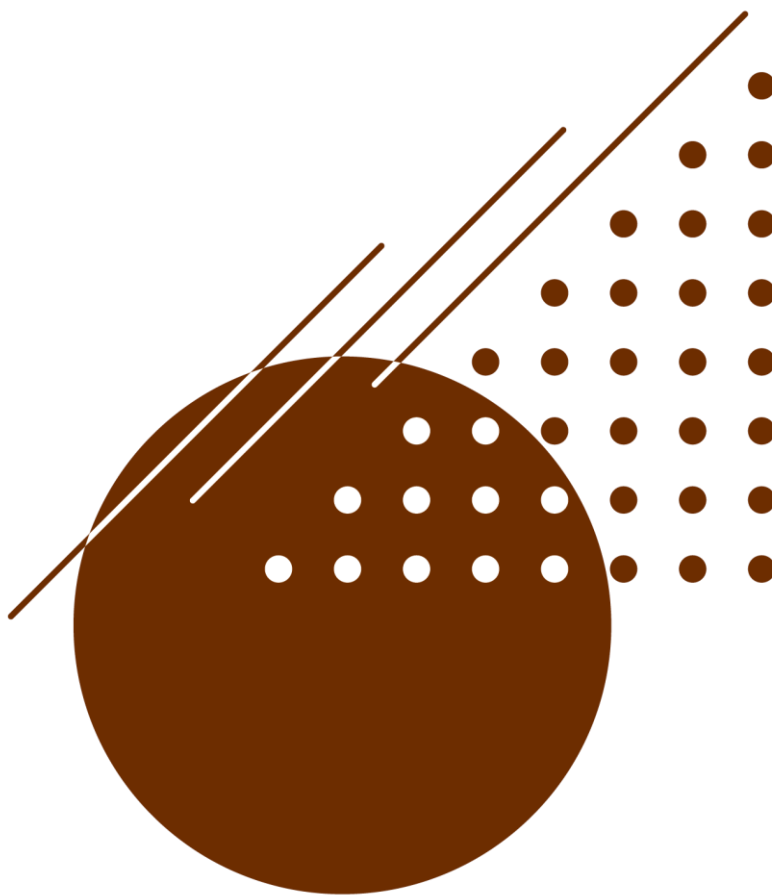


April 29, 2021

CONFIDENTIAL

Governance Review

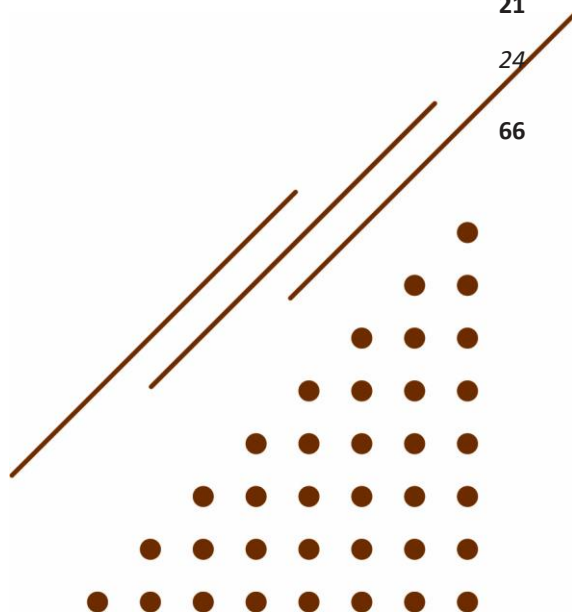
Prepared For: Canadian Nuclear Association



Governance Solutions

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Preface

The Canadian Nuclear Association (“the Association”) engaged Governance Solutions Inc. (“GSI”) to conduct a review of the effectiveness of its governance, with a view to identifying opportunities to improve effectiveness and therefore contribute to better outcomes for the Association and its membership.

GSI’s diagnostics closely follow, and build on, two diagnostics conducted independently by the Association: a board evaluation conducted by way of a self-assessment survey, and a membership review conducted by an independent advisor (AMCES).

GSI itself conducted a short, high-level self-assessment questionnaire among board members and senior staff of the Association, to supplement the findings of the board evaluation. These combined results enabled us to draw a picture of the board’s effectiveness from the perspective of participants and are shown in Appendix One.

GSI further supplemented our diagnostics by observing a cycle of Association meetings: an Executive Committee, Board, and Governance & HR Committee meetings. These results can be found in Appendix Two.

GSI also conducted an extensive independent review of the Association’s governance documentation, structure, processes, and practices. We benchmarked these to best practices from leading organizations and authorities in Canada and internationally, including comparable national associations. The summary and detailed findings of this best practices review are in Appendices Three and Four. To this, GSI wove in the results of AMCES’ independent review of the Association’s membership structure, which aligned closely with our own findings.

Finally, GSI conducted individual interviews with most board members and senior staff, as well as with the CEOs of other major national associations who have faced similar governance challenges recently (without disclosing our client here.) This step enabled us to drill deeper on major themes identified in the earlier diagnostics, to explore underlying causes, and to test for suggestions for change. The results of the interviews are not reported in a separate appendix, rather these are integrated into the Executive Summary and Recommendations. In this way, we honour what participants shared with us while protecting their anonymity.

Executive Summary and Recommendations

Overall, GSI's conclusion is that the Association takes governance seriously, as evidenced by this review among other steps; two of the Association's approved high-level Scorecard Outcomes are "Refreshed and formalized membership structure and CNA value proposition" and "Matured organizational governance". Further, all board members have consensus; they are seeking to achieve governance effectiveness alongside member engagement. There are some choices and different opinions about how best to do this, and those are explored further in this report: GSI's recommendations identify a pathway for the Association to excel at *both* member engagement and governance effectiveness.

In terms of governance strengths, board members commended the effectiveness of the Board's standing committees – the Finance & Audit Committee and the Governance & Human Resources Committee – both in sticking to and achieving their mandates, and in the strong leadership of their chairs. Members are confident in the Association's CEO and in changes he has made since taking on this position.

Members also see the Annual Conference as an excellent vehicle to further their engagement and the Association's strategic direction, although there were concerns expressed about this year's (2021) conference due to technological limitations.

CNA is to be commended for making changes to its governance in the past year or so, including governance effectiveness as a key component of its *Refurb Strategy and Business Plan 2021-23*. As part of its strategic enhancement of governance, CNA has already begun policy reviews, development of terms of reference for the Board and Committees and Board evaluation. CNA has begun to ensure that the Board agenda items are strategic and high priority, and we encourage them to continue this trend.

In terms of opportunities to improve, role clarity is a good place to start. When we observed a cycle of Association meetings (see Appendix Two), we found a great deal of duplication in content (GHRC – Executive – Board) and concomitant tailing off of engagement in meaningful dialogue and deliberation. In our survey, participants rated 2.92/5.00 to this question "Overall, to what extent does the board engage in deliberations and discussions that are strategic (high level) and focus on priority (key) issues?"

The vast majority of decisions, even significant ones, are made before an agenda item reaches the full Board, where most items are "rubber-stamped" without further discussion. The sheer size of the board – at 35 – makes it difficult to engage board members in meaningful dialogue. In practice, regular board meetings feel more like an AGM, with presentations from the "front" of the room (CEO and Chairs), a brief opportunity for questions, a formal vote to approve, and then moving on to the next agenda item. The Executive Committee has evolved into the primary governance body of the Association, in essence acting like the board of most entities.

When we turn to the self-assessment results (see Appendix One), it is clear that a large majority of board members are frustrated with the current governance structure of the Association. When we rolled-up the combined board evaluation and GSI survey results into a single *Governance Scorecard* (see page 10), none of the ten core governance areas rated a 4/5 or higher (strong; green); nine of ten rated between 3 and 4 out of 5 (moderate; yellow) and one rated less than 3/5 (poor; red).

This was confirmed in our individual interviews: while a handful of board members (small minority) are comfortable with the status quo, most want to see a change.

The self-assessment of board members is that the board has grown too large to be an effective vehicle either to engage members *or* to govern the Association. The Executive Committee is effectively making the governance decisions, which is inconsistent with modern governance where a sub-set of board members is not typically vested with such authority. Executive Committees are a vestige of times when it was physically challenging for boards to meet quickly in person, whereas this is a simple task with today's meeting technology. Most would like to see a better alignment between authority (effective decision-making) and accountability (ultimately, board members are accountable and liable for decisions whether they make them or delegate them).

Alongside these findings, the board evaluation and on-line survey concluded that the board composition is not well-thought out – because of its size and linkage to membership classes, the board is largely composed based on an allocation of member sub-sets' power and influence. There is no systematic selection process: members themselves follow ad hoc and different processes to select their Association Board member. This leaves desirable qualities such as a strong competencies mix, a good governance bent, and diversity considerations challenging to meet.

If so many people agree that the board is too large, and that it should be down-sized and take over the Executive Committee's practical role in governing the Association, what is standing in the way? Why hasn't this just been actioned already?

GSI's independent review of the Association's governance goes beyond these visible symptoms – lack of role clarity, large board size, Executive Committee acting like the board, and board composition issues – to their underlying causes.

Our overarching conclusion is that the Association's current governance is a direct result – even a “hostage” of – a desire for Members to achieve their objectives. GSI's conclusion is that the Association's Members are seeking the following from their Membership:

- **Access:** to one another, but especially to the top executives of the large corporations at the top of the value chain
- **Influence:** on the Association's public policy direction and resource allocation, but also on others up the value chain, including competitive advantage (or no loss of advantage)
- **Insight(s):** into industry trends, in particular those that could be turned into financial or market gain for the Member
- **Importance:** both of the Member corporation and, at times, the individual

- **Advocacy:** while one might state this is primary, our research shows that it is probably further down this “value proposition”
- **Information:** results from research, access to thought-leaders, although a lot of this can be obtained from outside the Association for low cost
- **Equity:** meaning fairness and inclusivity among members from different places in the value chain, and who may pay different fees in exchange for a perceived “better” value proposition

The main reason that people want to hold on to their Board seat, and where applicable, also their Executive Committee seat, has to do with a perception that it furthers their membership value proposition in the above areas, especially the top three or four.

That is why GSI’s recommendations begin with Member engagement – for by proactively and successfully addressing Members’ legitimate aspirations for access, influence, insights and importance, the Association can then move to re-align governance structure and roles. If there was one thing that we heard consistently from national associations who have succeeded in governance, it is to begin with a clear value proposition to all of your member segments, and to deliver on this first. This will also put the Association in a more nimble position to expand its membership to other and emerging participants in the nuclear value chain.

Recommendations

1. Prior to addressing governance changes, the Association should put in place a suite of steps to intentionally **identify and meet Members’ needs, to enhance engagement** in place of the role that the current board plays. The Association’s currently approved *Refurb Strategy* has a Strategic Priority for Member and Stakeholder Engagement (Tactic 4) which calls for “Business roundtables targeting existing and new members, including new targets in environmental and mining firms.” This is but one small bullet in the overall plan, but it should be elevated in status and priority since this is what Members are seeking in their involvement with the Association.

This solution would include a suite of Member Councils or Working Groups, where sub-sets of Members are grouped together to undertake meaningful work that will advance their part of, and therefore the whole, nuclear industry.

The key is that these need to be engaged in meaningful, substantive work that advances the industry and benefits the Members. GSI sees these working at the nexus of purpose (passion, calling), economic value creation and green, clean energy advancement, so that senior executives would view their investment of time as having purpose and making a difference.

The seeds of some of these working groups are already in place, and with a rebrand and restructure can be integrated seamlessly into a network of Councils. An Ontario Nuclear Council, a Small Modular Reactor Council (these first two representing the value chains in each sub-sector or market), a Public Affairs Council and a Regulatory Affairs Council all come to mind as vehicles that currently exist in one form or another, that can be transformed into Member Councils of the

Association, with senior staff acting as their Secretariat and individuals in the right positions within their corporations representing the Members at each.

A CEOs' Council has been suggested by some as filling a gap for a sub-set of Members of the Association. It is no longer realistic to expect CEOs of industry leaders to be able to commit the time to directly govern the Association, yet there is a legitimate aspiration to engage CEOs in the strategic direction and priorities of the Association. Again, there would need to be a meaningful purpose and substantive meetings.

2. **Governance structure changes** would then follow in due course, once individuals and Members who are currently engaged in governance find their best "fit" in the suite of Member Councils. This may take from six to 18 months' time before the Association is ready to "pull the trigger" on major governance structure changes.

