



CDIC
Canada Deposit
Insurance Corporation

SADC
Société d'assurance-dépôts
du Canada

Canada Deposit Insurance Corporation

Board Charter

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Canada Deposit Insurance Corporation

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CANADA DEPOSIT INSURANCE CORPORATION BOARD CHARTER

A. INTRODUCTION

Canada Deposit Insurance Corporation's ("CDIC") Board of Directors ("Board") wish to record in this charter their understanding of their governance responsibilities and the various means by which they will endeavour to ensure that these responsibilities are fulfilled.

This charter reflects the provisions of key legislation to which CDIC is subject,¹ the Board's determination that CDIC should follow sound business and financial practices (adapted to reflect that CDIC is a Crown corporation with public policy objects), and guidance on matters of governance specific to Crown corporations².

CDIC's senior management ("Management"), led by the President and Chief Executive Officer ("CEO"), in addition to translating Board direction into action and managing CDIC's operations day-to-day, is responsible for supporting the Board in fulfilling their governance responsibilities. The Board also wishes to record in this charter their expectations in that regard.

This charter consists of twenty-one statements of principle. These principles are accompanied by reference to pertinent sources and by indications of some of the Board's expectations of Management, which do not form part of the charter and which are not intended to be exhaustive³.

B. BACKGROUND

CDIC was established in 1967 by the CDIC Act. CDIC is a Crown corporation named in Part I of Schedule III to the FA Act, which lists public policy (distinguished from for-profit) agent corporations. CDIC is accountable to Parliament through the Minister of Finance.

¹ The *Canada Deposit Insurance Corporation Act* ("CDIC Act") and Part X (Crown Corporations) of the *Financial Administration Act* ("FA Act").

² The Department of Finance and Treasury Board of Canada Secretariat's *Corporate Governance in Crown Corporations and Other Public Enterprises - Guidelines* (1996) ("1996 Treasury Board Guidelines"), Chapter 18 ("Corporate Governance Recommendations for Crown Corporations") of the *Report of the Auditor General of Canada* ("2000 AG Report"), the *Government Response to the Fifteenth Report of the Standing Committee on Public Accounts - Governance of Crown Corporations* (2003) ("Government Response"), the Management Priorities and Senior Personnel Secretariat of the Privy Council Office's ("PCO") *Building a Crown Corporation Director Profile* (June 2001) ("Profile"), the PCO's *Performance Management Program – Guidelines for Chief Executive Officers of Crown Corporations*, as amended from time to time ("PCO Guidelines"), the Treasury Board of Canada Secretariat's *Guidelines for Audit Committees in Crown Corporations and Other Public Enterprises* (October 2003) ("TBS Audit Committees Guidelines"), the Auditor General's *Report on Governance of Crown Corporations and Selected Best Practices for Audit Committees* (February 2005) ("2005 OAG Report"), the Treasury Board of Canada Secretariat's *Review of the Governance Framework for Canada's Crown Corporations - Meeting the Expectations of Canadians* (February 2005) ("2005 TBS Report"), the Treasury Board of Canada Secretariat's Crown Corporations Guidance document *Assessing Board Effectiveness* (July 2008) ("TBS Assessing Effectiveness Guidance"), the Treasury Board of Canada Secretariat's draft Crown Corporations Guidance documents *Building an Effective Board – Required Committee Skills Sets: Financial Literacy and Financial Expertise* (December 2007) ("TBS Financial Skills Guidance"), *Boards of Directors: Roles and Responsibilities in Law and in Practice* (May 2008) ("TBS Roles & Responsibilities Guidance") *Charters for Crown Corporation Boards of Directors and Board Committees* (August 2008) ("TBS Charters Guidance") and Certification Regime for Crown Corporations (January 2009) ("TBS Certification Regime Guidance"), and *A Guide to Managing the Governor in Council Appointments Process* (February 2009) ("PCO Appointments Process Guide").

³ Sources updated as of July 2009.

The CDIC Act prescribes CDIC's objects, gives it or the Board various powers, sets the terms of deposit insurance and deals with other aspects of CDIC's operations.

CDIC's objects are to provide insurance against the loss of part or all of deposits, to promote and otherwise contribute to the stability of the financial system in Canada and to pursue these objects for the benefit of persons having deposits with member institutions in such manner as will minimize the exposure of the Corporation to loss. CDIC has the power to do all things necessary or incidental to the furtherance of its objects.

Pursuant to the provisions of the FA Act,⁴ CDIC's directors have the obligation to act honestly in good faith with a view to the best interests of the corporation and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

CDIC's affairs are administered by its Board, made up of a Chairperson, up to five other private-sector directors and five *ex-officio* directors (the Governor of the Bank of Canada, the Deputy Minister of Finance, the Superintendent of Financial Institutions, a Deputy Superintendent of Financial Institutions or another officer of the Office of the Superintendent of Financial Institutions appointed by the Minister, and the Commissioner of the Financial Consumer Agency of Canada).

C. GOVERNANCE PRINCIPLES

Principle 1 – Overall Stewardship

The Board will have responsibility for the overall stewardship of CDIC.

