

# MAJOR PROJECTS & FLEET MODERNIZATION COMMITTEE MANDATE VIA RAIL CANADA INC.

## 1. PURPOSE

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

- 1.1. the major projects & programs identified as such by the Major Projects / Fleet Modernization Committee, including but not limited to:
  - 1.1.1. 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 (the “Maintenance Facilities Upgrade Program”);
  - 1.1.2. 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”);
- 1.2. the Corporation’s policies, practices and procedures regarding management of major projects & programs;
- 1.3. the monitoring of capital spending;
- 1.4. the risk identification, evaluation and treatment related to each topic listed above.

The goal of this Committee’s increased oversight is to facilitate greater review of major projects and the Fleet modernization Program activities and provide assurance to the Board that appropriate due diligence is conducted, risks assessed and mitigated, and reputation preserved, while ensuring such projects remain in scope, on time and on budget.

## 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 desirable that each member of the Committee be literate in major project management and governance matters or becomes so within a reasonable period of

time after appointment to the Committee. “Literate in major project management and governance matters” means the ability to understand the value for money and assess major project and program risks that present a breadth and level of complexity that is generally comparable to the breadth and level of complexity that can reasonably be expected to be raised by the Corporation’s major projects.

- 2.4 It is desirable that at least one member of the Committee has experience in project risk management.
- 2.5 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.
- 2.6 The membership of the Committee as well as the chairmanship shall be reviewed from time to time at the discretion of the Chairpersonship 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 after each Committee meeting.
- 3.9 Review of Mandate:** The Committee shall review and assess regularly 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, consultants and other experts, as needed, to review any matter under its responsibility.
- 3.12 Workplan:** The Committee shall, in consultation with management, develop an annual workplan responsive to the Committee's responsibilities and duties.

#### **4. RESPONSIBILITIES AND DUTIES**

##### **4.1 Oversight of Major Projects / Fleet Modernization Program**

The Major Projects / Fleet Modernization Committee shall determine the projects or programs to be identified as appropriate for the Major Projects / Fleet Modernization Committee oversight, utilizing but not limited to the following criteria:

- a) the total for the project or program being greater than \$10M;
- b) the assessment of the importance of the project or program in meeting the desired outcomes of the Corporation's strategic plan;
- c) the project's or program's key risks, including execution risks; or
- d) the complexity of the project's or program's scope (i.e. organization-wide, multi-year).

In connection with each project or program, the Major Projects / Fleet Modernization 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) project governance;
- b) program plans and expected outcomes;
- c) project timetable, critical path events and progress to completion;
- d) major project milestones, including variance analysis and mitigation strategies;
- e) key risks and proposed mitigation strategies; and
- f) project budget updates, showing actual expenditures versus budget, use of contingencies and projected final expenditures.

The Major Projects / Fleet Modernization Committee is not responsible to ensure oversight of the projects and programs pertaining to the High Frequency Rail Project as the High Frequency Rail & Stakeholders Relations Committee was created for this specific purpose.

#### **4.2 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 and the Board 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.

### **4.3 Management of Major Projects and the Fleet Modernization Program**

The Major Projects / Fleet Modernization Committee shall evaluate and offer advice to the Board to ensure that the Corporation has appropriate policies, practices and procedures in place to confirm value for money and address project and program risks in developing and implementing projects and programs.

In satisfying this role, the Major Projects / Fleet Modernization Committee will also review and assess relevant reports related but not limited to:

- a) management's project prioritization;
- b) management's risks identification methodology and elaboration of mitigation plans;
- c) management's methods of validating project plans including scope, timetable and budget;
- d) key performance indicators reported indicating program and project status;
- e) management's approach to ongoing project financial assessment, comparing forecasts to actuals and outlining the causes of material variances; and
- f) management's thoroughness in capturing critical path events, progress to completion and major project milestones.

### **4.4 Capital Spending**

The Major Projects / Fleet Modernization Committee shall review and monitor quarterly the Corporation's progress in implementing its capital spending program including activity reports on actual achievement of milestones, variances in budgets and schedules, and overall success of the following spending program elements:

- a) equipment;
- b) infrastructure;
- c) stations and lands;
- d) maintenance centres; and
- e) information technology infrastructure.

### **4.5 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 Corporation 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.

#### **4.6 Risk Assessment**

The Major Projects / Fleet Modernization Committee shall periodically review, identify, evaluate and assess the treatment of risks to which the Business Transformation and Capital Asset Management functions are exposed, and provide its input to the Board, including risks related to:

- a)** the alignment of key projects or programs with the desired outcomes of the corporation's strategic plan;
- b)** the delivery of projects or programs in scope, on time and on budget; and
- c)** the management's prioritization of projects or programs and its thoroughness in capturing critical path events and major program milestones to completion.