



NUCLEAR WASTE MANAGEMENT ORGANIZATION SOCIÉTÉ DE GESTION DES DÉCHETS NUCLÉAIRES

REPORT OF THE DIRECTORS – 2007

The Directors of the Nuclear Waste Management Organization (NWMO) are pleased to submit to its Members their annual report and the audited financial statements for the NWMO for the year ended December 31, 2007.

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

In June, 2007, on the recommendation of the Minister of Natural Resources Canada, the Government of Canada approved Adaptive Phased Management (APM), the approach that emerged following NWMO's three-year national dialogue with citizens, specialists and Aboriginal people. APM has as its end-point the containment and isolation of used nuclear fuel in a deep geological repository constructed in a suitable rock formation. Collaboration, continuous learning and adaptability will underpin NWMO's implementation of APM as it unfolds over several decades, with extensive oversight and regulatory approvals at each key milestone in the project. All aspects of NWMO's work must meet or exceed all applicable regulatory standards and requirements for protecting the health, safety and security of humans and the environment.

With the Government's decision, the NWMO began working to develop a foundation to implement APM. Under the Board's direction, the organization drafted seven strategic objectives which have been put forward to Canadians for confirmation. Over the year, progress was made on each of these objectives.

Following the Government decision in June, NWMO re-engaged with the many interested organizations and individuals across sectors to re-establish relationships and understand expectations and views on how NWMO proceeds with implementing APM. From Summer 2007 through to early 2008 NWMO invited public input for NWMO's early implementation planning, convening over 100 meetings and briefings, inviting comments through the website and deliberative surveys, and convening Citizen Panels in all four nuclear provinces.

In 2007 NWMO assumed responsibility for directing and managing all aspects of the Canadian technical research program on used nuclear fuel, in such areas as repository engineering, geosciences, safety assessment and technical support for siting. The technical program engaged the specialist consulting community, eleven universities and four international partnerships. NWMO advanced its research program on the many social issues related to implementing APM. NWMO continued to assess how changing circumstances might impact plans, including the prospects for new nuclear power plants, additional fuel volumes and different fuel types.

NWMO worked with Member companies to enhance its governance structure in several ways, including development of revised By-laws and Members Agreement. Membership of the NWMO Board of Directors and Advisory Council has been renewed and expanded.

NWMO has formalized linkages for advice and guidance on engagement of Aboriginal people through its Aboriginal Working Group, Niigani, established by the NWMO Elders' Forum. At the Board's request, plans were initiated to establish a new independent Technical Review Group. Working with Member organizations, NWMO completed a funding formula proposal to address how this generation which benefits from nuclear power will pay for the long-term management of the used fuel which is created.

In 2007 NWMO strengthened its organizational capacity through the incorporation of additional technical, social research, public engagement, legal and human resources expertise, including establishing an intern program. By year-end 2007 the staff complement had grown to 27, from 12 full time positions during the study phase.

Looking ahead to 2008, the organization will continue to build its internal capabilities to support growing research and engagement programs and will further its transition into a sustaining corporation. Following a period of public review and input, NWMO will be finalizing an Implementation Plan that confirms the strategic directions and establishes the foundation for NWMO's work for the next five years. An active research agenda continues in both technical and social domains. NWMO awaits ministerial response on the proposed funding formula that was submitted in March 2008 for approval by the Minister of Natural Resources.

Much activity in 2008 is being directed to planning for the upcoming phase of engagement to collaboratively design the process for selecting a site for locating the deep repository for used nuclear fuel. A series of activities is planned to invite input around the principles and key elements to be included in a siting process. Critical to success in all areas of implementation is the involvement of citizens at key stages and key decisions through engagement processes that are open, transparent and inclusive. Relationship-building with interested individuals and organizations remains a key area of activity as the foundation for all of NWMO's work. NWMO will continue development of cooperation and communication protocols with Aboriginal organizations and collaborative initiatives at the municipal level that will be essential in moving forward to a future siting process.

GOVERNANCE

Membership Agreement and General By-Law

Following the Government's decision in June 2007, a new Membership Agreement and General By-Law was required to confirm Member roles, responsibilities and cost-sharing arrangements for NWMO's annual operating funding to implement the Adaptive Phased Management approach.

At a Special General Meeting of Members convened in October 2007, Members confirmed a new General By-law and Membership Agreement, as proposed by the Board, for the implementation phase of NWMO's work.

Board of Directors

The following persons held office as Directors of the corporation during the 2007 fiscal year:

Mr. Laurie Comeau (Appointed Sept. 15, 2003, resigned June 30, 2007)

Mr. Ronald L. Jamieson (Appointed March 1, 2007)

Dr. Gary Kugler (Chairman)	(Appointed June 1, 2006)
Mr. Fred Long	(Appointed June 28, 2002, resigned March 1, 2007)
Ms. Sharon MacFarlane	(Appointed June 30, 2007)
Mr. Ken Nash	(Appointed May 27, 2002)
Ms. Josée Pilon	(Appointed January 26, 2007)
Dr. Deborah Poff	(Appointed March 1, 2007)
Mr. C. Ian Ross	(Appointed March 1, 2007)

Subsequently appointed to the Board in 2008 was:

Mr. Pierre Charlebois	(Appointed February 22, 2008)
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Board membership was expanded in 2007 to include a greater range of experiences including ethics, Aboriginal culture and finance. There are currently eight Directors of the corporation. More information on the Directors of the corporation is set out on pages 56-58 of the NWMO's 2007 annual report.