Sources

- TBS Roles & Responsibilities Guidance, p. 3: “The Board of Directors, as the highest decision-making authority within the organization, is accountable to the responsible Minister for both the careful governance and stewardship of the corporation.”
- TBS Roles & Responsibilities Guidance, p. 4: “Directors are responsible for overseeing the management of the corporation with responsibilities within four broad areas:
 - Participating in the Board's efforts to set and approve the strategic direction and the corporate plan for the Crown corporation;
 - Identifying the principal risks of the corporation's business and ensuring appropriate systems to manage these risks are in place and operating;
 - Approving management's human resource and succession plans including appointing, directing and monitoring senior management;
 - Ensuring the corporation's information systems and management practices meet its needs and provide confidence in the integrity of the information produced.
 - Advancing a cohesive approach to Board development and independence.”
- TBS Roles & Responsibilities Guidance, p. 4: “By entrusting operational decisions to the executive officers of the corporation, Directors normally do not involve themselves in day-to-day management.”
- TBS Charters Guidance, p. 5: “As part of overall stewardship, each director's responsibilities...should include:
 - establishing the corporation's strategic direction;
 - safeguarding the corporation's resources;
 - monitoring corporate performance; and
 - reporting to the government and Parliament.”

⁴ Subsection 115(1) of the FA Act.

Principle 2 – Independent Judgment

The Board will exercise independent judgment and will regularly meet privately without Management present.

Sources

- 1996 Treasury Board Guideline 5: “The board...should ensure that the board can function independently.”
- Commentary to 1996 Treasury Board Guideline 1: “By acting as a sounding board and by challenging the assumptions, the identified alternatives, and the assessments contained in the corporate plan, the board...arguably make one of their greatest contributions to effective corporate governance.”
- Commentary to 1996 Treasury Board Guideline 4: “The board should be satisfied that the views of management have been questioned and tested. The board should not passively react to management proposals.”
- Commentary to 1996 Treasury Board Guideline 5:
 - “[Board] members may consider it appropriate to obtain independent financial, legal or other advice from an outside adviser at the expense of the corporation. The need for an outside adviser should be first considered by [an] appropriate committee and then be subject to the approval of the board. The engagement of outside advisers should be done with the full knowledge of management and should be for the purpose of assisting directors to fulfil their responsibilities.”⁵
 - “[*Ex officio* directors] can assist the board...to better appreciate government policy [and] assist...[their departments] to understand the philosophy and the direction being pursued by the corporation. ... [Such] directors do not serve on boards as a source of direction from their ministers. Directors who are public servants have the same statutory obligation as other directors to exercise independent judgment in ways that best fulfil their fiduciary responsibility to the corporation.”
- Milner Paper: “The [FA Act] makes no special provision for *ex officio* directors; it imposes the same personal duties on all directors.”⁶
- 2005 OAG Report, para. 7.58: “While directors from the public sector may have the knowledge and expertise to help other board members appreciate the government’s position on certain issues, their function is not to convey direction from the minister to the board. They have the same statutory obligations as any other director: to exercise independent judgment in ways that best fulfill their responsibility to the corporation.”
- Others: The CEO is not a member of the Board and there is clear separation of duties and responsibilities between the Board and Management. The Board regularly holds *in camera* sessions without Management.
- 2005 TBS Report: “Best practices dictate that, to be effective, directors must approach their work objectively and with decision-making independence. This independence helps to establish a Board’s credibility and supports sound governance and effective accountability. For this reason, corporate governance best practices require that boards of directors of Crown corporations function independently from management.”

⁵ See the Policy on Engagement of Separate Independent Counsel or Other Advisors by the Board, a Board Committee or an Individual Director.

⁶ Fasken Martineau DuMoulin LLP report, “Roles and Responsibilities of CDIC’s Directors” (May 2007) (“Milner Paper”), at p. 9.

- TBS Charters Guidance, p. 7: “To be effective, a board of directors must have the ability to function independently of management.”

Expectations of Management

Management will ensure that all reports provided by it to the Board are objective, timely, relevant, accurate and complete.

Principle 3 – Understanding CDIC Objects, Powers and Governance Responsibilities

The Board will:

- obtain and maintain an understanding of CDIC’s objects and powers, as well as of their governance responsibilities;**
- develop and maintain approaches to fulfilling those responsibilities; and**
- develop a process to evaluate objectively, on a regular basis, the effectiveness of the Board, its committees and the directors individually.**

Sources

- CDIC Act s-s. 11(1): “The Board shall administer the affairs of the Corporation in all things...”
- FA Act s. 109: “[The] board...of a Crown corporation is responsible for the management of the business, activities and other affairs of the corporation.”⁷
- 1996 Treasury Board Guidelines - Introduction: “*Corporate governance* describes the process and structure for overseeing the direction and management of a Crown corporation so that it effectively fulfills its mandate.”
- 1996 Treasury Board Guideline 10: “The board...should assume responsibility for developing the Crown corporation’s approach to governance issues.”
- Commentary to 1996 Treasury Board Guideline 7: “The board should develop a process to evaluate annually the effectiveness of the board, its committees and the directors individually.”
- 2005 OAG Report, para. 7.75: “[W]e support board assessments as a best practice that should be implemented in Crown corporations.”
- 2005 TBS Report: “A well-managed appraisal process would increase the effectiveness of the Board and help identify areas where training may be required or where other remedial actions must be taken.”
- TBS Charters Guidance, p. 7: “[T]he board charter should ensure that board members would...Develop a process to annually evaluate the effectiveness of the board, its committees and individual directors...” and “Assess the renewal of the board, its performance, the education program and compensation for directors and the administration of corporate governance.”
- TBS Assessing Effectiveness Guidance, p. 1: “Board members can be assessed on their knowledge base, ability, and commitment to fulfilling their responsibilities. This includes a solid understanding of their responsibilities under all relevant legislation, the expectations of the Government of Canada, and the environment in which the corporation functions. As well, board members can be assessed on

⁷ FA Act s. 87 provides that, if there is an inconsistency between Part X (Crown Corporations) of the FA Act and the CDIC Act, the FA Act governs. There is no inconsistency between these two general statements of responsibility. The effect of the FA Act is to elaborate that CDIC’s affairs comprise its business, activities and other matters.

the fulfillment of their responsibilities for the stewardship of the corporation and on whether they act in the best interests of the corporation and promote the highest standards of corporate governance.”

