

# Fleet Modernization Committee Mandate

## VIA Rail Canada Inc.

### 1 PURPOSE

The Board of Directors (“Board”) has delegated to the Fleet Modernization Committee (the “Committee”) the responsibility for oversight and monitoring of the following:

- 1.1 the acquisition and conditioning of the new fleet of trains for the Quebec City – Windsor Corridor in compliance with the procurement and project management processes established by the Corporation (the “Corridor Fleet Replacement Program”) which also includes the upgrading of the VIA Rail Montreal Maintenance Centre and the VIA Rail Toronto Maintenance Centre, in order to deploy, service and maintain VIA Rail’s heritage and new fleet and equipment, without jeopardizing the Corporation’s current maintenance operations; and
- 1.2 the refurbishment of the heritage fleet (the “Heritage Fleet Modernization Program” together with the “Corridor Fleet Replacement Program” and the “Maintenance Facilities Upgrade Program”, the “Fleet Modernization Program”); and
- 1.3 the risk identification, evaluation and treatment related to the Fleet Modernization Program.

The goal of this Committee’s increased oversight is to facilitate greater supervision of the Fleet Modernization Program and to provide assurance to the Board that appropriate due diligence is conducted, risks assessed and mitigated, and reputation preserved, while successfully advancing the Corporation’s Fleet Modernization Program in compliance with the scope, timeline and budget presented to the Board.

### 2 COMPOSITION

- 2.1 The Committee shall be appointed by the Board and consist of at least three (3) directors of the Corporation.
- 2.2 The Chairperson of the Committee shall be appointed by the Chairperson of the Board.
- 2.3 It is recommended that one member of the Committee should have experience in project risk management.
- 2.4 The Chairperson of the Board and the President & Chief Executive Officer are ex-officio members of the Committee and may attend Committee meetings at their discretion.

- 2.5 The membership of the Committee as well as the chairpersonship shall be reviewed from time to time at the discretion of the Chairperson of the Board.

### 3 OPERATING PRINCIPLES AND PROCEDURES

- 3.1 **Chairpersonship:** The Chairperson of the Committee shall preside at all meetings of the Committee.

- 3.2 **Absence of Chairperson of the Committee:** Should the Chairperson be absent or unable or refuse or fail to act, the members present may choose a chairperson from among their number unless the Chairperson has already appointed one of the directors to act as the chairperson for this specific meeting.

- 3.3 **Quorum:** A majority of members of the Committee shall constitute a quorum.

In the event any Committee member declares a conflict of interest with regards to any one or more matters under consideration by the Committee, such Committee member will not attend that portion of the meeting dealing with such matter(s) and the foregoing quorum requirement will be reduced by one (1) or more if many members are in conflict with regards to any decision or recommendation made with respect to such matter(s).

- 3.4 **Voting:** A matter to be recommended for approval at a meeting of the Committee shall be decided by consensus. If no consensus is reached in the opinion of the Chairperson of the Committee, the Chairperson of the Committee may call for a vote and such matter shall then be decided by a majority of the votes cast. In the event of an equality of votes, the members shall attempt to resolve the matter by further discussion; however, in the absence of agreement, the Chairperson of the Committee has a casting vote.

- 3.5 **Frequency of Meetings:** The Committee shall meet at least four times annually, or more as required.

- 3.6 **In camera session:** At each Committee meeting, the Chairperson of the Committee shall determine if an in-camera session is necessary.

- 3.7 **Supplemental Attendees:** Any person who may possess information that would be useful to the Committee in carrying out its duties may be invited by the Chairperson of the Committee to attend any meeting of the Committee.

- 3.8 **Reporting:** The Chairperson of the Committee shall report on its activities to the Board on a quarterly basis.

**3.9 Review of Mandate:** The Committee shall review and assess annually the adequacy of its mandate in collaboration with the Chairperson of the Board, the President & Chief Executive Officer and the Corporate Secretary.

**3.10 Self-assessment:** The Committee shall regularly conduct a self-assessment of its performance and the Chairperson of the Committee shall discuss the results with the Chairperson of the Board.

**3.11 Outside Advisors:** Subject to approval of the Chairperson of the Board, the Committee has the authority to engage outside advisors including, but not limited to, legal counsels, technical advisors, consultants and other experts, as needed, to review any matter under its responsibility.

**3.12 Work plan:** The Committee shall, in consultation with management, develop an annual work plan responsive to the Committee's responsibilities and duties.

## **4 DUTIES AND RESPONSIBILITIES**

### **4.1 Oversight of the Fleet Modernization Program**

With respect to the Fleet Modernization Program, the role of the Committee may include, among other things, the following responsibilities depending on the circumstances:

- (a)** overseeing the execution of the Fleet Modernization Program, including any measure aimed at ensuring the timeliness of such program;
- (b)** updating the Board on the Fleet Modernization Program;
- (c)** taking reasonable measures to ensure that the Fleet Modernization Program does not have a material adverse effect on VIA Rail's current operations;
- (d)** making sure that management of the Corporation maintains free and open communications with the Committee, the Board and the Government of Canada's Deputy Ministers and Assistant Deputy Ministers Oversight Committees regarding any aspect of Fleet Modernization Program; and
- (e)** making sure that the management of the Corporation puts in place practices, procedures and policies to ensure the Fleet Modernization Program is implemented using best practices and in compliance with the Corporation's obligations.

In connection with the Fleet Modernization Program, the Committee shall receive regular reports from management containing such information it deems relevant to fulfill its mandate, including but not limited to information concerning:

- (a) program governance, including program scope, program structure, staffing and overall management;
- (b) program plans and expected outcomes;
- (c) program timetable, critical path events and progress to completion;
- (d) major program milestones, including variance analysis and mitigation strategies;
- (e) key risks and proposed mitigation strategies; and
- (f) program budget updates, showing actual expenditures versus budget, use of contingencies and projected final expenditures.

#### **4.2 Budget & Authority Matrix**

In satisfying its role, the Committee will review the progress of the Fleet Modernization Program budget including reports on actual results, variance in the budget and success in meeting goals.

Furthermore, the Committee will oversee compliance by management with the governance framework and authority matrix of the organization or any revised framework and authority matrix that may be adopted from time to time by the Board in connection with the Fleet Modernization Program and any of its underlying programs.

#### **4.3 Risk Assessment**

The Committee will periodically review, identify, evaluate and assess the treatment of risks to which the Fleet Modernization Program may be exposed, and provide its input to the Board, including risks related to:

- (a) the alignment of the Fleet Modernization Program with the desired outcomes set forth in the Corporation's strategic plan;
- (b) the delivery of the Fleet Modernization Program in compliance with the scope, timeline and budget presented to the Board, as revised from time to time; and
- (c) the management's prioritization of projects or programs in order to meet critical path events and major program milestones to completion.