



NATIONAL ASSEMBLY

SECOND SESSION

THIRTY-SEVENTH LEGISLATURE

Bill 53
(2006, chapter 59)

**An Act respecting the governance
of state-owned enterprises and amending
various legislative provisions**

**Introduced 15 November 2006
Passage in principle 29 November 2006
Passage 14 December 2006
Assented to 14 December 2006**

**Québec Official Publisher
2006**

EXPLANATORY NOTES

The object of this bill is to introduce new governance rules for state-owned enterprises, namely Hydro-Québec, Investissement Québec, the Société de l'assurance automobile du Québec, the Société des alcools du Québec, the Société des loteries du Québec and the Société générale de financement du Québec. The new rules concern, among other things, the composition, functioning and responsibilities of the board of directors.

The bill sets criteria for selecting board members and requires that two thirds of board members be independent. It provides for the establishment, by the board, of an audit committee, a governance and ethics committee and a human resources committee, whose functions are determined by law.

The bill prescribes that the positions of chair of the board of directors and of president and chief executive officer are to be separate positions. It determines new rules concerning the strategic plan and the disclosure and publication of information. It also confers on the minister responsible for the Act constituting a state-owned enterprise the power to issue directives on the objectives and directions the enterprise is to pursue.

The bill introduces rules relating to the joint auditing of the books and accounts of the enterprises specified in the bill and of the Caisse de dépôt et placement du Québec. It also allows the Auditor General to designate any other auditor to audit their books and accounts.

Lastly, the bill contains consequential, transitional and final provisions.

LEGISLATION AMENDED BY THIS BILL:

- Act respecting the Caisse de dépôt et placement du Québec (R.S.Q., chapter C-2);
- Hydro-Québec Act (R.S.Q., chapter H-5);
- Act respecting Investissement Québec and La Financière du Québec (R.S.Q., chapter I-16.1);

- Act respecting the Société de l'assurance automobile du Québec (R.S.Q., chapter S-11.011);
- Act respecting the Société des alcools du Québec (R.S.Q., chapter S-13);
- Act respecting the Société des loteries du Québec (R.S.Q., chapter S-13.1);
- Act respecting the Société générale de financement du Québec (R.S.Q., chapter S-17);
- Auditor General Act (R.S.Q., chapter V-5.01).

Bill 53

AN ACT RESPECTING THE GOVERNANCE OF STATE-OWNED ENTERPRISES AND AMENDING VARIOUS LEGISLATIVE PROVISIONS

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS:

CHAPTER I

PURPOSE AND SCOPE

- 1.** The purpose of this Act is to establish corporate governance principles so as to strengthen the stewardship of state-owned enterprises with a view to enhancing the effectiveness, transparency and accountability of the officers and bodies that make up their management.
- 2.** This Act applies to the enterprises listed in Schedule I.
- 3.** In this Act,

“Minister” means the minister responsible for the administration of the Act constituting an enterprise referred to in section 2;

“officer” of an enterprise referred to in section 2 means the president and chief executive officer, who is the most senior officer of the enterprise, or any person with management responsibilities who reports directly to the president and chief executive officer;

“wholly-owned subsidiary” means a legal person all of whose voting shares are held directly or indirectly by an enterprise.

CHAPTER II

BOARD OF DIRECTORS

DIVISION I

RULES RELATING TO MEMBERS OF THE BOARD OF DIRECTORS

- 4.** At least two thirds of the members of the board of directors, including the chair, must qualify as independent directors in the opinion of the Government.

Board members qualify as independent directors if they have no direct or indirect relationships or interests, for example of a financial, commercial, professional or philanthropic nature, which are likely to interfere with the quality of their decisions as regards the interests of the enterprise.

A board member

(1) who is in the employ of the enterprise or one of its wholly-owned subsidiaries or has been in such employ in the three years preceding appointment to office,

(2) who is in the employ of the Government or a government agency or enterprise within the meaning of sections 4 and 5 of the Auditor General Act (R.S.Q., chapter V-5.01), or

(3) whose immediate family member is a senior officer of the enterprise or one of its subsidiaries

is deemed not to be an independent director.

5. The Government may adopt a policy concerning situations it intends to examine to determine if a board member qualifies as an independent director. The Government may specify the meaning it intends to assign to the expression “immediate family member”.

6. For a board member having the status of independent director, the sole fact of being in a limited and specific conflict of interest situation does not disqualify the board member as an independent director.

7. A board member appointed as an independent director must disclose in writing to the board and to the Minister any situation likely to affect the member’s status.

8. No act or document of an enterprise or decision of the board of directors of an enterprise is invalid because less than two thirds of the board members are independent directors.

9. A board member who exercises functions on a full-time basis within an enterprise may not have a direct or indirect interest in a body, enterprise or association that places the board member’s personal interests in conflict with the enterprise’s interests. If such an interest devolves to the board member, including by succession or gift, it must be renounced or disposed of with dispatch.

Any other board member who has a direct or indirect interest in a body, enterprise or association that places the board member’s personal interests in conflict with the enterprise’s interests must disclose it in writing to the chair of the board and abstain from participating in any discussion or decision involving that body, enterprise or association. The board member must also withdraw from a meeting for the duration of the discussion or vote on such a matter.

This section does not prevent a board member from expressing an opinion on general measures relating to conditions of employment within the enterprise which would also apply to the board member.

10. If a board member is sued by a third party for an act done in the exercise of the functions of office, the enterprise assumes the board member's defence and pays any damages awarded as compensation for the injury resulting from that act, unless the board member committed a gross fault or a personal fault separable from those functions.

In penal or criminal proceedings, however, the enterprise pays the defence costs of the board member only if the board member was discharged or acquitted, or if the enterprise judges that the board member acted in good faith.

11. If the enterprise sues a member of the board of directors for an act done in the exercise of the functions of office and loses its case, it pays the board member's defence costs if the court so decides.

If the enterprise wins its case only in part, the court may determine the amount of the defence costs it must pay.

12. Board members may be reappointed twice to serve in that capacity only for a consecutive or non-consecutive term.

In addition to terms served as a board member, the chair of the board of directors may be reappointed twice to serve in that capacity for a consecutive or non-consecutive term.

DIVISION II

OPERATION AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

13. Depending on its priorities, the board of directors designates the chair of a committee established under section 19 to act as a replacement when the chair of the board is absent or unable to act.

14. The board of directors determines the enterprise's strategic directions, sees to their implementation and inquires into any issue it considers important.

The board is accountable to the Government for the enterprise's decisions and the chair is answerable to the Minister for such decisions.

