

GOVERNANCE INTRODUCTION

- Definitions
- Corporate Governance Defined
- Governance Structure as an Enhancement
- Corporate Governance Dynamics
- Minimum Standards and Best Practices

Definitions

Throughout this Governance Manual, unless otherwise stated:

"Corporation" refers to CDSPI.

"CDSPI" refers to CDSPI and its affiliate companies.

"Members" (Total of 11) means the Canadian Dental Association and the 10 provincial and territorial dental associations described in Section 3.8.

Corporate Governance Defined

Corporate Governance refers to the processes and structures used to direct and manage the activities of the Corporation, with the objective of serving its Purposes and Objects and enhancing Member value. This includes ensuring the Corporation's financial viability and supporting its mission and vision.

The governing body, typically the Board of Directors, establishes structures, clarifies functions and develops processes that enable Directors to fulfill their responsibilities effectively. These processes facilitate authority, decision-making, direction, and control, helping the Corporation achieve its mission and vision.

Corporate Governance also defines the division of power and establishes mechanisms for accountability among Members, the Board of Directors and management promoting transparency, ethical conduct and responsible resource management.

Governance Structure as an Enhancement

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

The governance framework should support the development of the Corporation and facilitate the achievement of its mission, vision, Purposes and Objects.

Corporate Governance Dynamic

Corporate governance is a *dynamic* concept. We recognize that each organization is different with a unique set of circumstances and that these circumstances will be constantly changing.

Further, we acknowledge that an effective system of corporate governance should *enhance* the development of the organization and respond to changing circumstances, environmental factors and conditions.

Best practices suggest there should be a regular review of its corporate governance so that it will continue to evolve and improve. Therefore, we will re-examine our governance from time to time and subsequently revise this Governance Manual.

Minimum Standards and Best Practices

"Minimum standards are standards that are seen as normally expected 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." (CCGG – Canadian Coalition of Good Governance)

Since corporate governance is dynamic, today's best practices will become tomorrow's minimum standards.

CDSPI GOVERNANCE GUIDELINES

- CDsPI's Principles of Corporate Governance
- CDsPI 's Hybrid Governance Model
- Duties of the Directors
- Size and Number of Directors
- Dentist Director – Definition, Profile and Board Composition
- Board Director Requirements
- Director Competencies
- Diversity and Dynamics of the Board
- Election of Directors and Term
- Independent and Unrelated Directors
- Election of Chair and Vice Chair
- Ethics
- Conflicts of Interest
- Confidentiality
- Board Meetings in General
- Annual General Meeting (AGM)
- Director Development and Education
- Director Orientation
- Corporate Governance on the Website
- Indemnification and Insurance

CDSPI's Principles of Corporate Governance

CDSPI's Board believes that the principles of **openness, accountability** and **continuous improvement** need to be well entrenched within its 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 decision-making and for their behavior.

"Continuous improvement" means an ongoing effort and commitment to improve. To regularly review, assess and improve corporate governance with the intent to make it current and better aligned with up-to-date best practices.

CDSPI 's Hybrid Governance Model

CDSPI is a unique organization.

It holds a non-profit charter of incorporation but certain of its activities and those of its subsidiaries are akin to those of a profit-motivated organization. For example, CDsPI competes within the for-profit world, and its Board of Directors is a paid Board as opposed to being a typical volunteer, non-paid not-for-profit Board.

Therefore, the Corporation's governance model is a **hybrid model**. It reflects the not-for-profit status and motivation of the Corporation, as well as those aspects of CDSPI's behavior that are akin to, or compete within, specific market and business environments.

It should be emphasized that with this model, CDSPI directs and manages the activities and affairs of the Corporation with the objective of serving the Purposes and Objects of the Corporation and enhancing the value delivered to Members', which includes ensuring the financial viability of the Corporation.

Duties of the Directors

There are two primary duties for all Directors of a corporation: **Fiduciary Duty** and **Duty of Care**.

Fiduciary Duty requires every Director to act honestly, in good faith and with a view to the best interest of the corporation.

Fiduciary duty speaks to concepts such as:

- duty of confidentiality
- duty of conflict of interest
- duty to disclose certain information

Duty of Care requires every Director to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The *duty of care* speaks to concepts such as:

- obtain appropriate information
- review information critically
- probe analysis and recommendations provided by management and advisors carefully

In general, Directors hold a position of *stewardship* or *public trust* (the word "fiduciary" comes from the Latin word for "trust").

