

# Report to the GHRC Committee

## Board Committee Terms of Reference

Nov. 9, 2020

### PURPOSE

To seek director input and direction on proposed changes to board committee terms of reference that standardized format, clarify reporting and committee authority, including the addition of board delegations.

### CONTEXT/HIGHLIGHTS

Annually, each board committee is responsible for reviewing its terms of reference to assess whether they accurately describe the duties and responsibilities of the committee, and either confirm or recommend changes to the GHRC committee. To assist the GHRC committee in its review, this report outlines suggested areas for change to board committee term of reference based on leading and/or common governance practice and to implement actions identified and accepted by the GHRC committee in the first quarter of 2020 to elevate the quality of governance. **Note:** The need for an executive committee and changes to its role will be assessed as part of the board composition and structure review of the CNA refurb strategy and business plan.

Highlights of key proposed changes for consideration include:

- **Standardized form:** Amended the form of all board committee terms of reference to standardize key elements and to include a revision history.
- **Purpose:** Renamed and refined first section of terms of reference to summarize the purpose of the committee by capturing at a high level some of its key activities (i.e., what is it set up to do). Specific responsibilities for the finance and GHRC committees are then set out in a schedule based predominantly on committee work plan.
- **Membership:** Redrafted membership content and removed maximum number; added elements pertaining to qualifications to serve on the committee (finance committee), removal and vacancies, management attendance and the voting status of *ex officio* members (e.g., clarify if the board chair is voting or non-voting member).
- **Responsibilities and authority:** Amendments, where necessary, to clarify where the committee is empowered by the board to advise and/or recommend versus to act (i.e. delegated authority); and, if an item requires executive committee recommendation prior to board approval. Material proposed changes included:
  - Added new section related to authority to access information and external advisors.



- GHRC committee: Added, for discussion, a delegated authority from the board to accept and approve eligible organizations and/or persons who have applied for membership in the Corporation. This delegation must include a reporting on membership acceptance at each regular board meeting.
- Finance committee: Added responsibility to review principal financial risks to the organization's business and the identification and implementation of systems and procedures to manage these risks. In line with this, proposed for committee consideration, that the responsibility to make recommendations to the board on the appropriate fees to be levied by the various membership classes be moved from the GHRC committee to the finance committee.
- Executive committee: Proposed, for committee consideration, that subject to any limitations by the board, the committee may exercise all powers of the full board which may be lawfully delegated by the board and may approve, on behalf of the board all contractual and transactional matters. In determining whether to exercise such authority the committee must consider whether full board authorization is preferable having regard to the sensitivity, novelty, or materiality of the matter under consideration and the practicality of convening a full board meeting. This delegation must include a reporting on use of such delegations at each regular board meeting.
- **Committee operations**: Proposed adding and/or changing:
  - Records: Requirement to circulate agenda and material from two weeks to five to seven days.
  - Quorum: If a quorum cannot be obtained for any meeting, any member of the board may, at the request of the chair of the committee or the chair of the board, serve as members of the committee for that meeting; and the powers of the committee may be exercised at any meeting where a quorum is present or by resolution in writing signed by all committee members.
  - In camera meetings: The committee may meet *in camera* with the CEO or invited guests and as committee members only.
  - Assessment: That at least annually, the committee will assess its effectiveness in fulfilling its responsibilities and duties set out in the terms of reference.
- **Oversight of policies**: For the finance and GHRC committees, adding a section that outlines the policies/guidelines that the committee is responsible for overseeing and recommending changes to the board in respect of.

The revised draft template for board committee terms of reference with the above proposed changes are attached for committee review and discussion. The current terms of reference are available on the [myCNA portal](#).

## **NEXT STEPS**

The corporate secretary will revise the terms of reference based on committee direction and circulate a revised draft to all committees for final comment by e-mail. The final draft terms of reference will then be provided for committee recommendation and board approval at the Dec. 3 and 4 meetings of the GHRC committee and board, respectively.

Advisory committee terms of reference (RAAC and PAAC) will be reviewed by the RAAC and PAAC in the fourth quarter of 2020 and presented to the GHRC committee in the first quarter of 2021.

