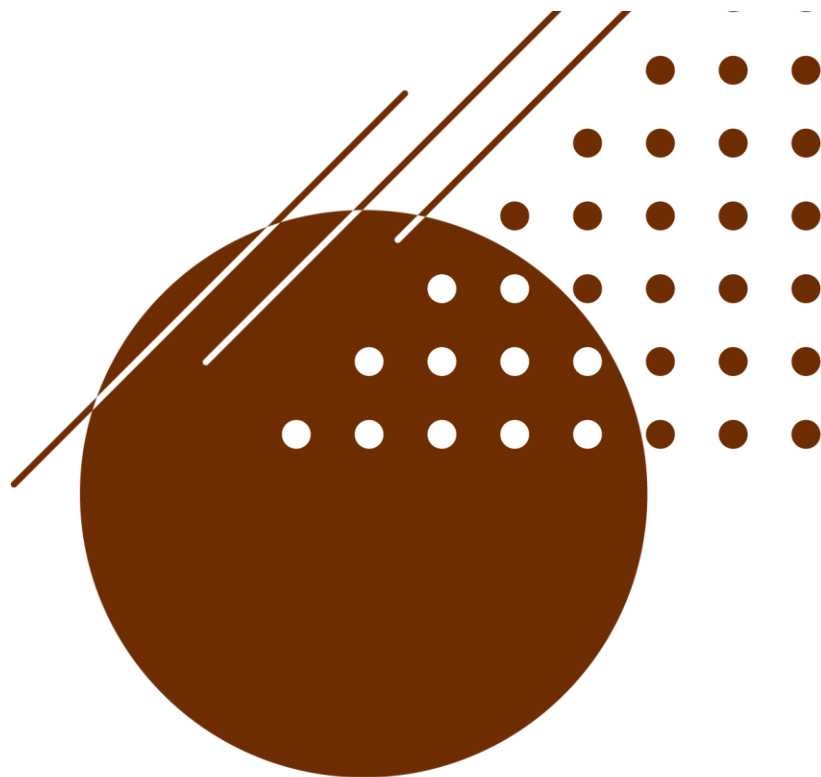


June 10, 2022

CNA Membership & Governance Structure Review

Prepared for the Canadian Nuclear Association by Governance Solutions Inc.

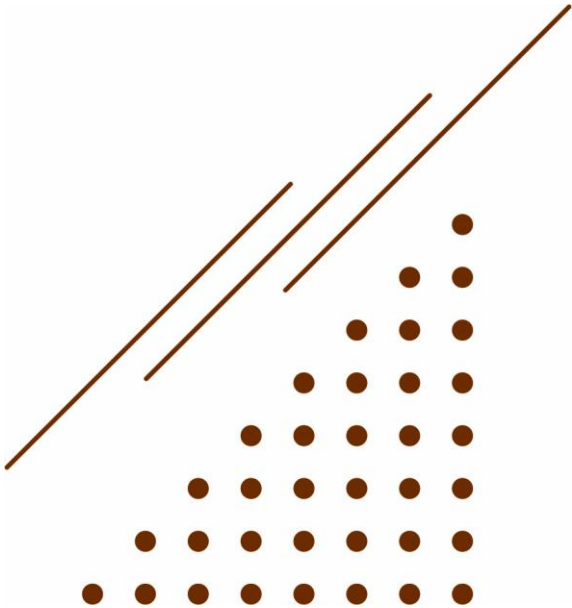


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Executive Summary

Canada’s nuclear industry stands at the threshold of a breakthrough opportunity. Nuclear stands as a viable, sustainable alternative to fossil fuels as nations rush to reduce carbon emissions to mitigate the effects of climate change. A strong national association with a clear mandate, broad, inclusive membership and access to resources is the industry’s best way to facilitate this breakthrough.

To achieve this, the Canadian Nuclear Association is seeking to optimize its Membership and Governance Structure. Governance Solutions Inc. (GSI) has been engaged to research options and to provide the Association with a future state “straw model” and timed implementation workplan for discussion, the purpose of this report.