The first change would be to empower the **Membership with input into, and a final sign-off** on the Association's strategic plan summary annually. The strategic plan would be reviewed in detail and approved at the Board level, but the Membership would be invited to provide input and direction to the Association's priorities annually, then to ratify the final strategic plan summary each year during the annual conference events, perhaps at the annual business meeting. This creates a formal level of governance approval at the Membership level which is not inconsistent with good governance practice.

The second change would be to clarify that the primary **governing body will be the Board**. The Board will set the strategic direction, hire and oversee the CEO, and monitor and evaluate the performance and success of the Association (a new Board Charter will be needed.)

The Association can gradually, through attrition, reduce the **board's size** from 35 to around 12 to 15. The board's **composition would follow a hybrid approach**: representation of voices of key members and segments would continue to be one principle for board formation, while specific competencies (e.g. governance expertise) and diversity considerations would also weigh in as formation principles ("both ... and" vs "either ... or".)

In this hybrid approach, member segment in the nuclear industry would play a part in composing the board (we need to acknowledge that the largest members will expect a seat at the board table), while provision should also be made for governance experience (competencies fit with the role at hand) and diversity considerations (to portray the face of industry to the public). There could be provision made for new members, for individuals from other energy sectors, and/or even "at large" directors, individuals whose selection would help to fill needed gaps, whether in competencies or in diversity.

Board members would serve for three-year terms, staggered and renewable.

The Association will be able to revisit the need for an **Executive Committee** by this point. GSI's recommendation is that no Executive Committee will be needed in practice. When an urgent decision is called for, a virtual meeting of the full Board can readily be held. If the CEO or Board

Chair are seeking an informal check with a sub-set of the leadership, they can set up a virtual meeting with the GHRC and FAC Chairs to tap into their combined wisdom and experience.

This governance structure is designed to give the Association flexibility as it takes advantage of the opportunity to expand its membership over time. The board size is not tied to the membership size or mix, not directly, and there is no Executive Committee of “insiders” to deal with either.

3. GSI has identified a number of other opportunities for the Association to enhance its **governance documentation and processes**, which are detailed in Appendices Three and Four. Some of these can be implemented fairly soon, others may need to follow the iterative governance structure changes above, and others should be viewed as long-term aspirations as the resource capacity of the Association is able to focus on these (e.g. risk and control documentation.)

These begin with a **Strategic Scorecard** with a broad suite of outcomes-based measures of success, robust **orientation** for new board members, and ongoing governance education for all: a board **governance education session** ought to be scheduled at the appropriate time during the governance reform.

Several high-level governance policies need a refresh, and these need not wait the structural reform: an updated **CEO Charter**; a clear and more comprehensive **Delegation of Authorities** from the Board to the CEO; a **Code of Conduct** outlining expectations of conduct for board members; an **In Camera Sessions Protocol**, since current practices are ad hoc and vary considerably; and a **Communications Protocol** outlining who speaks for the Association and what Board members may say publicly about Association business and direction (ambiguity on these questions can cause problems in a member-based association where one individual may wear multiple “hats”.)

Appendix One: Survey Findings

GSI began with the Association's recently completed Board evaluation findings, supplementing these with a series of self-assessment questions and then combining the results.

These combined results are summarized on the *Governance Scorecard* (page following) which shows how well the Association is doing in five levels of governance "direction" and five parallel levels of governance "control" (monitoring and evaluation.) For more detailed information on how to interpret the *Governance Scorecard*, please see the opening pages of Appendix Four.

Overall, while the Association aspires to good governance, the self-assessment results are moderate to low. The highest rated level of governance is Resources, or financial stewardship and oversight, which rates marginally below 4/5, but all other levels rate in the 3.5 to 3.6 range or lower, well below peer comparator organizations in all metrics.

The Strategy level rates low, and everything in governance hangs on strategy, so if this is low, it is logical that everything else will be too. A robust Strategic Scorecard for the Association will help: expanding the existing Scorecard Summary to a more balanced scorecard. The current *Refurb Strategy* focuses primarily on the Client dimension and does not really address Financial, Innovation (People) or Process objectives or metrics very well.

The results of the surveys were borne out by the interviews conducted by GSI.

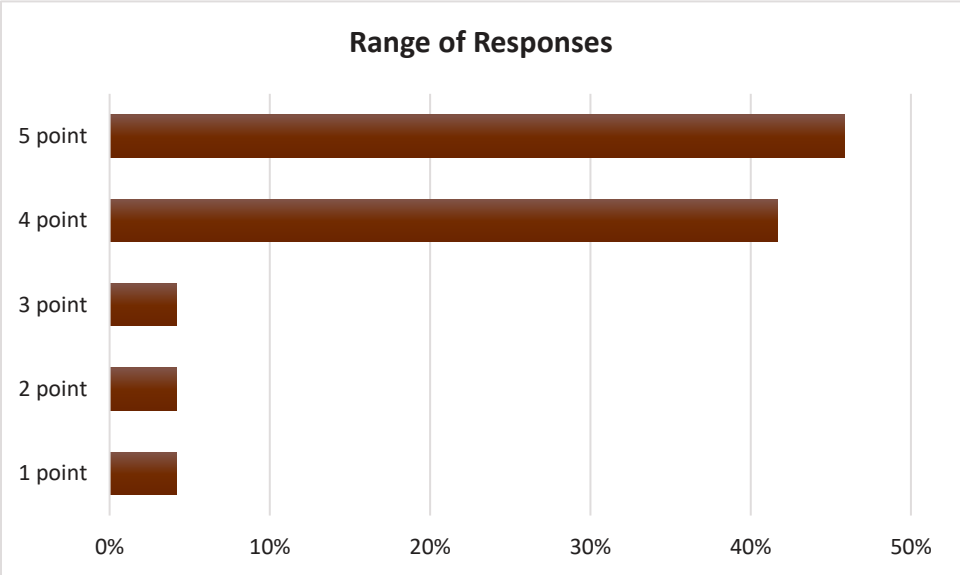
Chart 1: Governance Scorecard



Ranges of Responses

There are broad ranges to all but two questions (minutes, and committee reports), meaning that some board members are satisfied with the Association’s governance in each area, while others rate each much lower.

Chart 2: Range of Responses



This generally speaks to board members coming from different experience sets and backgrounds (e.g. corporate, not-for-profit, member-based) and therefore having divergent expectations even of what “good governance” means. A lack of role clarity also contributes to wide ranges.

This calls for a deeper dialogue and consensus-building on the Association’s chosen governance model, including a facilitated governance education session.

Detailed Survey Responses

The table below details the numerical results from the questions in GSI's on-line survey, supplementing the Association's own board evaluation:

How would you rate the board's effectiveness to...?		Your Current Year Overall Average Rating	Range	Comparator Organizations
1.	Overall, to what extent are you informed about and understand the governance of the Canadian Nuclear Association?	3.96	1-5	4.04
2.	Overall, how effective is the governance of the Canadian Nuclear Association?	3.65	1-5	N/A
3.	Overall, to what extent does the board engage constructively and respectfully with the CEO and management team?	3.72	2-5	4.40
4.	Overall, to what extent does the board make quality decisions that are in the best interests of Canadian Nuclear Association?	3.77	1-5	4.50
5.	Overall, to what extent does the board engage in deliberations and discussions that are strategic (high level) and focus on priority (key) issues?	2.92	1-5	3.99
6.	Overall, to what extent does the board gain reasonable assurance (confidence) in the accomplishment of Canadian Nuclear Association's strategic objectives?	3.69	2-5	4.00
7.	Overall, to what extent does Canadian Nuclear Association engage you in strategy formation?	3.44	1-5	N/A

Appendix Two: Meeting Observations

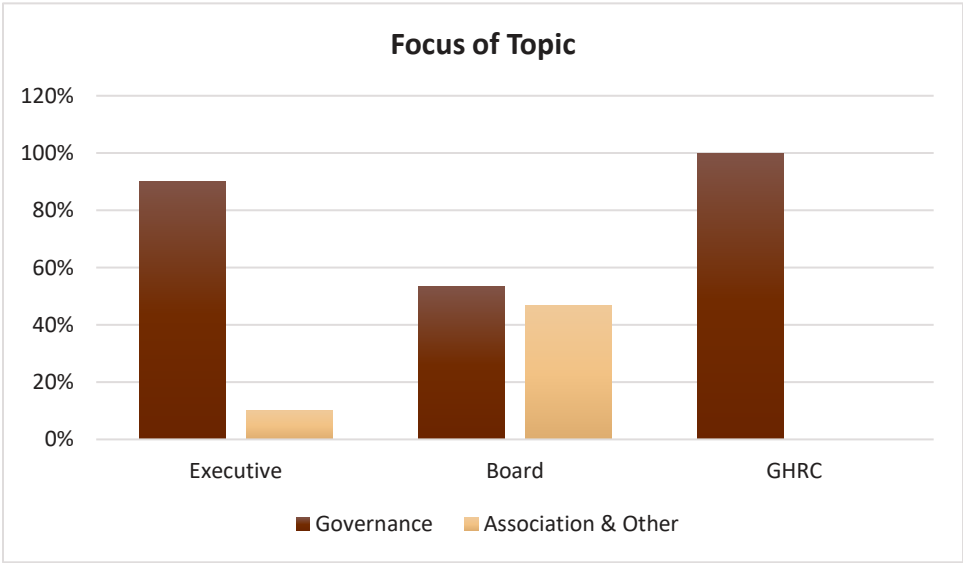
GSI supplemented our diagnostics by observing a cycle of Association meetings: an Executive Committee, Board, and Governance & HR Committee meetings.

These observations were intended to assess if the board and its committees are:

- 1. Talking about the right things
- 2. At the right level
- 3. In the right way
- 4. Without putting undue and unnecessary burden on staff

Are you talking about the right things?

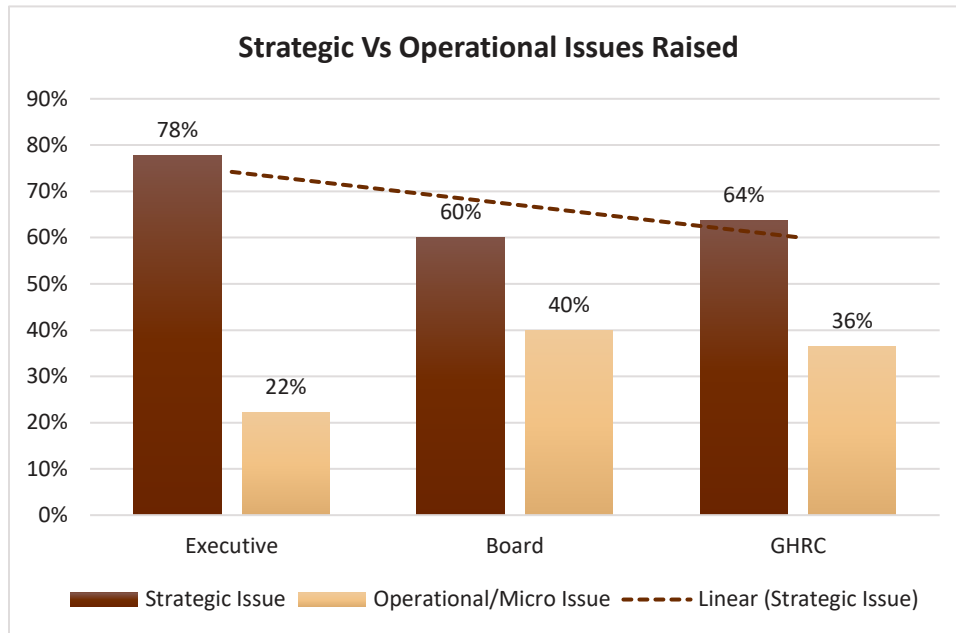
Chart 3: Focus of Topic



Yes, at the committee level, but not at the board level. Our observations are that there was not enough focus on the governance role of the board at the board meeting, instead participants were more interested in association matters than governing.