## **APPENDICES**

- **Appendix A:** GHRC Committee Terms of Reference (Revised Draft)
- **Appendix B:** Finance Committee Terms of Reference (Revised Draft)
- **Appendix C:** Executive Committee Terms of Reference (Revised Draft)

## Governance, Human Resources and Compensation Committee Terms of Reference

### 1. Purpose

The Governance, Human Resources and Compensation Committee (the “committee”) is a standing committee of directors of the CNA Board of Directors (the “board”) that has been established for the purposes of:

- Developing and making recommendations to the board on CNA articles of incorporation, by-laws and corporate governance policies, guidelines and procedures; overseeing director nomination, election, orientation and succession; and approving processes for evaluation of the board.
- Assisting the board with respect to oversight of human resources, including President and Chief Executive Officer (“CEO”) recruitment, evaluation, compensation, and succession; and other significant workplace policies and talent strategies.
- Overseeing the process of membership acceptance and making recommendations to the board regarding membership issues and structure. [Note: Management recommends that making recommendations to the board on the appropriate fees to be levied by the various classes of members be moved to the finance committee.]

### 2. Membership

The committee will consist of as many directors as the board may determine but not less than four directors, one of whom will serve as the chair of the committee [Max. number removed]. The members of the committee will be appointed by the board on the recommendation of the chair of the board (after consultation with the chair of the committee). The chair of the board will be an *ex officio* voting member of the committee, and the CEO will be an *ex-officio* non-voting member the committee.

All appointments are for a three-year term, unless a member resigns, is removed by the board, or ceases to be a director. The board may fill a vacancy that occurs in the committee at any time.

If a vacancy exists, the remaining committee members may exercise all powers of the committee so long as there is a quorum and subject to requirements regarding the minimum number of committee members.

#### Chair of the Committee:

The board will designate one of the committee members to be the chair of the committee, considering any recommendations that may be made by the chair of the board (after consultation with the committee). Appointment of the chair of the committee is for a three-year



term. Appointments takes place at the first meeting of the board following the annual meeting of members, or upon the occurrence of any vacancy in the position.

**Non-Member Attendance:**

The committee may, at its discretion, invite members of management and/or other guests to attend all or part of any meeting.

**3. Responsibilities and Authority**

The committee has the responsibilities set out in **Schedule A**, as well as any other matters that may be delegated to the committee by the board from time to time.

The chair of the committee or their designate will report to the board on matters arising at committee meetings and, where applicable, present the committee’s recommendations to the board for its approval.

**Delegation:**

The committee has delegated authority to accept and approve eligible organizations and/or persons who have applied for membership in the Corporation. This delegation must include a reporting on membership acceptance at each reach regular board meeting. **[New and proposed for discussion]** The committee may, from time to time, delegate to its chair any powers or responsibilities of the committee itself. This delegation must include a reporting accountability back to the committee. **[New and proposed for discussion]**

**Access to Information and External Advisors:**

The committee will have the authority to investigate any matter with full access to the books, records, facilities, and personnel that are relevant to carrying out the duties of the committee. The committee has the authority to engage external advisors, including counsel, consultants, and other experts as are reasonably required to review any matter under its responsibility and may determine the fees of any advisors so retained.

**4. Committee Operations**

**Meetings and Records:**

The committee will meet at least four times a year and minutes of their meetings must be kept and approved at the next meeting. To the extent possible, the agenda and meeting materials will be circulated to committee members at least five to seven days in advance of regular meeting dates **[changed from two weeks]**.

If the chair of the committee is absent, committee members will designate another member to temporarily serve in that role.

**Decision-Making:**

At meetings of the committee, if the committee is unable to reach unanimous consent, each committee member will have one vote, and motions will be decided by a majority of votes. Voting by proxy is not permitted. In case of an equality of votes, the chair of the meeting will not have a second or casting vote.

**Quorum:**

A quorum at any meeting will be a majority of committee members entitled to vote. The powers of the committee may be exercised at any meeting where a quorum is present or by resolution in writing signed by all committee members.

**In Camera:**

The committee may meet *in camera* with the CEO and as committee members only. The chair of the committee will determine other participants in any *in camera* sessions.

**Assessment:**

At least annually, the committee will assess its effectiveness in fulfilling its responsibilities and duties set out in these terms of reference.

**Review**

Annually the committee will review these terms of reference to assess whether they accurately describe the duties and responsibilities of the committee and will either confirm or recommend changes to the terms of reference to the board.

**5. Oversight of Policies**

The committee is responsible for overseeing and recommending changes to the executive committee and board in respect of the following policies and/or guidelines:

- a. CNA Employee Handbook
- b. CNA Board of Directors Guidelines (including board mandate)
- c. CNA Board of Directors Delegation of Authority Policy
- d. CNA Board of Directors – Statement of Qualifications
- e. CNA Board of Directors – Conflict of Interest Policy
- f. Such other policies and guidelines as the committee may establish from time to time.