In separate previous reports, GSI presented its research-based recommendations for the Association to reform its governance structure, and explored the challenges of the current membership structure to set the foundation for its future state. Among the sources for GSI’s research was a newly conducted survey of the Association’s membership that informed the optimal mix of benefits and services sought by CNA’s current members (see Appendix Two for highlights.)

Here is a summary of the current state of the Association’s membership and governance structure alongside a future state that the Association can aspire to, with related objectives and benefits:

Current state	→ Future State	Objectives and Benefits
<ul style="list-style-type: none"> • Voting Members - 6 Classes • Non-Voting Members – Affiliate and Honorary Members 	<ul style="list-style-type: none"> • Remove classes: all Voting Members would belong to a single class “Voting Members” • There would be a provision for non-voting “Affiliate Members” • There would not be a provision for Honorary Members 	<ul style="list-style-type: none"> • Every member matters • The whole value chain pools its resources and energy to advance nuclear • Address perception of entitlement and elitism • Simplify • Consistent with spirit of new Not-for-Profit laws • Builds in flexibility for interested parties to affiliate (other associations, educational, foreign, etc.)
<ul style="list-style-type: none"> • Board and Committee seats perceived as a major benefit of “higher” membership classes 	<ul style="list-style-type: none"> • Member Councils would be the main vehicles to engage on public policy and exchange knowledge (together with existing but revamped mechanisms/forums) 	<ul style="list-style-type: none"> • Align member services and benefits with expressed needs • Emphasize advocacy, policy influencing, networking and other benefits • Engage members – not just organizations, but individuals within these too – in activities that match their interests, affinities (respect their time)

		<ul style="list-style-type: none"> • Delineate (segregate) association governance activities from all others
<ul style="list-style-type: none"> • Ambiguity around initiatives that benefit a sub-set of members only 	<ul style="list-style-type: none"> • Board will decide if initiatives benefit industry enough to be funded by membership fees • On an exception basis, Association would have ability to undertake an initiative pooled among members who opt in 	<ul style="list-style-type: none"> • Adds clarity and flexibility (an alternative choice) for the national association to lead worthwhile initiatives that benefit a sub-set of members by pooling their resources • Adds flexibility to add new members beyond the traditional (established) value chain
<ul style="list-style-type: none"> • Large (36) Board that does much more than governance • Executive Committee (14) effectively provides governance • Finance and Governance, HR & Compensation sub-committees oversee delegated areas for Board 	<ul style="list-style-type: none"> • Smaller (15) Board exclusively focused on governance of the association • Hybrid Board: up to 6 from largest members, remainder (at least 9) “at large” selected from the rest of the association’s members • Disband Executive Committee • Continue Finance and Governance, HR & Compensation sub-committees oversee delegated areas for Board • The Board will have a minimum and maximum number of Directors (min: 9; max: 17), with the precise number of Directors determined by ordinary resolution of the Board 	<ul style="list-style-type: none"> • Streamlines governance • Delineates (segregates) governance from all other activities • Reduces perceived benefit of a Board or Executive seat giving member influence or say • Membership Forum annually would approve high-level strategic direction of Association, recommended by Board • Adds flexibility to add new members without constantly revisiting membership classes and entitlement to board seats
<ul style="list-style-type: none"> • Board seats allocated among and selected by Classes of Members 	<ul style="list-style-type: none"> • Board members would be endorsed by election by Members, after having been selected and recommended by Governance HRC Committee based on needed sector, competencies, diversity and attributes mix • Safeguard for Members with largest stake to 	<ul style="list-style-type: none"> • Robust selection process will result in board members who are a highly-qualified, diverse mix (reflect different dimensions of diversity, sector, size of members), and bring relevant expertise to board and its sub-committees (financial, governance, HR) • Hybrid Board facilitates nomination of up to 6 board members by largest members, while respecting and reflecting Profile shared by Governance HR Committee

	<p>nominate candidates to GHRC</p>	<ul style="list-style-type: none"> • Governance HR Committee recruits and/or vets nominations for remaining “at large” board seats to fill diversity and skills gaps left • Simplify board seat allocation and selection process • Pragmatic solution that balances democratic control with the reasonable expectations of Members with the largest stake (up to 6) mitigating their risk through direction and control • Three-year staggered terms with 5 board seats renewed each AGM (15 total)
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Timed Implementation Workplan