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

The Board of Directors has the authority to develop the organization's governance model, structures, 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 Letters Patent.

It is important to note that it is a key duty of each Director 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.

Directors must also demonstrate *due diligence*. That is, they must take *reasonable steps* to ensure that care, diligence and skill are applied, and 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).

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. (refer to By-law No 1, Section 5.02)

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. (refer to By-law No 1, Section 5.02)

Dentist Director – Definition, Profile and Board Composition

The definition of **Dentist** is as follows: (refer to By-law No. 1, Section 1.01 [e]):

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

The **Dentist Director** provides essential dental industry expertise and governance leadership, supporting the organization's mission and strategic direction. This individual is an experienced professional in the dental field, deeply connected to the Canadian dental community and committed to advancing CDSPI's mission and vision through effective board service and advocacy.

Dentist Director Profile: Competencies, Skills and Experience:

- A respected professional within the Canadian dental community with a strong track record of involvement in organized dentistry- regional, provincial and/or national.
- Deep understanding of dental industry issues, including regulations, government programs, membership models and professional challenges.
- Maintains high ethical standards and transparency in all decision-making.
- Demonstrates sound judgment and contributes to strategic decisions that align with the organization's goals and governance best practices.
- Works effectively within the Board dedicating the necessary time and effort to meetings and fulfilling governance responsibilities.
- Actively promotes the organization's mission and represents its interests within the dental community.
- Active commitment to fostering relationships across diverse regions including rural and underrepresented areas.

- Willingness to learn about the organization's products and services to effectively promote their value to Members.
- Capacity to address experience or knowledge gaps with a proactive approach to learning.

Dentist Director Key Responsibilities:

- Provide governance leadership with insights grounded in dental expertise and industry knowledge.
- Ensure the organization fulfills its mission and vision, through effective governance, strategic guidance and ethical oversight.
- Represent and advocate for CDSPI within the dental community and professional dental associations, building strong relationships, staying informed, and actively contributing to Board activities.
- Serve as a member of at least two Board Committees.
- Attend Corporate Member Council (CMC) meetings.
- Represent CDSPI at select organized dentistry and dental association events.
- Travel 20 days or more per year for Board and other organized dentistry related engagements.

The **Board Composition** as it relates to **Directors who are Dentists**: (refer to By-law No. 1, Section 5.03)

"At all times, 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."

Board Director Requirements

It is considered best practice that the composition of a Board of Directors reflects a variety of backgrounds aligned with the organization's activities:

- (a) industry areas** (insurance, investments and financial services),
- (b) functional areas** (*i.e. accounting/finance, human resources and information technology*), and,
- (c) constituency which it serves** (*i.e. the dental profession in Canada*).

The Board should ensure that the implications of its decisions for various constituencies are factored into its decision-making process. However, each Director should approach each decision with an open mind and not be accountable to any constituency, other than the Members generally. Each Director must be confident that each Director brings the same open-mindedness to each issue and acts honestly, in good faith and with a view to the best interest of the Corporation.

Further, Directors must be individuals, at least 18 years of age, with power under law to contract, and be Canadian citizens with no criminal record and have no status of bankruptcy.

Finally, Directors must be committed to devoting sufficient time to carrying out their duties and responsibilities, attend and adequately prepare for all meetings, be willing to serve on Board Committees, and be willing to aspire to positions of leadership.

Director Competencies

Best practices recommend that Board membership should represent key activities and functional areas pertinent to the running of the Board and to the Corporation's Objects and Purposes. These key areas are:

Key industry experiences:

- benefit program experience including insurance, investments, and financial services.

Key functional experiences:

- financial acumen and literacy,
- strategic human resources, and
- information technology.

With this in mind, the Directors should also possess the competencies and qualities aligned with being an effective Director.

The competencies required for an effective Director are linked to the Board's **primary responsibilities** of:

1. Strategic Oversight
2. Management of Risk
3. Executive Oversight
4. Financial Stewardship
5. Legal and Ethical Compliance
6. Member Engagement

Associated with these responsibilities are the following **key attributes**:

- Planning, managing tasks, managing projects;
- Communicating, influencing, advising;
- Receiving information, reviewing, monitoring, investigating, checking;
- Analyzing, diagnosing, assessing, evaluating;
- Motivating, managing people; and
- Problem solving, thinking creatively.