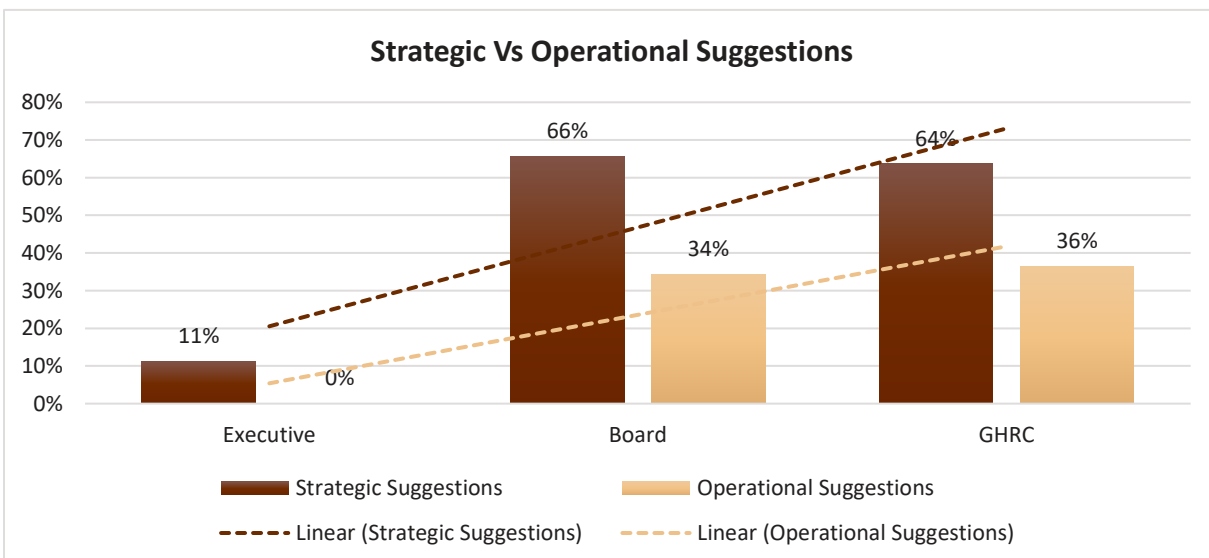
Are you talking at the right level?

Chart 4: Strategic Vs. Operational Issues Raised



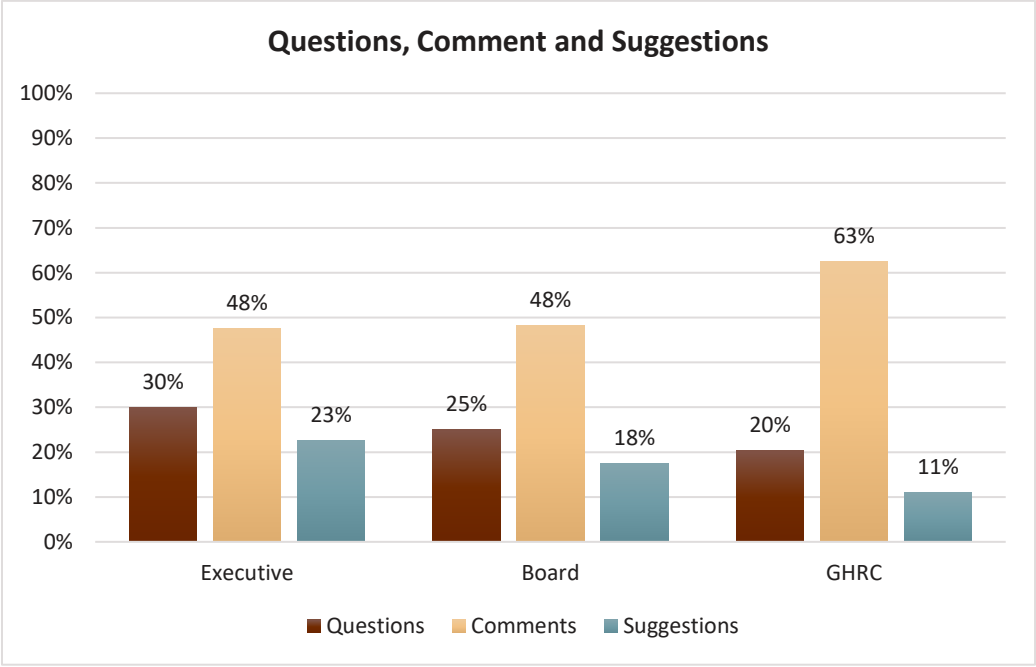
Our observations are that dialogue was much more operational at the board meeting and the GHRC than at the Executive Committee. While this is to be expected at the GHRC, as they are doing due diligence work on behalf of the board, 36% is still too high a proportion of time on operational matters for a governance committee. That would be more reasonable for a finance and audit committee but not one focused on governance. At the board meeting itself, 40% of board time was spent in operational discussion and detail – this should be significantly lower.

Chart 5: Strategic Vs. Operational Suggestions



Further, there were too many operational suggestions – these are typically suggestions to management on HOW they should do their job. This is generally outside of the scope of a governing role of the board.

Chart 6: Questions, Comments & Suggestions



And this observation extends to comments – for example, board members sharing their views, opinions or evaluations – rather than asking questions, which is the best way to probe for further information in order to be able to assess management’s (or committees’ or other presenters’) recommendations, deliberations, alternatives and assumptions.

Are you asking the right questions in the right way?

Chart 7: Affirmations Vs. Disrespect (Board Member to Staff)

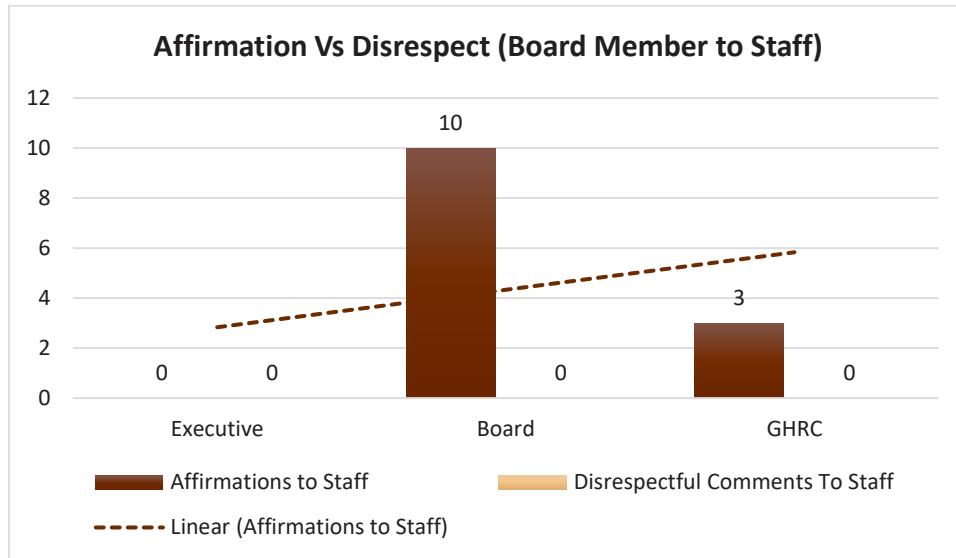
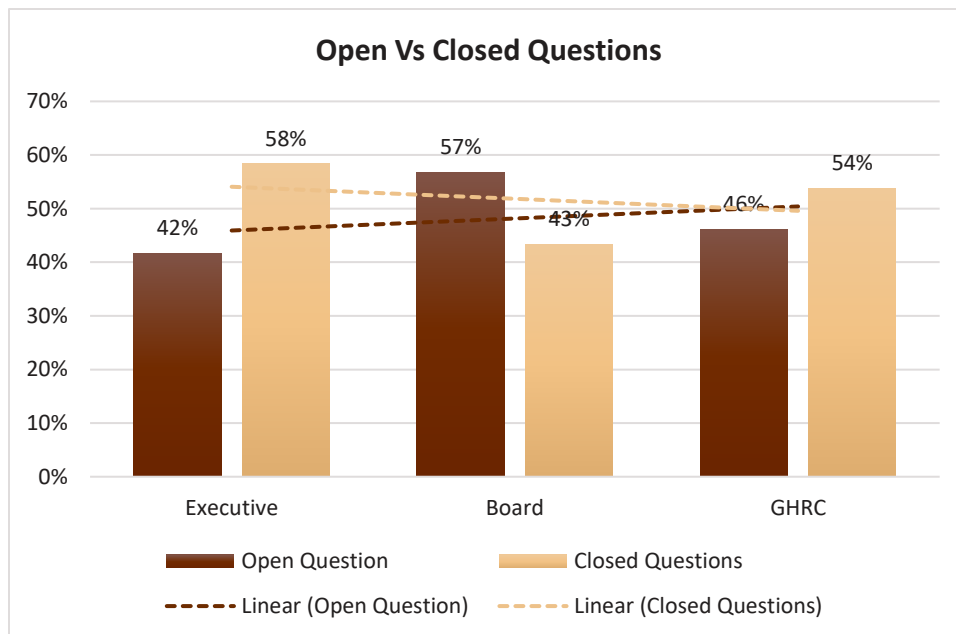


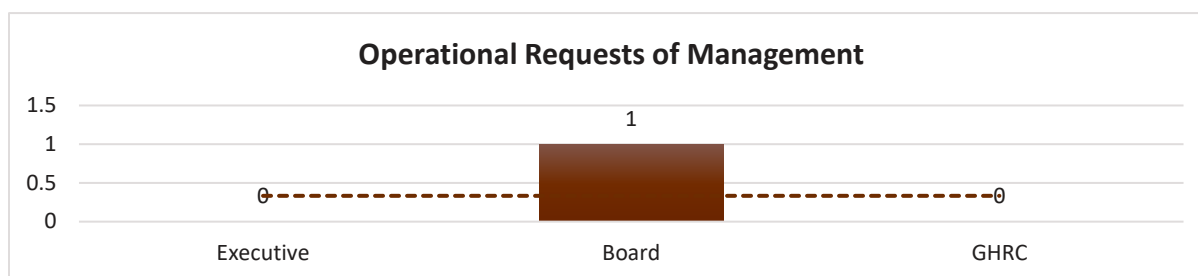
Chart 8: Open vs. Closed Questions



As you'll see from the chart above, board members are very respectful – we observed no instances of disrespect. However, there was a high percentage of closed questions – which require either a yes or no answer. There is a time for closed questions, but we observed far too many – the effect of this is to shut down discussion and to keep people from building on one another.

Are you adding burden to staff?

Chart 9: Operational Requests of Management



There was only operational request made of management – this is reasonable depending on the size of the request and the degree to which it will take management off focus. In this case the request was small and reasonable.

Our overarching observation from the suite of meetings is that the engagement level of participants tailed off significantly from the GHRC to the Executive and then to the Board, while at the same time, this engagement was less strategic and more operational at the full Board than at the committee level. The agenda and meeting materials contributed to both of these observations, i.e. it was not just the behavioural inclinations of the individuals around the table. GSI has addressed these observations in the Executive Summary and Recommendations.

Appendix Three: Detailed Recommendations re: Policies

As an integral part of CNA's governance effectiveness strategy, Governance Solutions undertook a comprehensive review of CNA's high level governance documents (by-laws, policies, charters, strategic plan, etc.), relevant legislation and other documentation, comparing them to best practices for similar type organizations. (See Appendix Four for a full summary of the detailed review.)

To support CNA on its governance effectiveness journey, we offer the following detailed recommendations, many of which are summarized in the Executive Summary section preceding (note: some of these will take time and resource capacity to implement, for example #5 and related parts of #7 below regarding risk and control documentation):

- 1. Ensure the strategic scorecard reports on both progress and impacts:** CNA has developed a strategic framework and high-level scorecard for reporting to the Board regarding progress against CNA's strategic objectives (outcomes). While reporting on outcomes is sufficient for regular strategy updates, we recommend that senior management report to the Board on the impact of CNA's strategy, or in other words, on how the strategy is advancing CNA's mission. The Board should also ensure that CNA's strategy is kept "evergreen" with an annual environmental scan (opportunities and threats) and how a changing external environment is potentially impacting CNA's strategy implementation.
- 2. Define organization's values:** CNA has a clear vision and mission. However, we did not find any statement of organizational values. Defining organizational values provides the foundation for establishing a code of conduct and other behavioural policies. Organizational values ultimately underpin the organization's culture. We recommend that CNA develop core values and ensure that they embedded in key policy documents, are part of CNA's cultural formation and are communicated to CNA's stakeholders.
- 3. Create a single comprehensive Board Charter:** CNA has developed new documents to guide Directors in their responsibilities and duties. We recommend that these documents (Director Guidelines and the Board of Directors – Duties and Expectations) be incorporated into a comprehensive Board Charter, which provides details on the Board's Mandate, Composition, Terms, Authority, Duties & Responsibilities, Governance Process and Meetings.
- 4. Take a broader approach to risk oversight:** CNA has taken an in-depth look at its financial risk and has developed policies and procedures to address those risks. However, risk can be found in all areas of CNA's work and we recommend that the Board through its committees, take a broader approach to risk. This would involve identifying all areas of material risk, establishing risk appetite and tolerances and developing strategies to mitigate the identified risks (risk

register and action plan). For example, what are the human resource risks that CNA might face e.g., loss of a senior executive, sexual harassment claims, etc.? And correspondingly, how will CNA ensure those risks are identified, appropriate policies and/or plans put into place and that they are complied with?