Here is our sense of the timing of the main decision and implementation steps to put in place the new Membership and Governance structure recommended by GSI:

Timing	Step	Comments
April – June 2022 (2 nd quarter meetings)	Approval of changes	<ul style="list-style-type: none"> GHRCC meets on June 10 to review and recommend changes and timing Board meets on June 17 to approve membership and governance structure changes and the transition plan
June 17 AGM	Stand-still on elections	<ul style="list-style-type: none"> Membership asked to approve a one-year “stand-still” on elections, automatically extending terms of Board and Committee members which end in June 2022 to June 2023 Vacancies would either be filled or left vacant depending on need and fit with the implementation workplan
2022 and ongoing	Member Councils	<ul style="list-style-type: none"> Association (staff) would initiate / continue, and promote Member Councils to engage Members in value-added activities aligned to their sector, organizational and individual (positions: e.g., CEO, Government Relations, Public Affairs) affinities
2022 and ongoing	Supplemental Initiatives	<ul style="list-style-type: none"> Association (staff) would have the ability to initiate or continue initiatives decided by the Board to be worthwhile but not core (e.g., Industry Councils, Working Groups to pool resources of subsets of members)
July 2022	Board Profile By-laws and Policies	<ul style="list-style-type: none"> GHRCC (GSI lead support) would develop a Board Profile, which would be used to inform Board member nominations and recruitment Association (GSI lead with legal counsel vetting) would draft amendments to Articles, By-Laws and Policies needed to facilitate the changes
August-September 2022 (3 rd quarter meetings)	Approval of amendments	<ul style="list-style-type: none"> Finance Committee, GHRCC, Executive and Board would review and recommend / approve amendments to Articles, By-laws to enable membership and governance structure changes
December 2022 (4 th quarter meetings)	Special Meeting of Members to approve amendments	<ul style="list-style-type: none"> Preparation for, notice of, and holding Special Meeting of Members to approve amendments to Articles and Bylaws
June 2023 (2 nd quarter meetings)	Implementation of Membership and Governance Changes	<ul style="list-style-type: none"> GHRCC, Finance, Executive and Board would take whatever additional implementation steps are needed

Timing	Step	Comments
June 2023 AGM	Membership and governance changes take effect	<ul style="list-style-type: none"> New Membership and Governance Structure would take effect, including streamlined Board with hybrid composition, election of new Board members, elimination of Executive Committee
After June 2023	Membership fee structure	<ul style="list-style-type: none"> Association (staff lead with GSI support) would develop and present for FC/GHRC/Board approval a modified and modernized membership fee structure
March 2024	Pulse check and course corrections	<ul style="list-style-type: none"> Association (GHRC with staff and GSI support) would evaluate effectiveness of membership and governance structure changes and make any adjustments required

Appendix One: Member Challenges and Councils

GSI identified that an overarching challenge with the Association's current membership structure is an inequitable distribution of member benefits, particularly a linkage between Class and Board representation that over-emphasizes the importance of having a seat on the Board and/or Executive, and frustrates Members' perception of the extent of their ability to participate in the Association and in the nuclear industry.

In practice, this has led to the Board becoming more of a forum for Members to express their voice on all matters, in turn forcing the Executive to take on practical responsibility for the Association's governance system. At the same time, board members are selected based on position and class, rather than a selection process based more on expertise, skills, diversity and attributes.

A related challenge to the current model is that it is rigid (both the classes and fee method), at a time when the nuclear industry is changing, and the Association seeks the flexibility to expand and to attract members from non-traditional parts of the value chain. The membership structure needs to be straight-forward and sustainable in terms of an equitable sharing of investments by the Association among diverse members.

Above all, GSI's research with other successful associations demonstrates that an association must communicate a clear value proposition to members that is compelling. To the extent that each member clearly sees the value (benefits) returned from their investment (fees) they will happily renew their membership and engage with the association.

Member Councils are not new, but they will become the primary vehicle for members to engage with one another and with the Association (in addition to the core member benefits discussed below).

