



# **Canada Deposit Insurance Corporation**

## **Board Charter**

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# Canada Deposit Insurance Corporation

## Board Charter

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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<sup>1</sup>, 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 corporations.

#### **General Delegation to Management**

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.

#### **Governance Principles – Expectations of Management**

This charter consists of twenty-one statements of principle, upon which the Board's strategic role and the Board's responsibilities for oversight of risk management, corporate performance and financial reporting, and establishing a positive organizational culture, are founded.

These governance principles, where applicable, are followed by indications of some of the Board's expectations of Management for the performance of Management's responsibilities in relation to the subject matter of the principles, and in support of the Board's role and responsibilities.

These expectations of Management do not form part of the charter and are not intended to be exhaustive.

Appendix A to the Charter contains a list of sources for each of the principles included in this Charter.

### 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.

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:

- a) to provide insurance against the loss of part or all of deposits,

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

- b) to promote and otherwise contribute to the stability of the financial system in Canada;
- c) to pursue the objects set out in paragraphs a) and b) for the benefit of persons having deposits with member institutions in such manner as will minimize the exposure of the Corporation to loss; and
- d) act as the resolution authority for its members.

The Corporation's members are the corporations (large and small), that have deposit insurance under the CDIC Act.

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,<sup>2</sup> 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 an 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.

#### *Expectations of Management*

- Management will provide whatever information and assistance is necessary to support the Board in its stewardship of the Corporation, and the Board will have unrestricted access to Management in seeking such information and assistance.

### **Principle 2 – Independent Judgment**

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

#### *Expectations of Management:*

- Management will ensure that all reports provided by it to the Board are objective, timely, relevant, accurate and complete, adequately disclosing information and factors taken into account by Management, including any considerations which were rejected, where they could be helpful to the Board.

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<sup>2</sup> Subsection 115(1) of the FA Act.

**Principle 3 – Understanding CDIC Objects, Powers and Governance Responsibilities**

The Board will:

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

*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.

*Expectations of Management:*

- Management will assist the Board with orientation, training, education and information related to their governance responsibilities and needs.<sup>3</sup>

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<sup>3</sup> 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 *Conflict of Interest Act*; the CDIC Conflicts of Interest Code; the CDIC Code of Business Conduct and Ethical Behaviour for Directors; Annex A: Ethical and Political Activity Guidelines for Public Office Holders of *Open and Accountable Government 2015*; 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; and the Fasken Opinion.

### **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.

Directors are generally expected to possess the leadership attributes, and to conduct themselves, in accordance with the expectations set out in Appendix B to the Charter.

#### *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.

### **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.

#### *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 into 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.

#### *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.

*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**

When, or if, requested by the Privy Council Office, 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.

**Principle 10 – Organizational Structure and Appointment of Corporate Officers**

The Board of Directors will:

- a) appoint the officers of CDIC other than the President and Chief Executive Officer;
- b) approve general position descriptions, role requirements and responsibilities of CDIC's officers; and
- c) consider, from time to time, whether the Corporation is supported by an appropriate organizational structure to achieve its objects and consult with Management if it believes changes may be beneficial.

*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:

- a) the President and Chief Executive Officer, and, when, and if, requested by the Privy Council Office, develop a strategy for recruitment in support of the government's process, and taking into account applicable government recommendations, guidance, and policies; and
- b) 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.

*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**

When, and if, appropriate, the Board will review the compensation program for non-ex officio directors, and make recommendations to the Governor in Council in that regard. The Board will 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.

*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.

### **Principle 14 – Culture**

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

#### *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, the five-year 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.

#### *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 via the framework established by the Governance and Human Resources Committee.
- 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 (“ERM”)**

The Board will:

- a) review and approve annually the ERM framework for the Corporation in support of its strategic objectives. The framework is an integrated and disciplined approach to risk management that includes the Corporation's risk appetite statement and confirms that appropriate and prudent risk policies and processes are in place to identify, assess and report on Management's control framework, and identify, assess and report on material risks, including actions being taken to address and/or mitigate these risks;
- b) oversee that processes are in place to identify the principal risks of the Corporation's businesses and require the implementation of appropriate systems to measure and manage these risks;
- c) review and approve, at least annually, significant policies and practices that require respect for and compliance with applicable legal, regulatory and internal requirements; and
- d) oversee the Corporation's internal controls and management information systems and monitor their integrity and effectiveness.