15. The functions of the board of directors also include

- (1) adopting the strategic plan;

(2) approving the capital plan, the operating plan, the financial statements, the annual report and the annual budget of the enterprise;

(3) approving the governance rules of the enterprise;

(4) approving the code of ethics applicable to the board members and the codes applicable to the officers appointed by the enterprise and to the employees of the enterprise and of its wholly-owned subsidiaries, subject to a regulation made under sections 3.0.1 and 3.0.2 of the Act respecting the Ministère du Conseil exécutif (R.S.Q., chapter M-30);

(5) approving the expertise and experience profiles to be used in appointing board members;

(6) approving the criteria for evaluating board members and those applicable to the president and chief executive officer;

(7) approving the criteria for assessing the performance of the board;

(8) establishing the policies for management of the risks associated with the conduct of the operations of the enterprise;

(9) seeing to it that the audit committee exercises its functions properly;

(10) determining delegations of authority;

(11) approving, in accordance with the applicable legislative provisions, human resources policies, as well as the standards and scales of remuneration, including, where applicable, a variable pay policy, and other conditions of employment of employees and officers appointed by the enterprise, if such employees and officers are not subject to the Public Service Act (R.S.Q., chapter F-3.1.1);

(12) approving the succession planning program for officers appointed by the enterprise;

(13) approving the appointment of officers other than the president and chief executive officer, and that of the most senior officer of each wholly-owned subsidiary of the enterprise, if such officers are not subject to the Public Service Act;

(14) approving human resources policies, as well as the standards and scales of remuneration, including a variable pay policy, if any, and other conditions of employment of the employees and officers of each wholly-owned subsidiary of the enterprise, if such senior officers and employees are not subject to the Public Service Act; and

(15) adopting measures to assess the effectiveness and performance of the enterprise, including benchmarking against similar enterprises; such measures are to be carried out every three years by an independent firm.

16. The enterprise submits the variable pay policy referred to in paragraphs 11 and 14 of section 15 to the Government for approval.

17. The board of directors reviews the integrity of internal controls, information disclosure controls and information systems, and approves a financial disclosure policy.

18. The board of directors makes sure that initiation and ongoing training programs for board members are implemented.

CHAPTER III

COMMITTEES OF THE BOARD OF DIRECTORS

DIVISION I

ESTABLISHMENT OF COMMITTEES

19. The board of directors must establish the following committees:

- (1) a governance and ethics committee;
- (2) an audit committee; and
- (3) a human resources committee.

The committees are to be composed solely of board members who are independent directors.

20. The board of directors may establish other committees to examine specific issues or facilitate the proper operation of the enterprise.

21. The chair of the board of directors may take part in board committee meetings.

DIVISION II

GOVERNANCE AND ETHICS COMMITTEE

22. The functions of the governance and ethics committee include

(1) formulating governance rules and a code of ethics for the conduct of the operations of the enterprise;

(2) formulating a code of ethics applicable to the board members, the officers appointed by the enterprise and the employees of the enterprise and its wholly-owned subsidiaries, subject to any applicable provision of a regulation made under sections 3.0.1 and 3.0.2 of the Act respecting the Ministère du Conseil exécutif and subject to the Public Service Act;

(3) developing expertise and experience profiles to be used in appointing board members, except the chair and the president and chief executive officer; the profiles must include management experience that is relevant to the position;

(4) formulating criteria for evaluating the members of the board;

(5) formulating criteria for assessing the performance of the board; and

(6) developing initiation and ongoing training programs for board members.

The committee conducts the evaluation referred to in subparagraph 5 of the first paragraph in accordance with the criteria approved by the board.

DIVISION III

AUDIT COMMITTEE

23. The audit committee must include members with accounting or financial expertise.

At least one committee member must be a member of one of the professional orders of accountants governed by the Professional Code (R.S.Q., chapter C-26).

24. The functions of the audit committee include

(1) approving the annual internal audit plan;

(2) making sure that a plan for the optimal utilization of the enterprise's resources is put in place, and following up on that process;

(3) seeing to it that internal control mechanisms are put in place and making sure that they are appropriate and effective;

(4) making sure that a risk management process is put in place;

(5) reviewing any activity likely to be detrimental to the enterprise's financial health that is brought to its attention by the internal auditor or an officer;

(6) examining the financial statements with the Auditor General and the external auditor appointed by the Government; and

(7) recommending the approval of the financial statements by the board of directors.

25. The audit committee must notify the board of directors in writing on discovering operations or management practices that are unsound or do not comply with the law or the regulations or with the policies of the enterprise or its wholly-owned subsidiaries.

26. The internal audit department operates under the authority of the audit committee.

The head of the internal audit department is under the administrative authority of the president and chief executive officer.

DIVISION IV

HUMAN RESOURCES COMMITTEE

27. The functions of the human resources committee include

(1) making sure that human resources policies are put in place, subject to the Public Service Act where applicable;

(2) developing and proposing an expertise and experience profile to be used in appointing the president and chief executive officer;

(3) formulating and proposing criteria for evaluating the president and chief executive officer, and making recommendations to the board regarding the remuneration of the president and chief executive officer in keeping with parameters set by the Government;

(4) assisting in the selection of officers; and

(5) establishing a succession planning program for officers appointed by the enterprise.

CHAPTER IV

CHAIR OF THE BOARD OF DIRECTORS AND PRESIDENT AND CHIEF EXECUTIVE OFFICER

28. The positions of chair of the board of directors and president and chief executive officer of the enterprise may not be held concurrently.

29. The chair of the board of directors presides at meetings of the board and sees to its smooth operation. In the case of a tie vote, the chair has a casting vote.

The chair also sees to the smooth operation of the board committees.

30. The chair of the board of directors evaluates the performance of the other board members according to criteria established by the board.

The chair assumes any other function assigned by the board.

31. The president and chief executive officer is responsible for the direction and management of the enterprise within the framework of its by-laws and policies.

The president and chief executive officer proposes strategic directions to the board of directors, as well as a capital plan and an operating plan for the enterprise.

The president and chief executive officer assumes any other function assigned by the board.

32. The president and chief executive officer must make sure that the board of directors is given, at its request, adequate human, material and financial resources to perform its functions and for its committees to perform their functions.

33. In French, the president and chief executive officer may be designated by the title “président-directeur général” or “président et chef de la direction”.

CHAPTER V

STRATEGIC PLAN

34. The strategic plan of an enterprise that is not subject to the Public Administration Act (R.S.Q., chapter A-6.01) is established according to the form, content and timetable determined by the Government. The strategic plan must state

- (1) the context in which the enterprise operates and the main challenges it faces;
- (2) the enterprise’s objectives and strategic directions;
- (3) the results targeted over the period covered by the plan;
- (4) the performance indicators to be used in measuring results; and
- (5) any other element determined by the Minister.

35. The strategic plan of an enterprise described in section 34 must be submitted to the Government for approval.

CHAPTER VI

DISCLOSURE AND PUBLICATION OF GOVERNANCE INFORMATION

DIVISION I

INFORMATION CONCERNING THE OPERATION OF BOARD COMMITTEES

36. The annual report of an enterprise must contain a summary of the following reports, submitted to the board of directors:

(1) the report of the governance and ethics committee on its activities during the fiscal year, including a summary of its assessment of the performance of the board of directors;

(2) the report of the audit committee on the discharge of its mandate and on the optimal resource utilization plan; and

(3) the report of the human resources committee on the discharge of its mandate.

The report must also state the results obtained from the benchmarking measures adopted by the board of directors.

37. The enterprise must make public the code of ethics applicable to its employees.

DIVISION II

INFORMATION CONCERNING BOARD MEMBERS

38. The annual report of an enterprise must comprise a section on its governance, including the following information concerning the board members:

(1) the dates of appointment and expiry of term of all board members, as well as the identification of those with the status of independent director;

(2) the identification of any other board of directors on which a board member sits;

(3) a summary of the expertise and experience profile of each board member and a statement of the board members' attendance at board and committee meetings; and

(4) the code of ethics and rules of professional conduct applicable to board members.

