered markets. The Board recognizes the broad objectives of the legislative framework in which the IESO operates and shall guide itself so that the IESO operates, and is seen as operating, the electricity system in a reliable manner and that the electricity markets evolve to promote economic efficiency.

BOARD COMPOSITION

Composition of the Board is governed by the Electricity Act, 1998 and the Regulations thereunder. The Board consists of 10 independent members and the CEO.

The tenure of Directors and their maximum terms are set out in the *Electricity Act, 1998*.

The Board has approved the *Terms of Reference for a Director* which sets out the skills, experience and attributes that the Board believes individual Directors and the Board collectively should have. The Board seeks to ensure that the Directors have a mix of skills and experience to provide appropriate leadership and strategic direction to the IESO. When a vacancy on the Board occurs or is pending, the Human Resources and Governance Committee will review the skills, experience and attributes of the continuing Directors. If the Board is invited to nominate individuals for appointment, the Human Resources and Governance Committee will seek out qualified individuals to recommend

to the Board for nomination. If no such invitation is forthcoming, the Human Resources and Governance Committee will provide the Chair with its recommendation on what additional skills, experience and attributes are necessary.

Expectations of a Director

As a member of the Board, each Director shall:

- through the exercise of due diligence, fulfill the legal requirements and obligations of a director set out in the Electricity Act, 1998 namely: a) to act honestly and in good faith with the best interests of the IESO; and b) to exercise the due diligence and skill that a reasonably prudent person would exercise in comparable circumstances;
- ensure that the best interests of the IESO are considered paramount rather than the interests of an individual director or any other interests;
- devote the time necessary for the diligent involvement in Board affairs;
- seek to assist the IESO in the achievement of corporate strategic objectives; and
- monitor his or her continued ability to meet these expectations.

In addition, each Director, if requested, is required to join either the Audit Committee or the Human Resources and Governance Committee, or if struck, another Committee of the Board.

A Director who becomes aware of circumstances which are or are likely to be perceived to be incompatible with his or her independence as contemplated by the *Electricity Act, 1998*, shall forthwith report such circumstances in accordance with the Governance and Structure By-law and shall abide by any safeguards that the Board considers appropriate in the circumstances. The need to take such action may arise in the following circumstances:

- a change in the Director's affiliation or employment;
- the acquisition by his or her employer of an entity that is, or has a material commercial interest in, a market participant;
- having a personal or business interest in a matter requiring Board decision, arising either directly (e.g. through an ownership or employment interest) or indirectly (e.g. through potential benefit from participation in a sector of the electricity industry).
- adopting an adversarial position toward the IESO;

- being appointed to any position that creates or appears to create inherently conflicting responsibilities; and
- being unable to either attend meetings of the Board or Committees to which he or she has been appointed consistent with the standard set out in the *Terms of Reference for a Director* or participate in Board and Committee meetings.

In contributing to a Director's discharge of his or her duties under this Charter, each Director shall be obliged to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended or may be construed as imposing on any Director a standard or care of diligence that is in any way more onerous or extensive than the standard to which the Directors are subject at law.

SPECIFIC CONDUCT AS A DIRECTOR

To enable the Board to discharge its collective responsibilities for stewardship of the IESO, including oversight and strategic leadership, each Director shall:

- maintain independence and objectivity;
- conduct himself or herself honestly, fairly, ethically and with integrity;
- contribute views based on his or her unique skills and experience;
- bring to the attention of the Board diverse perspectives while continuing to act in the best interests of the IESO;
- act consistently with the statutory obligations of the IESO; and
- exercise authority as a Director only at meetings of the Board or its Committees or as specifically delegated by the Board.

In fulfilling his or her duties, a Director may from time to time need access to members of Senior Management but should address any such requests to the CEO or to the Corporate Secretary.

Notwithstanding the foregoing, the Chair of the Board and each of its Committees are hereby delegated the authority to work with Senior Management of the IESO and with other organizations and external advisors, as appropriate, in order to fulfill their mandates. For certainty, the authority exercised by the CEO in the general supervision and active management of the affairs of the Corporation has been delegated to him or her under the by-laws of the Corporation.

PRINCIPLE OF CONFIDENTIALITY

Confidential Information means all data and information relating to the business, management and affairs of the IESO or of any person or market participant, including proprietary and trade secrets and technology and accounting records, which is or comes to be in the possession or control of the IESO; provided, however, Confidential Information shall not include any data or information which:

1. is or becomes publicly available with the permission of the IESO (or without any breach by the Director) in accordance with policies and procedures approved by the Board or the person or market participant who has provided the Confidential Information; or
2. is required to be disclosed pursuant to court order or other legal compulsion.

Each Director shall use all reasonable efforts to keep all Confidential Information confidential and no Director shall use Confidential Information for personal gain or use. This obligation survives the termination of a Director as a director of the IESO.

COMPLIANCE

A Director who has concerns about his or her own conduct or the conduct of another Director regarding compliance with this Code of Conduct should raise those concerns with the Chair. The Chair may seek the advice of other Directors or advisors and will communicate his or her decision directly to the Director whose conduct is at issue.

ANNUAL AFFIRMATION AND REVIEW

Directors are to sign annually an affirmation that they have read and understood and will comply with this Charter.

The Human Resources and Governance Committee periodically reviews this Charter and may recommend changes for approval by the Board to enhance its effectiveness in ensuring achievement of the level of conduct expected of all Directors.

REQUESTS FOR CLARIFICATION

Requests for clarification of this Charter or of any other aspect of a Director's responsibilities should be directed to the Chair.