Member Councils are where members will gain significant and expanded value, meeting together with other members with like interests, challenges, regions and/or positions dealing with substantive issues, risks and opportunities, organized by Association staff.

Here are potential examples of Member Councils either already initiated or about to be:

- **Nuclear Sustainability (Waste) Secretariat:** the Sustainability Secretariat's initial mandate is the coordination and collaboration of the nuclear industry's collective communications regarding nuclear waste. The Secretariat's purpose is to facilitate discussion and dialogue amongst Senior Executives, involving a CEO-level executives. The Secretariat will help industry be more aligned and coordinated, and will proactively support near, medium, and long-term regulatory decisions regarding nuclear waste.

- **Indigenous Relations Advisory Council:** will provide advice and guidance to the CNA on issues pertaining to, or involving Indigenous relations and the CNA and its members.
- **Public Affairs Advisory Council:** provides advice to board and CNA management on policy, government relations, communications and related strategies to be pursued by the Association.
- **Regulatory Affairs Advisory Council:** provides advice to board and CNA management on regulatory affairs issues that are of concern to CNA members and to the nuclear industry in general; and for the strategies to be pursued by the Association in resolving those issues
- **CEO Forum:** an engagement forum for senior leaders from each segment of the nuclear industry to share insights and provide advice on issues identified as strategic priorities for the Association (note: this may be an ad hoc gathering rather than a “standing” Council.)

Other Member Councils will be organized based on the issues, needs, risks and opportunities facing the nuclear industry and the Associations’ members. The mandate, workplan and composition of each will need to be honed over the coming months, therefore GSI is intentionally not more prescriptive at this point, to give staff flexibility to develop and hone these.

These Councils are distinct from the *governance* lines of decision-making and accountability, bodies populated by Board members. In the future state model, governance is provided:

- Primarily by the **Board of Directors**, responsible for the governance of the Association, including approving its Strategic Plan, Budget and Policies, putting in place and overseeing the CEO, and overseeing the performance of the Association. The Board will be stream-lined from 36 to 15 (9 to 17) members as its responsibilities narrow to solely governance, and as senior representatives of Members recognize the value they are getting from the Member Councils.
- The **Board composition** will be hybrid or mixed: a total of 15: up to 6 board members will be selected by the largest contributing members plus the remainder of the Board (at least 9 “at large” board members recruited and vetted by the Governance HRC Committee. With three year staggered terms, one third of the board, including at least one at large, will be up for renewal each year.
- The **Membership** as a whole, at its annual Members Forum, will approve the high-level strategic direction of the Association, to ensure that all members’ voices are heard and to exercise high-level democratic control.
- The **Executive Committee** would be disbanded, since its function would no longer be required.

- The **Finance and Governance HRC Committees** would continue as standing sub-committees of the Board providing due diligence on delegated areas within their mandates.

Of course, Members would continue to participate in other member services and benefits, including:

- Voting rights at Members' meetings: one member, one vote, eliminating Classes
- the Annual Conference and Members' Forum: for networking, sharing of research, policy-making, and where voting members would approve the high-level Strategic Direction
- access to the Association's communications, policy updates, research (newsletters, regular updates) and other ancillary benefits
- networking and regional events and sub-conferences

The flexibility for the Association to proceed with initiatives that are worthwhile but not necessarily benefiting the whole industry is not currently clear. By putting a clear process in place, Members will have the ability to:

- (1) persuade the Association to approve initiatives that benefit the nuclear industry: on staff's recommendation, the Board would decide, and these would be funded as core Association expenses, or
- (2) on an exception basis, pool their resources together, and under the leadership and sponsorship of the Association, undertake those initiatives that benefit a sub-set of members

One example might be Small Modular Reactors, and another might be a sub-set of the value chain, like Bruce Power suppliers. These are just illustrations: the Association would need to evaluate each initiative on its merit and decide best fit.