5. **Establish and recruit needed competencies for the Board, Committees and Chairs:** We could find no indication that CNA reviews and recruits for the competencies it needs for the Board, its Committees and their respective Chairs. Currently, Board members are recommended by the various classes of members and they may or may not have the necessary specific competencies CNA needs for effective governance. We recommend that CNA think carefully about the competencies it needs around the Board table, survey existing members to understand their competencies (as they relate to CNA's needs) and then recruit to fill the gaps. This involves developing a Board Competency Matrix and a Board Recruitment Strategy.
6. **Develop Charters for the Board and Committee Chairs:** We also found no Charter for the Board Chair and Committee Chairs, although the Board Handbook has components of both Board and Committee Charters that should be integrated and aligned with refreshed documents. CNA should develop a Charter for the Board and Committee Chairs and gain reasonable assurance that it has the competencies needed to provide effective leadership at the chair level or recruit/train to gain those needed competencies.
7. **Other Policies:**

We noted several policy gaps, which we recommend CNA address and adopt.

 - a. **CEO Charter** – Our review did not surface a CEO Charter, although we did see a series of documents including a Candidate Charter produced by Odgers Berndston used in the most recent CEO recruitment. There is no record, however, of the Board approving this CEO Charter. An updated charter should be aligned with the current strategy of the Association and put in place.
 - b. **Code of Conduct** – this sets the moral and ethical behaviour standards for the Board and officers including principles such as ethical conduct, confidentiality, public scrutiny, decision making in the best interests of the organization. The Board should also think about how it gains reasonable assurance that the policy is be complied with.
 - c. **Risk Tolerance Policy** – this policy addresses the Board's role in setting risk direction, risk tolerance and risk appetite for CNA. It also establishes management's role in risk, etc. and processes for identifying and managing risks. While CNA has looked extensively at financial risk, it should include other potential risks in this policy document. CNA's Board should also develop a process to ensure that risks are identified and wherever possible, strategies developed for risk mitigation.

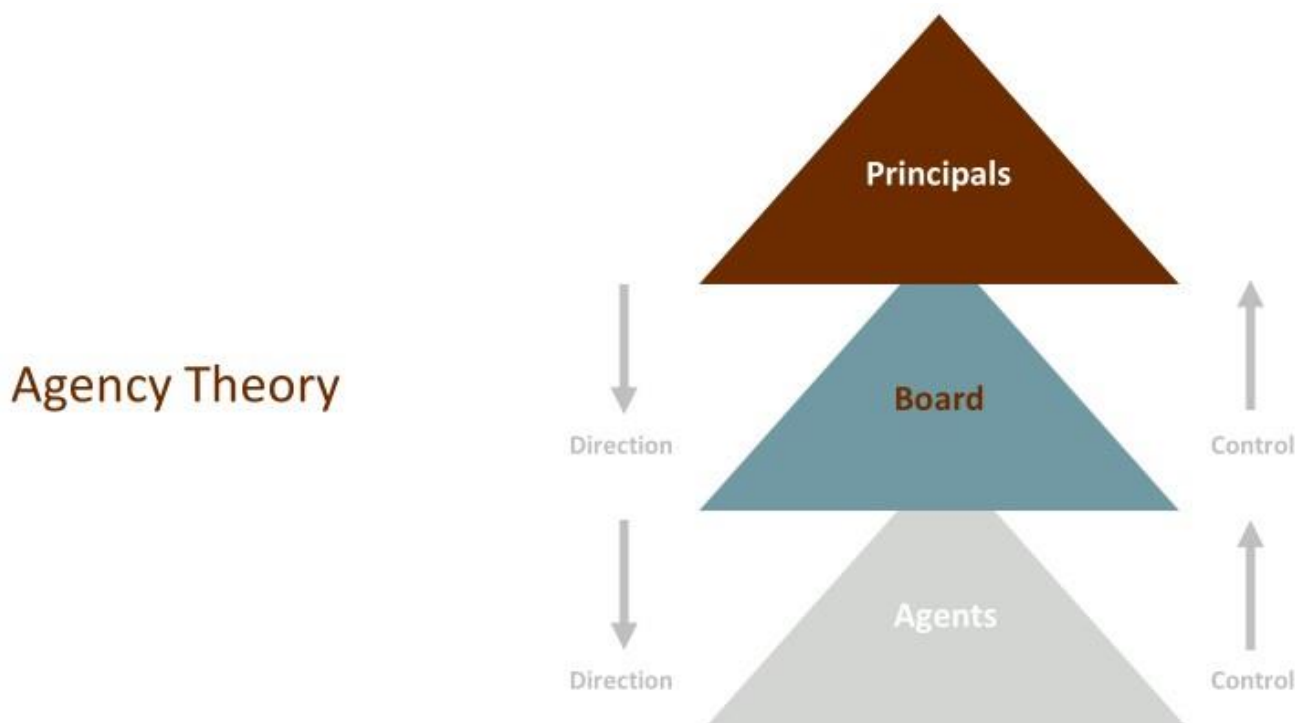
- d. **Governance and Communications Protocol** – CNA has not addressed the Board’s role in communication. In an organization whose mission includes advocacy and clarity of message, it is important that the Board understands its communication role. A Governance and Communication Protocol includes Director’s roles related to, for example:
 - i. formal communications
 - ii. informal communications
 - iii. media relations
 - iv. social media
 - v. attendance at events
- e. **In Camera & Executive Sessions Policy or Protocol** – this policy outlines the procedures and protocols for holding in camera and executive sessions.
- f. **Electronic Meeting Policy** – this policy determines the provisions, rules and procedures for conducting electronic meetings.
- g. **Document (Electronic & Paper, including directors’ notes) Confidentiality, Retention and Destruction Policy** – given the sensitive nature of CNA’s work, we recommend that the organization determine how documents will be kept confidential and handled appropriately should a Director resign or their term has ended.
- h. **Integrity Assurance (“Whistleblower”) Policy/Protocol** – CNA supports a Whistleblower process as outlined in the employee handbook but does not have a policy to ensure the protection of those who report wrongdoing and which outlines the reporting procedures, protocols and assurances.
- i. **Delegation of Authorities** – CNA has included mostly financial delegations to the CEO in its Delegation of Authorities. We recommend broadening the Board’s delegation to the CEO to include the items outlined below:
 - i. Strategic Plan
 - ii. Corporate Scorecard with KPI’s
 - iii. Risk Tolerances
 - iv. Litigation, write-offs, settlements
 - v. Third Party Consultants

Appendix Four: Independent Best Practices Review Findings

Corporate governance is defined as the system by which organizations are directed and controlled (Cadbury Report 1992). In organizations where there is a separation of ownership and management, Boards of Directors are typically responsible for the governance of their organizations.

They fulfill their governance duties by focusing on strategic:

- direction, i.e. planning, delegation, risk management and resourcing; and
- control, i.e. oversight, monitoring, evaluation and measurement.



The theory of principal-agent relationships aims to inform corporate governance and underpins modern corporate governance reform.

An effective board concentrates its time and energy on providing strategic direction and control of the organization. The Board, as the governing body, sets the direction and uses its controls to ensure the organization is on course. For an organization to be “in control” strategically, this means the board having confidence (“gaining reasonable assurance”) that the organization is moving in the direction that it has approved.

While the Board focuses on strategic direction and control, the CEO (executive and staff) performs the actual day-to-day work of the organization, developing and delivering products and services.

The work of the Board and CEO is integrative. They are partners collaborating in achieving the organization’s mission, vision, goals and objectives by each doing what they are uniquely equipped to do, and each respecting each other’s potential to succeed and to excel.

A defining feature of an effective governing board, however, is that it draws “a bright line” between its responsibilities and those of the CEO and management team. This separation of duties is central to the board exercising independent oversight and ensuring accountability of the management and staff through the CEO.

Direction

Direction is being the “rudder” of the corporation; this matches the unmet needs of the principals (purposes) with the best ideas of the agents (uses):

- ✓ The Strategic Plan is the primary tool in direction
- ✓ Risk assessment, delegation of authorities, policies and budget are four other key tools

The 5 Tools for Direction

Strategy Direction	Strategic Plan <i>Where are we headed?</i>
Performance & Risk Direction	Risk Appetites & Tolerances <i>What obstacles and opportunities might we face along the way?</i>
People Direction	CEO Job Description, Performance Mandate, Board & Committee Charters <i>Who will do what?</i>
Policy Direction	Board and Other Governance Related Policies <i>What are the boundaries and guidelines?</i>
Resource Direction	Budget, Business Plan <i>How will we resource our efforts?</i>

Control

Control is “the Board gaining reasonable assurance (confidence) that the corporation is going substantially in the direction approved”; this follows the resources of the principals as they are used by the agents, and accounts for their use:

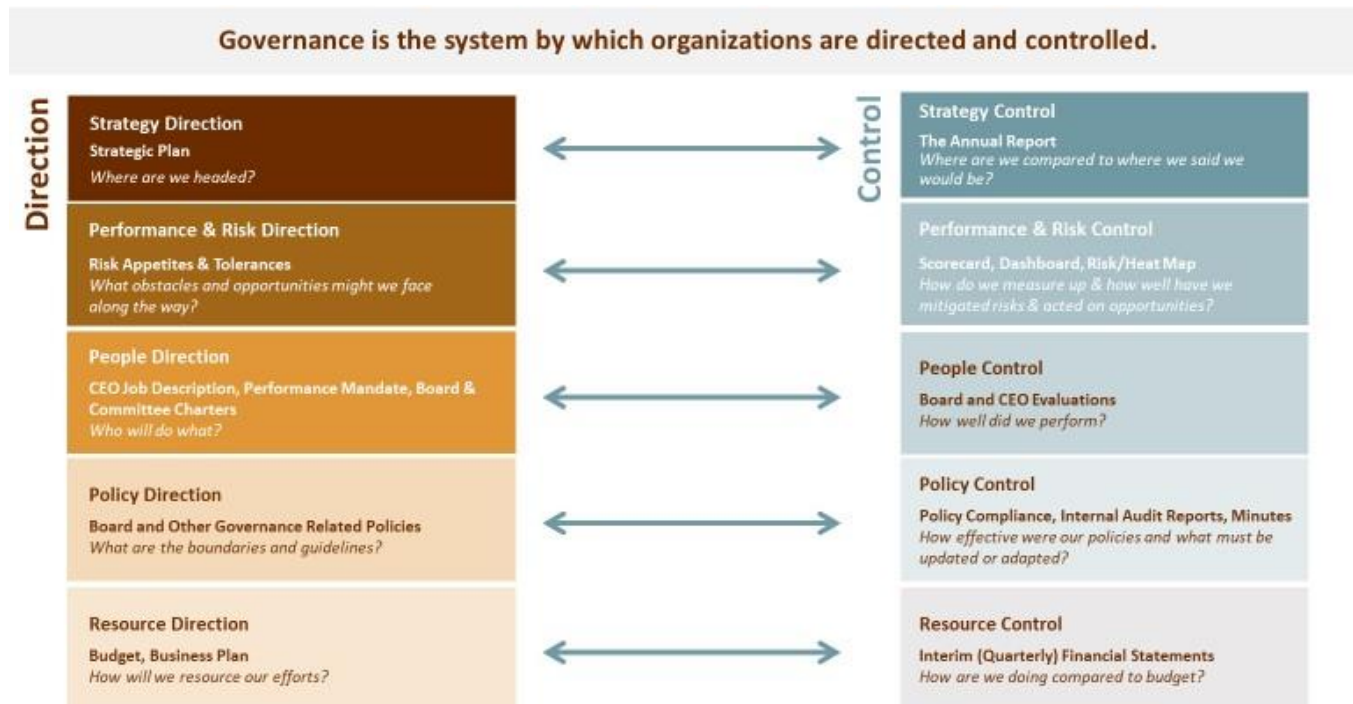
- ✓ The Annual Report including Audited Financial Statements is the primary tool for control;
- ✓ Also, the entire board info package, including non-financial performance indicators (dashboard or scorecard), performance evaluations (for the CEO, Board, Committees, Chairs and Board members), compliance and interim financial reports.

