

4.0 CDSPI Governance Charter Part 2 - Board of Directors

“Outstanding Boards strive to continuously improve their performance”
~ CCGG (Canadian Coalition of Good Governance)

Contents

Board of Directors - Responsibilities

- A) The Strategic Planning Process**
- B) Managing Risk**
- C) Overseeing of Senior Management**
- D) Communication Policy**
- E) Integrity of CDSPI's Internal Controls and Management Information Systems**

Board of Directors - Responsibilities (General)

For effective corporate governance, the Board of Directors shall explicitly assume responsibility for the stewardship of the Corporation and, as part of this overall stewardship, shall assume responsibility for the following **five principal responsibilities**:

- A) The Strategic Planning Process
- B) Managing Risk
- C) Overseeing of Senior Management
- D) Communication Policy
- E) Integrity of CDSPI's Internal Controls and Management Information Systems

A) The Strategic Planning Process

The Board of Directors is responsible for leading the Corporation into the future and therefore must ensure that there are long term goals and a strategic planning process in place.

The strategic planning process is an on-going process that centers on an annual in-depth review and planning session that typically occurs at an off-site location along with an outside facilitator to ensure the integrity of the process is maintained.

The Board plays a leadership role in the strategic planning process and oversees the effectiveness of the implementation.

Since the Board is not involved in the day-to-day management of CDSPI, it brings objectivity and a breath of judgment to this process.

After the in-depth planning process and under the direction of the Board, the

President is responsible for preparing an annual strategic plan for approval by the Board. This plan will also identify performance measurements.

The strategic planning process should provide an opportunity for input and/or participation from key stakeholders.

Critical components of a typical **strategic planning process** are:

1. reviewing the appropriateness of the current vision, mission, goals and objectives of the organization;
2. identifying trends and analyzing the external (market) influences that impact the organization in terms of threats, challenges and opportunities for the future;
3. identifying the strengths and weaknesses of the organization;
4. determining the critical issues for the future of the organization;
5. identifying resources and developing the priorities for the organization;
6. creating goals and strategies that translate priorities into action;
7. developing performance measurements for performance evaluations;
8. assessing corporate governance to ensure it enhances and supports the strategic plan and does not frustrate the pressures of growth and development;
9. determining that the implementation process is supported in relation to staffing and budgetary matters; and
10. ensuring the ongoing evaluation of current performance relative to performance indicators.

The **President's** role is to:

- (1) ensure the planning process is grounded in facts,
- (2) prepare the strategic plan document,
- (3) translate the strategic plan into a business plan, and
- (4) manage the day-to-day implementation of the plan.

Staff below the President, from the various functional areas of management, also plays a major role in the planning process:

- (1) they help to identify key issues, trends, etc. (part of the initial scanning process) and
- (2) they translate the strategic plan into doable operational plans for their functional areas.

Members may give their input through Member surveys, program evaluations or even attendance and participation at the planning session.

Outside **advisors** and experts may be called upon to present industry overviews.

An outside **facilitator** may be used to ensure that the integrity of the process is maintained.

On-going activities for the **Board** include:

1. regularly monitor the progress of CDSPI against its strategic and business plan;
2. annually approve the business plan and budget;
3. regularly review and approve the annual and interim financial statements;
4. regularly review the long-range plans and strategies; and,
5. review the strategically motivated goals, objectives and initiatives for the organization and the policy framework within which these are to be achieved.

B) Managing Risk

The Board must understand the principal risks of all aspects of the business in which CDSPI is engaged.

The objective of risk management is to reduce different risks to levels that are acceptable for the Corporation.

Recognizing that business decisions require the incurrence of risk, the Board must achieve a proper balance between the risks incurred and the potential returns.

This requires the Board to ensure that there are systems in place that effectively monitor and manage these risks with a view to the long term viability of CDSPI.

This also means approving and reviewing compliance with the policies and procedures for management, the control of risk, including capital management, and all legislative and regulatory requirements.

The management of risk is the main focus of the **Risk Management Committee**, which has a written mandate and methodology - a process that is empirical, objective and repeatable.

This Risk Management Process typically consists of identifying risks, assessing risks, developing strategies to manage risks, and monitoring the effectiveness of all risk management plans.

All risk analysis results and risk management plans should be reviewed and updated periodically in order to evaluate whether the previously selected plans and controls are still applicable and effective, plus, to ascertain if the possible risk level has changed in the business environment.

C) Overseeing Senior Management

Recognizing that the Board functions through delegation to management, the Board must ensure that management is of the highest caliber and that this is maintained by establishing best practices for the recruitment, selection, training, development, assessment and succession of the senior management team.

The key to the effective discharge of this responsibility is to appoint the best President for the job and support his/her development.

CDSPI supports the best practices that the Board needs to assess the President's performance against clearly defined goals and objectives established by the Board and in co-operation with the President. These objectives will help to assess his/her contribution to successfully implement the strategic business plan.

Performance metrics should also be applied to the senior management team of CDSPI. Clearly defined goals and objectives enable performance to be measured objectively, empirically and fairly.

To maximize organizational effectiveness, a *Performance Management System* based on the strategic and business plan should be in place for the entire Corporation.

Further, an annual formal evaluation process for the President should be in place (i.e. 360 evaluations). The resultant feedback from this assessment can be critical to the development of the President in his/her role.

It is important to stress that the purpose of this assessment is developmental. That is,

1. to gather critical feedback from the key stakeholders with whom he/she works (e.g. Board, senior management team, and Members);
2. to identify positive behaviours that need to be recognized, acknowledged and reinforced; and,
3. to identify 'non-aligned' behaviours (not linked to vision, mission and strategic plan) that need to be corrected and adjusted.

As to compensation, the process for determining the President's and the senior management team's remuneration should be linked to clearly defined goals and objectives and not to the annual evaluation process which is developmental in nature.

Finally, the Board must also be satisfied that CDSPI has programs in place: to train and develop management; to ensure that costly turnover is at a minimum; and, to provide for the orderly succession of management.

The **Human Resources Committee** assists the Board with this responsibility.

D) Communication Policy

The fourth principal responsibility of the Board is to ensure the Corporation has in place policies that enable the Corporation to communicate effectively with its Members and all other key stakeholders.

These policies should allow for an accurate interpretation and communication of the operations of the Corporation (the state of the affairs) and should also accommodate feedback from Members and all other key stakeholders.

This feedback should be given due consideration and factored into the Corporation's decision-making processes.

E) Integrity of CDSPI's Internal Controls and Management Information Systems

A critical success factor for the Board to effectively carry out its responsibilities is the integrity of internal controls and management information systems.

The Board approves the strategy and ensures that criteria to measure the degree of success or failure of the strategy is established. To do this, the Board must ensure that effective systems are in place to track these criteria so that it can monitor the implementation of the strategy.

Similarly, in reviewing and approving financial information, the Board needs to ensure that the Corporation has an audit system which can inform the Board on the integrity of the data and the compliance of the financial information with generally accepted accounting principles.

Also, in other areas of the Board's management such as asset management or regulatory compliance, the Board needs to be vigilant about the integrity of the effective controls and information systems.

Even though the existence of such systems is implicit in the discharge of the Board's responsibilities, it is important to note that the Board needs to regularly focus on and review these processes.

The **Audit Committee** and the **Risk Management Committee** investigate, review and regulate the integrity of these controls and systems.