---

**REVISION HISTORY**

**Date of creation:** [Search records for original approval date]  
**Revisions:** June 2017  
Dec. 4, 2020

## GHRC Committee - Duties and Responsibilities

<b>1. Governance and Compliance Oversight</b>
a. At least every three years, review articles of incorporation and by-laws and make recommendations to the executive committee and board
b. Annually review governance policies and procedures and make recommendations to the executive committee and board
c. Develop and annually review corporate governance guidelines and recommend changes the committee considers appropriate
d. Oversee programs for new director orientation and ongoing director continuing education
e. Review board and committee work plans
f. Review committee terms of reference and make recommendations to the executive committee and board
g. Oversee director nomination and election procedures and practices and report to the executive committee and board
h. Select and recommend to the board the appointment of board officers and board committee members
i. Approve a process for an annual evaluation of the board and its committees and consider annually whether any changes should be made to that process
j. Review and monitor compliance with statutory filings, reporting and internal governance policies and report any instances of non-compliance to the board
k. Annually consider the adequacy of directors' and officers' liability coverage and make recommendations to the executive committee and board

## GHRC Committee - Duties and Responsibilities

### 2. Human Resources Oversight

- a. Review HR policies, procedure and practices and make recommendations to the executive committee and board for changes, as required.
- b. Ensure that effective succession planning, talent planning and leadership development processes are in place and annually review and make recommendations to the executive committee and board as required
- c. Monitor compliance with HR policies and procedures and report any instances of non-compliance to the board, subject to legal and confidentiality restrictions.
- d. Together with the chair of the board, lead the annual performance and compensation review for the CEO.
- e. The chair of this committee and chair of the board will review CEO's self-assessment on annual performance objectives and will make decisions on compensation adjustments.
- f. Review and make recommendations to the executive committee and board on annual parameters for CNA staff compensation

### 3. Membership Oversight

- a. Review, accept and approve eligible organizations and/or persons who have applied for membership in the Corporation

## Finance Committee Terms of Reference

### 1. Purpose

The Finance Committee (the “committee”) is a standing committee of directors of the CNA Board of Directors (the “board”) that has been established for the purposes of the board’s oversight of: [New high-level categorizations]

- The quality and integrity of the CNA’s financial reporting.
- The qualifications and performance of the external auditor.
- Additional financial matters as specified in these terms of reference.

### 2. Membership [Reordered and edited]

The committee will consist of as many directors as the board may determine but not less than four directors, one of whom will serve as the chair of the committee [Max. number removed]. The members of the committee will be appointed by the board on the recommendation of the chair of the board (after consultation with the chair of the committee and the Governance, Human Resources and Compensation committee which reviews qualifications). The chair of the board will be an *ex officio* voting member of the committee, and the CEO will be an *ex-officio* non-voting member the committee.

All appointments are for a three-year term, unless a member resigns, is removed by the board, or ceases to be a director. The board may fill a vacancy that occurs in the committee at any time.

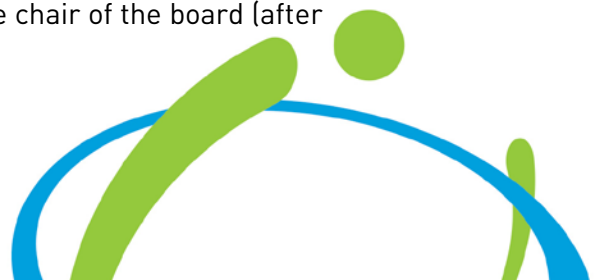
If a vacancy exists, the remaining committee members may exercise all powers of the committee so long as there is a quorum and subject to requirements regarding the minimum number of committee members.

#### **Qualifications:** [Proposed new]

Each of the directors on the committee must possess applicable professional qualifications and/or relevant work experience that demonstrates a high level of financial literacy. Accordingly, each committee member must be able to comprehend the elements of the CNA’s financial statements, applicable accounting policies and judgments, internal controls and accounting procedures supporting the financial reporting process. Experience with budgeting and fiscal oversight are also an important element of the financial literacy required of committee members.

#### **Chair of the Committee:**

The board will designate one of the committee members to be the chair of the committee, considering any recommendations that may be made by the chair of the board (after



consultation with the committee). Appointment of the chair of the committee is for a three-year term. Appointments takes place at the first meeting of the board following the annual meeting of members, or upon the occurrence of any vacancy in the position.