- TBS Assessing Effectiveness Guidance, p. 1: “Best practice suggests that a board assessment process should have four elements. First, the commitment of all individual directors to participate ensures there is a shared understanding and acceptance of the benefits of the evaluation. Secondly, a well thought-out systematic process ensures that there is a clear timeline and useful evaluation. Thirdly, specific, appropriately-chosen instruments ensure that the resulting information is valid, and the evaluation is efficient and accurate. Finally, follow-up after the assessment ensures that any identified areas of concern have been addressed and that evaluation information reaches the correct individuals.”

Expectations of Management

Management, lead by the CEO, will provide the Board with pertinent information to assist the Board in understanding the nature and scope of CDIC’s mandate, the duties of CDIC’s directors and established or evolving approaches to governance responsibilities.

Principle 4 – Orientation and Training of Directors

The Board recognizes the importance of ongoing professional development and encourages directors to undertake continuing education and training. The Board will arrange for orientation of new directors and ongoing education and training appropriate to the Board’s responsibilities and needs, and will regularly assess the same.

Sources

- 1996 Treasury Board Guideline 8: “Directors of Crown corporations should receive orientation and education programs appropriate to their needs.”
- 2005 OAG Report, para. 7.70: “It is important to put the mechanisms in place to ensure that directors have access to continuing education programs in areas such as public sector developments, governance practices, financial literacy, and risks management.”
- 2005 TBS Report: “Ongoing professional development [for Directors] is...critical to maintain the knowledge and expertise required to understand the corporation, its business conditions, and the stakeholders with which it is dealing. The government recognizes that learning is integral to maintaining the capacity of Boards.”
- TBS Roles & Responsibilities Guidance, p. 4: “To discharge their legal obligations as directors and contribute to the good governance of the corporation, new appointees should know:
 - what they are responsible for under the [FA Act];
 - the specific statutes relevant to their Crown corporation;
 - the fundamental policies and strategic goals of the corporation;
 - the expectations of the governance; and
 - best practices in the organization and management of Boards.”
- TBS Charters Guidance, p. 7: “[T]he charter should address the need for directors to have opportunities for continuing education and training...” and ensure that board members would “[be] aware of directors’ ongoing education and training needs and ensure the requisite skills and education are acquired.”

Expectations of Management

Management will assist the Board with orientation, training, education and information related to their governance responsibilities and needs.⁸

Principle 5 – Board Profile

The Board, in consultation with the President and Chief Executive Officer, will maintain a profile of desirable skills and capabilities that would best enable the Board to fulfill their responsibilities and, through the Chairperson, will advise the Minister of Finance of any director’s resignation and the desired mix that should be sought in filling upcoming non-*ex officio* Board vacancies.

Sources

- CDIC Act s-s. 5(1): “There shall be a Board...consisting of...the Chairperson; the [*ex officio* members]...; and...not more than five other members appointed by the Minister with the approval of the Governor in Council.”
- CDIC Act s-s. 6(1): “The Governor in Council shall appoint a person of proven financial ability to be the Chairperson of the Board.”
- FA Act s-s. 105(1): “Each [*non-ex officio*] director...of a parent Crown corporation shall be appointed by the appropriate Minister, with the approval of the Governor in Council, to hold office during pleasure for a term not exceeding four years that will ensure, as far as possible, the expiration in any one year of the terms of office of not more than one half of the directors of the corporation.”
- FA Act s-s. 105(6): “Before [any chairperson] of a parent Crown corporation is appointed, the appropriate Minister shall consult the board...with respect to the appointment.”
- 1996 Treasury Board Guideline 7: “The board...of every Crown corporation should...initiate renewal of the board.”
- 2005 TBS Report: “The Boards of Directors will advise the government on appropriate selection criteria for chairs, a well as competency profiles and future needs for directors.”
- TBS Charters Guidance, p. 7: “Assessing the contributions of individual board members” assists in “identifying...skills and knowledge that need to be added to the board or its committees.”
- TBS Charters Guidance, p. 8: “The charter should make clear that...the Chair would...Consult with the Minister on the corporation’s appointment needs and provide him or her advice on the required skill sets for members.”

Expectations of Management

Management will provide the Board with recommendations for their consideration on the desired mix of director skills and capabilities, and in particular those skills and capabilities that should be sought in filling upcoming non-*ex officio* vacancies.

⁸ Management will ensure that each new director receives a resource package containing appropriate documents, including: the CDIC Act, the CDIC Corporate By-law and all other by-laws made pursuant to the CDIC Act; the *CDIC Conflicts of Interest Code* and the CDIC Code of Business Conduct and Ethical Behaviour for Directors; the position descriptions for the Chair and the CEO; the current versions of this Board Charter, the Board Risk Policies and all other formal policy documents approved by the Board; the 2005 TBS Report, the TBS Roles & Responsibilities Guidance, the Milner Paper; and the TBS Audit Committees Guidelines.

