

BRITISH COLUMBIA RAILWAY COMPANY

DIRECTORS AND OFFICERS STANDARDS OF ETHICAL CONDUCT

PURPOSE & OBJECTIVE

The purpose of this document is to establish minimum standards of conduct expected and required of all directors and officers of the British Columbia Railway Company and its subsidiaries (collectively, the "Company"). These standards are not intended to be exhaustive, and are in addition to any statutory or common law duties and obligations applicable to directors and officers. If other issues arise, they should be determined in accordance with the general principles of this document and by the exercise of sound business and ethical judgment.

The standards consist of principles, duties and ethical and conflict of interest standards. All of these elements are of equal importance.

The Company has appointed an Ethics Advisor whose duty, among others, is to provide advice to the Company and its directors and officers regarding the application of these standards.

APPLICATION

In these standards, a reference to the "Company" is to be interpreted as a reference to the corporation or corporations within the British Columbia Railway Company including any of its direct or indirect subsidiaries or partnerships of which an individual is a director or officer.

These standards apply to the following individuals (called "officers") who are directors or officers of the Company:

- directors of the Company;
- the President and Chief Executive Officer;
- all Presidents and Chief Operating Officers;
- all Vice-Presidents; and
- the Corporate Secretary

The standards also govern the operation and conduct of the Company as a whole respecting all corporate transactions including contracts, agency relationships, business alliances, partnerships, joint ventures and public private partnerships.

PRINCIPLES

The Company is committed to engaging in relationships with the public, with the business community, and with its employees in an environment which:

- recognizes the economic role of the Company both across the province and in local communities;
- operates in an environmentally responsible manner that complies with applicable environmental legislation;
- provides efficient, integrated transportation and real estate services that are customer-focused and market-driven;
- promotes a safe and healthy workplace;
- values and respects multiculturalism and cultivates understanding and mutual acceptance of cultural diversity among all customers, suppliers, employees and stakeholders;
- is free from favouritism, conflict of interest, fear, coercion, discrimination and harassment;
- requires that officers act in the best interests of the Company in a manner which accounts for both the public policy and the business objectives of the Company; and
- requires officers to provide leadership and direction on these standards and the Corporate Code of Conduct Policy.

DUTIES

The following duties are applicable to officers and are in addition to other laws governing the duties of directors.

Duty of Loyalty

An individual that is an officer must act honestly, in good faith, and in the best interests of the Company. In placing the interests of the Company ahead of their own personal or business interests, an officer must:

- avoid situations that place the officer in a conflict of interest;
- be honest in the officer's dealing within the Company and with others on behalf of the Company;
- maintain the confidentiality of information received by the officer in the capacity as an officer; and
- avoid situations where the officer could profit at the expense of the Company, appropriate a business opportunity of the Company, or otherwise put the officer in a position of conflict between the officer's own private interests and the best interests of the Company.

If a director has been selected to the board of the Company as a nominee or representative of a stakeholder group or region, the officer must uphold the above duties to the Company, even when those duties conflict with the wishes of the stakeholder or constituent. An officer must clearly understand that his or her primary duty is to act in the best interests of the Company.

Duty of Care

An officer owes a duty of care to the Company and must exercise the degree of skill and diligence reasonably expected from an ordinary person of his or her knowledge and experience.

Duty to Disclose

An officer has a duty to disclose to the Ethics Advisor any interest, relationship, benefit, opportunity, activity or transaction that could lead to or result in a real or apparent conflict of interest. This includes an officer's duty to disclose to the Ethics Advisor his or her private interests in properties or transactions in which the Company is involved or proposed to be involved. Directors of the Company may also be required to make this disclosure to the Board of Directors of the Company and officers who are not directors may also be required to make this disclosure to the President and Chief Executive Officer.

Other Duties

Federal and provincial legislation extends liability to officers for various actions or omissions (e.g. environmental protection legislation). An officer should become familiar with the relevant legislation applicable to the Company and should be satisfied that appropriate safeguards are in place to ensure the compliance by the Company with that legislation.

ETHICAL AND CONFLICT OF INTEREST STANDARDS

A conflict of interest may be real or apparent.

A real conflict of interest occurs when an officer exercises an official power or performs an official duty or function and with the full knowledge that, in the exercise of the official power or the performance of the duty or function, there is the opportunity to further his or her private interest.

An apparent conflict of interest occurs when a reasonably well-informed person could have a perception that an officer's ability to exercise an official power or perform an official duty or function was or will be affected by the officer's private interest.

An officer must perform his or her responsibilities in a manner that avoids any real or apparent conflict of interest between his or her private interests and the interests of the Company.