**Non-Member Attendance:** [New]

The committee may, at its discretion, invite members of management and/or other guests to attend all or part of any meeting.

### **3. Responsibilities and Authority**

The committee has the duties and responsibilities set out in **Schedule A**, as well as any other matters that may be delegated to the committee by the board from time to time.

The chair of the committee or their designate will report to the board on matters arising at committee meetings and, where applicable, present the committee's recommendations to the board for its approval.

**Delegation:**

The committee may, from time to time, delegate to its chair any powers or responsibilities of the committee itself. This delegation must include a reporting accountability back to the committee. [New and proposed for discussion]

**Access to Information and External Advisors** [New and proposed for discussion]:

The committee has the authority to make such enquiries and investigations and require such explanations from management as it considers reasonably necessary, and to require management to promptly inform the committee and the external auditor of any material misstatement or error in the CNA's financial statements following the discovery of any such situation.

The committee will have full access to the books, records, facilities, and personnel that are relevant to carrying out the duties of the committee. With the consent of the chair of the board, the committee may retain such advisors, counsel, auditors or other advisors as are reasonably required to assist the committee in fulfilling its duties and may determine the fees of any advisors so retained.

### **4. Committee Operations**

**Meetings and Records:**

The committee will meet at least four times a year and minutes of their meetings must be kept and approved at the next meeting. To the extent possible, the agenda and meeting materials will be circulated to committee members at least five to seven days in advance of regular meeting dates [changed from two weeks].

If the chair of the committee is absent, committee members will designate another member to temporarily serve in that role.

**Decision-Making:**

At meetings of the committee, if the committee is unable to reach unanimous consent, each committee member will have one vote, and motions will be decided by a majority of votes. Voting by proxy is not permitted. In case of an equality of votes, the chair of the meeting will not have a second or casting vote.

**Quorum:**

A quorum at any meeting will be a majority of committee members entitled to vote. The powers of the committee may be exercised at any meeting where a quorum is present or by resolution in writing signed by all committee members.

**In Camera:**

The committee may meet *in camera* with the CEO and as committee members only. The chair of the committee will determine other participants in any *in camera* sessions.

**Assessment:**

At least annually, the committee will assess its effectiveness in fulfilling its responsibilities and duties set out in these terms of reference.

**Review:**

Annually the committee will review these terms of reference to assess whether they accurately describe the duties and responsibilities of the committee and will either confirm or recommend changes to the terms of reference to the board.

**5. Oversight of Policies**

The committee is responsible for overseeing and recommending changes to the executive committee and board in respect of the following policies and/or guidelines:

- a. CNA Signing Authority Policy
- b. Net Assets Reserve Policy
- c. Investment Policy
- d. Cash Management Policy
- e. Capitalization and Amortization of Asset Policy
- f. Such other policies and guidelines as the committee may establish from time to time.

---

**REVISION HISTORY**

**Date of creation:** [Search records for original approval date]  
**Revisions:** Dec. 8, 2017  
Dec. 4, 2020

<b>Duties and Responsibilities</b>	
<b>1. Quality and integrity of the CNA's financial reporting</b>	
a.	Review quarterly financial results and forecast and make recommendations to the executive committee and board
b.	Review audited financial statements and make recommendations to the executive committee and board
c.	Review financial policies, procedures and internal accounting controls and make recommendations to the executive committee and board
<b>2. Qualifications and performance of the external auditor</b>	
a.	Make recommendations to the executive committee and board with respect to the appointment of the public accountant to hold office, including fixing compensation
b.	Maintain a direct line of communication with the external auditor and monitor the scope of the external auditor's audit activities and assess its performance
c.	Review with the external auditor the contents of its annual audit report
<b>3. Additional Financial Matters and Oversight</b>	
a.	Review and make recommendations to the executive committee and board on the operating and capital budget for fiscal year ending December 31
b.	Receive the compliance certificate from the CFO quarterly and assess the appropriateness of remedial actions for any outstanding matters
c.	Review assessments by management of principal financial risks to business and identify systems and procedures to manage these risks
d.	Make recommendations to the executive committee and board on measures to manage financial risks

## Duties and Responsibilities

- e. Review the need for and extent of property management and insurance coverage
- f. Review portfolio performance and performance with investment managers
- g. Annually review committee terms of reference and make recommendations to GHRC committee
- h. Annually assess committee effectiveness in fulfilling its responsibilities and duties

## Executive Committee Terms of Reference

### 1. Purpose

The Executive Committee (the “committee”) is a standing committee of directors of the CNA Board of Directors (the “board”) that has been established for the purposes of overseeing on behalf of the board all matters related to the operations of the Association and for advising and recommending to the board as appropriate.

