

## 1.0 GOVERNANCE INTRODUCTION

### Definitions

Throughout this document, unless otherwise stated:

1. "Corporation" refers to CDSPI;
2. "CDSPI" refers to CDSPI and its affiliate companies;
3. "Members" (Total of 11) means the Canadian Dental Association and the nine provincial dental associations & the Territories described in Section 3.8;
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 *processes and structures* 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 as an Enhancement

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) the development for the organization with regard to 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 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'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 behaviour.

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

### Duties of the Directors

There are two primary duties for all directors of a corporation: The **Fiduciary Duty** and the **Duty Of Care**.

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

The *fiduciary duty* speaks to concepts such as:

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

The **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 corporate 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.

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.

### Dentist Director – Definition and Board Requirements

The **Dentist Director Definition** is as follows:

“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 **Board Dentist Director Requirements** are:

“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 a 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 to 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 other 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 a Canadian citizen with no criminal record, and have no status of bankruptcy.

Finally, Directors must be committed to devote 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 the 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.

Finally, it should also include representation from those professional associations it serves which at present are those of the Canadian dental community.

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 Planning Process
2. Management of Risk
3. Management of the Senior Management Team
4. Communication Policy
5. Integrity of Internal Control Systems and Management Information Systems

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 carry out 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.

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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 Directors 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 is 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**

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.

Upon election, each Director should sign a **Confidentiality Agreement/Conflict of Interest Declaration** before assuming Director responsibilities. At the beginning of each term, Directors should advise the Chair of the Nominating/Governance Committee of all other Boards and all the committees of Members on which the Directors serves.

### **Director Remuneration**

The Directors shall be provided with an annual honorarium for their services to CDSPI.

In addition, Directors shall be entitled to reimbursement of out-of-pocket expenses incurred in attending meetings and in performing their duties as a Director.

### **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.

### **Resigning as Director**

A Director may resign by giving written notice of his/her resignation to the Corporation, and such resignation shall take effect at the time, specified in such notice, or if no time or event is specified, upon the acceptance of the resignation by the Board at the next Board meeting held following the giving of the notice of resignation to the Corporation.

Unless otherwise specified in a notice of resignation, a retiring Director shall remain in office until the dissolution or adjournment of the meeting at which the retirement or resignation is accepted and the successor is appointed.

### **Removal of Director**

The Members may, by Ordinary Resolution passed at a Special Meeting of Members, remove any Director from office before the expiration of the Director's term and may elect a qualified individual to fill the resulting vacancy for the remainder of the term of the Director so removed, failing which such vacancy may be filled by the Board.

### **Director Vacancies**

- (a) Subject to the Act and to Section 5.09 of this By-law, a vacancy on the Board may be filled for the remainder of the term by a qualified individual by Ordinary Resolution of the Board.
- (b) Notwithstanding Subsection 5.11(a) of this By-Law, if there is not a quorum of Directors or if a vacancy results from either (i) a change to the minimum or maximum number of Directors provided in the Articles or (ii) a failure to elect the number of Directors required to be elected at any Meeting of Members, the Directors then in office shall call a Special Meeting of Members to fill the vacancy and, if they fail to call a meeting or if there are no Directors then in office, the meeting may be called by any Member.

### **Election of Chair and Vice Chair**

During the first Board meeting after the annual election of Directors, the Board shall appoint a Chairman and Vice-Chairman from among 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.

For example, 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.

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

## **Conflicts of Interest**

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

Each Director must uphold his **fiduciary duty** and 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 and/or CEO or any Director, and the President and/or CEO 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 or included on the Board site 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.

### **Board Meetings in General**

Meetings of the Board may be held any place as determined by the Board.

Typically, there are four (4) regular Board meetings and one (1) Board Retreat per year. Plus, additional Board meetings as required. Directors are expected to attend all scheduled Board and committee meetings.

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)**

The Board shall be responsible to call an annual general meeting and special general meetings of Members as permitted or required by the by-laws.

The annual general meeting of the Members shall be held at such place as is determined by the Board.

The focus of every annual general meeting is:

1. the presentation of the financial statement and the auditor's report,
2. the appointment of the auditors for the ensuing year,
3. the evaluations of the Board and Directors,
4. the election of Directors to their new term, and
5. any other business that may be required to be transacted.

### **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 Nominating/Governance Committee of all other Boards and all the committees of Members on which the Director serves. (This can be confirmed when signing the Acknowledgement and Confirmation of the Undertaking and Agreement form annually).

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

As a general rule, Directors should be cautious about joining a Board of another organization on which another Director of the Corporation serves (other than subsidiaries or affiliates of the Corporation).

### **Access to Information and Independent Advisors**

In the process of carrying out its duties and responsibilities, the Board and each committee need to have full access to all CDSPI books, records, Board site, facilities and personnel. In doing so, the Board will comply with CDSPI's legal obligations with

respect to protecting the privacy of personal information and will show the utmost care and respect regarding CDSPI's client confidentiality.

Further, the Board and each committee may, at any time and in its sole authority and discretion, retain an outside advisor at the Corporation's expense and determine the advisor's fees. Those advisors may include legal counsel, auditors, management consultants and other professionals, as appropriate.

### **Reporting of Concerns to the Board (Whistleblower Policy)**

CDSPI has established a reporting procedure to enable anyone who has a concern about CDSPI's conduct and feels the need to forward their concern directly to the Board of Directors.

Such communications may be confidential or anonymous, and can be submitted to either:

- 1) Cathie Bodmore, Corporate Secretary  
2005 Sheppard Ave. E, Suite 500 - Toronto, ON, Canada M2J 5B4  
416-385-6851 [cbodmore@cdspi.com](mailto:cbodmore@cdspi.com)

or

- 2) Lyle Best, Chairman, Board of Directors  
1-780-909-4242 [lbest@quikcard.com](mailto:lbest@quikcard.com)

All communications will promptly be forwarded to the appropriate Board members. For example, any concerns relating to accounting, internal controls or auditing are sent immediately to the Chair of the Audit Committee as well as to the Board Chair.

*Please note that 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.

### **Director Development and Education**

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

Individual Directors may participate in outside professional development programs that directly relate to the upgrading of director's competencies. These programs must occur during the Directors one year term and are to be approved by the Chairman, in advance. Reimbursement will be paid by the Corporation upon proof of completion, and will be paid up to a maximum of \$2,000 annually. Unused portions cannot be carried forward.

### **Director Orientation**

The Board strongly believes that effective Board orientations are essential to success.

Therefore, a formal orientation process is in place.

Once a new Board member is elected at the AGM or as a Director Observer, and signs the *Confidentiality Agreement* and *Conflict of Interest Disclosure*, Board materials are sent and an on-site orientation session at the CDSPI office is arranged, followed by a six month follow up session.

In order to bring the new Director up-to-speed as quickly as possible, he/she will be provided with current and past Board material including this *Corporate Governance Manual*, audited statements and budget as well as the current year equivalents.

### **Board Governance on the CDSPI Website**

If requested, CDSPI will disclose a public version of its board governance guidelines and charter.

Anyone may contact the Board with any question, concern or comment by contacting:

- 1) Cathie Bodmore, Corporate Secretary  
2005 Sheppard Ave. E, Suite 500 - Toronto, ON, Canada M2J 5B4  
416-385-6851 [cbodmore@cdspi.com](mailto:cbodmore@cdspi.com)

or

- 2) Lyle Best, Chairman, Board of Directors  
1-780-909-4242 [lb主@quikcard.com](mailto:lb主@quikcard.com)

