

2.0 CDSPI GOVERNANCE GUIDELINES

"There is a growing understanding that decisions made by all Directors are felt far beyond Boardroom walls, affecting individuals, corporations, and society."

~ ICD (Institute of Corporate Directors)

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CDSPI's Principles of Corporate Governance

CDSPI's Board strongly believes that the principles of **openness, accountability** and **continuous improvement** are well entrenched within its corporate governance.

By "openness", we mean being able and willing to be open to scrutiny if required. Openness also implies an open style of management where information is shared and the intellectual capital of the board is openly nurtured.

By "accountability", it is meant that decision-makers are responsible for their conduct and, if called upon, can give reasonable and understandable explanations for their behaviour and their decision-making.

With "continuous improvement", we mean to support the process of regularly reviewing, assessing and improving our corporate governance with the intent to make it current and better aligned with up to date best practices.

Size and Number of Directors

The affairs of CDSPI shall be managed by a Board comprised of a **minimum of three (3) Directors** and a **maximum of ten (10) Directors**, of whom a majority shall constitute a quorum.

The number of Directors to be elected shall be determined from time to time by a resolution of the Board of Directors. If an Executive Committee has been appointed and authorized to exercise the powers of the Board of Directors, such Executive Committee shall not have the power to change the number of Directors.

Definition of Dentist Director

At the Vancouver March 2008 Board meeting, the Board decided to clarify the definition for a **Dentist Director** by changing the current **Dentist Director** by-law to:

"**Dentist**" means a duly qualified individual who is authorized by a provincial regulatory authority to practice dentistry in Canada and who is actively engaged in the practice of dentistry in Canada."

Dentist Director Requirement

To better align itself with best practices, the Board decided at the Vancouver March 2008 Board meeting, that the **Dentist Director Requirements** by-law be changed to:

"When there are no vacancies on the Board, at least 25% of the persons serving as Directors shall be Dentists at the time of their election to the Board and the balance of the Directors shall reflect the industry sectors of the Corporation's activities and the functional areas of expertise required by the Board."

Diversity & Dynamics of the Board

Not only does the CDSPI Board support the best practice that recommends the composition of the Board of Directors to include a variety of backgrounds reflective of the key activities of the Corporation and key functional areas, but it also supports the best practice that the Board should be diverse and reflect the demographics of the community it serves.

Such **diversity** in the Board decision-making process has many benefits and advantages.

In addition, since Board decisions are collective decisions, the **dynamics** of a Board is an important aspect to consider in order to ensure an effective balance of personalities work well together as a team.

Election of Directors and Terms

Directors are elected by the Members. The election of Directors shall take place by resolution at each Annual General Meeting (AGM) by Members.

Currently, every Director has a one year term. Prior to the AGM, all the Directors then in office shall retire but, if qualified and willing, shall be eligible for re-election.

A list of candidates consisting of the incumbent Directors and potential new Directors should be presented to the Members at the AGM. The Members will then vote for each candidate either by a poll or a show of hands.

If an election of Directors is not held at the proper time, the incumbent Directors shall continue in office until their successors are appointed.

Upon election, each Director should sign a Confidentiality Agreement and a Conflict of Interest Declaration before assuming Director responsibilities.

Independent and Unrelated Directors

As a guideline, every Board should be constituted with a majority of individuals who qualify as unrelated, that is, a Director who is independent of management and is free from any interest and any business or other relationship which could, or could be perceived to, materially interfere with the Director's ability to act in the best interests of the organization.

Ethics

The Board expects all Directors, officers and employees of the Corporation and its affiliates to conduct themselves in accordance with the highest ethical standards and in accordance with its policies. Directors are expected to set the ethical tone for the Corporation and satisfy the Corporation that senior management is sustaining a culture of integrity throughout the organization.

No Director may provide personal services for compensation to CDSPI, other than in connection with serving as a CDSPI Director. CDSPI will not make any personal loans or extensions of credit to Directors.

At the beginning of his/her term, each Director will be asked to sign an Undertaking that addresses the issues of Conflict of Interest and Confidentiality. Each Director will be asked to review his/her Undertaking annually upon re-election. A Director who refuses to sign an Undertaking will be subject to removal from office as per CDSPI's by-laws.

Part of the mandate of the Governance Committee is to regularly review policies and processes to sustain ethical behaviour within CDSPI.

Conflicts of Interest

Each year, upon election, each Director will sign a **Conflict of Interest Declaration**.

Each Director must uphold his fiduciary duty and must put his/her duty to pursue the best interests of CDSPI before his/her personal interests. Directors must refrain from appropriating to themselves opportunities available to CDSPI of which they become aware.

Directors should avoid conflicts of interest if possible. If a conflict does arise, the Director must disclose it to the Board and refrain from taking part in discussions or voting on motions concerning the matter to which the conflict relates. For example, if a Director is in a claims dispute involving CDSPI, he/she should suspend his/her involvement (discussion and decisions) in all areas related to the claim dispute.

The Board should resolve any conflict of interest question involving the President or any Director, and the President should resolve any conflict of interest issue involving any other officer or employee of the Corporation.

If a significant conflict exists and cannot be resolved, the Director should resign.

The Board will not permit any waiver of any ethics policy for any Director or executive officer.

Confidentiality

Each year, upon election, each Director will sign a **Confidentiality Agreement**.

Whether or not they have been marked "Confidential", all materials contained in a Board of Directors' meeting book and any other materials distributed prior to a Board meeting are to be considered confidential until the Board has reviewed and discussed them and, if appropriate, authorized their disclosure.

Subject to CDSPI's by-laws and other applicable legal requirements, decisions about disclosures of CDSPI's confidential information shall be made by the Board.

Serving on other Boards

The Board believes that its Directors should be permitted to serve on the Boards of other organizations so long as these commitments do not materially interfere with and are not incompatible with their ability to fulfill their duties as a member of the Board.

At the beginning of each term, Directors should advise the Chair of the Governance Committee of all other Boards and all the committees of Members on which the Director serves.

During the course of their term, Directors should advise the Chair of the Governance Committee in advance of accepting an invitation to serve on the Board of another organization.

As a general rule, Directors should not join a Board of another organization on which another Director of the Corporation serves (other than subsidiaries or affiliates of the Corporation).

Reporting of Concerns to the Board

CDSPI shall establish a reporting procedure to enable anyone who has a concern about CDSPI's conduct. For example, any employee who has a concern about the Corporation's accounting, internal accounting controls or auditing matters, may communicate that concern directly to the Board of Directors.

Such communications may be confidential or anonymous, and may be e-mailed or submitted in writing to the CDSPI Corporate Secretary, Cathie Bodmore, at 155 Lesmill Road, Toronto, ON Canada M3B 2T8 or email her at: cbodmore@cdspi.com

All such communications are promptly reviewed and sent to the appropriate Board member. For example, any concerns relating to accounting, internal controls or auditing are sent immediately to the Board Chair and the Chair of the Audit Committee.

The Corporation's integrity prohibits the Corporation or any employee from retaliating or taking any adverse action against anyone for raising or helping to resolve an integrity concern.

The status of all outstanding concerns is reported to the Board at each meeting.

Public Disclosure and Contacting the Board

CDSPI will disclose a public version of its governance guidelines and charter on its public website.

Anyone may contact the Board with any question, concern or comment by contacting the Corporate Secretary at CDSPI, 155 Lesmill Road, Toronto, ON Canada M3B 2T8 or email cbodmore@cdspi.com

The Corporate Secretary will forward the question, concern or comment to the appropriate party.