The 5 Tools for Control

Strategy Control	The Annual Report <i>Where are we compared to where we said we would be?</i>
Performance & Risk Control	Scorecard, Dashboard, Risk/Heat Map <i>How do we measure up & how well have we mitigated risks & acted on opportunities?</i>
People Control	Board and CEO Evaluations <i>How well did we perform?</i>
Policy Control	Policy Compliance, Internal Audit Reports, Minutes <i>How effective were our policies and what must be updated or adapted?</i>
Resource Control	Interim (Quarterly) Financial Statements <i>How are we doing compared to budget?</i>

It Looks Something Like This ...

Boards fulfill their governance roles and responsibilities by ensuring that these ten key governance documents/tools are in place, and that they are aligned vertically (everything ties back to the strategy: mission, vision, values and objectives) and horizontally (you don't get what you plan – you get what you resource, what you measure, and what you reward.)



This governance framework is used to organize our review in the table following.

Detailed Findings of Governance Best Practices Review

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
Tool 1: Strategy Direction: Where are We Headed?				
<p>Board oversight: mandate and responsibilities:</p> <p>The Board should adopt a written mandate in which it explicitly acknowledges responsibility for adopting a strategic planning process and approving, on at least an annual basis, a strategic plan. (58-201)</p> <p>Board’s Role:</p> <p>Active input into and approval of strategic direction (plan including mission, vision, values, objectives and measures of success)</p>		<ul style="list-style-type: none"> Mandate 	<p>CNA has two documents which together act as a Board Mandate:</p> <ol style="list-style-type: none"> CNA Board of Directors Guidelines; and Board of Directors – Duties and Expectations of Directors <p>CNA also has a third document - Board of Directors Qualifications.</p> <p>The Board is aware of some of these areas already.</p>	<p>✓ Partially Complies</p> <p>The Director Guidelines and the Board of Directors – Duties and Expectations documents are new. However, would recommend that CNA combine these documents into one more comprehensive Board Charter which provides Mandate, Composition, Terms, Authority, Duties and Responsibilities and Governance Process and Meetings.</p> <p>CNA may also want to consider incorporating Board of Directors Qualifications into the Charter.</p>
		<ul style="list-style-type: none"> Mission, Vision & Values 	<p>Mission and Vision were only found in the Employee Handbook. Could not find any reference to CNA’s values (documents provided, website, etc.)</p>	<p>✓ Partially Complies</p> <p>Would have expected to see Mission, Vision & Values in Refurb Strategy and Business Plan 2021-2023 and on CNA’s website. Unable to find any reference to CNA’s values. If CNA has not developed organizational values, would</p>

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
				recommend that they be developed and would further recommend that they be an integral part of CNA’s behavioural policies, brand and cultural development. Also, recommend including Mission, Vision & Values in all key documents and on the CNA website.
		<ul style="list-style-type: none"> Long Term Goals 	Long term goals are clearly seen in CNA’s latest strategy iteration.	✓ Complies
		<ul style="list-style-type: none"> Performance objectives (SMART) 	CNA’s Scorecard (approved October 2020) outlines strategic priorities, and is activities and outcomes based.	✓ Partially Complies The scorecard would benefit from specific measurable target that go beyond activity metrics
		<ul style="list-style-type: none"> Accountability: Performance Indicators / Metrics / Targets / Weighting 	CNA has Key Performance Indicators	✓ Complies
		<ul style="list-style-type: none"> Capital, retained earnings, cash reserves policy 	CNA has a Net Asset Reserve Policy designed for the orderly winding down of the organization. CNA also has a Cash Management and Investment Policy.	✓ Complies

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
Tool 2: Risk Direction: What Might We See Along the Way?				
<p>Risk oversight: mandate and responsibilities:</p> <p>The Board should adopt a written mandate in which it explicitly acknowledges responsibility for a strategic plan which takes into account, among other things, the opportunities and risks of the business; and, the identification of the principal risks of the corporation's business, and ensuring the implementation of appropriate systems to manage these risks. (58-201)</p> <p>The Board is responsible to set the organization's risk tolerances and appetite, and to satisfy itself that the risk management system is effective in achieving these, in all areas of risk, strategic, leadership and cyclical, not just financial and operational.</p> <p>(CPA)</p> <p>The board should approve and oversee a Risk Appetite Framework (OSFI)</p> <p>The board must determine its willingness to take on risk, and the desired risk culture within the company;</p> <p>The ability of the board to understand and address the risks facing the company is itself a major risk factor. The board needs to ensure that informed debate is possible and constructive challenge encouraged, and to keep under review the effectiveness of its decision-making processes.</p> <p>(FRC)</p>		<ul style="list-style-type: none"> Strategic risks identification and assessment Determination of risk tolerances and appetite (e.g., tolerances in strategic performance targets; Risk Appetite Framework or Statement) Robust assessment of risks to ability to deliver strategy, and management and mitigation of those risks Board and organizational capacity: risk culture, healthy dialogue, gaps in board assurance 	<p>CNA is aware of and has assessed strategic risks (SWOT analysis)</p> <p>CNA documents refer to tolerances in financial risk and legal risk.</p> <p>Risk assessment related to CNA's ability to deliver strategy and discussion on management and mitigation of those risks was part of CNA's latest strategy formulation process.</p> <p>Risk discussed at Board and Committee levels. No comprehensive overview of risk at Board level i.e., no risk register or similar document provided.</p>	<p>✓ Complies</p> <p>✓ Partially Complies</p> <p>Recommend developing a Risk Tolerance Policy which clearly identifies CNA's risk appetite and risk tolerance for each strategic performance target.</p> <p>✓ Complies</p> <p>✓ Partially Complies</p> <p>Recommend for a mechanism to be developed so that the Board has a comprehensive overview of risk and actions taken to mitigate risk e.g., risk register and action plan.</p>

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
		<ul style="list-style-type: none"> • Scope of insurance policy coverage limits 	<p>Finance Committee annually reviews CNA insurance coverage.</p> <p>Recent review included insurance against cyber attacks.</p> <p>Governance, Human Resources Committee annually reviews Directors’ and Officers’ liability coverage (recommends to the Exec. Committee for review and recommendation to the Board).</p>	<p>✓ Complies</p>
		<ul style="list-style-type: none"> • Policies for the protection of assets, resources & investments, including asset maintenance and integrity policies/ programs: e.g. security, data integrity & business continuity 	<p>While CNA has a Capitalization and Amortization of Assets Policy its primary assets are cash and short-term investments.</p> <p>Policies related to the protection of cash and investments assets are:</p> <ol style="list-style-type: none"> 1. CNA’s Cash Management and Investment Policy. 2. CNA’s Net Asset Reserve Policy addresses 	<p>✓ Partially Complies</p> <p>Would recommend CNA develop/review policies related to cybersecurity.</p>

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
			<p>appropriately winding down the organization.</p> <p>Closely tied to its cash assets is attracting and retaining members. CNA closely monitors its membership and seeks opportunities to increase membership and reduce membership turnover.</p> <p>CNA has employed and external consultant to support updating its Business Continuity Plan</p>	
		<ul style="list-style-type: none"> Corporate Risk Management Policies 	Not seen.	× Does not comply
		<ul style="list-style-type: none"> Leveraging emerging technologies 	CNA has some objectives related to better utilizing technologies in its Strategic Plan (enhanced membership database).	✓ Complies
		<ul style="list-style-type: none"> Sufficiency and alignment of information with organization’s strategy and objectives 	Board receives regular reporting on CNA’s strategy implementation and	✓ Complies

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
			progress against strategic objectives.	
		<ul style="list-style-type: none"> Risk Oversight, IT System Security and Policies 	Not seen	× Does Not Comply
		<ul style="list-style-type: none"> Major systems implementation, conversion or outsourcing initiatives 	n/a	
		<ul style="list-style-type: none"> Privacy and other information security Exposures 	Confidentiality addressed in the employee handbook and employees must sign a confidentiality agreement. CNA Board of Directors Conflict of Interest Policy addresses Directors' duties regarding confidentiality.	✓ Complies
		<ul style="list-style-type: none"> Business recovery and continuity 	CNA has just updated its Business Continuity Plan.	✓ Complies
		<ul style="list-style-type: none"> Information Security including Cyber Security 	Not seen	× Does Not Comply
		<ul style="list-style-type: none"> Internal control system: establish, maintain, assess effectiveness 	Board has established, is maintaining and is assessing the effectiveness of internal controls	✓ Complies

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
			(financial, human resources, legal).	
Tool 3: People Direction – Who Will do What?				
<p>Board oversight: mandate and responsibilities:</p> <p>The board should adopt a written mandate in which it explicitly acknowledges responsibility for the stewardship of the corporation, including responsibility for:</p> <p>(a) satisfying itself as to the integrity of the CEO, and a culture of integrity throughout the organization;</p> <p>(b) adopting a strategic planning process and approving, on at least an annual basis, a strategic plan;</p> <p>(c) the identification of the principal risks;</p> <p>(d) succession planning;</p> <p>(e) a communication policy;</p> <p>(f) internal control and management information systems; and</p> <p>(g) approach to corporate governance</p> <p>(58-201)</p> <p>Also:</p> <p>(h) risk appetite</p> <p>(i) culture</p> <p>(OSFI)</p>		Board Mandate (Charter / Terms of Reference)	<p>Covered in the Board of Directors Guidelines</p> <ul style="list-style-type: none"> - Reviewing purpose of the organization. - Business is conducted ethically. - Oversight of CEO (appointment, dismissal, evaluation, compensation, succession) - Reviewing and approving strategic and business plans. - Establishing measures of organizational performance and ensuring accountability (sr. mgt.). - Ensuring processes are in place to identify and manage principal risks. - Protect assets and provide financial oversight (approve budget and audited statements). 	<p>✓ Partially Complies</p> <p>Would recommend guidelines acknowledge Board responsibilities/protocols for communication (internal and external).</p>

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
			<ul style="list-style-type: none"> - Accountability to members. - Oversee legal compliance. - Design effective governance structures. 	
<p><i>Committees, Board Chair and Committee Chair Charter/ Mandate/ Terms of Reference:</i></p> <p>The Board should develop clear mandates and charters for each Board Committee, and position descriptions for the chair of the Board and the chair of each Board Committee (with the Governance & Nominating Committee and in consultation with other committees who review and recommend their own)</p> <p>Effective Boards and Board Committees require Chairs that are experienced, skillful and exhibit leadership that encourages open discussion and appropriate debate; Board and Committee Chairs should have frequent dialogue with other Board members and senior management (OSFI)</p>		Board level decision on what Board Committees to use and why	Bylaws give the Board the opportunity to create and utilize committees as it sees fit.	✓ Complies
		Charters for Board Committees <i>[other than Audit, Governance and HR Comp: these are dealt with separately later]</i>	Charters are in place for all Board Committees.	✓ Complies
		Board Chair and Committee Chairs Charters	<p>The role and responsibility of the Board Chair is outlined in the Board of Directors Guidelines. Brief but is not sufficient.</p> <p>No charters for Chairs of Committees.</p>	<p>× Does Not Comply</p> <p>Recommend that charters be developed for Committee Chairs.</p>
		Corporate Secretary Charter	Not seen	<p>× Does Not Comply</p> <p>There are several references to the responsibilities of the Corporate Secretary in the Committee Charters. Would recommend that CNA develop a Corporate</p>

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
				<p>Secretary Charter (if one has not been developed).</p>
<p>Board oversight: composition and competence:</p> <p>The Board should appoint a Nominating [or Corporate Governance] Committee composed entirely of independent directors.</p> <p>The Nominating Committee should have a written charter that clearly establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations.</p> <p>If a corporation is legally required by contract or otherwise to provide third parties with the right to nominate directors, the selection and nomination of those directors need not involve the approval of an independent nominating committee.</p> <p>Prior to nominating or appointing individuals as directors, the Board should adopt a process involving the following steps:</p> <p>(a) What competencies and skills the board, as a whole, should possess.</p> <p>(b) Assess what competencies and skills each existing director possesses.</p>		<p>Governance (or Governance & Nominating) Committee Charter</p>	<p>Charter in place (includes Human Resources).</p>	<p>✓ Complies</p>
		<p>Board Qualifications, Nominations and Elections Policy</p>	<p>Board is chosen from 6 classes of membership. Qualifications defined in Statement of Qualifications Policy. N.B. This different than the Articles which states that there will only be 1 class of membership with voting rights.</p> <p>Each Class 1 member is entitled to nominate 1 member from their organization for election to the Board. The Board determines the number of members which are eligible to</p>	<p>× Does Not Comply</p> <p>Recommend that the Board determine standards for Committee composition related to needed competencies.</p> <p>✓ Partially Complies</p> <p>CNA to reconcile categories of membership between the Articles (1 class of membership with voting rights) and the Bylaws (7.1 – Subject to the Articles, there shall be 6 classes of voting members).</p> <p>Would recommend that CNA determine what specific competencies it needs to effectively govern the organization.</p> <p>CNA to review the size of the Board and determine the optimal size for</p>