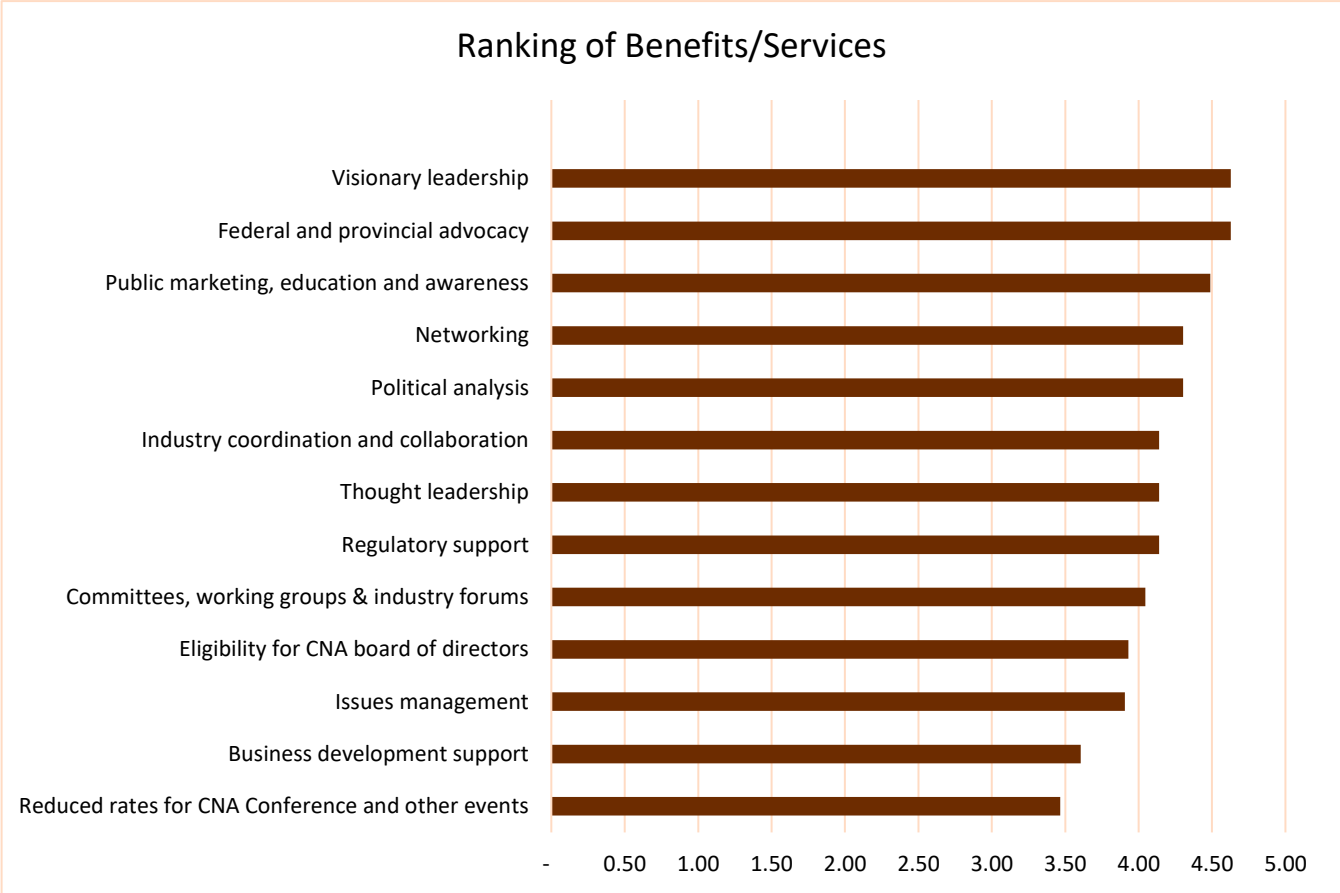
A key to the successful adoption of and transition to the proposed changes will be branding and promoting the new and refreshed Member Councils to engage members in a value proposition tailored to their individual needs and aspirations.

Appendix Two: Membership Survey Highlights

Over the past year, GSI had access to the CNA Board evaluation, conducted by way of a self-assessment survey, and a membership review conducted by an independent advisor (AMCES). Gaining input directly from the members was an important diagnostic step in developing a membership structure. This was achieved by GSI conducting a survey among the Association’s membership to consult with them on their perception of the value proposition and their aspirations. The survey had good participation amongst classes and member familiarity with the CNA, measured by length of membership).