Principle 6 – Delegation to Board Committees and Management

The Board will establish the responsibilities and authorities of Board committees and of Management, as well as accountability requirements for them.

Sources

- FA Act s-s. 148(1): “Each parent Crown corporation that has four or more directors shall establish an audit committee composed of not less than three directors..., none of whom may be officers or employees of the corporation...”⁹
- 2005 TBS Report: “All directors on the Audit Committee must be independent of management and have financial literacy.”
- 2005 OAG Report para. 7.83: “Audit committees must also ensure that adequate procedures are in place for the review of any other financial information to be released by the corporation. Further, audit committees are expected to establish procedures for dealing with complaints or concerns, including those made anonymously, about accounting, internal accounting controls, and audit matters.”
- Commentary to 1996 Treasury Board Guideline 4:
 - “Boards..., in conjunction with the CEO, should ensure an appropriate allocation of responsibilities between the board and management.”
 - “Boards..., in conjunction with the CEO, should periodically review the allocation of responsibilities between the board and management. ... This review should focus on defining and describing both the board’s principal responsibilities and the limits to management’s authority.”
- Commentary to 1996 Treasury Board Guideline 5: “Where a board of directors delegates to board committees, the board should ensure that:
 - each committee, and its terms of reference, is established by a formal resolution of the board or through an appropriate corporate by-law;¹⁰
 - committee work [is] shared among board members...;
 - committee members [are] selected on the basis of their interests, expertise and availability; and
 - board members are regularly informed of each committee’s activities, findings, conclusions and recommendations.”¹¹
- 2005 TBS Report: “[I]t is important that each committee have a written charter clearly stating its responsibilities and authorities. A charter applicable to the Board of Directors as a whole should also set out the Board’s responsibilities and the authorities that it has delegated to management.”
- TBS Charters Guidance, p. 4: “Because the Board as a whole remains accountable for any decisions made by its committees, it is important that each committee have a written charter clearly stating its responsibilities and authorities.”
- TBS Charters Guidance, p. 6: “[T]he charter should make clear that the board of directors will:

⁹ FA Act s-s 148(3) sets out the mandate of audit committees of Crown corporations. Section 3.02 of the CDIC Corporate By-law establishes and addresses the composition and the workings of the Audit Committee.

¹⁰ Sections 3.01, 3.02, 3.03 and 3.04 of the CDIC Corporate By-law, respectively, establish and address the composition and mandates of the Executive Committee, the Audit Committee, the Human Resources and Compensation Committee and the Governance and Nominating Committee. The Board may establish other Committees pursuant to section 3.05 of the Corporate By-law.

¹¹ Section 3.07 of the CDIC Corporate By-law requires the approved minutes of all meetings of Committees to be provided to the Board upon request.

- Identify the skills and characteristics it judges essential for the position of CEO relative to the performance of the corporation and the major issues, risks and challenges facing the corporation;
- Develop a position description for the CEO;
- Establish, in conjunction with the CEO, a set of corporate objectives for which the CEO is accountable; and
- Evaluate the CEO's performance annually against the established duties and objectives established by the Board and the CEO at the start of the year."

Expectations of Management

Management will provide the Board with recommendations for their consideration on the roles and limits of decision-making authority of Board committees and of Management, as well as accountability requirements for them.

Management will translate Board direction in to day-to-day activities and manage CDIC's operations accordingly.

Principle 7 – Responsibilities of Chairperson and CEO

The Board will distinguish and document the responsibilities and authorities of the Chairperson and the President and Chief Executive Officer.

Sources

- Commentary to 1996 Treasury Board Guideline 4:
 - "[T]he board should avoid participating in the day-to-day management of the business of the corporation."
 - "Boards should be concerned less with transactions than with setting the corporation's direction and objectives."
 - "The board of directors, the chair, and the CEO, should develop position descriptions for...the chair and the CEO."¹²
 - "[T]he board should establish an accountability relationship for the CEO to the board."
 - "The board and the CEO should develop a set of corporate objectives that the CEO is accountable for achieving."
- Commentary to 1996 Treasury Board Guideline 5: "The government generally names part-time chairs and full-time CEOs for its Crown corporations. This practice anticipates that the chair manages the affairs of the board and is not a member of management while the CEO manages the day-to-day operations of the corporation."
- 2005 TBS Report: "The CEO is accountable to the Board of Directors for the management and performance of the corporation."
- TBS Charters Guidance, p. 6: "[T]he charter should make clear that the board of directors will...Develop a position description for the CEO."
- TBS Charters Guidance, p. 7: It is essential that the board charter also include the roles and responsibilities of the board chair."

¹² Section 4.03 of the CDIC Corporate By-law requires the Board to approve general descriptions of the respective responsibilities and authorities of the Chairperson, the CEO and the Board-appointed officers.

Expectations of Management

Management will provide the Board with recommendations for their consideration on the respective responsibilities and authorities of the Chairperson and the CEO.

Principle 8 – Standards of Business Conduct and Ethical Behaviour

The Board will establish standards of conduct and ethical behaviour for Directors and for CDIC’s officers and other employees, and obtain, on a regular basis, reasonable assurance that CDIC has an ongoing, appropriate and effective process for ensuring adherence to those standards.