DIVISION III

INFORMATION CONCERNING REMUNERATION

39. The annual report of an enterprise must state

(1) the remuneration and benefits paid to each board member;

(2) the remuneration, including variable pay and other benefits, paid to each of the enterprise's five most highly remunerated officers;

(3) the remuneration, including variable pay and other benefits, paid to the directors and the five most highly remunerated officers of every wholly-owned subsidiary of the enterprise; and

(4) the fees paid to the external auditor.

CHAPTER VII

POWERS AND RESPONSIBILITIES OF THE MINISTER

40. The Minister may issue directives on the direction and general objectives to be pursued by the enterprise.

The directives must be approved by the Government, and come into force on the day of their approval. Once approved, they are binding on the enterprise and the enterprise must comply with them.

The directives must be tabled in the National Assembly within 15 days after they are approved by the Government or, if the Assembly is not sitting, within 15 days of resumption.

41. At least once every 10 years, the Minister must report to the Government on the carrying out of the Act constituting an enterprise for which the Minister is responsible. The report must include recommendations concerning a review of the mission of the enterprise.

The report must include an assessment of the effectiveness and performance of the enterprise, including benchmarking measures to be carried out by an independent firm at the request of the board of directors.

The Minister tables the report in the National Assembly.

42. The Government designates the minister responsible for the administration of this Act.

CHAPTER VIII

GOVERNMENT POLICIES

43. The Government establishes a policy whose objectives are

(1) that the boards of directors of the enterprises as a group be composed of members whose cultural identity reflects the various segments of Québec society; and

(2) that the boards of directors of the enterprises as a group include an equal number of women and men as of 14 December 2011.

SCHEDULE I
(Section 2)

ENTERPRISES

Investissement Québec

Société de l'assurance automobile du Québec

Société des loteries du Québec

Société des alcools du Québec

Société générale de financement du Québec

CHAPTER IX

AMENDMENTS TO SPECIFIC ACTS

HYDRO-QUÉBEC ACT

44. Section 1 of the Hydro-Québec Act (R.S.Q., chapter H-5) is amended

(1) by inserting the following paragraph after paragraph 3:

“(3.1) “officer” means the president and chief executive officer, who is the most senior officer of the Company, or any person with management responsibilities who reports directly to the president and chief executive officer;”;

(2) by adding the following paragraph at the end:

“(5) “wholly-owned subsidiary” means a legal person all of whose voting shares are held directly or indirectly by the Company.”

45. Section 9 of the Act is amended by replacing “chairman of the board of directors” by “chair of the board of directors”.

46. Sections 13, 14 and 15 of the Act are renumbered 3.1.1, 3.1.2 and 3.1.3, respectively.

47. The Act is amended by inserting the following after section 3.5:

“3.6. The provisions of Part II of the Companies Act (chapter C-38) that are not inconsistent with this Act, except sections 142, 159 to 162, 184 and 190 to 196, apply to the Company.

“DIVISION II.1

“COMPOSITION AND OPERATION OF THE BOARD OF DIRECTORS”.

48. Section 4 of the Act is amended by replacing the first paragraph by the following paragraph:

“4. The Company is administered by a board of directors consisting of 17 members, including the chair and the president and chief executive officer.”

49. The Act is amended by inserting the following sections after section 4:

“4.0.1. The Government shall appoint the members of the board of directors, other than the chair and the president and chief executive officer, based on the expertise and experience profiles approved by the board. Board members are appointed for a term of up to four years.

Board members may be reappointed twice to serve in that capacity only for a consecutive or non-consecutive term.

“4.0.2. The Government shall appoint the chair of the board of directors for a term of up to five years.

In addition to terms served as a board member, the chair may be reappointed twice to serve in that capacity for a consecutive or non-consecutive term.

“4.0.3. The positions of chair of the board of directors and president and chief executive officer of the Company may not be held concurrently.

“4.0.4. The chair of the board of directors shall preside at meetings of the board and see to the smooth operation of the board. In the case of a tie vote, the chair has a casting vote.

The chair shall also see to the smooth operation of the board committees.

“4.0.5. The chair of the board of directors shall assess the performance of the other board members according to criteria approved by the board.

The chair shall assume any other function assigned by the board.

“4.0.6. At least two thirds of the board members, including the chair, must qualify as independent directors in the opinion of the Government.

Board members qualify as independent directors if they have no direct or indirect relationships or interests, for example of a financial, commercial, professional or philanthropic nature, likely to interfere with the quality of their decisions in relation to the interests of the Company.

A board member

(1) who is in the employ of the Company or one of its wholly-owned subsidiaries or having been in such employ in the three years preceding appointment to office,

(2) who is in the employ of the Government or a government agency or enterprise within the meaning of sections 4 and 5 of the Auditor General Act (chapter V-5.01), or

(3) whose immediate family member is a senior officer in the Company or any of its subsidiaries

is deemed not to be an independent director.

“4.0.7. The Government may adopt a policy concerning situations it intends to examine to determine if a board member qualifies as an independent director. The Government may specify the meaning it intends to assign to the expression “immediate family member”.

“4.0.8. For a member of the board of directors having the status of independent director, the sole fact of being in a limited and specific conflict of interest situation does not disqualify the board member as an independent director.

“4.0.9. A board member appointed as an independent director must disclose in writing to the board and to the Minister any situation likely to affect the member’s status.

“4.0.10. No act or document of the Company or decision of the board of directors is invalid because less than two thirds of the members of the board are independent directors.”

50. Section 4.2 of the Act is replaced by the following section:

“4.2. A vacancy on the board of directors shall be filled for the remainder of the unexpired term in accordance with the rules of appointment to the board.

Non-attendance at a number of board meetings determined by by-law of the Company constitutes a vacancy in the cases and circumstances specified by by-law.”

51. Section 5 of the Act is replaced by the following section:

“5. If the chair of the board of directors is absent or unable to act, the board designates, depending on its priorities, the chair of a committee established under section 7.6 to temporarily replace the chair of the board.”

52. The Act is amended by inserting the following sections after section 7:

“7.1. The board of directors shall determine the Company’s strategic directions, see to their implementation and inquire into any issue it considers important.

The board is accountable to the Government for the Company’s decisions and the chair is answerable to the Minister for such decisions.

“7.2. The functions of the board of directors also include

- (1) adopting the strategic plan;
- (2) approving the capital plan, the operating plan, the financial statements, the annual report and the annual budget of the Company;
- (3) approving the governance rules of the Company;
- (4) approving the code of ethics applicable to the board members and the codes applicable to the officers appointed by the Company and to the employees of the Company and of its wholly-owned subsidiaries, subject to a regulation made under sections 3.0.1 and 3.0.2 of the Act respecting the Ministère du Conseil exécutif (chapter M-30);
- (5) approving the expertise and experience profiles to be used in appointing board members;
- (6) approving the criteria for evaluating board members and those applicable to the president and chief executive officer;
- (7) approving the criteria for assessing the performance of the board;
- (8) establishing policies for management of the risks associated with the conduct of the operations of the Company;
- (9) making sure that the audit committee exercises its functions properly;
- (10) determining delegations of authority;
- (11) approving, in accordance with the applicable legislative provisions, human resources policies, as well as the standards and scales of remuneration, including, where applicable, a variable pay policy, and other conditions of employment of employees and officers appointed by the Company;
- (12) approving the succession planning program for officers appointed by the Company;
- (13) approving the appointment of officers other than the president and chief executive officer, and that of the most senior officer of each wholly-owned subsidiary of the Company;

(14) approving human resources policies, as well as the standards and scales of remuneration, including a variable pay policy, if any, and other conditions of employment of the employees and officers of each wholly-owned subsidiary of the Company; and

(15) adopting measures to assess the effectiveness and performance of the Company, including benchmarking against similar enterprises; such measures are to be carried out every three years by an independent firm.