GSI concluded that the Association’s Members are seeking access, influence, insights, and importance from their Membership.

Chart 1: Importance of Member Benefits in Survey



A key finding of the Membership survey is that the most highly ranked member benefits affect all Members. These include:

- providing visionary leadership for the role of nuclear,
- federal and provincial advocacy,
- public marketing, education, and awareness, and
- political analysis.

We also saw the highest levels of interest for increased engagement in sector-focused groups, specifically CEO Councils for industry sectors and Executive Level Industry Sector Councils.

We then asked the same Members to tell us how satisfied they are with each of these:

Chart 2: Satisfaction with Member Benefits in Survey



Overall, the Membership is highly satisfied with most of the Association’s most important benefits. Member satisfaction is very high for three of the top five most important Member benefits:

- Visionary Leadership
- Federal and Provincial Advocacy
- Political Analysis

We highlight that these benefits, currently being successfully delivered to Members, serve all members and the industry “as a whole”. In the future state “straw model”, these benefits must be preserved, and their value can be enhanced through a membership structure that promotes fairness, equity and inclusion.

Member satisfaction is significantly lower for benefits that are directly related to member’s individual needs and their industry sectors, specifically:

- Networking
- Industry coordination and collaboration
- Ability to join advisory committees, working groups and industry forums
- Issues management (Members & Industry)

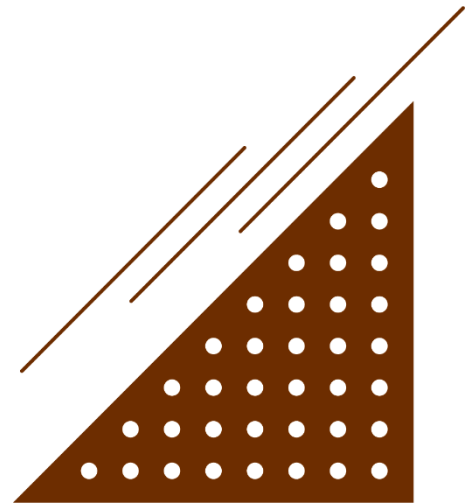
These individual and industry sector benefits represent opportunities to improve the value that Members receive from the Association.

The survey asked Members to indicate their level of interest in participating in various councils and activities as guidance for the Association to improve member engagement. The highest level of interest was in “The opportunity to directly influence the Association’s strategic direction, including public policy direction and resource allocation”.

GSI sees this high level of interest as an opportunity because it indicates a desire to engage actively with the Association but not necessarily on the CNA Board of Directors, as indicated by the relatively low level of importance that member benefit (Chart 1). Accordingly, the CNA can create other routes to satisfy Member’s desires for leadership roles, influence, and access in the Association.

The other top areas of interest were sector-focused groups (the CEO and Executive Level Industry Sector Councils). Further, we observed that the benefits most likely to increase member satisfaction were directly related to member’s individual needs and their industry sectors.

These findings led GSI to design the future state membership “straw model” with an emphasis on participation in Member Councils, and Association initiatives and priorities benefiting the nuclear industry as a whole.



About Governance Solutions

Governance Solutions Inc. (GSI) (formerly known as Brown Governance Inc) has been trusted for over 30 years by organizations to provide superior governance solutions. Solutions like: The Professional Director Certification Program™, BoardConnex™ the latest in smart board portals, The Board and CEO Evaluation Solutions, strategic planning and The Scorecard Solution, Director Profile, governance best practices research, and consulting.

Our expertise spans the globe and sectors. You can count on Governance Solutions to provide independent, affordable, superior, accessible, customizable, professional, governance solutions. You can build, organize, educate, leverage, evaluate and optimize your governance with our integrated portfolio of governance products and services. GSI delivers tools, online resources, benchmarking, knowledge, and advice based on a unique blend of experience, research, and user-friendly technology.

Governance Solutions helps organizations strengthen their governance practices. We understand your challenges and are trusted by leading organizations around the globe because our entire leadership team has deep experience. Each has walked in your shoes as CEOs and Board members and has many years of substantive dialogue with governance leaders. Your board members and senior executives responsible for governance will be empowered by our principle-based approach.

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