An officer should consult with the Ethics Advisor if in doubt about whether a real or apparent conflict of interest arises. An officer must also exercise due diligence in avoiding potential conflicts of interest in the future. Upon appointment or employment to the Company, an officer must consider, in consultation with the Ethics Advisor, whether arrangements (e.g. blind trust, divestiture) for his or her private interests and financial affairs are necessary to prevent a real or apparent conflict of interest from arising.

The following provides some specific guidance in areas where conflicts of interest or other ethical issues may arise. It is not exhaustive.

Furthering of Private Interests

If an officer is directly or indirectly interested in a proposed activity or transaction with the Company or if the officer has discretionary, decision-making power which could bring about financial benefit to the officer due to his or her financial holdings or business and property interests, there is potential for a conflict of interest. At a minimum the officer must disclose these circumstances and these holdings to the Ethics Advisor. The officer's involvement in the activity or transaction should only continue if the Ethics Advisor determines that there is a compelling reason for the activity or transaction to continue.

An officer must not engage in such activities or transactions where the activity or transaction may be detrimental to the Company or where the activity is in substantial conflict with the proper discharge of the officer's duties to the Company. Officers cannot divert to themselves, their spouses, their children or a private firm or corporation in which they or any of these individuals have an interest, a business opportunity that the Company is pursuing.

Corporate Information and Opportunities

An officer must not engage in any transactions for personal profit which result or may result from the officer's official position or authority or access to confidential or non-public information which the officer gains by reason of such position or authority.

Confidential information is information that is not generally available to the public that an officer receives through his or her office or employment. An officer must not use confidential information that is gained due to his or her position or authority in order to further the officer's private interests. Officers must also not disclose such information to anyone not authorized to receive such information, including spouses, associates, family, friends, or persons with whom the officer is connected by frequent or close association.

Preferential Treatment

An officer must not act in his or her official role to assist others in their dealings with the Company if this may result in preferential treatment. An officer who exercises regulatory, inspection or other discretionary authority over others should disqualify themselves from dealing with individuals where the officer's relationship with the individual could bring the officer's impartiality into question.

Corporate Property

An officer must not use corporate property to pursue his or her private interests or the interests of his or her spouse, associates, family, friends or persons with whom the officer is connected by frequent or close association, or a private corporation controlled by any of these individuals. Corporate property includes real and tangible items such as land, buildings, furniture, fixtures, equipment, supplies, and vehicles and also includes intangible items such as data, computer systems, reports, information, proprietary rights, patents, trademarks, copyrights, logos, name and reputation. The Company may, through prior written approval by an appropriate person within the Company, authorize an officer to use corporate property

where doing so does not result in additional costs to the Company, does not detract from an officer's performance of duties to the Company, and does not result in a material personal gain.

Gifts, Benefits and Entertainment

An officer must not solicit or accept benefits, entertainment or gifts in exchange for or as a condition of the exercise of his or her duties or as an inducement for performing an act associated with the officer's duties or responsibilities to the Company except within the guidelines set forth below. An officer generally may accept gifts, hospitality or other benefits associated with his or her official duties and responsibilities if such gifts, hospitality or other benefits:

- are within the bounds of propriety, a normal expression of courtesy or within the normal standards of hospitality;
- would not bring suspicion on the officer's objectivity and impartiality; and
- would not compromise the integrity of the Company.

An improper gift or benefit should be returned to the person offering it as soon as practicable. If there is no opportunity to return an improper gift or benefit, or where the return may be perceived as offensive for cultural or other reasons, the gift must immediately be disclosed to the Ethics Advisor and turned over to the Ethics Advisor who will make a suitable disposition of the item.

Outside Activities

An officer must not engage in employment, practice a profession, carry on a business, or hold an office or directorship, if any of these activities are likely to conflict with the officer's duties and loyalty to the Company. Officers must refrain from conduct which compromises or may be perceived to compromise their ability to carry out their duties in an impartial manner and must be mindful that the public may not distinguish between their role in the Company and their role in outside activities.

Post Service Restrictions

An officer must continue to observe his or her duties of confidentiality after employment or office with the Company and is expected to refrain from taking improper advantage of his or her previous employment or office.

Public Comment

An officer should not engage in activity or speak publicly on matters where this could be perceived as an official act or representation of the Company, unless the act or representation is authorized by an appropriate person within the Company. An officer should not speak publicly on matters which are likely to be an embarrassment to the Company, to bring the Company into disrepute, or to adversely affect the activities of the Company.