The committee advises the President and Chief Executive Officer (the “CEO”) on matters affecting the health and performance of the organization, including retaining and expanding membership and setting the strategic objectives of the organization for its members. The committee advises on the ongoing improvement of the organization’s business model to ensure maximum productivity and revenue including retaining and expanding memberships. The committee also provides financial leadership by exercising oversight on budgets and monitoring long-term strategic plans.

### 2. Membership

The membership of the committee will include the members prescribed in the by-law, namely:

- The following officers of the Corporation:
  - Chair of board
  - Vice-chair of board
  - President and Chief Executive Officer (the “CEO”)
  - Past chair
  - Chair of Governance, Human Resources and Compensation Committee
  - Chair of Finance Committee
  - Chair of Regulatory Affairs Advisory Committee
  - Chair of Public Affairs Advisory Committee
- A minimum two members of the board at large (the “MAL”)

The CEO is an *ex officio* non-voting member the committee.

The officers of the Corporation and the MAL are appointed or elected **by the board** at the first meeting of the board following the annual general meeting. All appointments are for a three-year term unless a member resigns, is removed by the board, or ceases to be a director. The board may fill a vacancy that occurs in the committee at any time.

If a vacancy exists, the remaining committee members may exercise all powers of the committee so long as there is a quorum and subject to requirements regarding the minimum number of committee members.



**Chair of the Committee:**

The chair of the board will preside over all meetings of the committee. If the chair of the board is not present, then the vice-chair of the board will act in their place.

**Non-Member Attendance:**

The committee may, at its discretion, invite members of management and/or other guests to attend all or part of any meeting.

**3. Responsibilities and Authority**

The committee is responsible for overseeing, on behalf of the board, all matters related to the operations of the Association, as follows:

- a. The committee will make recommendations to the board on policy and strategy on all aspects of the association.
- b. The committee will provide oversight and direction to the President and CEO on the operations of the Association.
- c. The committee will coordinate the activities of the standing and advisory committees of the Association.
- d. The committee will take on any actions or responsibilities as delegated to it by the board.

The chair of the board or their designate will report to the board on matters arising at committee meetings and, where applicable, present the committee’s recommendations to the board for its approval.

**Access to Information and External Advisors:**

The committee will have the authority to investigate any matter with full access to the books, records, facilities, and personnel that are relevant to carrying out the duties of the committee. The committee has the authority to engage external advisors, including counsel, consultants, and other experts as are reasonably required to review any matter under its responsibility and may determine the fees of any advisors so retained.

**4. Committee Operations**

**Meetings and Records:**

The committee will meet as needed between meetings of the full board (removed minimum requirement of 4 meetings). Minutes of committee meetings must be kept and approved at the next meeting. Once approved by the committee, copies of the minutes of the proceedings of the committee will be sent by the corporate secretary to all of the directors.

To the extent possible, the agenda and meeting materials will be circulated to committee members at least five to seven days in advance of regular meeting dates (changed from two weeks).

**Commented [TA1]: Consider including:** Subject to any limitations by the board, the committee may exercise all powers of the full board which may be lawfully delegated by the board and may approve, on behalf of the board all contractual and transactional matters. In determining whether to exercise such authority the committee will consider whether full board authorization is preferable having regard to the sensitivity, novelty, or materiality of the matter under consideration and the practicality of convening a full board meeting.

**Decision-Making:**

At meetings of the committee, if the committee is unable to reach unanimous consent, each committee member will have one vote, and motions will be decided by a majority of votes. Voting by proxy is not permitted. In case of an equality of votes, the chair of the board will not have a second or casting vote.

**Quorum:**

A quorum at any meeting will be a majority of committee members entitled to vote. The powers of the committee may be exercised at any meeting where a quorum is present or by resolution in writing signed by all committee members.

**In Camera:**

The committee may meet *in camera* with the CEO and as committee members only. The chair of the committee will determine other participants in any *in camera* sessions.

**Assessment:**

At least annually, the committee will assess its effectiveness in fulfilling its responsibilities and duties set out in these terms of reference.

**Review**

Annually the committee will review these terms of reference to assess whether they accurately describe the duties and responsibilities of the committee and will either confirm or recommend changes to the terms of reference to the board.

---

**REVISION HISTORY**

**Date of creation:** [Search records for original approval date]  
**Revisions:** Dec. 8, 2014  
Dec. 4, 2020