#### 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.

#### *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.

### **Principle 19 – Financial Reporting**

The Board will have oversight of the Corporation's financial reporting processes and the reliability, accuracy and clarity of its financial reporting, including the Corporation's annual and quarterly financial statements, and of the systems and management practices developed by the Corporation to ensure the integrity of the information.

#### *Expectations of Management:*

- Management will be responsible for the preparation, presentation, and integrity of the financial statements and for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations.

### **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.

#### *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 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  
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Amended by the Board on March 6, 2019

## **Appendix A - Sources**

### **General**

The Sources referenced in this Board Charter are set out below.

- The Treasury Board of Canada Secretariat's ("TBS") Crown Corporations Guidance document *Directors of Crown Corporations: An Introductory Guide to their Roles and Responsibilities* (July 1993) ("TBS Roles & Responsibilities Guidance");
- The Department of Finance and TBS *Corporate Governance in Crown Corporations and Other Public Enterprises – Guidelines* (1996) ("1996 Treasury Board Guidelines");
- The Auditor General of Canada's *A Status Report of the Auditor General of Canada to the House of Commons – Chapter 7 Governance of Crown Corporations* (February 2005) ("2005 AG Status Report");
- The TBS Report to Parliament *Review of the Governance Framework for Canada's Crown Corporations - Meeting the Expectations of Canadians* (February 2005) ("2005 TBS Report");
- The TBS Crown Corporations Guidance document *Assessing Board Effectiveness* (July 2008) ("TBS Assessing Effectiveness Guidance");
- The Department of Finance's *Minister of Finance Financial Risk Management Guidelines for Crown Corporations* (August 2009) ("Financial Risk Management Guidelines");
- The TBS Crown Corporations Guidance document *Charters for Crown Corporation Boards of Directors and Board Committees* (2010) ("TBS Charters Guidance");
- The TBS document *Guidelines for Audit Committees in Crown Corporations and Other Public Enterprises* (February 2014) ("2014 TBS Guidelines for Audit Committees");
- The Government of Canada's document *Governor in Council appointments* (Date Modified February 2018) ("GIC Appointments");
- The Government of Canada's document *Guidance for Crown Corporations on Preparing Corporate Plans and Budgets* (March 2018) ("2018 Guidance on Corporate Plans and Budgets");
- The Privy Council Office's ("PCO") *Performance Management Program – Guidelines for Chief Executive Officers of Crown Corporations* (Date Modified January 2019) ("PCO Performance Guidelines"); and
- The Privy Council Office's *Submission Guide for Governor in Council Appointments* (November 2018) ("PCO Submission Guide for GIC Appointments").

### **Principle 1 – Overall Stewardship**

#### ***Sources***

- 1996 Treasury Board Guidelines, p. 2: "Boards of directors of Crown corporations oversee the management of their corporation and hold management accountable for the company's performance. The board of directors, through the chair, is accountable to the responsible minister."

- TBS Charters Guidance, s. 3.2: “[D]irectors assume the same responsibility for stewardship of the corporation that lies with the board as a whole. Specific stewardship responsibilities that might be described in the charter include:
  - 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; and
  - advancing a cohesive approach to board development, board integrity, board evaluation and expected level of independence from the corporation’s management.”
- TBS Roles & Responsibilities Guidance, p. 3: “By entrusting operational decisions to the executive officers of the corporation, directors normally do not involve themselves in day-to-day management.”
- TBS Roles & Responsibilities Guidance, p. 8: “To fulfill their responsibility to manage the affairs of the company, boards of directors exercise judgement in four broad areas:
  - establishing the corporation’s strategic direction;
  - safeguarding the corporation’s resources;
  - monitoring corporate performance; and
  - reporting to the Crown.”