“7.3. The Company shall submit the variable pay policy referred to in paragraphs 11 and 14 of section 7.2 to the Government for approval.

“7.4. The board of directors must review the integrity of internal controls, information disclosure controls and information systems, and approve a financial disclosure policy.

“7.5. The board of directors shall make sure that initiation and ongoing training programs for board members are implemented.

“7.6. The board of directors must establish the following committees:

- (1) a governance and ethics committee;
- (2) an audit committee; and
- (3) a human resources committee.

The committees are to be composed solely of board members who are independent directors.

“7.7. The board of directors may establish other committees to examine specific issues or facilitate the proper operation of the Company.

“7.8. The chair of the board of directors may take part in board committee meetings.

“7.9. The functions of the governance and ethics committee include

(1) formulating governance rules and a code of ethics for the conduct of the operations of the Company;

(2) formulating a code of ethics applicable to the members of the board of directors, the officers appointed by the Company and the employees of the Company and its wholly-owned subsidiaries, subject to any applicable regulation made under sections 3.0.1 and 3.0.2 of the Act respecting the Ministère du Conseil exécutif;

(3) developing expertise and experience profiles to be used in appointing the members of the board of directors, except the chair and the president and

chief executive officer; the profiles must include management experience that is relevant to the position;

- (4) formulating criteria for evaluating board members;
- (5) formulating criteria for assessing the performance of the board; and
- (6) developing initiation and ongoing training programs for board members.

The committee shall conduct the assessment referred to in subparagraph 5 of the first paragraph in accordance with the criteria approved by the board of directors.

“7.10. The audit committee must include members with accounting or financial expertise.

At least one committee member must be a member of one of the professional orders of accountants governed by the Professional Code (chapter C-26).

“7.11. The functions of the audit committee include

- (1) approving the annual internal audit plan;
- (2) making sure that a plan for the optimal utilization of the Company’s resources is put in place, and following up on that process;
- (3) seeing to it that internal control mechanisms are put in place and making sure that they are appropriate and effective;
- (4) making sure that a risk management process is put in place;
- (5) reviewing any activity likely to be detrimental to the Company’s financial health that is brought to its attention by the internal auditor or an officer;
- (6) examining the financial statements with the Auditor General and the external auditor appointed by the Government; and
- (7) recommending the approval of the financial statements by the board of directors.

“7.12. The audit committee must notify the board of directors in writing on discovering operations or management practices that are unsound or do not comply with the law or the regulations or with the policies of the Company or its wholly-owned subsidiaries.

“7.13. Internal audit activities are conducted under the authority of the audit committee.

The person responsible for internal auditing is under the administrative authority of the president and chief executive officer.

“7.14. The functions of the human resources committee include

- (1) making sure that human resources policies are put in place;
- (2) developing and proposing an expertise and experience profile to be used in appointing the president and chief executive officer;
- (3) formulating and proposing criteria for evaluating the president and chief executive officer, and making recommendations to the board regarding the remuneration of the president and chief executive officer in keeping with parameters set by the Government;
- (4) assisting in the selection of officers; and
- (5) establishing a succession planning program for officers appointed by the Company.”

53. Sections 8 and 11.2 of the Act are repealed.

54. The Act is amended by inserting the following after section 11.5:

“DIVISION II.2

“APPOINTMENT AND FUNCTIONS OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

“11.6. On recommendation of the board of directors, the Government shall appoint the president and chief executive officer based on the expertise and experience profile established by the Company.

The president and chief executive officer is appointed for a term of up to five years.

The board shall determine the remuneration and other conditions of employment of the president and chief executive officer in keeping with parameters set by the Government.

“11.7. If the board of directors does not recommend a candidate for the position of president and chief executive officer in accordance with section 11.6 within a reasonable time, the Government may appoint the president and chief executive officer after notifying the board members.

“11.8. The president and chief executive officer is responsible for the direction and management of the Company within the framework of its by-laws and policies.

The president and chief executive officer shall propose strategic directions to the board of directors, as well as a capital plan and an operating plan for the Company.

The president and chief executive officer shall assume any other function assigned by the board.

“11.9. The president and chief executive officer must make sure that the board of directors is given, at its request, adequate human, material and financial resources to perform its functions and for its committees to perform their functions.

“11.10. If the president and chief executive officer is absent or unable to act, the board of directors may designate a member of the Company’s personnel to exercise the functions of that position.

“11.11. In French, the president and chief executive officer may be designated by the title “président-directeur général” or “président et chef de la direction”.

“DIVISION II.3

“STRATEGIC PLAN

“11.12. The strategic plan of the Company shall be established according to the form, content and timetable determined by the Government. The strategic plan must state

- (1) the context in which the Company acts and the main challenges it faces;
- (2) the Company’s objectives and strategic directions;
- (3) the results targeted over the period covered by the plan;
- (4) the performance indicators to be used in measuring results; and
- (5) any other element determined by the Minister.

“11.13. The strategic plan of the Company shall be submitted to the Government for approval.”

55. The Act is amended by inserting the following heading after section 15:

“DIVISION II.4

“DIVIDENDS AND DUES”.

56. The Act is amended by inserting the following heading after section 16:

“DIVISION II.5

“RIGHTS AND OBLIGATIONS OF BOARD MEMBERS”.

57. The Act is amended by inserting the following sections after section 18:

“18.1. If a board member is sued by a third party for an act done in the exercise of the functions of office, the Company shall assume the board member’s defence and pay any damages awarded as compensation for the injury resulting from that act, unless the board member committed a gross fault or a personal fault separable from those functions.

In penal or criminal proceedings, however, the Company shall pay the board member’s defence costs only if the board member was discharged or acquitted, or if the Company deems that the board member acted in good faith.

“18.2. If the Company sues a board member for an act done in the exercise of the functions of office and loses its case, it must pay the board member’s defence costs if the court so decides.

If the Company wins its case only in part, the court may determine the amount of the defence costs it must pay.”

58. Section 19 of the Act is amended by replacing the first and second paragraphs by the following paragraphs:

“19. A board member who exercises functions within the Company on a full-time basis shall not have a direct or indirect interest in a body, enterprise or association that places the board member’s personal interests in conflict with the Company’s interests. If such an interest devolves to the board member, including by succession or gift, it must be renounced or disposed of with dispatch.

Any other board member who has a direct or indirect interest in a body, enterprise or association that places the member’s personal interests in conflict with the Company’s interests shall disclose it in writing to the chair of the board of directors and abstain from participating in any discussion or decision involving the body, enterprise or association in which the member has that interest. The member must also withdraw from a meeting for the duration of the discussion or vote on such a matter.

This section does not prevent a board member from expressing an opinion on general measures relating to conditions of employment within the Company which would also apply to the member.”

59. The Act is amended by inserting the following heading after section 19:

“DIVISION II.6

“ANNUAL REPORT AND INFORMATION”.

