

## Draft Minutes of the Board of Directors

**Thursday, November 7, 2019**

The Western Climate Initiative, Inc. Board of Directors (the “Board”) held its annual meeting on November 7, 2019, at the Discovery Centre, Halifax, Nova Scotia. The Board approved the May 14<sup>th</sup> meeting minutes, reviewed corporate policies, elected officers and appointed members to standing committees, received the Treasurer’s annual evaluation of compliance with Funds Management Policy and reviewed the 2020 Budget. The meeting was called to order by the Chair, Éric Thérour, at approximately 1:19 p.m. Atlantic Time / 12:19 p.m. Eastern Time / 9:19 a.m. Pacific Time. Eric Turcotte kept the minutes of the meeting. The meeting was conducted in English only. One member of the public attended the meeting via teleconference.

### Attendance

The following Directors were present for the public session, constituting a quorum pursuant to the By-Laws:

- Éric Thérour (Chair)
- Jean-Yves Benoit (Treasurer)
- Jason Hollett (Secretary)
- Rajinder Sahota (on behalf of Mary Nichols)
- Mark Wenzel (on behalf of Jared Blumenfeld)
- Lilani Kumaranayake

Also present were:

- Lauren Sanchez, State of California
- France Delisle, Province of Québec
- Stephane Legros, Province of Québec
- Brittany White, Province of Nova Scotia
- Simone Charron, Province of Nova Scotia
- Greg Tamblyn, WCI, Inc.
- Eric Turcotte, WCI, Inc.
- Maria Montoya, WCI, Inc.
- Umesh Ghodke, WCI, Inc.
- Chris Delfino, Delfino Madden

Mr. Thérour opened the meeting for public session and roll call was taken by Mr. Tamblyn. A quorum was established. Following brief introductions, Mr. Thérour asked if any Board members had any changes or additions to the agenda. Hearing none, the Board moved to the first agenda item.

## I. Approve May 14, 2019 Board Meeting Minutes

The May 14, 2019 minutes were presented in both English and French. Mr. Th  roux asked if there were any questions or comments to the minutes. Hearing none, Mr. Th  roux asked for a motion to approve the minutes. The motion by Mr. Hollett was seconded by Mr. Benoit and unanimously approved by the Board.

## II. WCI, Inc. Corporate Policies

WCI, Inc. Corporate Counsel, Chris Delfino, gave an overview of the Ethical Guidelines and Conflict of Interest Policy. Mr. Delfino reminded the Board of Directors that the Ethical Guidelines and Conflict of Interest policy must be signed annually by each Director and Board Alternate. Mr. Tamblyn will be collecting all signed copies and report back to the Chair once all the documents have been received.

## III. Elect Officers and Appoint Standing Committee Members for 2019-2020

### a) Officers

As provided for in the By-Laws, the Board elects officers and appoints members to standing committees annually. Mr. Th  roux made a motion on the following resolution:

**RESOLVED** that the following-named persons are elected to the offices set forth beside their respective names, to serve until the next annual meeting of the Directors and until their successors are duly elected and qualified:

- **Chair:** Eric Theroux
- **Vice Chair:** Mary Nichols
- **Treasurer:** Jean-Yves Benoit
- **Secretary:** Jason Hollett

Mr. Th  roux asked if there were any questions from the Board. Hearing none, the motion proposed by Mr. Th  roux was seconded by Ms. Kumaranayake and unanimously approved by the Board.

### b) Appointment of Standing Committee Members

#### i. Executive Committee

The membership of the Executive Committee is established in the By-Laws, and consists of the four corporate officers and additional Class A directors as approved by the Board. The Chair of the Board serves as chairperson of the Executive Committee.

Upon a motion by Mr. Th  roux and seconded by Mr. Wenzel, the Board unanimously approved the following resolution:

**RESOLVED** that the Executive Committee shall be comprised of the following Directors:   ric Th  roux, Mary Nichols, Jean-Yves Benoit, Jason Hollett.

#### ii. Audit Committee

The Audit Committee shall consist of no fewer than two and no more than six independent, non-compensated, Class A directors. This Committee shall oversee the quality and integrity of the Corporation's accounting, auditing and reporting

practices. The specific powers and responsibilities of the Audit Committee shall be specified in an Audit Committee Charter, which shall be adopted from time to time by the Board.

Upon a motion by Mr. Th  roux and seconded by Mr. Benoit, the Board unanimously approved the following resolution:

**RESOLVED** that the Audit Committee shall be comprised of the following Directors: Lilani Kumaranayake, Jared Blumenfeld,   ric Th  roux.

**iii. Finance Committee**

The Finance Committee shall advise the Treasurer and the Board as to the investments, budget, and general fiscal policy of the Corporation. The Finance Committee shall consist of at least two Class A directors, one of whom shall be the Treasurer, who shall serve as chairperson of such Committee.