## **Principle 2 – Independent Judgment**

### **Sources**

- 1996 Treasury Board Guidelines, Guideline 5: “The board of directors should ensure that the board can function independently.”
- 1996 Treasury Board Guidelines, Guideline 1 (commentary): “By acting as a sounding board and by challenging the assumptions, the identified alternatives, and the assessments contained in the corporate plan, the board of directors arguably make one of their greatest contributions to effective corporate governance.”
- 1996 Treasury Board Guidelines, Guideline 4 (commentary): “The board should be satisfied that the views of management have been questioned and tested. The board should not passively react to management proposals.”
- 1996 Treasury Board Guidelines, Guideline 5 (commentary):
  - “[*Ex officio* directors] can assist the board of directors 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 fulfill their fiduciary responsibility to the corporation.”
  - “[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 fulfill their responsibilities.”<sup>4</sup>

- 1996 Treasury Board Guidelines, Guideline 5 (commentary): “Independence in the relationship between the board and management can be enhanced by carefully distinguishing the roles of the chair and the CEO. The splitting of the roles of chair and chief executive officer is a favoured practice.”
- 2005 TBS Report, p. 23: “One way to ensure that a Board can function independently from management is to require that different individuals perform the duties of chair of the Board of Directors and CEO of the corporation.”
- 1996 Treasury Board Guidelines, Guideline 5 (commentary): “To be effective, a board of directors should have the ability to function independently of management.”
- Fasken Opinion: “The [FA Act] makes no special provision for *ex officio* directors; it imposes the same personal duties on all directors.”<sup>5</sup>
- 2005 AG Status 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.”
- 2005 TBS Report, p. 22: “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.”

### **Principle 3 – Understanding CDIC Objects, Powers and Governance Responsibilities**

#### **Sources**

- CDIC Act s. 11(1): “The Board shall administer the affairs of the Corporation in all things...”.
- FA Act s. 109: “[T]he board of directors of a Crown corporation is responsible for the management of the business, activities and other affairs of the corporation.”<sup>6</sup>
- 1996 Treasury Board Guidelines, Guideline 10: “The board of directors should assume responsibility for developing the Crown corporation’s approach to governance issues.”
- 1996 Treasury Board Guidelines, Guideline 7 (commentary): “The board should develop a process to evaluate annually the effectiveness of the board, its committees and the directors individually.”
- 2005 AG Status Report, para. 7.75: “[W]e support board assessments as a best practice that should be implemented in Crown corporations.”

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<sup>4</sup> See the Policy respecting Engagement of Separate Independent Counsel or Other Advisors by the Board, a Board Committee or an Individual Director.

<sup>5</sup> Fasken Martineau DuMoulin LLP report, “Roles and Responsibilities of CDIC’s Directors” (August 2018) (“Fasken Opinion”), at p. 14.

<sup>6</sup> 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.

- 2005 TBS Report, p. 26: “A well-managed appraisal process would increase the effectiveness of the Boards and help identify areas where training may be required or where other remedial actions must be taken.”
- TBS Roles and Responsibilities Guidance, p. 14: “The board should develop a process to evaluate annually the effectiveness of the board, its committees and the directors individually.”
- 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 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.”

#### **Principle 4 – Orientation and Training of Directors**

##### **Sources**

- 1996 Treasury Board Guidelines, Guideline 8: “Directors of Crown corporations should receive orientation and education programs appropriate to their needs.”
- 2005 AG Status 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, p. 25: “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. 8: “The first challenge for new directors of Crown corporations is to acquire a working knowledge of their corporation’s policy objectives and activities. [...] As a first step, directors should become familiar with the general parameters of the legislation that created their particular Crown corporation, any legislative Acts applicable to the corporation, its general by-laws, and Part X of the *Financial Administration Act*.”
- TBS Charters Guidance, s. 3.2.6: “The charter can address the need for directors to receive orientation or pursue continuing education or training, thereby enhancing their effectiveness and contribution to the Crown corporation. It is recommended that the board charter provide clarity regarding expectations to support board effectiveness by requiring the board to: ... be aware of directors’ ongoing education and training needs and ensure the requisite skills and education are acquired:....”