Political Activities

Every officer is free to participate in political activities. An officer's political activities, however, must be clearly separated from activities related to his or her employment or appointment. If engaging in political activities, officers must remain impartial and retain the perception of impartiality in relation to their duties and responsibilities to the Company. Officers must not engage in political activities during working hours or use corporate facilities, equipment, or resources in support of these activities. Partisan politics must not be introduced into the workplace in any way which creates undue or inappropriate influence on employees within the Company, or persons or business enterprises with whom the Company does business. In order to ensure its independence and objectivity, the Company does not use corporate funds, goods, or services as a contribution to political parties, candidates, campaigns or referenda.

Working Relationships

Officers hold positions of exceptional and pervasive power and trust in relationship to all other employees and, in some cases, other officers. An officer must take the greatest possible care to ensure that the interests of the Company are not negatively affected by immediate family relationships or social/romantic relationships between the officer and an employee or other officer. Family and social/romantic relationships can lead to perceptions of favouritism, concerns about undue influence and opportunities for collusion. Additionally, social/romantic relationships can expose the officer and the Company to allegations of sexual harassment.

Before initiating a social/romantic relationship with an employee or another officer, an officer must inform the Ethics Advisor. The Ethics Advisor shall determine whether sufficient safeguards can be put in place to ensure that the interests of the Company are not compromised.

Before employing an immediate family member of an officer, the Ethics Advisor must be informed of the proposed hiring. The Ethics Advisor shall determine whether sufficient safeguards can be put in place to ensure that the interests of the Company are not compromised.

An "immediate family member" is a parent, child, spouse as defined in this policy or an individual who cohabits with the officer.

Allegations of Wrongdoing

An officer has a duty to report to the Ethics Advisor any activity which he or she believes:

- contravenes the law;
- represents a real or apparent conflict of interest, a breach of these standards, or a breach of the Company's Corporate Code of Conduct Policy;
- represents a misuse of Company funds or assets; or
- represents a danger to public health, safety, or the environment.

These reports will be treated as confidential unless disclosure of the information is required by law. An officer will not be subject to discipline or reprisals for bringing forward, in good faith, allegations of wrongdoing.

Investigations of wrongdoings will be conducted in a manner that will be determined at the sole discretion of the Ethics Advisor. Where the allegations of wrongdoing concern directors, the Ethics Advisor will report the allegations and any findings of any investigations carried out to the Chair of the Board of Directors. Where the allegations of wrongdoing concern those individuals reporting to the President and Chief Executive Officer, the Ethics Advisor will report the allegations and any findings of any investigations to the President and Chief Executive Officer. In appropriate circumstances, it may be necessary for the Ethics Advisor to report the wrongdoing to the shareholder of the Company.

IMPLEMENTATION OF STANDARDS

Administration and Enforcement of Standards

The Company has appointed an Ethics Advisor who is responsible to:

- act as a resource to provide central responsibility for administering these standards;
- provide advice to officers on conflicts of interest, including actions for avoiding a conflict of interest (See Appendix A on actions to avoid conflicts);
- monitor the degree of compliance with these standards;
- investigate breaches and enforcement of these standards; and
- give appropriate guidance and training on ethical subjects as well as the content and meaning of these standards to officers.

Disclosure of Interests

The following is required of an officer with respect to disclosure of interests:

- certification of the officer's understanding of, and agreement to comply with, these standards as a condition of appointment or employment;
- completion, upon appointment, of a formal written disclosure of any interests that would create a conflict for the officer, whether those interests pertain to the officer, the officer's spouse, the officer's children or a firm or corporation controlled by any of these individuals;
- annual certification of the officer's understanding and agreement to comply with these standards and of the officer's compliance with these standards;
- supplementary disclosure by the officer to the Ethics Advisor when and if a material change in circumstances occurs which creates a conflict of interest or a potential for a conflict of interest;
- incidental disclosure to the Ethics Advisor where a real or apparent conflict arises during the course of a meeting or in other instances where the conflict has not previously been realized or disclosed; and
- after consultation with the Ethics Advisor, disclosure to the Board of Directors of the Company or, in the case of an officer who is not a director, to the officer's immediate superior or the President and Chief Executive Officer.

All documentation provided by officers disclosing their interests will be retained by the Ethics Advisor who will ensure that it is kept in a secure location and remains confidential unless disclosure of the documentation is required by law.

CONSEQUENCES/SANCTIONS FOR A BREACH

In the event of a breach of these standards or a failure to remedy or disclose a conflict of interest, appropriate action should reflect the nature, magnitude and seriousness of the breach. The Ethics Advisor will recommend to the Chair or the President and Chief Executive Officer which of the following actions should be taken:

- the officer may be required to undertake an appropriate level of education or training;
- the officer may be reprimanded;
- the officer may be required to make full restitution to the Company;
- the officer may be removed from his or her responsibilities and be given alternate responsibilities;
- the officer may be suspended from his or her position at the Company for a period of time;
- the officer may be offered the opportunity to resign his or her position with the Company;
- the officer may be dismissed from his or her position; or
- the Company may consider taking legal action against the officer or referring the matter to the Attorney General.

