

## 1.0 GOVERNANCE INTRODUCTION

"The governing board is as high in the structure as one can go and still be within the organizational framework. Its total authority is matched by its total accountability for all corporate activity. "

~ John Carver (**Boards That Make a Difference** - A New Design for Leadership in Nonprofit and Public Organizations)

### Contents

#### **Definitions**

#### **Corporate Governance Defined**

#### **Governance Structure**

#### **Directors' Fiduciary Duty**

#### **Corporate Governance Dynamics**

#### **Minimum Standards and Best Practices**

---

### **Definitions**

Throughout this document, unless otherwise stated:

1. "Corporation" refers to CDSPI;
2. "CDSPI" refers to CDSPI and its affiliate companies;
3. "Members" means the Canadian Dental Association and the nine provincial dental associations
4. "Purposes and Objects" means those purposes and objects of the Corporation as set out in its Letters Patent as they may be amended from time to time; and
5. The masculine includes the feminine.

### **Corporate Governance Defined**

By corporate governance, we mean the *process* and *structure* used to direct and manage the activities and affairs of the Corporation with the objective of serving the Purposes and Objects of the Corporation and enhancing the Members' value, which includes ensuring the financial viability of the Corporation.

The governing body (e.g. Board of Directors) establishes structures, clarifies functions and develops processes that enable its directors to carry out their responsibilities.

These processes and structures facilitate the authority, decision-making, direction and control that enable an organization to achieve its mission. The Corporation defines the division of power and establishes mechanisms for achieving accountability among Members, the Board of Directors and management.

## **Governance Structure**

The governance structure adopted by a Board of Directors should enhance the Board's capacity to achieve the mission of the organization. This structure includes designated officers of the Corporation, the Board of Directors, advisors/advisory groups, committees and task forces.

The corporate governance structure should enhance (and not frustrate) development for the organization with regard to its Purposes and Objects.

## **Directors' Fiduciary Duty**

Board Directors assume a **fiduciary duty** to act in the best interests of the organization. ("Fiduciary" comes from the Latin word for 'trust')

They hold a position of **stewardship** or "**public trust**". As the corporate stewards, they are responsible for the management of the corporation's assets and liabilities. Directors must exercise their authority in compliance with applicable legislation, the Letters Patent, the By-laws and the body of common law applicable to corporate Directors.

The Board of Directors has the authority to develop the organization's governance model, structure, processes and practices within the parameters of all legal and regulatory guidelines that apply to the organization. The Directors also advocate the best interests of the corporation, its stakeholders and community it serves and in the case of a not-for-profit corporation such as the Corporation, the Directors ensure that the Corporation acts and its assets are applied in furtherance of its Purposes and Objects as set out in the Corporation's Letter Patent.

It is important to note, that the overriding duty of each Board Director is to act at all times in the best interests of the Corporation without regard to any loyalties or obligations the Director may have to any other person or organization. Therefore, as a Director, know what hat you are wearing when involved in decision-making.

Directors must also demonstrate "**due diligence**", that is, Directors must take *reasonable steps* in the circumstance to ensure that provisions of legislation and regulations have been complied with. It is *immaterial* whether or not the Directors intended to violate the provisions in question. Ignorance or lack of intention is no excuse (or legal defense).

## **Corporate Governance Dynamic**

Corporate governance is a *dynamic* concept.

It should recognize that each organization is different with a unique set of circumstances and that these circumstances will be constantly changing.

An effective system of corporate governance should enhance the development of the organization and not inhibit its ability to serve its Purposes and Objects, and develop and respond to changing circumstances, environmental factors and conditions.

Best practices suggest that each corporation should undertake a regular assessment and enhancement of its corporate governance so that it will continue to evolve and improve.

### **Minimum Standards and Best Practices**

"Minimum standards are standards that are seen as normally expectable for good governance. Best Practices are the practices associated with high performance Boards and the innovative ideas from outstanding Boards that may be applicable to other Boards." (Canadian Coalition of Good Governance)

Since corporate governance is dynamic, our best practices today will become tomorrow's minimum standards. The CDSPI Board of Directors is committed to the practice of continuous improvement.