60. Section 20 of the Act is replaced by the following section:

“20. Each year, the Company shall send the Minister its financial statements and its annual report including a detailed statement of the property in its possession.

The Minister shall table the financial statements and the annual report in the National Assembly within 15 days after receiving them or, if the Assembly is not sitting, within 15 days of resumption.”

61. The Act is amended by inserting the following sections after section 20:

“20.1. The annual report of the Company must contain a summary of the following reports, submitted to the board of directors:

(1) the report of the governance and ethics committee on its activities during the fiscal year, including a summary of its assessment of the performance of the board of directors;

(2) the report of the audit committee on the discharge of its mandate and on the optimal resource utilization plan; and

(3) the report of the human resources committee on the discharge of its mandate.

The report must also state the results obtained from the benchmarking measures adopted by the board of directors.

“20.2. The Company shall make public the code of ethics applicable to its employees.

“20.3. The annual report of the Company must comprise a section on its governance, including the following information relating to the board members:

(1) the dates of appointment and expiry of term of all board members, as well as the identification of those with the status of independent director;

(2) the identification of any other board of directors on which a board member sits;

(3) a summary of the expertise and experience profile of each board member and a statement of the board members' attendance at board and committee meetings; and

(4) the code of ethics and rules of professional conduct applicable to board members.

“20.4. The annual report of the Company must state

(1) the remuneration and benefits paid to each board member;

(2) the remuneration, including variable pay and other benefits, paid to each of the Company's five most highly remunerated officers;

(3) the remuneration, including variable pay and other benefits, paid to the managers and the five most highly remunerated officers of every wholly-owned subsidiary of the Company; and

(4) the fees paid to the external auditor.”

62. Section 21 of the Act is repealed.

63. Section 21.1 of the Act is amended by replacing “on its activities or those of its subsidiaries” by “on the Company and its subsidiaries”.

64. Sections 21.2 and 21.3 of the Act are repealed.

65. The Act is amended by inserting the following before Division III:

“DIVISION II.7

“AUDITING

“21.5. The books and accounts of the Company shall be audited jointly every year by the Auditor General and an external auditor appointed by the Government. The remuneration of the external auditor shall be paid out of the revenues of the Company. The joint report must accompany the Company's annual report.”

66. The Act is amended by inserting the following after section 61:

“DIVISION IX.1

“POWERS AND RESPONSIBILITIES OF THE MINISTER

“61.1. The Minister may issue directives on the direction and general objectives to be pursued by the Company.

The directives must be approved by the Government, and come into force on the day of their approval. Once approved, they are binding on the Company and the Company must comply with them.

The directives shall be tabled in the National Assembly within 15 days after they are approved by the Government or, if the Assembly is not sitting, within 15 days of resumption.

“61.2. At least once every 10 years, the Minister must report to the Government on the carrying out of this Act. The report must include recommendations concerning a review of the mission of the Company.

The Minister shall table the report in the National Assembly.”

ACT RESPECTING INVESTISSEMENT QUÉBEC AND LA FINANCIÈRE DU QUÉBEC

67. Section 4 of the Act respecting Investissement Québec and La Financière du Québec (R.S.Q., chapter I-16.1) is replaced by the following section:

“4. The agency is administered by a board of directors consisting of from 9 to 15 members, including the chair and the president and chief executive officer.”

68. Section 5 of the Act is replaced by the following section:

“5. The Government shall appoint the members of the board of directors, other than the chair and the president and chief executive officer, based on the expertise and experience profiles established by the board. Board members are appointed for a term of up to four years.”

69. Section 6 of the Act is replaced by the following section:

“6. The Government shall appoint the chair of the board of directors for a term of up to five years.”

70. Section 8 of the Act is amended by replacing the first paragraph by the following paragraph:

“8. A vacancy on the board of directors shall be filled for the remainder of the unexpired term in accordance with the rules of appointment to the board.”

71. Section 9 of the Act is amended

(1) by striking out the first paragraph;

(2) by replacing “The other board members” in the first line of the second paragraph by “Board members other than the president and chief executive officer”.

72. The Act is amended by inserting the following sections after section 9:

“9.1. On the recommendation of the board of directors, the Government shall appoint the president and chief executive officer based on the expertise and experience profile established by the agency.

The president and chief executive officer is appointed for a term of up to five years.

The board shall determine the remuneration and other conditions of employment of the president and chief executive officer in keeping with parameters set by the Government.

“9.2. If the board of directors does not recommend a candidate for the position of president and chief executive officer in accordance with section 9.1 within a reasonable time, the Government may appoint the president and chief executive officer after notifying the board members.

“9.3. If the president and chief executive officer is absent or unable to act, the board of directors may designate a member of the agency’s personnel to exercise the functions of that position.”

73. Section 10 of the Act is amended by inserting “president and” before “chief executive officer” in the first paragraph.

74. Section 15 of the Act is amended

(1) by inserting “president and” before “chief executive officer” in the first paragraph;

(2) by striking out “or vice-chair” in that paragraph.

75. Section 19 of the Act is amended

(1) by striking out the first and second paragraphs;

(2) by inserting “president and” before “chief executive officer” in the third paragraph.

76. Section 20 of the Act is amended by striking out “director or” in the first line of the first paragraph and the second line of the second paragraph, and by replacing “director or” and “director’s or” everywhere else they appear in those paragraphs by “personnel”.

77. Section 21 of the Act is repealed.

78. Section 22 of the Act is amended by replacing “in sections 20 and 21” by “in section 20 of this Act and in sections 10 and 11 of the Act respecting the governance of state-owned enterprises and amending various legislative provisions (2006, chapter 59)”.

79. Section 24 of the Act is repealed.

80. Section 42 of the Act is amended by replacing “business plan” in the first and second paragraphs by “strategic plan”.

81. The heading of Division IV of the Act is replaced by the following heading:

“STRATEGIC PLAN, ACCOUNTS AND REPORTS”.

82. Section 46 of the Act is amended by replacing “business” in the second line by “strategic”.

83. Section 47 of the Act is amended by replacing “business” by “strategic”.

84. Section 48 of the Act is replaced by the following section:

“**48.** The books and accounts of the agency shall be audited jointly every year by the Auditor General and an external auditor appointed by the Government. The remuneration of the external auditor shall be paid out of the revenues of the agency. The joint report must accompany the agency’s annual report.”

85. Section 49 of the Act is amended by replacing “its operations and the operations of its subsidiaries” by “the agency and its subsidiaries”.

86. Section 52.1 of the Act is amended by inserting “president and” before “chief executive officer”.

87. Sections 70 and 71 of the Act are repealed.

ACT RESPECTING THE SOCIÉTÉ DE L’ASSURANCE AUTOMOBILE DU QUÉBEC

88. Section 7 of the Act respecting the Société de l’assurance automobile du Québec (R.S.Q., chapter S-11.011) is replaced by the following section:

“**7.** The Société is administered by a board of directors consisting of from 9 to 15 members, including the chair and the president and chief executive officer.

The Government shall appoint the members of the board, other than the chair of the board and the president and chief executive officer, after consulting with bodies designated by the board and representative of any of the following

sectors or groups, and based on the expertise and experience profiles approved by the board:

- (1) business;
- (2) insurance;
- (3) law;
- (4) health;
- (5) highway safety;
- (6) road victims; and
- (7) road users.

Board members are appointed for a term of up to four years.”