## **Principle 5 – Board Profile**

### **Sources**

- CDIC Act 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. 6(1): “The Governor in Council shall appoint a person of proven financial ability to be the Chairperson of the Board.”
- FA Act s. 105(1): “Each director [other than the chairperson] 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.”<sup>7</sup>
- FA Act s. 105(5): “[the chairperson] of a parent Crown corporation shall be appointed by the Governor in Council to hold office during pleasure for such term as the Governor in Council considers appropriate.”
- FA Act s. 105(6): “Before [the chairperson] of a parent Crown corporation is appointed, the appropriate Minister shall consult the board...with respect to the appointment.”
- See GIC Appointment, p. 4-5, referenced under Principle 9, Recommendation on Appointment of CEO.
- 1996 Treasury Board Guidelines, Guideline 7: “The board of directors of every Crown corporation should... initiate renewal of the board.”
- 2005 TBS Report, p. 30: “Boards of Directors will advise the government on appropriate selection criteria for chairs, as well as competency profiles and future needs for directors.”
- TBS Charters Guidance, s. 3.2.6: “Assessing the contributions of individual board members is important if boards are to improve their effectiveness and fulfill their responsibility for renewal. Such assessments also assist in identifying opportunities to improve practices or identify skills and knowledge that need to be added to the board or its committees.”
- TBS Charters Guidance, s. 3.3.2: “The charter can provide clarity that,... the chair plays a role in...: consult[ing] with the minister on the corporation’s appointment needs and provides him or her with advice on the required skill sets for members;.”

## **Principle 6 – Delegation to Board Committees and Management**

### **Sources**

- FA Act 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...”<sup>8</sup>
- 2014 TBS Guidelines for Audit Committees, 4.4: “Audit committee members must therefore be at least financially literate, ... As a best practice, at least one committee member should

<sup>7</sup> Section 105 of the FA Act does not apply to *ex officio* directors of a parent Crown corporation.

<sup>8</sup> FA Act 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.

be a financial expert. A recognized accounting designation is a hallmark of a financial expert.”

- 2014 TBS Guidelines for Audit Committees, 1. Introduction: “The Guidelines ... offer suggestions for consideration by the boards of directors and audit committees of federal Crown corporations. ... The Guidelines present a framework to support the work of audit committees ...

Appendix A of the Guidelines contains a series of questions to consider in relation to various aspects of the role of an audit committee. The questions are designed to aid audit committees in performing their due diligence by asking the necessary probing questions of management and by considering the reasonableness of responses in light of members’ knowledge and understanding.”

- 2005 AG Status 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.”
- 1996 Treasury Board Guidelines, Guideline 4 (commentary):
  - “Boards of directors, in conjunction with the CEO, should ensure an appropriate allocation of responsibilities between the board and management.”
  - “Boards of directors, 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.”
- 1996 Treasury Board Guidelines, Guideline 5 (commentary): “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;<sup>9</sup>
  - 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.”<sup>10</sup>
- 2005 TBS Report, p. 25: “[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, s. 2.0: “Because the Board as a whole remains accountable for any decisions made by its committees, it is recommended that the relationship between the full board and any of its committees be clearly documented and approved by the board.”
- TBS Charters Guidance, s. 3.2.3: “[T]he charter can provide clarity that the board will:
  - develop a succession plan dealing with appointment, training, assessment and management of the management team;
  - identify the skills and characteristics it deems essential for the position of CEO relative to the performance of the corporation and the major issues, risks and challenges facing the corporation;

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<sup>9</sup> Sections 3.02, 3.03 and 3.04 of the CDIC Corporate By-law, respectively, establish and address the composition and mandates of the Audit Committee, the Governance and Human Resources Committee and the Risk Committee. The Board may establish other Committees pursuant to section 3.05 of the CDIC Corporate By-law.

<sup>10</sup> Section 3.07 of the CDIC Corporate By-law requires the approved minutes of all meetings of Committees to be provided to the Directors upon request.

- develop or confirm a position description for the CEO;
- establish, in discussion or conjunction with the CEO, a set of challenging corporate objectives for which the CEO is accountable (typically as part of a performance agreement including performance indicators); and
- evaluate the CEO's performance annually against the duties and objectives established by the board and the CEO at the start of the year in accordance with the Privy Council Office guidelines on the Performance Management Program for Chief Executive Officers of Crown Corporations."