The current Board composition reflects the desire of Member organizations to establish a Board with the appropriate breadth of perspectives and skills, experience and competencies required to provide oversight of the managerial, financial and operational activities associated with the long-term management of used nuclear fuel following a government decision.

Officers

The following persons held Officer positions in 2007, by appointment of the Board of Directors:

Chairman:	Dr. Gary Kugler
President & CEO:	Ken Nash
Treasurer:	Fred Long (to March 1, 2007) Angelo Castellan (from March 1, 2007)
VP Corporate Affairs and Corporate Secretary:	Kathryn Shaver
VP Science and Technology:	Frank King (from November 12, 2007)

Elizabeth Dowdeswell continued supporting the NWMO through 2007 as a Special Advisor to the Board. Having fulfilled her mandate to support the collaborative development of a site selection process, Ms. Dowdeswell completed her term with NWMO on April 30, 2008.

Meetings of the Board of Directors

The Board convened five formal meetings in 2007, as well as two separate strategic planning workshops, and conference calls as required. An orientation program was convened for directors, which included a site visit to a used nuclear fuel storage facility.

A focus of the Board's 2007 meetings was on setting strategic direction to guide the first five years of NWMO's implementation activities, and strengthening the resources, capabilities and governing framework to prepare the organization for its implementation mandate.

In strategic planning sessions, the Directors agreed on a set of draft strategic objectives and a process through which NWMO would collaboratively develop its five-year implementation plan. The 2008 NWMO Five-Year Business Plan and Budget was presented to the Board for approval in the fall of 2007.

Many specific areas of focus for the Board in 2007 related to facilitating NWMO's transition into an implementing organization. The Board reviewed and approved the new General By-law, Membership Agreement and the proposed funding formula to support the early years of implementation. Directors discussed and provided guidance on labour relations and human resource planning and development.

The Board also confirmed its Charter and established a Siting Committee of the Board to provide focused attention on this aspect of NWMO's plans and future activities. Directors approved a revised Terms of Reference for the Advisory Council and provided direction for a review of the Council's composition to ensure the appropriate breadth of expertise for the implementation phase. The Board approved establishment of an Independent Technical Review Group to review NWMO's technical program to ensure credible scientific approaches and methods, consistent with best international practices.

In its November meeting, the Board met with Niigani, the Aboriginal Working Group established through the NWMO Elders' Forum. This was an important opportunity for the Board and Niigani to exchange views and share information and for Niigani to provide advice directly to the Board on Aboriginal matters.

The Board regularly discussed NWMO's technical and social research programs and public engagement plans, as well as received financial updates and reports from the Chairs of the Advisory Council and Board committees. Early in 2007, the Board reviewed and approved the 2006 Annual Report and audited financial statements, subsequently presented to NWMO Members at the June Annual General Meeting.

Standing items on Board agendas included reports from the President, the Chairman of the Advisory Council, Chairmen of the Audit, Finance and Risk and Siting Committees and Special Advisor to the Board. *In camera* discussions were convened amongst directors without the presence of NWMO staff or management.

Board Committees

(a) Audit, Finance and Risk Committee

The Board's Audit, Finance and Risk committee convened four regular meetings in 2007 and one special session to discuss the expert panel review of NWMO's proposed funding formula.

It provided oversight of the external audit of the NWMO's 2006 financial statements, advising on selection of the auditors for 2007 and terms of the audit service plan. The committee met with the auditors to discuss their findings.

The Committee regularly reviewed in-year financial statements and cash flow projections, budgetary planning for the upcoming year, and management of business risk in advance of presentation to the full Board.

As at December 31, 2007, the Board's Audit, Finance and Risk Committee was composed of three Directors: Mr. C. Ian Ross (Committee Chair), Mr. Ron Jamieson and Ms. Josée Pilon.

(b) Siting Committee

In 2007, the Board established a Siting Committee as a vehicle through which the Board maintains oversight of the strategic direction for the preparatory work for the collaborative design of a siting process and, in the future, the site selection process itself.

The Committee convened two meetings in 2007 during which members received orientation briefings on NWMO's work program and reports from the Special Advisor's work on preparations for the collaborative design of a siting process.

As at December 31, 2007, the Board's Siting Committee comprised three Directors: Mr. Ron Jamieson (Committee Chair), Dr. Deborah Poff, and Ms. Sharon MacFarlane. Ms. Elizabeth Dowdeswell, Special Advisor to the Board, served as an ex-officio member of the committee.

Head Office

For the first half of 2007, the Head Office of the NWMO was located at 49 Jackes Avenue, Toronto, Ontario, M4T 1E2.