This is not an exhaustive list and does not preclude any other sanctions or courses of action that might be available to government or the Company for a breach of these standards.

APPENDIX A
GUIDELINES ON PROCEDURES FOR ETHICAL CONDUCT

POSSIBLE ACTIONS FOR AVOIDING CONFLICTS

The following is a list of actions that may be taken to remedy or avoid a conflict of interest. Officers should be familiar with the range of actions that can be taken to remedy or avoid a conflict of interest.

Disclosure of Interests

A minimum first step in avoiding or responding to a conflict of interest is to disclose the interest. Financial assets or investments which are directly or indirectly connected to the content of an officer's work should be disclosed to the Ethics Advisor and, after consultation with the Ethics Advisor, to the Board of Directors of the Company. Other areas referenced in the standards where a conflict of interest may arise (e.g. outside activities, gifts) should be disclosed to the Ethics Advisor.

Abstaining

An officer who has reasonable grounds to believe that he or she has a conflict of interest in a matter may, if present at a meeting considering the matter:

- disclose the general nature of the conflict of interest to the Board of Directors of the Company or other appropriate person; and
- abstain from voting on the matter.

Recusal

Recusal is not the same as abstaining where the officer will not vote, but may participate in discussions on a matter. Recusal means that an officer will not participate in deliberations or debates, make recommendations, give advice, consider findings, or in any other way assume responsibility for, or participate in, the work or decision-making relating to the matter where there is a potential conflict of interest. The recusing person should also not exercise any authority relating to the matter, including assigning the matter to a subordinate who reports to him or her.

Approval

Where the officer has disclosed the conflict of interest but there is a compelling case for the officer or the Company to continue the activity or to hold the interest despite the conflict, prior written approval of the Ethics Advisor to continue with the activity must be obtained. This approval may require discussion with the Board of Directors of the Company.

Resignation

Where a conflict of interest exists concerning an officer's appointment, office or position with another organization, the conflict may be removed if the officer resigns from the other office or position or from the Company

Divestiture

Where an officer owns or has a substantial interest in real or personal assets and ownership of those assets presents a conflict of interest, the conflict may be removed by divesting of the assets, or selling them to a third party. Divestiture is most appropriate before holding a position or becoming involved with a business activity where a conflict may be created. Divestiture as a remedy will be inappropriate if, for example, a gain, profit, reward, change in value or benefit has already been realized and in such instances, other remedies such as a blind trust or a management agreement may need to be considered.

Blind Trust or Management Agreement

Where an officer has significant assets that are likely to place him or her in a conflict of interest, then the officer may consider entrusting those assets to an independent trustee for management. The trust or management agreement should have the following characteristics:

- the provisions of the trust should be approved by the Ethics Advisor;
- the trustee must be a person who is at arm's length with the officer and approved by the Ethics Advisor;
- the officer does not control any of the management decisions affecting the trust assets; and
- the trust may allow the trustee to provide the officer with a written report on the value of the assets, but not the nature of the assets.

Return

An improper gift or benefit should be returned to the person offering it as soon as practicable. If there is no opportunity to return an improper gift or benefit or where the return may be perceived as offensive for cultural or other reasons, the gift or benefit must immediately be disclosed and turned over to the Ethics Advisor who will make a suitable disposition of the item.

APPENDIX B **INTERPRETATION**

For the purposes of these standards, the following definitions apply:

Ethics Advisor

Ethics Advisor means the individual assigned by the British Columbia Railway Company with responsibility for the administration and monitoring of these standards.

Private Interest

A private interest is not limited to a pecuniary or economic advantage and can include any real or tangible interest that personally benefits the officer. A private interest does not include an interest arising from the exercise of an official power or the performance of an official duty or function that:

- applies to the general public;
- affects an individual as a broad class of the public; or
- concerns the remuneration and benefits of the officer.

Spouse

Spouse means a person to whom the individual is married or with whom the individual is living in a marriage-like relationship for a period of at least two years, which may be between persons of the same gender. Spouse does not include those who are separated or living apart, or those who have entered into a written agreement under which they have agreed to live apart, or those who are the subject of an order of a court recognizing the separation.

Subsidiary

A subsidiary has the same meaning as in the British Columbia *Business Corporations Act* and includes a corporation controlled by another corporation which carries more than 50% of the votes for the election of directors and the votes carried by the shares are sufficient, if exercised, to elect a majority of the directors of the corporation.