## **Principle 7 – Responsibilities of Chairperson and CEO**

### **Sources**

- 1996 Treasury Board Guidelines, Guideline 4 (commentary):
  - "[T]he board should establish an accountability relationship for the CEO to the board."
  - "The board of directors, the chair, and the CEO, should develop position descriptions for...the chair and the CEO."<sup>11</sup>
  - "The board and the CEO should develop a set of corporate objectives that the CEO is accountable for achieving."
  - "[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."
- 1996 Treasury Board Guidelines, Guideline 5 (commentary): "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, p. 15: "The CEO is accountable to the Board of Directors for the management and performance of the corporation."
- TBS Charters Guidance, s. 3.2.3: "[T]he charter can provide clarity that the board will: ... develop or confirm a position description for the CEO."
- TBS Charters Guidance, s. 3.3: "It is also recommended that a board charter describe the roles and responsibilities of the board chair, which extend beyond those identified for directors."

## **Principle 8 – Standards of Business Conduct and Ethical Behaviour**

### **Sources**

- CDIC Act s. 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,"<sup>12</sup>
- 1996 Treasury Board Guidelines, Guideline 5 (commentary): "Each board of directors should ensure that it has a conflict of interest code to guide the behaviour of its individual directors."<sup>13</sup>

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<sup>11</sup> 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.

<sup>12</sup> Section 5.02 of the CDIC Corporate By-law requires the directors, officers and employees to abide by the CDIC Conflicts of Interest Code, as approved by the Board from time to time. The *Conflict of Interest Act* also applies to the CEO and members of the Board.

<sup>13</sup> See Code of Business Conduct and Ethical Behaviour for Directors.

- 2005 AG Status 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, s. 3.2.2: “[I]t is the board's responsibility to:
  - promote a culture of ethical and professional conduct;
  - develop, and monitor compliance with, a clear code of conduct for board members so that ethical standards and values are observed; and
  - ensure the corporation discloses how fully this code of conduct is observed....”
- PCO Submission Guide for GIC Appointments: The Certification document is “...used by the nominee to acknowledge the ethical and political activity guidelines for public office holders as a condition of holding office in the Government of Canada”.<sup>14</sup>

## **Principle 9 – Recommendation on Appointment of CEO**

### **Sources**

- FAA Act s. 105(5): “Each [CEO] of a parent Crown corporation shall be appointed by the Governor in Council to hold office during pleasure for such term as the Governor in Council considers appropriate.”
- FA Act s. 105(6): “Before any [CEO] of a parent Crown corporation is appointed, the appropriate Minister shall consult the board of directors of the corporation with respect to the appointment.”
- 1996 Treasury Board Guidelines, Guideline 6 (commentary): “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.”
- GIC Appointments, p. 7- 8: “Ministers, supported by their departments, manage all GIC ... appointments within their portfolio and, with few exceptions, are responsible for recommending appointments to the GIC ... A selection committee is established to recommend candidates for appointment. Selection committee membership is based on two considerations: who is responsible for making the appointment recommendation, and who can bring a perspective on the needs of the organization. Currently, the Prime Minister’s Office, the Privy Council Office, the responsible Minister’s office, and a senior official of the responsible Minister’s department participate in most selection committees. Depending on legislative or other requirements, other members could be included, such as the head of a tribunal or the chair of a Crown corporation. ... Selection criteria consist of the eligibility criteria (education, experience, knowledge, skills, and abilities), language requirements, personal attributes, and other relevant factors and conditions of employment for the position being filled. They are determined by the committee based on the needs of the organization and the requirements to perform the duties of the position.”
- PCO Submission Guide for GIC Appointments: “Officials from the sponsoring Minister's Office must consult with the Director of Appointments in the Prime Minister's Office prior to transmitting a recommendation for appointment to the Governor in Council.”

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<sup>14</sup> The “ethical and political activity guidelines” is a reference to Annex A: Ethical and Political Activity Guidelines for Public Office Holders of *Open and Accountable Government 2015*.

## **Principle 10 – Organizational Structure and Appointment of Corporate Officers**

### **Sources**

- FAA Act s. 105(7): “[T]he board of directors of a parent Crown corporation is responsible for the appointment of officers of the corporation, other than [the CEO].”<sup>15</sup>
- TBS Charters Guidance, s. 3.2.3: “In conjunction with the CEO, the board will want to ensure an appropriate allocation of responsibilities between the board and management.”