Sources

- CDIC Act para. 11(2)(b.1): “The Board may make by-laws ... concerning conflicts of interest and post-employment matters relating to conflicts of interest in respect of directors, officers and employees of the Corporation”.¹³
- Commentary to 1996 Treasury Board Guideline 5: “Each board...should ensure that it has a conflict of interest code to guide the behaviour of its individual directors.”¹⁴
- 2005 OAG Report, para. 7.74: “In our view, the development and implementation of codes of conduct and ethics are essential elements of good governance.”
- TBS Charters Guidance, p. 6: “[T]he board of directors should:
 - Promote a culture of ethical and business conduct;
 - Develop, and monitor compliance with, a clear code of conduct so that ethical standards and values are observed;
 - Ensure the corporation discloses how fully this code of conduct is observed.”

Expectations of Management

Management will provide the Board with recommendations for their consideration respecting standards of conduct and ethical behaviour for Directors, officers and employees.

Management will develop and implement an ongoing, appropriate and effective process for ensuring adherence to CDIC’s standards of conduct and behaviour and provide the Board periodically (and at least annually) with reports that will enable the Board to assess the quality of CDIC’s process for ensuring adherence to these standards.

Principle 9 – Recommendation on Appointment of CEO

The Board will recommend to the Minister of Finance candidates for appointment as President and Chief Executive Officer who are suitably qualified and capable of managing CDIC’s affairs effectively and prudently.

Sources

- FA Act s-s. 105(5): “Each [chief executive officer] of a parent Crown corporation shall be appointed by the Governor in Council...”

¹³ Section 5.02 of the CDIC Corporate By-law requires the directors and the officers and other employees to abide by CDIC’s *Conflicts of Interest Code* approved by the Board from time to time. The *Conflict of Interest Act* also applies to the CEO and members of the Board.

¹⁴ See Code of Business Conduct and Ethical Behaviour for Directors.

- FA Act s-s. 105(6): “Before any [chief executive officer] of a parent Crown corporation is appointed, the appropriate Minister shall consult the board...with respect to the appointment.”
- Commentary to 1996 Treasury Board Guideline 6: “The board should identify the skills and the characteristics it judges essential for the position of CEO relative to the performance of the corporation and the major issues, risks and challenges facing the corporation.”
- 2005 TBS Report: “The selection process for the CEO will be determined by the Board of Directors.”
- PCO Appointments Process Guide: “(...) the process will be determined by the Government in consultation with the Board; and the selection committee for all CEO positions will include representation from PMO, PCO, the responsible Minister’s office and the Board, with these representatives being involved in all aspects of the selection process.”

Principle 10 – Appointment of Corporate Officers

The Board of Directors will:

- appoint the officers of CDIC other than the President and Chief Executive Officer; and**
- approve general position descriptions, role requirements and responsibilities of CDIC’s officers.**

Sources

- FA Act s-s. 105(7): “[The] board...of a parent Crown corporation is responsible for the appointment of officers of the corporation, other than [the chief executive officer].”¹⁵
- TBS Charters Guidance, p. 6: “In conjunction with the CEO, the board also needs to ensure an appropriate allocation of responsibilities between the board and management.”

Expectations of Management

Management will provide the Board with recommendations for their consideration regarding the appointment of officers (other than the CEO).

Principle 11 – Succession of CEO and Corporate Officers

The Board will plan for the succession of the President and Chief Executive Officer and the officers of CDIC appointed by the Board in order to satisfy themselves that skilled management will be available for the ongoing and long-term fulfillment of CDIC’s mandate.

Sources

- 1996 Treasury Board Guideline 1(iii): “As part of the overall stewardship responsibility, the board should...approve management’s succession plan including appointing, training and monitoring senior management”.
- Commentary to 1996 Treasury Board Guideline 1(iii):

¹⁵ Section 4.01 of the CDIC Corporate By-law requires every Vice-President, the Chief Financial Officer, the General Counsel, the Corporate Secretary and the Treasurer to be appointed by the Board. The general descriptions of the roles, responsibilities and authorities of the CEO and the officers must be approved by the Board pursuant to Section 4.03 of the Corporate By-law.

- “The succession plan should deal with the CEO’s plans for the appointment, training, assessing and motivating of managers.”
 - “The board should review and discuss the CEO’s proposals to appoint and to promote the key senior managers.”
 - “In working with the CEO, the board must be satisfied that the corporation’s programs to train and to develop management will provide for the orderly succession of management.”
- TBS Charters Guidance, p. 6: “The Board charter should outline how the Board will review and approve the corporation’s management succession plan. In order to ensure that skilled management will be available for the ongoing fulfillment of the corporation’s mandate, the succession plan should deal with the appointment, training, assessment and motivation of the corporation’s management team.”

Expectations of Management

Management will provide the Board with recommended candidates for their consideration as Board-appointed officers.

Management will provide the Board with recommendations for their consideration on succession planning for the CEO and Board-appointed officers. Management will also plan for the training and motivation of Board-appointed officers and the monitoring of their performance.

Principle 12 – Compensation for non-ex officio Directors, Corporate Officers and Employees

The Board will from time to time review the compensation program for non-ex officio directors, and if appropriate make recommendations to the Governor in Council in that regard and satisfy themselves, on a regular basis, that the compensation of CDIC’s officers and employees is consistent with the sustainable achievement of CDIC’s objects, the prudent management of its affairs and the risks to which it is exposed and adherence to its policies and procedures.