Upon a motion by Mr. Th  roux and seconded by Mr. Hollett, the Board unanimously approved the following resolution:

**RESOLVED** that the Finance Committee will be chaired by the Treasurer and shall be comprised of the following Directors: Jean-Yves Benoit (Chair of the Committee), Mary Nichols, Jason Hollett.

## IV. Finance Committee Report

**a) Treasurer's Evaluation of Compliance with Funds Management Policy**

Mr. Benoit provided an overview of the report. He indicated that WCI, Inc. maintains a Fund Management Policy that establishes requirements for the management of the Corporation's funds, including that the Treasurer, in collaboration with the Finance Committee, shall prepare and present to the Board an evaluation of the compliance with the Policy at least annually.

Mr. Benoit noted that the Corporation has been in full compliance with the requirements of the Policy, following the Board approval of the May 14, 2019 amendment to the Policy. The amendment provided more flexibility to the Executive Director to manage the cash-flow requirements of the Corporation, as it allowed for funds to be uninsured in limited circumstances, namely to clear a temporary hold by a Custodian when the Corporation receive a payment from a jurisdiction or to support administrative efficiency when an investment comes to maturity. Before that amendment, it was not possible for WCI, Inc. to fully comply with the requirements of the Policy.

Mr. Benoit highlighted the main findings of the report, indicating that funds were managed in a manner that: complies with all applicable laws; complies with all requirements specified in funding agreements entered into by the Corporation; supports the cash flow requirements of the Corporation; preserves principal to the maximum extent possible; and achieves a competitive rate of return consistent with the objective of preserving principal.

Mr. Benoit asked if there were any questions from the Board. Hearing none, he asked if the information provided in the 18-month cash flow report provided by the Treasurer to the

Executive Committee is useful, and if the Board would like to suggest any change. Ms. Kumaranayake indicated that she will follow-up by email to suggest some streamlining edits. Mr. Wenzel noted his appreciation for the graphic information presented in the report and indicated that he would confirm with Mr. Blumenfeld if he would like to see any change. Ms. Sahota noted that the report should highlight change or issues of interest for the Board. Mr. Benoit indicated that this information is available on the first page of the report, while the other pages present additional statistics supporting this information, but that he would be happy to work to further streamline the report.

Mr. Thérourx asked if there were any questions from the public, there were no questions.

**b) Finance Committee presentation of the 2020 budget and projected expenses for 2021**

Mr. Thérourx asked Mr. Tamblyn to provide a summary of the 2020 Budget and Projected Expenses for 2021.

Mr. Tamblyn indicated that the Board will be asked to approve the Budget in a closed session of the Board directly after the open session, since WCI, Inc. is preparing to re-compete contracts next year and disclosing additional information would adversely affect the procurement process and the interests of WCI, Inc. and the Participating Jurisdictions.

The budget and projected expenses were developed with input from the Participating Jurisdictions based on the needs for their cap-and-trade programs. The 2020 Budget was also influenced by two developments: the request from Nova Scotia to utilize the auction and financial services provided by WCI, Inc. starting in 2020 and the continued implementation of the WCI, Inc. Strategic Plan. The resulting budget and projected expenditures provide the best estimates of anticipated fiscal requirements for operation of WCI, Inc.

The budget and projections were presented in two categories: Cap-and-Trade Services and Personnel and Operations. The 2020 budget for Cap-and-Trade Services is approximately \$4.6 million and \$2.6 million for Personnel and Operations for a total of \$7.2 million. The 2021 projections are approximately \$6.9 million for Cap-and-Trade Services and \$2.8 million for Personnel and Operations for a total of \$9.7 million.

Mr. Thérourx asked if there were any questions or comments from the Board. Mr. Benoit noted the proposed budget has been reviewed by the Finance Committee and it is consistent with previous budgets and with WCI, Inc. upcoming operations requirements.

Ms. Kumaranayake asked for clarification of the cost increase for cap-and-trade services between 2019 and 2020. Mr. Tamblyn explained that budget for cap-and-trade services increased by approximately \$2.2 million from 2019 to 2020.

Mr. Thérourx asked if there were any questions or comments from the public. Matt Lithgow from Carbon Pulse asked if WCI, Inc. is taking proactive actions to ensure that the recent lawsuit filed by the US federal government will have minimal impact on market participants. Mr. Delfino indicated that the Board will have separate discussions in Executive Session to discuss WCI, Inc.'s response, and that it is too soon to comment at this time.

Mr. Lithgow asked whether the results of the work undertaken to develop a methodology to account for the flows of compliance instruments across linked programs would be made public. Mr. Benoit indicated the work is still ongoing and he expects that the work will be shared publicly in the coming months.

Mr. Lithgow asked if Nova Scotia had an update on the dates and how many auctions it would hold starting in 2020. Mr. Hollett indicated that there is no update available at this time, but that information will be released when it becomes available.

There being no other business, the public session adjourned at 1:52 p.m. Atlantic Time / 12:52 p.m. Eastern Time / 9:52 a.m. Pacific Time.

Respectfully submitted,

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Jason Hollett, Secretary