The NWMO then moved into its new offices at 22 St. Clair Avenue East, 6th floor, Toronto, Ontario, where it continues to be located.

Advisory Council of the NWMO

The *NFWA* sets out a continuing role for the Advisory Council. The Council will have an ongoing statutory responsibility to contribute to NWMO's triennial reports that are tabled with the Minister of Natural Resources Canada by providing comments on NWMO's activities, strategic plans, budget forecasts and public engagement. The Council's comments will be included in the triennial reports and made public.

In 2007 the Advisory Council continued its important role of providing ongoing independent guidance and advice to the NWMO as the organization prepared for its implementation phase.

The Council convened four formal meetings during the year. Each meeting included an in-camera session where members deliberated privately in the absence of NWMO staff and management. Council members also convened one informal conference call in 2007.

At each meeting, NWMO management and staff reported on recent technical and social research as well as public engagement activities and findings. Much of Council's focus was on NWMO's planning for implementation activities. The Council was briefed and consulted on the organization's in-year work plans and the development of its 2008 business plan, development of the proposed funding formula and the draft strategic objectives to guide early NWMO work. Council advised on matters of public engagement and planning for the collaborative design of a process for site selection.

Council's original nine members continued to serve through to December 31, 2007. The Board of Directors, having completed its assessment of expertise and competencies required on Council to support NWMO's early implementation years, extended invitations to the nine members to serve a further term. Seven members accepted re-appointment, providing continuity in the Council's operations. The Honourable David Crombie agreed to stay on as Chair. Helen Cooper and Gordon Cressy left the Council at the end of 2007 having completed their terms. The Board of Directors also appointed three new Council members effective January 1, 2008, adding experience in the fields of geosciences, strategic communications and Aboriginal Traditional Knowledge. As of the date of this Report, the members of the Advisory Council are:

The Honourable David Crombie (Chair)

Dr. David Cameron

Dr. Marlyn Cook

Dr. Frederick Gilbert

Mr. Rudyard Griffiths

Ms. Eva Ligeti

Dr. Derek Lister

Dr. Dougal McCreath

Mr. Donald Obonsawin

Dr. Daniel Rozon.

Biographical information on the Advisory Council members is provided on pages 62-65 of the annual report.

FINANCIAL SUMMARY

The financial summary of results and assets and liabilities of the NWMO for the year ending December 31, 2007, is set out on pages 68-75 of the annual report, which is appended.

Operating Budget

Cost-sharing of NWMO's 2007 operations was consistent with the terms articulated in the 2007 Membership Agreement and agreed upon in a letter to members dated Dec. 15, 2006 entitled "Confirmation of Approach to 2007 Cost Sharing".

Pursuant to that Agreement, the costs of the NWMO are shared pro rata by the Members based on the number of used nuclear fuel bundles owned by each Member on June 30, 2006.

For 2007, the cost share for Members was:

- Ontario Power Generation Inc.: 90.32%
- NB Power Nuclear Corporation: 4.18%
- Hydro-Quebec 3.87%

For Atomic Energy of Canada Ltd. (AECL), the cost share was 1.63%

For the 2007 fiscal year, the Board approved a \$15,700,000 operating budget for the NWMO. The NWMO's actual expenditures for 2007 totaled \$11,957,176 plus a total of \$674,999 actual expenditure for leasehold improvements.

Members agreed that the 2006 over-contribution be retained by NWMO to pay for the leasehold improvements for the new office facility in 2007. All additional over-contributions for the period of 2006-2007 were credited back to Member organizations in 2008.

For 2008, the Board approved an initial budget envelope of \$26.6 million plus a budget amendment of \$1.0 million to provide for office expansion and contingency.

Bank Accounts

Further to the resolution of the Board of September 11, 2002, the NWMO continues to maintain Canadian dollar and U.S. dollar accounts, and a money market investment account with TD Canada Trust. Signing authorities remain consistent with Board direction.

Investment Activities

Funds in excess of immediate requirements to cover cheques issued on the Canadian dollar account are transferred to the money market account where they earn interest daily. In addition, arrangements have been made with TD Canada Trust to pay a nominal interest rate (prime interest rate less 3.5%), on all balances in NWMO's Canadian dollar account.

AUDITORS

Deloitte & Touche LLP were the independent external auditors appointed by Members to examine the NWMO's financial statements for the year ending December 31, 2007.

REPORTS

The NWMO submitted its 2007 Annual Report, with audited financial statements, to the Minister of Natural Resources Canada on March 27, 2008. The report and financial statements were made public at the same time, consistent with the NWMO's obligations under the *NFWA*. The Minister tabled the Annual Report in the House of Commons on April 17th, 2007 and in the Senate on April 29, 2008.

ANNUAL GENERAL MEETING

The 2007 Annual General Meeting of the corporation will be held on June 20, 2008 in Saint John, New Brunswick.

On behalf of the Board of Directors,

Dr. Gary Kugler
Chairman

Saint John, June 20, 2008

Attachment:

NWMO Annual Report 2007, *Moving Forward Together*