89. Sections 7.1 and 7.2 of the Act are repealed.

90. Section 8 of the Act is replaced by the following section:

“**8.** The Government shall appoint the chair of the board of directors for a term of up to five years.”

91. The Act is amended by inserting the following sections after section 8:

“**8.1.** On the expiry of their term, board members remain in office until they are replaced or reappointed.

“**8.2.** A vacancy on the board of directors shall be filled for the remainder of the unexpired term in accordance with the rules of appointment to the board.

Non-attendance at a number of board meetings determined by by-law of the Société constitutes a vacancy in the cases and circumstances specified by by-law.”

92. Section 9 of the Act is amended

- (1) by striking out “and of the vice-chairmen” in the third line;
- (2) by replacing “they” in the fourth line by “board members”.

93. Section 10 of the Act is replaced by the following sections:

“10. On the recommendation of the board of directors, the Government shall appoint the president and chief executive officer based on the expertise and experience profile approved by the board of directors.

The president and chief executive officer is appointed for a term of up to five years.

The board shall determine the remuneration and other conditions of employment of the president and chief executive officer in keeping with parameters set by the Government.

“10.1. If the board of directors does not recommend a candidate for the position of president and chief executive officer in accordance with section 10 within a reasonable time, the Government may appoint the president and chief executive officer after notifying the board members.

“10.2. If the president and chief executive officer is absent or unable to act, the board of directors may designate a member of the Société’s personnel to exercise the functions of that position.”

94. Section 11 of the Act is amended by striking out the first, second and third paragraphs.

95. Section 12 of the Act is amended by replacing “chairman” in the first line of the second paragraph by “president and chief executive officer”.

96. Section 13 of the Act is amended by striking out the first and second paragraphs.

97. Section 14 of the Act is replaced by the following section:

“14. The Société shall determine, by by-law, the rules relating to the quorum of the board of directors.”

98. Section 15 of the Act is amended by replacing “chairman, one of the vice-chairmen” in the second paragraph by “president and chief executive officer”.

99. Section 16 of the Act is amended by striking out “, the vice-chairmen of the Société”.

100. Section 16.3 of the Act is amended by replacing “chairman of the Société” in the second paragraph by “president and chief executive officer”.

101. Section 17.1 of the Act is amended by replacing “general manager” in the first line of the first paragraph by “president and chief executive officer”.

102. Section 17.6 of the Act is amended by replacing “chairman” in the sixth paragraph by “chair”.

103. Section 19 of the Act is replaced by the following section:

“**19.** Not later than 30 April each year, the Société must submit to the Minister its financial statements and its annual management report for the preceding fiscal year.

Within the same period, the Société must also submit to the Minister a separate report concerning its mandate under Title VIII.2 of the Highway Safety Code (chapter C-24.2).

The annual management report must contain the information that must be provided in an annual report under sections 36, 38 and 39 of the Act respecting the governance of state-owned enterprises and amending various legislative provisions (2006, chapter 59). In addition, the reports of the Société must contain any other information required by the Minister.

The Minister shall table the reports of the Société in the National Assembly within 15 days after receiving them or, if it is not sitting, within 15 days of resumption.

The Société must submit to the Minister any other information the Minister requests concerning the Société and any subsidiary of the Société.”

104. Section 20 of the Act is replaced by the following section:

“**20.** The books and accounts of the Société shall be audited jointly every year by the Auditor General and an external auditor appointed by the Government. The remuneration of the external auditor shall be paid out of the revenues of the Société. The joint report must accompany the Société’s annual management report.”

105. The Act is amended by inserting the following section after section 23.0.13:

“**23.0.13.1.** Paragraph 5 of section 34 and sections 35 and 40 of the Act respecting the governance of state-owned enterprises and amending various legislative provisions (2006, chapter 59) do not apply to the Société in the exercise of its functions as trustee.”

106. Section 23.0.17 of the Act is amended by replacing “30” wherever it appears in the second paragraph by “15”.

107. Section 23.0.18 of the Act is replaced by the following section:

“**23.0.18.** The books and accounts of the Fonds d’assurance shall be audited, every year and whenever the Government so orders, by the Auditor General and an external auditor appointed by the Government. The remuneration of the external auditor shall be paid out of the revenues of the Fonds d’assurance.

The joint report must accompany the Société’s annual management report.”

108. Section 23.0.19 of the Act is amended

(1) by replacing “chairman and general manager” in the first paragraph by “president and chief executive officer”;

(2) by replacing “chairman and general manager” in the second paragraph by “chair of the board and the president and chief executive officer”.

ACT RESPECTING THE SOCIÉTÉ DES ALCOOLS DU QUÉBEC

109. Section 7 of the Act respecting the Société des alcools du Québec (R.S.Q., chapter S-13) is amended by replacing the first paragraph by the following paragraphs:

“**7.** The Société is administered by a board of directors consisting of from 9 to 15 members, including the chair and the president and chief executive officer.

The Government shall appoint the members of the board of directors, other than the chair of the board and the president and chief executive officer, based on the expertise and experience profiles established by the board. Board members are appointed for a term of up to four years.”

110. Section 7.1 of the Act is replaced by the following sections:

“**7.1.** A vacancy on the board of directors shall be filled for the remainder of the unexpired term in accordance with the rules of appointment to the board.

Non-attendance at a number of board meetings determined by by-law of the Société constitutes a vacancy in the cases and circumstances specified by by-law.

“**7.2.** The Government shall appoint the chair of the board of directors for a term of up to five years.”

111. Section 8 of the Act is amended by replacing “president and managing director” by “president and chief executive officer”.

112. Section 9 of the Act is amended by striking out the second sentence.

113. Section 10 of the Act is repealed.

114. Section 12 of the Act is replaced by the following sections:

“12. On the recommendation of the board of directors, the Government shall appoint the president and chief executive officer based on the expertise and experience profile established by the Société.

The president and chief executive officer is appointed for a term of up to five years.

The board shall determine the remuneration and other conditions of employment of the president and chief executive officer in keeping with parameters set by the Government.

“12.1. If the board of directors does not recommend a candidate for the position of president and chief executive officer in accordance with section 12 within a reasonable time, the Government may appoint the president and chief executive officer after notifying the board members.

“12.2. If the president and chief executive officer is absent or unable to act, the board of directors may designate a member of the Société’s personnel to exercise the functions of that position.”

115. Sections 13 and 20.2 of the Act are repealed.

116. Section 59 of the Act is amended

(1) by replacing “make a report of its activities” in the first paragraph by “send its financial statements and annual report”;

(2) by replacing the second paragraph by the following paragraph:

“The Minister must table the annual report and the financial statements in the National Assembly within 15 days after receiving them or, if it is not sitting, within 15 days of resumption.”;

(3) by replacing “on its operations” in the third paragraph by “concerning the Société and its subsidiaries”.

117. Section 60 of the Act is replaced by the following section:

“60. The books and accounts of the Société shall be audited jointly every year by the Auditor General and an external auditor appointed by the Government. The remuneration of the external auditor shall be paid out of the revenues of the Société. The joint report must accompany the Société’s annual report.”

ACT RESPECTING THE SOCIÉTÉ DES LOTERIES DU QUÉBEC

118. The Act respecting the Société des loteries du Québec (R.S.Q., chapter S-13.1) is amended by inserting the following sections after section 6:

“6.1. The company is administered by a board of directors consisting of from 9 to 15 members including the chair and the president and chief executive officer.