## **Principle 11 – Succession of CEO and Corporate Officers**

### **Sources**

- 1996 Treasury Board Guidelines, Guideline 1 (commentary): “As part of the overall stewardship responsibility, the board should approve management’s succession plan including appointing, training and monitoring senior management.”
- 1996 Treasury Board Guidelines, Guideline 1 (commentary):
  - “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, s. 3.2.3: “The board charter can outline the board’s process to review and approve the corporation’s management succession plan. A succession plan dealing with the appointment, training, assessment and motivation of the corporation’s management team helps to ensure that skilled management will be available for the ongoing fulfillment of the corporation’s mandate.”

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

### **Sources**

- FA Act s. 108(1): “The rate of any remuneration paid to a director, chairperson or chief executive officer of a parent Crown corporation for his services in respect of that office and, in the case of a chairperson 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. 108(2): “Any benefits, other than remuneration, provided to a director, chairperson or chief executive officer of a parent Crown corporation for his services in respect of that office and, in the case of a chairperson 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.”<sup>16</sup>
- 1996 Treasury Board Guidelines, Guideline 2 (commentary): “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

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<sup>15</sup> Section 4.01 of the CDIC Corporate By-law requires every Executive/Senior/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.

<sup>16</sup> See *Crown Corporations General Regulation*, 1995, ss. 7 and 8.

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.”

- 1996 Treasury Board Guidelines, Guideline 9: “The board of directors should review the adequacy and form of compensation for directors.”

### **Principle 13 – Objectives and Evaluation of CEO**

#### **Sources**

- PCO Performance Guidelines, 2.1 Performance Objectives: “The performance agreement is comprised of objectives and their related performance measures in the following categories:
  - Policy and Program Results: ...
  - Management Results: ...
  - Shareholder and Stakeholder Relations Results: ...
  - Leadership Results: ...
  - Corporate Results: These objectives should reflect a current priority of the Government and/or of Crown Corporations as a whole. Corporate priorities will be communicated on behalf of the Governor in Council on an annual basis. Performance will be evaluated and rewarded based on results obtained and the extent to which the corporation was able to contribute to the furthering of these priorities. Details on the corporate priorities are posted annually on the Privy Council Office website.”
- PCO Performance Guidelines, 3.0 Performance Evaluation: “At the end of the performance cycle (the corporation’s fiscal year), the Board of directors reviews the CEO’s performance, prepares a detailed written assessment and makes a recommendation to the minister for a performance rating.”
- PCO Performance Guidelines: “[C]ash 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, s. 3.2.3: “[T]he charter can provide clarity that the board will: ... evaluate the CEO’s performance annually against the duties and objectives established by the board and the CEO at the start of the year... .”
- TBS Charters Guidance, s. 3.2.5: “[T]he board charter [should] provide clarity that the board will meet occasionally without the CEO to discuss sensitive issues *in camera* (e.g., to address an evaluation of the CEO’s performance).”

### **Principle 14 – Culture**

#### **Sources**

- 2005 AG Status 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, s. 3.2.2: “[T]he corporation also needs to reduce any potential risks associated with the inappropriate treatment of employees.”

## **Principle 15 – Strategic Management Process**

### **Sources**

- FA Act 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 ...”.<sup>17</sup>
- FA Act 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.”
- FA Act s. 127(1): “Where a parent Crown corporation ... intends to borrow money, the corporation shall so indicate in its corporate plan ... for the period in which the corporation ... intends to borrow and shall give a general indication therein of the borrowing plans and strategy of the corporation ... for that period.”
- 1996 Treasury Board Guidelines, Guideline 2: “The board of directors of every Crown corporation should examine its public policy objectives and periodically the legislated mandate to ensure their continuing relevance.”
- 1996 Treasury Board Guidelines, Guideline 2 (commentary):
  - “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. 8-9: “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. 9: “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.”
- TBS Charters Guidance, s. 3.2.1: “Approving the strategic direction of the corporation is generally recognized as a primary responsibility of the board. Management normally formulates the strategic direction and the corporate plan for the corporation (often following initial board direction); the board’s responsibility is to assess and challenge management’s proposals. To fulfill its... duties, it is critical that the board be satisfied with the corporation’s strategic direction, as stated in the corporate plan before approving it.”
- TBS Charters Guidance, s. 3.2.1: “The benefit of a board charter is that it can clarify the board’s role with respect to how it will:
  - review and assess the pursuit of any public policy objectives of the corporation;
  - consider any trade-offs and tensions between the policy and commercial objectives of the corporation, when such exist;