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
<p>The board should also consider the appropriate size of the board, with a view to facilitating effective decision-making.</p> <p>The board should focus on its diversity (FRC – 2018)</p> <p>The nominating committee should be responsible for identifying individuals qualified to become new board members and recommending to the board the new director nominees for the next annual meeting of shareholders.</p> <p>(58-201)</p> <p>The Board should ensure that all new directors receive a comprehensive orientation:</p> <ul style="list-style-type: none"> • understand the role of the board and its committees, • the contribution and time commitment individual directors are expected to make • understand the nature and operation of the corporation's business. <p>The Board should provide continuing education opportunities for all directors.</p> <p>(58-201)</p> <p>Board Roles:</p> <ul style="list-style-type: none"> • Approve policy governing the election process and a profile of qualifications • Elects or appoints chair annually • Appoints Committee Chairs • Appoints officers <p>Terms, Selection and Tenure of Directors:</p>			<p>be elected from the other 5 Classes.</p> <p>The Bylaws outline the nomination and election procedures.</p> <p>Staff are responsible for ensuring elections occur as outlined in the bylaws. Detailed plan shared in the April 2020, Governance, HR and Compensation Committee.</p> <p>There is very little information on specific Board competencies needed for governance effectiveness.</p> <p>The size of the Board is an issue for CNA's effective governance and was mentioned as an issue in the recent Board self-assessment.</p>	<p>effective governance of the organization.</p>
		<p>Board Succession Plan including emergency succession protocol or process</p>	<p>GHRC Committee is to review succession planning processes for the board annually.</p>	<p>✓ Complies</p>

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
<p>Boards should focus on effective board refreshment, diversity, length of service, and “over-boarding” to achieve optimal levels of independence and constructive challenge (FRC – 2018)</p> <p>Best practice is 3 year staggered terms with no term limit, or a term limit of 2 or 3 terms [1 year terms in private sector are common due to activist shareholders]</p> <p>FRC requires “comply or explain” disclosure for directors serving more than nine years; CSA requires disclosure of director term limits or their absence [implying their utility as a tool] (FRC – 2018; 58-101)</p> <p>Board selects Chair from among their number [Chair is leader of the Board, not representative of shareholder(s)]. The Board Chair is generally not the Chair of the Governance Committee nor a member of the Audit Committee (up to organization to assess situation.)</p>		<p>Board Competency Matrix with Gap analysis of actual attributes to desired attributes</p>	<p>Could not find a Board Competency Matrix.</p> <p>There is a list of desired qualities and skills in the Board Statement of Qualifications, but these are somewhat general in nature.</p>	<p>× Does Not Comply</p> <p>Recommend CNA develop a Board Competency Matrix – gap analysis of actual attributes to desired attributes.</p>
		<p>Board Diversity Plan / Strategy with targets, rationale</p>	<p>GHRCC minutes and the Board Statement of Qualifications refer to seeking diversity in Board members.</p> <p>CNA has created a Diversity and Inclusion (D&I) Working Group, to promote diversity both within staff and the Board.</p> <p>September 2020 GHRCC minutes noted that the slate of candidates for election to the Board lacked diversity and called for a diversity and inclusion framework be developed.</p> <p>Diversity (with def'n) is included in the</p>	<p>✓ Partially Complies</p> <p>CNA is to be commended for its efforts to promote diversity at the Board level. Recommend that someone – perhaps the Diversity and Inclusion (D&I) Working Group – now develop a Board Diversity Plan/Strategy with targets and rationale (under the purview of the GHRCC.)</p>

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
			Board Statement of Qualifications Did not see a plan/strategy.	
		Board Member Recruitment, Selection & Appointments	Did not see a proactive plan regarding Board member recruitment, selection & appointments.	× Does Not Comply After establishing gaps in the competencies and diversity around the Board table, recommend CNA to develop a recruitment strategy on how it will actively fill the identified gaps.
		Board Chair Recruitment, Selection & Appointments	Did not see any documentation on the recruitment, selection and appointment of the Board Chair.	× Does Not Comply Recommend detailing the competencies CNA requires in a Board Chair and in future, actively recruiting for those competencies.
		Committee Chairs Recruitment, Selection & Appointments	Committee Chairs are appointed by the Board. The Board Chair will consult with the committee regarding the selection of the Committee chair.	✓ Partially Complies Recommend detailing the competencies CNA requires for Committee Chairs and recruiting new members to fill that role or to train existing members for a Chair position.

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
		<p>Committee Members Recruitment, Selection & Appointments</p>	<p>Did not see any plan for recruitment, selection & appointment of committee members.</p> <p>The latest Board and Committee self-assessment (Dec. 2020) noted that, “Committee composition, including the process to appoint and rotate committee members, requires further consideration and action:</p> <ul style="list-style-type: none"> • 40% and 50% of GHRC and finance committee members, respectively, agree that committee membership reflects a diverse mix of directors with the skills and expertise that are needed by the committee; and • 32% of directors of the board agree that the process to appoint and rotate committee 	<p>× Does Not Comply</p> <p>Recommend including required competencies for Board committees as part of the selection criteria for future Board members.</p>

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
			<p>members is clear and inclusive.”</p> <p>These are relatively low levels of confidence in current and required skills in two of CNA’s governance committees.</p>	
		<p>Advisory Committees Recruitment, Selection & Appointments (reporting to Board or management?)</p>	<p>CNA has two standing advisory committees – Public Affairs and Regulatory Affairs.</p> <p>All members of the Board can nominate one member to the Public Affairs Committee.</p> <p>The Board selects the Committee chair, and the committee chair selects committee members from CNA’s membership.</p> <p>Committees advise the Board.</p>	<p>× Does Not Comply</p> <p>Recommend that CNA develop a list of competencies required/desired for these two advisory committees.</p>
		<p>New Board and Committee member orientation and organization specific training</p>	<p>The Board Statement of Qualifications document includes a short section on Board member orientation and training.</p>	<p>× Partially complies</p> <p>Orientation program has definitely improved since 2019, but we do recommend that CNA develop a fuller and more robust orientation and director and committee</p>

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
				member training program with specific activities aimed at bridging gaps.
		Ongoing education and development plan/policy for Board and Committee members	There is provision for ongoing education in the Board Statement of Qualifications document.	× Does Not Comply Recommend that CNA develop an ongoing education and development plan which covers both the general and specific training needs of board and committee members.
		Director term limits: consideration?	Members of the Executive Committee are elected for 3 years. All other members are elected annually. There is no limit to the number of terms a director may serve.	✓ Partially Complies Recommend that CNA establish a maximum number of terms for directors to ensure that the Board is refreshed and recruitment objectives are addressed (competencies, diversity, etc.).
<p>Board oversight: independence:</p> <p>Independence is defined as having no direct or indirect material relationship with the corporation; a "material relationship" is a relationship which could, in the view of the corporation's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgement. (52-110)</p> <p>The Board should have a majority of independent directors. The independent directors should hold regularly scheduled meetings at which non-independent</p>		Organization definition of independence and determination of degree of independence for board members, committee members, chairs –and how to deal with situations with non-independent directors	n/a	n/a

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
<p>directors and members of management are not in attendance. (58-201)</p> <p>The chair of the board should be an independent director. Where this is not appropriate, an independent director should be appointed to act as "lead director". However, either an independent chair or an independent lead director should act as the effective leader of the board and ensure that the board's agenda will enable it to successfully carry out its duties. (58-201)</p> <p>There are detailed specific independence tests for Board (58-201) and Audit Committee members (e.g. Chair and Vice-Chair are considered "Executive Officers" and are therefore deemed to be <i>not</i> independent for Audit Committee) (52-110)</p> <p>Board Role:</p> <p>Define what independence means and what levels are sought on Board and Committees (if any)</p>				
<p>Board and Committee Meetings:</p> <p>Board meeting frequency strikes a balance between too infrequent/unengaged and too frequent/over-engaged: leading practice is to base meeting frequency on mandate and work plan (e.g. 4-6 meetings of board/year) [4 quarterly business meetings and 2 special sessions – 1 strategy, 1 governance, evaluation and education - is recommended]</p> <p>Committee meeting frequency and rhythm should enable accomplishment of mandate and work plan, delegated diligence work of the board and reporting back to board</p> <p>Best practice is for decisions to be made by consensus, and protocols can be developed and agreed on by all</p>		<p>Board and Committee calendars and work plans</p>	<p>The Board and Committees have detailed and comprehensive calendars and work plans.</p>	<p>✓ Complies</p>
		<p>Board and Committee Meetings: who can call, notice, quorum, who is entitled to attend, ex-officio and non-voting members, provision for emergency sessions of the Board</p>	<p>Board Meeting protocols clearly outlined in the Bylaws.</p> <p>Committee operations are clearly outlined in their respective Charters.</p>	<p>✓ Complies</p>

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
Board members dealing with this expectation and process		Director Voting Protocol including electronic (remote) voting	Not specified.	
		In Camera & Executive Sessions Policy or Protocol	Board and Committees have regular in camera sessions. Did not find any policy or protocol.	× Does Not Comply Recommend that CNA develop an In Camera & Executive Sessions Policy or Protocol .
<p>Board and Committee Agendas:</p> <p>Board and Committee agendas are clear, with sufficient time to deal with material issues</p> <p>Board and Committee agendas reflect charter/ mandate/ work plan responsibilities</p> <p>Board and Committee agendas differentiate among decision, discussion and information items</p> <p>Board agendas include a consent agenda to deal with routine or non-controversial items</p>		Board and Committee agendas	<p>Agendas of both the Board and Committees are clear and reflect their mandates.</p> <p>Agendas differentiate between decision, discussion and information items.</p> <p>They include a consent agenda.</p> <p>Recent Board self-assessment (Dec. 2020) indicated that some Board members felt there needed to be a greater emphasis on strategic issues. Also, that meetings went longer than expected.</p> <p>Recent Board Agendas include reporting on CNA's</p>	<p>✓ Partially Complies</p> <p>Recommend CNA Board review agenda topics to ensure that they address strategic and high priority items, i.e., is the current reporting on CNA's strategy and related scorecard update sufficient for the Board?</p>

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
			Refurb Strategy and KPI's.	
<p>CEO and Human Resources Oversight:</p> <p>The Board, together with the CEO, should develop a clear position description for the CEO, which includes delineating management's responsibilities. The board should also develop or approve the corporate goals and objectives that the CEO is responsible for meeting. (58-201)</p> <p>The Board should appoint a Compensation (Human Resources) Committee composed entirely of independent directors.</p> <p>The Compensation (Human Resources) Committee should have a written charter that establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations.</p> <p>The Compensation (Human Resources) committee should be responsible for:</p> <p>(a) corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance, and making recommendations to the board on the CEO's compensation level based on this evaluation;</p> <p>(b) making recommendations to the board with respect to non-CEO officer and director compensation, incentive-compensation plans and equity-based plans; and</p> <p>(c) reviewing executive compensation disclosure before the issuer publicly discloses this information.</p> <p>(58-201)</p>		Human Resources (or HR & Compensation) Committee Charter	<p>CNA has a combined Governance and Human Resources & Compensation Committee.</p> <p>The Committee has a Charter which clearly outlines its roles and responsibilities in each part of its mandate.</p>	✓ Complies
		Recruitment, Selection and Appointment of CEO	The Board of Directors Guidelines outlines the oversight role for the Board in the appointment of the CEO.	✓ Complies
		Recruitment, Selection and Appointment of CFO	n/a	n/a
		Recruitment, Selection and Appointment of Heads of Oversight Functions (e.g. CAE, CRO, CCO, Corporate Secretary and/or Chief Legal Counsel: dual accountabilities)	n/a	n/a
		Recruitment, Selection and Appointment of Other Executives (VP's, CEO's direct reports)	n/a	n/a