Further, the **qualities** inherent in effective Directors are:

- a) the highest personal and professional ethics, integrity and values;
- b) the commitment to represent the long-term interests of the Members;
- c) the commitment to devote sufficient time to perform their duties and responsibilities, to attend and adequately prepare for all meetings, and to be willing to serve on the Board for an extended period of time; and
- d) an inquisitive mind, an objective perspective, a practical wisdom and mature judgment.

With this in mind, the Board, through the **Nominating/Governance Committee** (see section 5.6), should annually determine:

- (i) what competencies and skills the Board requires
- (ii) what competencies and skills the Board possesses,
- (iii) what competencies and skills are missing (gaps), and
- (iv) what competencies and skills need to be present in Director nominees.

The **Nominating/Governance Committee** should make these determinations in order to be assured that they recommend the best Director candidates at the AGM.

Diversity and 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 to be representative and reflective of the demographics of the community it serves.

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

Also, since Board decision-making is a collective experience, the **dynamics** of a Board are an important aspect to consider in order to ensure that the set of personalities and management styles is well balanced and works together effectively as a team.

Election of Directors and Term (By-law No 1 - Section 5.05)

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 shall retire but, if qualified and willing, shall be eligible for re-election.

A list of Director candidates (incumbents and potential new Directors) should be presented by the **Nominating/Governance Committee** to the Members at the AGM (see Section 5.6 for details of the process). The Members will then vote for each candidate by ballot.

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

Independent and Unrelated Directors

As a guideline, every Board should be constituted with a majority of individuals who are 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.

Election of Chair and Vice Chair

During the first Board meeting after the annual election of Directors, the Board shall appoint a Chair and Vice-Chair from amongst themselves.

Ethics

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.

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.

Conflicts of Interest (By-law No. 1 – Article 9)

Directors have a **fiduciary duty** to act in the best interests of CDSPI prioritizing these interests above any personal or external affiliations. Directors must exercise good judgement, refrain from using their position to benefit personally and avoid situations where personal interests could conflict with those of CDSPI. Where possible, Directors should proactively avoid conflicts of interest.

Confidentiality

Directors will adhere to the confidentiality provisions as outlined in the **Directors' Code of Conduct and Policy on Conflicts of Interest**.

Consistent with their fiduciary duties, Directors shall maintain the confidentiality of any non-public information received in their capacities as Directors, including Board and Board Committee communications, discussions and materials.

Board Meetings in General (By-law No. 1 – Section 7.05)

At the regular scheduled Board meetings, the Board reviews and discusses reports by management on CDSPI's activities, its plans and prospects, as well as any immediate issues facing CDSPI.

Annual General Meeting (AGM) – Meeting of Members (By-law No. 1 – Section 4)

The Board shall be responsible for calling an Annual General Meeting (AGM) and special general meetings of Members as permitted or required by the By-laws.

The AGM must be called no later than fifteen (15) months after the last preceding AGM but not later than six (6) months after the end of the Corporations financial year. The AGM shall be held at such place as is determined by the Board.

The Board shall call an AGM of the Members for the purpose of:

1. Considering the financial statements and reports of the Corporation required by the Act to be presented at the meeting;
2. Electing Directors;
3. Appointing an auditor for the ensuing year; and
4. Conducting other business (Special Business) if any, provided that the requirements of subsection 4.04(d) of the By-laws have been complied with.

Director Development and Education

CDSPI shall provide ongoing business education and Director development sessions for members of the Board.

Director Orientation

The Board recognizes that a thorough and effective orientation process is critical to the success of new Directors. To ensure Directors can contribute effectively and as soon as possible, a robust orientation process has been established.

Corporate Governance on the CDSPI Website

A public version of the Governance Manual may be provided upon written request, subject to Board approval.

Anyone may contact the Board with any questions, concerns or comments by contacting:

- 1) Ms. Nancy Nikolakakos, Corporate Secretary
2005 Sheppard Ave. E, Suite 500 - Toronto, ON, Canada M2J 5B4
416-385-6862 nnikolakakos@cdspi.com

or

- 2) Dr. Jeff Williams, Chair, Board of Directors
1-902-956-0404 jeff@roicorp.com

Indemnification and Insurance (By-law No. 1, Article 10)

In accordance with the by-laws of CDSPI, present and former Directors and Officers of the Corporation, are indemnified by the Corporation to the extent permitted by the Corporation's governing statute, for any claims made against The Directors and their actions as a Director.