“6.2. The Government appoints the members of the board of directors, other than the chair of the board and the president and chief executive officer, based on the expertise and experience profiles established by the board. Board members are appointed for a term of up to four years.”

119. Section 7 of the Act is amended by striking out the first paragraph.

120. Section 8 of the Act is amended by striking out the second paragraph.

121. The Act is amended by inserting the following section after section 8:

“8.1. A vacancy on the board of directors is filled for the remainder of the unexpired term in accordance with the rules of appointment to the board.

Non-attendance at a number of board meetings determined by by-law of the company constitutes a vacancy in the cases and circumstances specified by by-law.”

122. Section 9 of the Act is replaced by the following sections:

“9. The Government appoints the chair of the board of directors for a term of up to five years.

“9.1. On the recommendation of the board of directors, the Government appoints the president and chief executive officer based on the expertise and experience profile established by the company.

The president and chief executive officer is appointed for a term of up to five years.

The board determines the remuneration and other conditions of employment of the president and chief executive officer in keeping with parameters set by the Government.

“9.2. If the board of directors does not recommend a candidate for the position of president and chief executive officer in accordance with section 9.1 within a reasonable time, the Government may appoint the president and chief executive officer after notifying the board members.

“9.3. If the president and chief executive officer is absent or unable to act, the board of directors may designate a member of the company’s personnel to exercise the functions of that position.”

123. Section 10 of the Act is repealed.

124. Section 14 of the Act is amended by replacing “chairman” in the second line by “chair of the board, the president and chief executive officer”.

125. The Act is amended by inserting the following section after section 21:

“**21.1.** The company must submit any information on the company and its subsidiaries requested by the Minister of Finance.”

126. Section 24 of the Act is replaced by the following section:

“**24.** The books and accounts of the company are audited jointly every year by the Auditor General and an external auditor appointed by the Government. The remuneration of the external auditor is paid out of the revenues of the company. The joint report must accompany the company’s annual report.”

127. Section 25 of the Act is amended by replacing the second paragraph by the following paragraph:

“The Minister tables the report and the financial statements in the National Assembly within 15 days after receiving them or, if it is not sitting, within 15 days of resumption.”

ACT RESPECTING THE SOCIÉTÉ GÉNÉRALE DE FINANCEMENT DU QUÉBEC

128. Section 14 of the Act respecting the Société générale de financement du Québec (R.S.Q., chapter S-17) is amended by replacing the first paragraph by the following paragraph:

“**14.** The company is administered by a board of directors consisting of from 9 to 15 members, including the chair and the president and chief executive officer.”

129. Section 14.0.1 of the Act is replaced by the following section:

“**14.0.1.** The Government shall appoint the members of the board of directors, other than the chair of the board and the president and chief executive officer, based on the expertise and experience profiles established by the board. Board members are appointed for a term of up to four years.”

130. The Act is amended by inserting the following sections after section 14.0.1:

“**14.0.1.1.** Board members other than the president and chief executive officer receive no remuneration, except in the cases, on the conditions and to the extent that may be determined by the Government. They are entitled, however, to the reimbursement of expenses incurred in the exercise of their functions on the conditions and to the extent determined by the Government.

“14.0.1.2. On the expiry of their term, board members remain in office until replaced or reappointed.

“14.0.1.3. A vacancy on the board of directors shall be filled for the remainder of the unexpired term in accordance with the rules of appointment to the board.

Non-attendance at a number of board meetings determined by by-law of the company constitutes a vacancy in the cases and circumstances specified by by-law.”

131. Section 14.0.2 of the Act is replaced by the following sections:

“14.0.2. The Government shall appoint the chair of the board of directors for a term of up to five years.

“14.0.3. On the recommendation of the board of directors, the Government shall appoint the president and chief executive officer based on the expertise and experience profile established by the company.

The president and chief executive officer is appointed for a term of up to five years.

The board shall determine the remuneration and other conditions of employment of the president and chief executive officer in keeping with parameters set by the Government.

“14.0.4. If the board of directors does not recommend a candidate for the position of president and chief executive officer in accordance with section 14.0.3 within a reasonable time, the Government may appoint the president and chief executive officer after notifying the board members.

“14.0.5. If the president and chief executive officer is absent or unable to act, the board of directors may designate a member of the company’s personnel to exercise the functions of that position.”

132. Section 14.1 of the Act is amended by replacing “chairman of the board” by “chair of the board”.

133. Sections 14.2 to 14.4 of the Act are repealed.

134. Section 14.5 of the Act is amended by replacing “14.3 and 14.4” by “10 and 11 of the Act respecting the governance of state-owned enterprises and amending various legislative provisions (2006, chapter 59)”.

135. Section 15 of the Act is repealed.

136. Section 15.1 of the Act is replaced by the following section:

“15.1. The company shall establish a strategic plan to be submitted for approval to the Government by the Minister of Economic Development, Innovation and Export Trade, after consultation with the Minister of Natural Resources and Wildlife and the Minister of Agriculture, Fisheries and Food as regards the sectors of activity under their respective responsibility.”

137. Section 15.2 of the Act is amended

(1) by replacing “five-year development plan” in the first paragraph by “strategic plan”;

(2) by replacing “30” wherever it appears by “15”.

138. The Act is amended by inserting the following section after section 15.2:

“15.3. The books and accounts of the company shall be audited jointly every year by the Auditor General and an external auditor appointed by the Government. The remuneration of the external auditor shall be paid out of the revenues of the company. The joint report must accompany the company’s annual report.”

139. Section 17 of the Act is amended

(1) by replacing “make a report of its activities for its preceding fiscal year to the Minister of Economic Development, Innovation and Export Trade” in the first paragraph by “send its financial statements and annual report for the preceding fiscal year to the Minister of Economic Development, Innovation and Export Trade”;

(2) by replacing the second and third paragraphs by the following paragraphs:

“The Minister shall table the financial statements and the annual report in the National Assembly within 15 days after receiving them or, if the Assembly is not sitting, within 15 days of resumption.

In addition, the company must, at any time, submit to the Minister of Economic Development, Innovation and Export Trade any information the Minister requests concerning the company and its subsidiaries.”

CHAPTER X

OTHER AMENDING PROVISIONS

ACT RESPECTING THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

140. Section 13.8 of the Act respecting the Caisse de dépôt et placement du Québec (R.S.Q., chapter C-2) is amended

(1) by replacing paragraph 3 by the following paragraph:

“(3) making sure that a plan for the optimal utilization of the Fund’s resources is put in place, and following up on that process;”;

(2) by striking out paragraph 4;

(3) by replacing “1 to 4” in paragraph 5 by “1 to 3”;

(4) by adding “and the external auditor appointed by the Government” at the end of paragraph 8.

141. Section 46 of the Act is amended by adding “and on the plan referred to in paragraph 3 of section 13.8” at the end of paragraph *j*.

142. Section 48 of the Act is replaced by the following section:

“**48.** The books and accounts of the Fund shall be audited jointly every year by the Auditor General and an external auditor appointed by the Government. The remuneration of the external auditor shall be paid out of the revenues of the Fund. The joint report must accompany the annual report of the Fund.

The report must mention any investment or financial transaction that is not in compliance with this Act.”