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

- assess the relevance of the corporation's mandate, and, where appropriate, propose changes for the responsible minister's consideration; and
- communicate to the minister, through the chair, input to, or feedback on, the ministerial letter of expectation."<sup>18</sup>
- 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."
- 2018 Guidance on Corporate Plans and Budgets, s. 2 Purpose, and s. 5 Responsibilities: "This guidance will help parent Crown corporations prepare corporate plans and budgets, and summaries of and amendments to those plans and budgets. ... Each Crown corporation's board of directors is appointed by the government. Acting in the best interests of the corporation and exercising due care and diligence, the board: ... approves corporate plans and budgets that set out the corporation's strategic direction ...".

## **Principle 16 – Enterprise Risk Management (“ERM”)**

### **Sources**

- 1996 Treasury Board Guidelines, Guideline 1 (commentary): "The board must understand the principal risks inherent in the corporation's activities and its external environment."
- 1996 Treasury Board Guidelines, Guideline 1 (commentary):
  - "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 fulfills its mandate."
- TBS Charters Guidance, s. 3.2.2: "The board will want to ensure that systems are in place to monitor and manage effectively the risks the Crown corporation faces in seeking to fulfill its mandate."
- Financial Risk Management Guidelines, p. 3: "Ultimate responsibility for each Crown corporation, including the risk management and internal control processes, should rest with the Board of Directors. [...] All Crown corporations should have documented risk management policies that are approved by the Board... and supporting procedures approved by senior management. ... In fulfilling their responsibilities, the Board should ensure the proper dedication of resources and senior level attention required to support effective and timely risk management and the periodic review of risk management policies and processes."

## **Principle 17 – Control Environment**

### **Sources**

- TBS Charters Guidance, s. 3.2.4: "To formulate the corporation's strategic direction and hold management accountable for achieving its objectives, the board requires specific types of information. Ideally, the board would discuss and define with management parameters regarding the quality, quantity, timing, and frequency of the information it expects to receive. By ensuring the integrity of the corporation's information systems and management practices,

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<sup>18</sup> Depending on ministerial preference, the letter of expectation may be referred to by various names, such as priority letters, performance expectations or statement of priorities. Regardless of the name used, the purpose remains the same: to communicate governmental priorities from the minister to the corporation.

the board helps 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."

- TBS Charters Guidance, s. 3.2.4: "A board charter can clarify that... the board of directors will:
  - ensure the corporation's reports adequately communicate the significant issues confronting the corporation (i.e., corporate plan and annual report);
  - ensure that 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 public policy objectives."

## **Principle 18 – Internal Audit Function**

### **Sources**

- FA Act 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)...".<sup>19</sup>
- FA Act s. 148(3): "The audit committee of a parent Crown corporation shall ... (b) oversee any internal audit of the corporation that is conducted pursuant to subsection 131(3)."
- Financial Risk Management Guidelines, p. 5: "The Crown corporation's risk guidelines should be included as part of the internal audit plan...".
- 2014 TBS Guidelines for Audit Committees, Appendix A: Questions to Consider: "This section contains a series of questions to consider in relation to oversight that typically fall within the mandate of the audit committee of a Crown corporation. The questions cover the following topics: 2. Internal audits, 3. Annual external auditor's report, 4. Special examinations."

## **Principle 19 – Financial Reporting**

### **Sources**

- FA Act s. 131(4): "Each parent Crown corporation shall cause financial statements to be prepared annually, ... in accordance with generally accepted accounting principles ...".<sup>20</sup>
- FA Act s. 131.1(1): "Each parent Crown corporation shall ... cause to be prepared, in the form and manner provided for by the Treasury Board, a quarterly financial report for each of the first three quarters of each financial year...".<sup>21</sup>
- 2014 TBS Guidelines for Audit Committees, 3.2 Responsibilities and Duties, Financial Reporting: "The central role of the audit committee of a Crown corporation is to help the board of directors fulfill its responsibility for the accuracy and integrity of the corporation's financial reports. The committee reviews, and advises the board of directors with respect to, the financial accounts, records, and statements of the corporation. This work includes overseeing the financial reporting and disclosure process, monitoring the choice of accounting policies and principles, and discussing risk management policies and practices with management."