Sources

- FA Act s-s. 108(1): “The rate of any remuneration paid to a director, chairman or chief executive officer of a parent Crown corporation for his services in respect of that office and, in the case of a chairman or chief executive officer, any other office of the corporation or an affiliate thereof shall be fixed by the Governor in Council.”
- FA Act s-s. 108(2): “Any benefits, other than remuneration, provided to a director, chairman or chief executive officer of a parent Crown corporation for his services in respect of that office and, in the case of a chairman or chief executive officer, any other office of the corporation or an affiliate thereof shall be fixed by the board of directors of the corporation in accordance with the regulations.”¹⁶
- Commentary to 1996 Treasury Board Guideline 2: “Crown corporations should be sensitive to the government’s general objectives such as wage restraint, official languages, and employment equity. ... When the corporation is requested to voluntarily comply with these objectives, the board must weigh the competing objectives and strike a judicious balance which best serves the fulfillment by the corporation of its statutory mandate.”
- TBS Charters Guidance, p. 7: “[T]he board charter should ensure that board members would...Review the adequacy and form of compensation for the directors.”

¹⁶ See *Crown Corporations General Regulation, 1995* ss. 7 and 8.

Expectations of Management

Management will provide the Board with recommendations for their consideration on the compensation of CDIC's officers and other employees.

Principle 13 – Objectives and Evaluation of CEO

The Board will, at least annually:

- a) following discussion with the President and Chief Executive Officer, establish objectives for the President and Chief Executive Officer that he or she is accountable for achieving; and**
- b) evaluate the performance of the President and Chief Executive Officer against those objectives.**

Sources

- 1996 Treasury Board Guideline 6: “In recognition of the importance of the position of CEO, the board...of every Crown corporation should periodically assess the CEO’s position and evaluate the CEO’s performance.”
- Commentary to 1996 Treasury Board Guideline 6:
 - “Annually, the board should formally evaluate the CEO’s performance against the established duties and objectives that were agreed to by the board and the CEO at the start of the year.”
 - “The board, through the chair, should communicate the results of [the CEO’s] performance evaluation to both the CEO and to the Crown.”
- PCO Guidelines (2007/2008): “(...) cash compensation for CEOs has two components – base salary and performance pay. The portion of compensation identified as performance or “at-risk” pay must be re-earned each year. As in the private sector, it would be expected that most CEOs would receive some at-risk pay.”
- TBS Charters Guidance, p. 6: “[T]he charter should make clear that the board of directors will: ...Establish, in conjunction with the CEO, a set of corporate objectives for which the CEO is accountable; and, Evaluate the CEO’s performance annually against the established duties and objectives established by the Board and the CEO at the start of the year.”
- TBS Charters Guidance, p. 7: “[T]he board charter should ensure that board members would...Meet occasionally without the CEO, to discuss issues such as evaluation of the CEO’s performance.”

Principle 14 – Human Resources

The Board shall direct Management to develop adequate policies, strategies, processes and controls within CDIC to maintain an organizational climate that fosters ethical behaviour, employee commitment to the operations of CDIC and a high degree of employee satisfaction.

Sources

- 2005 OAG Report, para. 7.72, “In our view, the need for boards to establish and monitor values and ethics codes is equally important in Crown corporations as in publicly traded companies.”
- TBS Charters Guidance, p. 6: “In addition to financial risks, the corporation also needs to reduce any potential risks associated with the inappropriate treatment of employees.”

Expectations of Management

Management will establish such policies and practices as are necessary to ensure that CDIC employees are treated in a fair and equitable manner. Management will recommend key human resources and compensation policies to the Board for approval.

Principle 15 – Strategic Management Process**The Board will:**

- a) **periodically assess CDIC’s objects to ensure their continuing relevance and, if thought appropriate, propose changes for consideration by the Minister of Finance;**
- b) **adopt a strategic planning process;**
- c) **at least annually, approve operating objectives and strategies, an operating budget, capital budget, borrowing plan, corporate plan and recommend premium rates that are appropriate and prudent in light of CDIC’s objects, current and anticipated environment, risks, resources and financial position;**
- d) **regularly evaluate CDIC’s performance in implementing its approved plans, and budgets; and**
- e) **obtain, on a regular basis, reasonable assurance that CDIC has an effective strategic management process.**

Sources

- FA Act s-s. 122(1): “Each parent Crown corporation shall annually submit a corporate plan to the appropriate Minister for the approval of the Governor in Council on the recommendation of the appropriate minister ...”¹⁷
- FA Act s-s. 123(1): “Each parent Crown corporation named in Part I of Schedule III shall annually submit an operating budget for the next following financial year of the corporation to the appropriate Minister for the approval of the Treasury Board on the recommendation of the appropriate Minister.”
- 1996 Treasury Board Guideline 2: “The board...of every Crown corporation should examine its public policy objectives and periodically the legislated mandate to ensure their continuing relevance.”
- Commentary to 1996 Treasury Board Guideline 2:
 - “The board should...assess the relevance of the Crown corporation’s mandate, and, if appropriate, propose changes for the consideration of the appropriate minister.”
 - “The board should ensure that all public policy objectives are clearly described in the corporate plan annually approved by the board and sent to the Crown.”
- TBS Roles & Responsibilities Guidance, p. 4: “Involvement in the development and approval of the planned strategic direction for the corporation is likely the most important duty of the Board. This activity may be spread over a number of meetings and may involve requests to management for clarification or elaboration. The exercise usually culminates in a major board decision taken once a year to approve the corporation’s corporate plan.”
- TBS Roles & Responsibilities Guidance, p. 5: “Directors of Crown corporations have a leadership role. To ensure that the most appropriate strategic direction for the corporation has been selected, board members will need to grapple with the complexities of choosing among competing alternatives. The perspective of outside directors often provides a meaningful balance to the recommendations formulated inside the corporation. In establishing the strategic direction, the board satisfies itself that management has considered the relevant factors that could influence the future direction of the corporation.”