AUDITOR GENERAL ACT

143. Section 23 of the Auditor General Act (R.S.Q., chapter V-5.01) is amended by adding the following paragraphs at the end:

“The Auditor General may assign to another auditor all or part of the audit of the books and accounts of a government agency or government enterprise, or of a fund managed by a government agency or enterprise, or of any other body whose books and accounts the Auditor General is required to audit, except a public body referred to in section 3, but the Auditor General remains responsible for the audit.

An enterprise, agency, body or fund which derives less than half of its revenues from the consolidated revenue fund and any other funds managed by a public body must pay the fees and costs of the auditor designated under the second paragraph.”

144. Section 24 of the Act is amended by inserting “to act alone in that respect,” after “appointed” in the third line of the first paragraph.

145. Section 28 of the Act is amended by replacing “of which he audits the books and accounts” in the second line of the first paragraph by “whose books and accounts he has the power to audit in whole or in part”.

CHAPTER XI

TRANSITIONAL AND FINAL PROVISIONS

146. The requirements relating to the number of independent directors on a board of directors and those relating to the independence of the chair provided for in the first paragraph of section 4 of this Act and in the first paragraph of section 4.0.6 of the Hydro-Québec Act enacted by section 49 of this Act as well as the requirement provided for in the second paragraph of section 19 of this Act and the requirements provided for in the second paragraph of section 7.6 of the Hydro-Québec Act enacted by section 52 of this Act apply as of the date set by the Government in respect of each of the enterprises referred to in section 2 and Hydro-Québec. That date must be set as soon as possible and the provisions referred to in this section are to apply not later than 14 December 2011.

The same applies to the requirement that the audit committee include a member of one of the professional orders of accountants as set out in the second paragraph of section 23 of this Act and in the second paragraph of section 7.10 of the Hydro-Québec Act enacted by section 52 of this Act.

147. The Government may, in accordance with this Act, determine that a member of the board of directors of an enterprise referred to in section 2 or of Hydro-Québec, in office on 13 December 2006, has the status of independent director.

148. A board member in office on 13 December 2006 who has not obtained the status of independent director under section 147 may, despite section 19, be a member of a committee referred to in that section until two thirds of the members of the board of directors are independent directors.

149. The members of the board of directors of Hydro-Québec in office on 13 December 2006 continue in office on the same terms, for the unexpired portion of their term, until they are replaced or reappointed.

The president and chief executive officer and the chairman of the board of directors of Hydro-Québec continue in office on the same terms, for the unexpired portion of their term, until they are replaced or reappointed.

150. The members of the board of directors of Investissement Québec in office on 13 December 2006 continue in office on the same terms, for the unexpired portion of their term, until they are replaced or reappointed.

The chief executive officer and the chair of the board of directors of Investissement Québec continue in office on the same terms, for the unexpired portion of their term, until they are replaced or reappointed.

151. The members of the board of directors of the Société de l'assurance automobile du Québec in office on 13 December 2006 continue in office on

the same terms, for the unexpired portion of their term, until they are replaced or reappointed.

The chairman and general manager of the Société continues in office on the same terms, for the unexpired portion of his term, as president and chief executive officer. He exercises the functions of chair of the board of directors until that office is filled in accordance with section 8 of the Act respecting the Société de l'assurance automobile du Québec as enacted by section 90 of this Act.

152. The vice-chairmen of the Société de l'assurance automobile du Québec appointed by the Government and in office on 13 December 2006 continue in office on the same terms, for the unexpired portion of their term, until they are replaced or reappointed by the Société.

Sections 8 to 11, 15 and 16 of the Act respecting the Société de l'assurance automobile du Québec, as they read on 13 December 2006, continue to apply to those vice-chairmen.

153. The members of the board of directors of the Société des alcools du Québec in office on 13 December 2006 continue in office on the same terms, for the unexpired portion of their term, until they are replaced or reappointed.

The president and managing director and the chairman of the board of directors of the Société continue in office on the same terms, for the unexpired portion of their term, until they are replaced or reappointed.

154. The members of the board of directors of the Société des loteries du Québec in office on 13 December 2006 continue in office on the same terms, for the unexpired portion of their term, until they are replaced or reappointed.

The president and managing director of the Société continues in office on the same terms, for the unexpired portion of his term, as president and chief executive officer. He exercises the functions of chair of the board of directors until that office is filled in accordance with section 9 of the Act respecting the Société des loteries du Québec as enacted by section 122 of this Act.

155. The members of the board of directors of the Société générale de financement du Québec in office on 13 December 2006 continue in office on the same terms, for the unexpired portion of their term, until they are replaced or reappointed.

The chief executive officer of the Société continues in office on the same terms, for the unexpired portion of the term, until he is replaced or reappointed. He exercises the functions of chair of the board of directors until that office is filled in accordance with section 14.0.2 of the Act respecting the Société générale de financement du Québec, enacted by section 131 of this Act.

156. For the purposes of sections 34 and 35 of this Act, an enterprise referred to in section 2 of this Act that has a strategic plan in place on 14 December 2006 must meet the requirements of those sections not later than on the plan's expiry date. If such an enterprise has no strategic plan in place on 14 December 2006, it must meet those requirements not later than 31 March 2008.

For the purposes of section 11.13 of the Hydro-Québec Act, enacted by section 54 of this Act, Hydro-Québec must submit its strategic plan to the Government for approval on the plan's expiry date.

157. Enterprises referred to in section 2 of this Act and Hydro-Québec must submit to the Government for approval the variable pay policy applicable to their officers and employees and the variable pay policy applicable to the officers and employees of their wholly-owned subsidiaries not later than 31 December 2007.

Enterprises referred to in section 2 of this Act and Hydro-Québec may not change their variable pay policy in force on 15 November 2006 unless the change is approved by the Government.

158. Sections 36, 38 and 39 of this Act and sections 20.1, 20.3 and 20.4 of the Hydro-Québec Act, enacted by section 61, apply in regard to enterprises referred to in section 2 of this Act and Hydro-Québec, respectively, from their respective fiscal years ending after 31 March 2007.

159. In addition to the transitional provisions provided in this Act, the Government may, by a regulation made before 14 December 2007, enact any other transitional provision or measure conducive to the carrying out of this Act.

A regulation made under this section is not subject to the publication requirement of section 8 of the Regulations Act (R.S.Q., chapter R-18.1) or to the date of coming into force set out in section 17 of that Act.

160. Section 21.5 of the Hydro-Québec Act, section 48 of the Act respecting Investissement Québec and La Financière du Québec, sections 20 and 23.0.18 of the Act respecting the Société de l'assurance automobile du Québec, section 60 of the Act respecting the Société des alcools du Québec, section 24 of the Act respecting the Société des loteries du Québec, section 15.3 of the Act respecting the Société générale de financement du Québec and section 48 of the Act respecting the Caisse de dépôt et placement du Québec, respectively enacted by sections 65, 84, 104, 107, 117, 126, 138 and 142 of this Act, apply, as regards joint auditing requirements, to fiscal years ending in or after the year 2010.

However, the Government may determine that an enterprise referred to in section 2 of this Act, Hydro-Québec or the Caisse de dépôt et placement du Québec is subject, as of any date between 14 December 2006 and

1 January 2010, to the provisions referred to in the first paragraph that are applicable to it.

161. This Act comes into force on 14 December 2006, except paragraph 1 of section 43, which comes into force on the date to be set by the Government and not later than 14 December 2011.