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<sup>19</sup> Subsections 131(1) and (2), of the FA Act, requires Crown corporations to maintain certain books, records, systems and practices.

<sup>20</sup> FA Act, s. 131(5): "The financial statements ... shall be prepared in a form that clearly sets out information according to the major businesses or activities of the corporation ...".

<sup>21</sup> FA Act, s. 131.1(3): "The parent Crown corporation shall cause the report to be made public within 60 days after the end of the quarter to which the report relates."

- 2014 TBS Guidelines for Audit Committees, Appendix A: Questions to Consider: “This section contains a series of questions to consider in relation to oversight responsibilities that typically fall within the mandate of the audit committee of a Crown corporation. The questions cover the following topics: 1. Financial statements ... 8. Quarterly financial reports ...”.

## **Principle 20 – Effective Communication**

### **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.”
- 1996 Treasury Board Guidelines, Guideline 3 (commentary):
  - “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.”
  - “[T]he 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.”
  - “[T]he 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: “Corporations are also encouraged to develop outreach activities to solicit input and feedback from stakeholders on an ongoing basis.”
- TBS Charters Guidance, s. 3.2.4: “A board charter can clarify 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, s. 3.3.2: “Open and regular communication between the chair and the responsible minister ensures that the minister is apprised of the corporation’s ongoing development. The chair is the minister’s primary contact within the corporation and the channel through which information from the minister’s office should flow to the corporation.”
- TBS Charters Guidance, s. 3.3.2: “The charter can provide clarity that, in assuming the above responsibilities, the chair plays a role in each of the following examples:
  - ensures that appropriate communications emanate from the board to the minister on an as-required basis;

- represents the board in communicating with the minister on emerging issues such as those raised by a statement of priorities/ministerial letter of expectation;
  - consults with the minister on the corporation's appointment needs and provides him or her with advice on the required skill set for members;
  - keeps the minister informed of board membership changes (e.g., resignations);
  - submits CEO performance agreements and performance evaluations on behalf of the board to the minister; and
  - acts 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 with Canadian and foreign private sector partners and stakeholders (in accordance with the corporation's communications strategies)."
- FA Act s. 113.1(1): "The board of directors of a parent Crown corporation shall hold a public meeting ... within 15 months after the day on which the last preceding public meeting was held."<sup>22</sup>

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<sup>22</sup> See also the TBS *Crown Corporation Guidance - Annual Public Meetings and Outreach* (July 2008)

## **Appendix B – Director Attributes**<sup>23</sup>

Directors are expected to possess the following leadership attributes:

1. Integrity, honesty and ethical conviction, acting above personal interests
2. Independence, inquisitiveness and healthy skepticism
3. Courage to challenge and make decisions even against the status quo
4. Act in a timely manner
5. Assertiveness, managing conflict with strong personalities in expressing viewpoints
6. Ability to build constructive relationships
7. Intellectual openness, and demonstrate a commitment to ongoing learning

Directors are expected to:

1. Bring a genuine passion for the protection of Canadians
2. Commit substantial time and energy to the role's duties and responsibilities
3. Prepare diligently for meetings and participate in rigorous analysis and debate, contributing knowledge, experience and perspective to discussion
4. Promote open dialogue with other Directors and with Management and coordinate interaction with Management via the Board leadership to ensure clear communication and accountability
5. Engage and challenge constructively other Directors and Management (regarding assumptions, methods, information and conclusions)
6. Demonstrate independent judgment in deliberations and decision-making
7. Respect and support Board decisions once made, recognizing the Board speaks only with one voice as CDIC's highest decision-making body
8. Commit to on-going learning and development and remain up-to-date on the business, industry, economy, regulatory environment and stakeholder expectations

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<sup>23</sup> These expectations generally reflect the expectations for directors set out in the Board Profile.