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
<p>FRC says Remuneration Committee Chair should have served on a remuneration committee for at least 12 months (FRC – 2018)</p> <p>Board Roles:</p> <ul style="list-style-type: none"> • Recruits and monitors CEO (with the HR & Compensation Committee) • Approves CEO performance objectives and performance management plan (HR & Compensation Committee reviews and recommends) • Approves CEO Delegation of Authority (approval and reporting levels) and extent CEO may delegate further (in consultation with Audit & Finance Committee) • Approves CEO Compensation (HR & Compensation Committee recommends) • Approves the CEO succession plan (HR & Compensation reviews and recommends) <p>Beyond the CEO:</p> <ul style="list-style-type: none"> • Board is responsible to gain reasonable assurance in a healthy corporate culture, so needs to equip itself with tools for this, e.g. employee engagement, workforce policies and practice which reinforce this (FRC – 2018) • Reviews the management succession plan (beyond the CEO) to satisfy itself a process is in place (HR & Compensation Committee reviews and recommends, management develops and implements) • Approves executive officer compensation, and employee benefits including incentive award plans • Satisfies itself that executive compensation is linked appropriately to corporate performance 		Organizational Design: org chart, structure & approval of positions	<p>CNA’s Board addresses this at the strategic level. Strategic Priorities 2020-2023 - #5 Tactic 1: Internal capacity and capacity building calls for the following outputs:</p> <ul style="list-style-type: none"> • 36 month workforce plan including a talent map with succession planning and a recruitment strategy for key roles, as needed. • Learning and development plan for each staff member. <p>The Board is approving the recruitment and appointment of key positions.</p>	✓ Complies
		Succession plan for CEO	Succession plan for the CEO is part of the mandate of the GHRC Committee and clearly identified in the Board of Director Guidelines.	✓ Complies

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
<ul style="list-style-type: none"> HR & Compensation Committee reviews and recommends incentive plan and payouts (Management develops incentive plan and payouts) CEO approves compensation of all other staff Management recruits and monitors all staff (Internal Control & Governance Officers, e.g. CFO, Corporate Secretary, etc., at times in consultation with the Board or a Board Committee) <p>CEO delegates authority (approval and reporting levels) of VP's and other staff (consistent with Board delegation to CEO)</p> <p>OSFI usefully distinguishes “Heads of Oversight Functions” who have governance, risk and compliance roles and therefore have dotted line accountability to the Board and/or a Committee (e.g. CFO, CRO, CAE, Legal, CCO) (OSFI)</p>		Succession plan for Senior Management	Part of the Refurb Strategy and Business Plan 2020-2023	✓ Complies
		Recruitment policy for Senior management and staff	Not seen.	n/a
		CEO training and development	GHRC Committee is to ensure that effective leadership processes are in place and make recommendations to the Executive Committee and Board, as required.	✓ Complies
		CEO Charter (Position Description)	Did not see a CEO Charter but was told it was in place.	× Does Not Comply Odgers Berndtson did develop a CEO Charter and related documentation during the last recruitment, but these don't seem to have been formally adopted by the GHRCC and Board.
Allocation of roles, responsibilities of staff, except CEO	CNA has a clear organizational chart, a process to develop job descriptions and to evaluate jobs. In Q3 2020 there was a strategic review of the existing structure and deliverables.	✓ Complies		

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
			CNA’s human resource effectiveness is part of its 2020-2023 strategy implementation.	
Tool 4: Policy Direction – What Are the Boundaries?				
<p>Governing Legislation; Corporate Mandate, Objects: Ensure clarity and alignment of mandate, duties and powers.</p> <p>By-Laws: Ensure clarity and alignment of duties and powers of corporation, board and officers.</p> <p>Organizational Mandate: Best practice is for the Board to have statutory “person” or full powers, to make and amend bylaws, appoint management, enter into contracts, set board and CEO remuneration, fees, although this may be limited by shareholders (owners, including Government in the public sector or a Unanimous Shareholders’ Agreement in the private sector).</p> <p>Approve general Board-level policies (Board committees monitor, review and recommend)</p> <p>Culture and Relationships:</p>		Creating and amending Acts including enabling legislation and other Statutes or Regulations that affect the corporation’s governance and accountability	Canada Not-for-Profit Corporations Act. CNA endeavours to ensure that it is compliant with the Act.	✓ Complies
		Relationship between corporation and shareholders or members (owners)	CNA has 6 classes of membership. Each class is based on organizational type. Class 1 members which includes energy utilities, major nuclear companies, mining and fuel cycling companies, reactor vendors, etc. have the right to nominate one Board member per organization.	✓ Complies

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
<p>Good governance emphasizes the importance of positive relationships between the company, shareholders and a wide range of stakeholders, with a clear purpose and strategy aligned with a healthy corporate culture</p> <p>(FRC – 2018)</p>			<p>Other classes have proportional representation.</p> <p>Member relations are important to CNA and has a established a position entitled, “Manager Membership and Events” who reports to senior management.</p> <p>One duty of the Board is to ensure that the organization appropriately communicates with members in a manner consistent with accountability to members.</p> <p>As part of its 2020-2023 strategy, CNA will modernize its membership structure and enhance its value proposition to members.</p>	
		Creating and approving bylaws	Bylaws are current and have been updated as required.	✓ Complies
		Board level policies	Some Board level policies in place. This review will inventory	✓ Partially Complies

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
			and establish policy gaps with best practices to determine which others need to be in place.	
		CSR (Corporate Social Responsibility) Policy	No Board level policy. This is handled at staff level mostly through charitable donations. Employee handbook outlines CNA’s approach to charitable giving. CNA provides education programs related to its work to Canadian schools.	✓ Complies
<p>Code of Conduct and Conflict of Interest:</p> <p>The Board should adopt a written code of business conduct and ethics (a code). The code should be applicable to directors, officers and employees of the corporation. The code should constitute written standards that are reasonably designed to promote integrity and to deter wrongdoing.</p> <p>The board should monitor compliance with the code. Any waivers should be granted by the board (or a board committee) only.</p> <p>(58-201)</p> <p>Clarity and compliance of expectations of Board member conduct, including duties of loyalty and care, confidentiality, and conflicts of interest beyond legal</p>		Code of Conduct	There does not appear to be a written code of conduct.	<p>× Does Not Comply</p> <p>Recommend that CNA develop a Code of Conduct applicable to all directors, officers and employees.</p>
		Conflict of Interest Policy	CNA has a Board level Conflict of Interest policy and requires annual acknowledgement and disclosure by Board members.	✓ Complies
		Confidentiality Policy	Confidentiality covered in the Duties	✓ Complies

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
<p>minimum to perceived and potential conflicts of interest at board level.</p> <p>Board Level Governance Related Policies:</p> <p>Approve Governance Policies (Governance & Nominating Committee recommend; management develops) including Code of Conduct;</p> <p>Approve policy whereby a director may be removed for cause</p>			and Expectations of Directors document.	
		Document (Electronic & Paper, including directors' notes) Confidentiality, Retention and Destruction Policy	No Document Confidentiality, Retention and Destruction Policy seen.	<p>× Does Not Comply</p> <p>Given the sensitive nature of some of CNA's work, would recommend they develop a Confidentiality, Retention and Destruction Policy.</p>
		Directors sign declarations: code, conflicts (interests), confidentiality	Directors sign conflict of interest declaration.	<p>× Does Not Comply</p> <p>Recommend that after a Code of Conduct is produced that Directors sign declaration for code and could add confidentiality.</p>
		Other Director Conduct expectations: inside information, business opportunities	Covered in the Conflict-of-Interest policy.	✓ Complies
		Director Attendance Policy	Covered in the CNA Board of Directors – Duties and Expectations of Directors document.	✓ Complies
		Director Termination Policy	No policy in place. Removal of director process is in the Bylaws.	<p>× Does Not Comply</p> <p>CNA may wish to consider whether they require a Director Termination Policy or not.</p>

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
		Board members' Travel and Expenses Policy	CNA has a Travel and Expense Policy which currently is for staff only.	✓ Partially Complies CNA should ensure that its Travel and Expense Policy includes the Board.
		Board expense claims	Did not see.	× Do not comply
<p>Delegations of Authority:</p> <p>Approval and reporting levels of authority are delineated/ delegated clearly in writing for the CEO, Committees and other levels of senior leadership</p> <p>Board and Committee responsibilities respect a “bright line” between governance and management and do not overlap with management responsibilities:</p> <ul style="list-style-type: none"> • Boards ensure oversight and supervise management – they do not manage • Committees generally undertake significant diligence work, review and recommend policies and strategies on behalf of the Board, but stop short of having delegated decision-making authority (with occasional exceptions, e.g. Audit Committee approving financial disclosures during period) <p>Board's Role:</p> <p>Approve Board-level policies related to financial and operational stewardship, including delegations of authority, procurement Policy (Audit & Finance Committee reviews and recommends, management develops and implements)</p>		Delegation of Authorities	<p>CNA has a Delegation of Authorities in place.</p> <p>Recent Board self-assessment indicated that there is a need to review and/or clarify the line between the Board and management.</p>	✓ Partially Complies Recommend that the Board review the Delegation of Authorities in order to clarify the line between the Board and management. Recommend adding items as outlined in the examples below: <ul style="list-style-type: none"> - Strategic Plan - Corporate Scorecard with KPI's - Risk Tolerances - Litigation, write-offs, settlements. - Third Party Consultants.
		Management policies on sensitive matters (clarity)	Sensitive matters covered in Confidentiality Agreement, Acceptable Use Policy	✓ Complies

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
			and Social Media Policy.	
		Investment Policy	CNA has a Cash Management and Investment Policy.	✓ Complies
		Procurement Policy	Not seen.	× Partially complies While the Association does not have a separate procurement policy, this is covered in its Signing Authority Policy.
		Capital Expenditures, capital projects not in, or exceeding, budget	Covered in the budgeting process and the Delegation of Authorities.	✓ Complies
		Management of Capital Projects (e.g. payments, change orders)	CNA has few, if any capital projects.	✓ Complies
		Execution of Legal Documents, contracts, leases	Covered in Delegation of Authorities.	✓ Complies
		Litigation: initiation and settlement	Not seen.	× Does Not Comply Recommend adding a section to the Delegation of Authorities.
		Write-offs and Credit Notes	Covered in Delegation of Authorities.	✓ Complies

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
		Borrowing and incurring new debt, retiring and renewing debt	Covered in Delegation of Authorities.	✓ Complies
		Executives and Employees Travel and Expense Policy	CNA has a Travel and Expense Policy.	✓ Complies
		CEO expense claims	Not seen – assume the CEO is part of the Travel and Expense Policy for staff.	✓ Partially Complies Recommend clarifying in Delegation of Authorities.
		Executives' (VPs) expense claims	CNA has a Travel and Expense Policy for all staff.	✓ Complies
		Employee expense claims	CNA has a Travel and Expense Policy for all staff.	✓ Complies
Tool 5: Resource Direction – How Will We Resource Our Efforts?				
<p>Board oversight: mandate and responsibilities:</p> <p>The Board should adopt a written mandate in which it explicitly acknowledges responsibility for ... the corporation's management information systems.</p> <p>Operating Plans and Budgets:</p> <p>Board approves annual capital and operating budgets and operational plans (management develops and Audit & Finance Committee reviews and recommends)</p>		<ul style="list-style-type: none"> Operating Budget 	Board approves.	✓ Complies
		<ul style="list-style-type: none"> Capital Budget 	Board Approves.	✓ Complies
		<ul style="list-style-type: none"> Other Business and Operating Plans: e.g. HR, Marketing, IT, Facilities 	Reviewed by Committee, recommended to the Board for approval.	✓ Complies
		<ul style="list-style-type: none"> Projections: e.g. cash flow, debt, finance 	Reviewed by Committee, recommended to the Board for approval.	✓ Complies

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
<p>Subsidiary Governance:</p> <p>While there is a spectrum of leading practice regarding subsidiary governance, the defining principle is “line of sight” of governance, including direction and control, from the parent to the subsidiaries (directly and indirectly held) – especially the audit and control functions</p>		<ul style="list-style-type: none"> Subsidiary Governance Structure (organizational design, governance and accountability) and Policies 	N/A	N/A
<p>Tool 6: Strategy Control: Annual Report – Where Are We Compared to Where We Said We Would Be?</p>				
<p>Annual Reports</p> <p>Annual reports and periodic public disclosures are transparent and meet high standards of disclosure:</p> <p>The annual report contains sufficient information - both in terms of quality and quantity - regarding the corporate plan, strategic direction, mission/vision, products/services and outlook of the corporation:</p> <ul style="list-style-type: none"> goals and objectives are significant and consistent with the mandate changes in goals, objectives and/or direction have been highlighted and explained (TSX) <p>The annual report provides the corporate results (overall performance of the corporation, financial and operational) in relation to goals and objectives set out in corporate plans (TSX; Auditor General of Canada.)</p> <p>The annual report is open and transparent - it contains a balanced view, including openly disclosing any negative results or variances (TSX)</p> <p>The annual report is timely, relevant and useful for users beyond those who are experts in the business (e.g. taxpayers, customers, other stakeholders) (TSX)</p> <p>The annual report provides information on corporate context, including any competitive issues that could mitigate against full disclosure - i.e. if the corporation is</p>		<p>External communication of corporate performance results including: Annual Report with audited financial statement</p>	<p>Provided to Members.</p>	<p>✓ Complies</p>
		<p>Management (MD&A) and governance reporting and disclosure</p>	<p>N/A</p>	
		<p>Website postings</p>	<p>Website is primarily devoted to CNA’s activities including news on advocacy efforts. There is information on the Board, leadership, etc. but little public disclosure.</p>	<p>✓ Complies</p>
		<p>Any other Public Disclosure</p>	<p>N/A</p>	

