

## CDSPI Governance Charter - The Board of Directors

### 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

### 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.

The Board plays a leadership role in the strategic planning process and oversees the effectiveness of the implementation. The strategic plan focuses on the long term goals and how they will be achieved.

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 and/or CEO is responsible for preparing an annual strategic plan for approval by the Board. This plan will also identify key performance measurements for the President and/or CEO as well as for the senior management team.

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;

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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 and/or CEO's** role is to:

- (1) Ensure the planning process is grounded in facts;
- (2) Prepare the actual strategic plan;
- (3) Translate the strategic plan into annual business plans; and
- (4) Manage the day-to-day implementation of the plan.

The **Senior Management Team**, representing the key functional areas of the organization, plays a major role in the planning process by:

- (1) Identifying key issues, trends, etc.; and
- (2) Translating the strategic plan into operational plans for their functional areas.

The strategic planning process also provides an opportunity for input and participation from key stakeholders. **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. Also, an outside facilitator may be used to facilitate and hold focus with the process, as well as to free up the President and/or CEO (or Chair) to fully participate in the process.

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

1. Regularly monitor the performance of CDSPI against the performance measures outlined in the 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.

## **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.

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. The stages being:

- Identification (of Risk)
- Assessment (of Risk)
- Developing Strategies
- Creating a Risk Management Plan

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.

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.

The Risk Management Committee establishes a written mandate, and then, develops a methodology - a process that is empirical, objective and repeatable. In that way, the Risk Management Committee will act diligently in accomplishing its goal.

## **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 planning of all senior management.

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

This means assessing the President and/or CEO's performance against clearly defined performance measurements established by the Board and in co-operation with the President and/or CEO.

A subset of these performance metrics also applies to the senior management team and each key functional area. Clearly defined goals and objectives enable performance to be *measured objectively, empirically and fairly*.

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

As to compensation reviews, the process for determining the level of the President and/or CEO's and the senior management team's compensation package (i.e. bonus) should be linked to these clearly defined performance measurements.

Finally, the Board must also be satisfied that CDSPI has programs in place to:

1. Train and develop management;
2. Ensure that costly turnover is at a minimum; and
3. Provide for the orderly succession of management.

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

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

### **Integrity of Internal Controls and Management Information Systems**

The Board recognizes that a critical success factor for the Board to carry out its responsibilities is the integrity of internal controls and management information systems.

In reviewing and approving financial information, the Board needs to be satisfied 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.

The Board should also ensure that all necessary books and records of the Corporation are properly kept and that all other statutory obligations of the Corporation are properly carried out.