¹⁷ The required contents and form of a corporate plan are described in FA Act s-ss. 122(3) and (4).

- TBS Charters Guidance, p. 5: “Approving the strategic direction of the corporation is generally recognized as a primary responsibility of the board of directors. Management normally formulates the strategic direction and the corporate plan for the corporation; the board’s responsibility is to assess and challenge management’s proposals. The board must be satisfied with the corporation’s strategic direction, as articulated in the corporate plan before approving it.”
- TBS Charters Guidance, p. 5: “The board charter should make clear that...the board will:
 - Review and assess the current public policy of objectives of the corporation;
 - Consider the trade-offs and tensions between the policy and commercial objectives of the corporation;
 - Assess the relevance of the Crown corporations mandate, and, if appropriate, propose changes for the consideration of the appropriate Minister; and
 - Communicate through the Chair to the Minister as on his or her Statement of Priorities and provide input to the Minister on issues relating to the Corporation’s mandate.”
- TBS Roles & Responsibilities Guidance, p. 5: “Safeguarding the corporation’s resources is probably the most time-consuming duty of board members. All major decisions involving the corporation’s assets and their financing must be reviewed and approved by the Board.”

Expectations of Management

Management will periodically assess the continuing relevance of CDIC’s objects and powers and report to the Board on the results of these reviews.

Management will periodically (and at least annually) develop recommendations for prudent and appropriate operating objectives and strategies, an operating budget, borrowing plan, corporate plan and premium rates that take into account CDIC’s objects, current and anticipated environment, risks, resources and financial position, and submit such recommendations to the Board for their consideration.

Management will provide the Board regularly with reports that enable them to assess CDIC’s performance in implementing its current approved objectives, strategies, plans and budgets.

Management will provide the Board regularly with reports that enable them to assess whether CDIC has an appropriate and effective strategic management process.

Principle 16 – Enterprise Risk Management

The Board will:

- obtain an understanding of the significant risks to which CDIC is exposed;**
- establish appropriate and prudent risk management policies for those risks and review these policies on a regular basis, but at least annually, to satisfy themselves that they continue to be appropriate and prudent; and**
- obtain reasonable assurance, on a regular basis, but at least annually, that CDIC has an effective enterprise risk management process and that risk management policies are being adhered to.**

Sources

- Commentary to 1996 Treasury Board Guideline 1(ii): “The board must understand the principal risks inherent in the corporation’s activities and its external environment.”
- Commentary to 1996 Treasury Board Guideline 1:
 - “As part of the overall stewardship responsibility, the board should ... ensure that the principal risks of the corporation’s business have been identified and that appropriate systems to manage these risks have been implemented.”
 - “The board should ensure that systems are in place to monitor and manage effectively the risks affecting how well the Crown corporation fulfils its mandate.”

- TBS Charters Guidance, p. 6: “The Board needs to ensure that systems are in place to monitor and manage effectively the risks the Crown corporation faces in seeking to fulfil its mandate.”

Expectations of Management

Management will identify and assess the significance of the risks attendant upon CDIC’s objects, strategies, plans and operations.

Management will provide the Board regularly (and at least annually) with reports that will enable the Board to understand the management of CDIC’s significant risks.

Management will recommend risk management policies for CDIC’s significant risks to the Board for their consideration. Management will review these policies periodically (and at least annually) to ensure that they remain appropriate and prudent and report to the Board on the results of these reviews.

Management will provide the Board regularly (and at least annually) with reports that will enable the Board to be aware of any situations in which those risks are not being managed in accordance with established policies and assess whether CDIC’s risk management policies remain appropriate and prudent in the circumstances and are being followed.

Management will provide the Board regularly (and at least annually) with reports that will enable the Board to assess whether CDIC has an appropriate and effective enterprise risk management process.

Principle 17 – Control Environment

The Board will obtain, on a regular basis, reasonable assurance that CDIC’s operations are supported by an appropriate and effective control environment and that CDIC has effective policies and practices to assure the integrity of internal controls and management information systems.

Sources

- TBS Charters Guidance, pp. 6-7: “One of the Board’s responsibilities is working together to develop an information system that meets their needs. The Board should discuss, and define with management, parameters regarding the quality, quantity, timing, and frequency of the information it expects to receive and these requirements should be clear in the Board Charter. The Board must ensure the integrity of the corporation’s information systems and management practices, to help ensure that the information it subsequently provides to the government, through the responsible Minister, accurately reflects the corporation’s state of operations and future directions.”

Expectations of Management

Management will ensure that CDIC has a control environment that supports the prudent management of its operations and of the risks to which it is exposed and contributes to the achievement of its objectives.

Management will provide the Board regularly (and at least annually) with reports that will enable the Board to assess whether CDIC has such a control environment.

Principle 18 – Internal Audit Function

The Board will oversee CDIC's internal audit function by satisfying themselves periodically that the Audit Committee establishes the mandate of, and allocates sufficient resources for, CDIC's internal audit function, approves their audit plan each year and seeks from that function, on a regular basis, reasonable assurance that CDIC's policies and procedures are being monitored and adhered to and that appropriate action is taken to address any significant weaknesses or breakdowns that are identified.

Sources

- FA Act s-s 131(3): “Each parent Crown corporation shall cause internal audits to be conducted, in respect of itself...to assess compliance with subsections (1) and (2)...”¹⁸

Principle 19 – CDIC “in control”

The Board will obtain, on a regular basis, reasonable assurance that CDIC is “in control”. “In control” refers to the state or condition wherein: the affairs of the CDIC are subject to effective governance by the Board of Directors, are being managed in accordance with ongoing, appropriate and effective strategic and risk management processes, and are being conducted in an appropriate corporate culture; and any significant weaknesses or breakdowns related to those matters are being identified, and appropriate and timely action is being taken to address them.

Sources

- TBS Certification Regime Guidance, p. 3: “TBS does not propose to make certification mandatory for any Crown corporation. The question of whether or not to proceed with the implementation of a certification regime is a decision that each Crown corporation can make for itself based on an assessment of its operations’ accounting requirements. An appropriate Crown corporation certification regime is one that sufficiently addresses the corporation’s own specific risks and operating environment, recognizing that a “one size fits all” approach is not realistic given the varied nature of Crown corporations.”

Expectations of Management

Management will develop and implement an appropriate and effective process for assisting the Board to assess regularly (and at least annually) whether CDIC is “in control”.

Principle 20 – Effective Communication

The Board will oversee the manner in which CDIC communicates with the Crown, depositors, member institutions, financial institution regulators and supervisors and other relevant parties in order to satisfy themselves that CDIC is doing so effectively.

Sources

- 1996 Treasury Board Guidelines - Introduction: “Each Crown corporation should include a description and assessment of its corporate governance policies and practices in its annual report.”
- Commentary to 1996 Treasury Board Guideline 3:
 - “The corporation should identify its...major stakeholders [in addition to the government] and how information should be communicated to this broader audience.”
 - “Boards should be assured that the corporation’s systems supporting the communications policy will anticipate those issues likely to attract interest and, when appropriate, inform the [government] in a timely manner.”
 - “[The] corporation, usually through the CEO or the chair, should inform the [government] of any significant developments and decisions likely to have a major impact on the corporation or on public perceptions and attitudes towards it. Any significant direct communication between management and the [government] should be brought to the board’s attention.”
 - “The board of directors should ensure that the corporation’s reports adequately communicate the significant issues confronting the corporation.”

¹⁸ Subsections 131(1) and (2), of the FA Act, require Crown corporations to maintain certain books and systems.

- “[The] board must be satisfied with the main messages contained in the corporation’s annual report and, where applicable, in the documents tabled in Parliament, namely, the corporate plan summary, the budget summaries and the corporation’s annual report.”
- 2005 TBS Report: “Reporting on activities and performance is an important element of a governance system involving the delegation of authority. ... In general, reporting should adhere to the principle of transparency.”
- 2005 TBS Report: “The government will require that Boards of Directors of Crown Corporations hold annual public meetings at which stakeholders could express their views and seek information about the activities of the corporations. Corporations are also encouraged to develop outreach activities to solicit input and feedback from stakeholders on an ongoing basis.”
- TBS Charters Guidance, pp. 6-7: “The Board Charter should articulate that, in assuming these responsibilities, the Board of Directors will:
 - ensure that the corporation’s reports adequately communicate the significant issues confronting the corporation (i.e., corporate plan and annual report);
 - ensure that the information provided to the Crown is sufficient to allow an evaluation of how well the corporation has fulfilled its objectives; and,
 - report results based performance information on the public policy objectives.”
- TBS Charters Guidance, p. 8: “Open and regular communication between the Chair and the responsible Minister is necessary to ensure that the Minister is apprised of the corporation’s ongoing development. The Chair is the Minister’s primary contact within the corporation and the means through which information from the Minister’s office should flow.

The Board Charter should make clear that, in assuming the above responsibilities, the Chair would:

- ensure that high quality communications emanate from the Board to the Minister on an on-going basis;
- represent the Board of Directors in communication with the Minister on emerging issues such as the Statement of Priorities;
- consult with the Minister on the corporation’s appointment needs and provide him or her advice on the required skill set for members;
- keep the Minister informed of membership changes as a result of resignations, etc.;
- Act as a co-spokesperson for the corporation, sharing this responsibility with the CEO of the corporation, in its dealings with government representatives, the media and the public as well as private sector partners and stakeholders in Canada and internationally in accordance with the corporate communications strategies.”
- FAA s.s. 113.1(1): “The board of directors of a parent Crown corporation shall hold a public meeting within 18 months after the day on which the board holds its first meeting or, if it is later, the day on which this section comes into force and, subsequently, within 15 months after the day on which the last preceding public meeting was held.” [and see Treasury Board of Canada Secretariat’s guidance document *Annual Public Meetings and Outreach*]

Expectations of Management

Management will develop and recommend communications policies to the Board for their consideration.

Management will bring any communications on significant matters between Management and the government to the Board’s attention, and all communications with the Minister of Finance will be done by the Chairperson.

Principle 21 – Review of Board Charter

The Board will on a regular basis (and at least annually) review this Board Charter to assess whether it remains responsive to the circumstances and needs of CDIC and continues to reflect the legislation to which CDIC is subject, sound business and financial practices (adapted to reflect that CDIC is a Crown corporation with public policy objects) and guidance on matters of governance specific to Crown corporations.

Expectations of Management

Management will provide timely information and reports to the Board on trends and evolving best practices in the area of governance that may be applicable to CDIC.

Approved by the Board on December 3, 2003
Amended by the Board on March 8, 2006
Amended by the Board on March 7, 2007
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