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
<p>competing against a private sector firm and its position would be risked by disclosure in a certain area (TSX)</p> <p>The annual report provides forward-looking information including financial forecasts/budget targets, risks and uncertainties, and details of significant events that could have a major impact on operations. (TSX; CSA 51-102 cautions against subjective or unsubstantiated forward-looking information)</p> <p>Annual Report (exclusive of financial statement):</p> <p>Board reviews and approves; management prepares</p> <p>Annual Financial Statements including MD&A and CD&A:</p> <p>Board approves (Audit & Finance Committee reviews and recommends financial statements and MD&A; HR & Compensation Committee reviews and recommends CD&A; management prepares)</p> <p>TSX rules require all listed issuers to post on their corporate website the issuer’s articles or other constating documents and its by-laws, majority voting policy, advance notice policy for director nominations, position descriptions for the chairman of the board and the lead director (if applicable), board mandate and board committee charters.</p> <p>(TSX 2017)</p>				
<p>Board and Committee Minutes:</p> <p>Minutes are a mid-way balance between verbatim recordings of deliberations and a summary of decisions</p> <p>Minutes and resolutions of meetings of shareholders, board and board committees:</p>		Board and Committee Minutes	<p>Board and Committee minutes are clear, provided appropriate information and record decisions.</p> <p>Minutes are dated and signed.</p>	✓ Complies

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
Approve board minutes and receive committee minutes (Committees approve and circulate to committee and board; Corporate secretary records and maintains)				
<i>Additional Governance and Accountability Disclosures (which may be in Annual Report or may be filed separately)</i>				
<p>Disclosures re: Board Oversight, Selection & Committees:</p> <p>Describe the process by which the board identifies new candidates for board nomination.</p> <p>Disclose if the board has a nominating committee composed entirely of independent directors, its responsibilities, powers and operation. (58-101)</p> <p>Disclose policies, consideration, targets and actual numbers re: representation of women on board and executive officers (three levels into management); director term limits (comply or explain) (FRC – 2018; 58-101)</p> <p>Specific Audit Committee disclosure including charter, members’ names, independence, financial literacy and relevant education and experience (accounting, financial, controls), audit fees and exceptions (52-110F1)</p> <p>Briefly describe what measures the board takes to orient new directors, and provide continuing education for its directors. (58-101)</p> <p>If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function. (58-101)</p>		<p>Disclosure of Board recruitment, selection and appointment process</p> <p>Disclosure of Board and Management (to X-3 level) Diversity Strategy, targets, actual metrics</p> <p>Disclosure of Audit Committee charter, members, independence, financial literacy, relevant education and experience</p> <p>Disclosure of orientation and education measures (plans)</p>	<p>Disclosure is provided to members on Board recruitment, selection and appointment process.</p> <p>Audit Committee membership is disclosed to members.</p>	<p>✓ Complies</p>
Disclosure of Independence:		Disclosure of independence: how it is defined, which board	CNA Directors are independent in that they are not	<p>✓ Complies</p> <p>Recommend that CNA reinforce with Directors</p>

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
<p>Disclose which directors are, and are not, independent, and the basis for this;</p> <p>Disclose if a majority of directors are independent, if not, how the board facilitates its exercise of independent judgement in carrying out its responsibilities.</p> <p>Disclose if the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance, if not, how the board facilitates open and candid discussion among its independent directors.</p> <p>Disclose if the chair of the board is an independent director, or identify the lead director, or how the board provides for leadership of independent directors.</p> <p>Disclose the attendance record of each director. (58-101)</p>		members and chairs meet this definition, attendance records	employees of the organization. However, some are nominated by their organizations and there is always a danger that Board members of an association such as CNA see themselves as company representatives rather than CNA Board members.	their duties of care and loyalty to CNA.
<p>Corporate Communications and Social Responsibility Reporting:</p> <p>Approve communication plan/policy including extent of disclosure (Management develops and implements)</p> <p>Satisfy itself effective communication between the board and shareholders, stakeholders and public (Management communicate with shareholders, stakeholders and public – although at times the Chair and/or other directors may according to the approved communications protocol)</p> <p>Delaware has adopted a framework for companies to commit voluntarily to sustainability disclosure and performance standards (standards and assessment measures.) (Delaware: 2018)</p>		Communications protocol	No Communications protocol seen.	<p>× Does Not Comply</p> <p>Given the critical importance of communication in CNA’s work and latest strategy, would recommend that CNA develop a Board level Communications Protocol that includes Board members role in, for example:</p> <ul style="list-style-type: none"> - formal communications - informal communications - media relations - social media

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
				- attendance at events The protocol should be in sync with CNA's employee policies related to communications.
		Corporate communication strategies: including extent of disclosure (e.g. crisis and event communications, media requests)	Overview given in CNA's Strategy Document and Business Continuity Plan. Could find no role for Board Chair which would be expected in the communication of strategy or emergency response.	✓ Partially Complies Board level Communication Protocol recommended including clarity on the Board Chair's role.
		Board communication	No guidelines provided.	
		Employee dialogue & communication on strategy & direction	Staff responsibility.	
		Press releases	Staff responsibility.	
		Determination of role and relationship as liaison with shareholders or members	No guidelines provided.	× Does Not Comply CNA should clarify Board Members' role and relationship with membership.
		Quality and timing of information/ summaries/	N/A	

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
		submissions / Management Reporting Info Detail		
		Brand and reputation management	<p>Through its recent strategy formulation CNA is in essence seeking to rebrand itself – identity and image.</p> <p>By overseeing the strategy implementation, the Board is managing CNA’s brand and reputation.</p>	✓ Complies
		Sustainable development practices: commitment to global sustainability: standards and assessment measures	N/A	
		Sponsorship & donations	CNA has outlined its charitable programs which are communicated to staff through the employee handbook.	✓ Complies
		Local / Indigenous procurement	n/a	
		Diverse workforce targets and measures	CNA has established a Diversity and Inclusion Working Group.	<p>✓ Partially Complies</p> <p>The Working Group’s mandate has not (yet) been extended to establishing diversity targets and measures.</p>

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
<p>Board, Committee and Chairs Charters</p> <p>Disclose the board and committees’ written mandates, and position descriptions for the chair and committee chairs, or how responsibilities are delineated (58-101)</p>		<p>Disclosure of Board, Committee and Chairs charters</p>	<p>Disclosed to members</p>	<p>✓ Complies</p>
<p>Disclosure of Board Evaluation:</p> <p>Disclose if the Board, its Committees and individual directors are regularly assessed with respect to their effectiveness and contribution (58-101)</p> <p>Disclose the process – not the actual results</p>		<p>Disclosure of Board evaluation findings or changes</p> <p>Demonstrate how governance contributes to the company’s long-term sustainable success and achieves wider objectives</p>	<p>Disclosed to the Board</p>	<p>✓ Complies</p>
<p>Director & Officers Compensation:</p> <p>Describe the process by which the Board determines the compensation for the corporation’s directors and officers. (58-101)</p>		<p>Disclosure of Director & Officer Compensation philosophy, policy and/or plan</p>	<p>n/a</p>	
<p>CEO oversight & Executive Compensation Disclosure (CD&A):</p> <p>Disclose the written position description for the CEO, or how the board delineates the responsibilities of the CEO. (58-101)</p> <p>Disclose if the Board has a Compensation [Human Resources] Committee composed entirely of independent directors, its responsibilities, powers and operation, or how the board ensures an objective compensation setting process. (58-101)</p> <p>Disclose Comp Committee members’ names, relevant experience and skills, the compensation consultant or advisor, mandate, other services (58-101), timing and fees (51-102).</p> <p>Compensation discussion and analysis:</p> <p>Disclose and explain rationale for all compensation paid, payable, awarded, granted, given, or otherwise</p>		<p>Disclose if CEO position description or how delineated</p>	<p>n/a</p>	
		<p>Disclose if Comp (HR) Committee, steps taken</p>	<p>n/a</p>	
		<p>Executive Compensation Disclosure: philosophy, design, rationale, total comp (CD&A)</p>	<p>n/a</p>	

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
<p>provided, directly or indirectly, to each NEO [i.e. the CEO, CFO and next three highest paid over \$150,000/year] and director (51-102)</p> <p>Disclose how remuneration delivers company strategy, long-term success and aligns with workforce remuneration (FRC – 2018)</p> <p>The U.S. Securities and Exchange Commission requires U.S. domestic registrants to disclose the ratio of their CEO’s annual total compensation to the median employee’s annual total compensation (SEC 2017)</p>				
<p>Other Disclosures:</p> <p>Continuous disclosure of all material changes (51-102 Material Change Reports, 52-109, SOX)</p> <p>Management Discussion & Analysis (MD&A), Annual Information Form (AIF), Information Circular disclosure requirements (detailed in 51-102)</p> <p>Disclose all material off-balance sheet transactions (SOX)</p>		Additional Disclosures	n/a	
Tool 7: Risk Control: Performance Reporting - How Well Do We Measure Up and How Well Have We Mitigated Risks and Acted on Opportunities?				
<p>Corporate Performance Management:</p> <p>Review, monitor and approve key performance indicators (Audit & Finance Committee assesses financial performance against key performance indicators; management identifies key performance indicators, monitors performance, and reports to the board on key performance indicators)</p>		<ul style="list-style-type: none"> Performance Reporting (quarterly?) Dashboard/ Balanced scorecard: Corporate performance results 	The Board is now receiving quarterly dashboard reports on CNA’s performance against strategic and operational objectives.	✓ Complies
<p>Board Level Performance Scorecard:</p> <p>Approve the scorecard including metrics and measures (management prepares and reports on the scorecard)</p>		<ul style="list-style-type: none"> Quarterly performance management reports: financials, forecast and BSC 	The Board receives quarterly financial reporting and forecasts.	✓ Complies

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
<p>Board and Committee Pre-reading and Meeting Materials:</p> <p>Minutes and other information should be available a reasonable time prior to board meetings for individual directors to have time to review and prepare [5 business days]</p> <p>Board materials are clear, reflecting material issues, aligned to strategy & priorities</p> <p>Board materials, including management reports and presentations, are clear, concise, understandable and useful</p>		<ul style="list-style-type: none"> Achieving the corporate purposes (performance results): obtain benchmarked info against targets & peers; Dimensions: 	CNA does not benchmark against peers.	<ul style="list-style-type: none"> × Does Not Comply <p>CNA may wish to benchmark against organizations it defines as “peers”. For example, determining reasonable overheads, membership fees/revenue generation, etc.</p>
		<ul style="list-style-type: none"> Public Purpose 	n/a	
		<ul style="list-style-type: none"> Customer and community 	n/a	
		<ul style="list-style-type: none"> Financial and Accountability 	CNA has thorough financial reporting and accountability.	✓ Complies
		<ul style="list-style-type: none"> Innovation and Growth 	<p>At its present stage of development, CNA is focusing on increased effectiveness.</p> <p>CNA seeks to enhance its impact through strategic alliances and increased member support.</p>	✓ Complies
<ul style="list-style-type: none"> Review variances: compliance & management of risks; ERM monitoring: variances from risk tolerances and actual performance metrics 	<p>Management reporting includes variances with explanations.</p> <p>One responsibility of CNA’s committees to</p>	✓ Complies		

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
			monitor compliance. This includes: <ul style="list-style-type: none"> - Compliance with the Act, Bylaws, etc. - Compliance with HR policies. - Compliance certificate from the CFO on a quarterly basis. 	
Tool 8: People Control – How well did we perform?				
<p>Board Evaluation:</p> <p>The Board, its Committees and each individual director should be regularly assessed regarding his, her or its effectiveness and contribution. An assessment should consider:</p> <p>(a) mandate or charter, and</p> <p>(b) for an individual director, position description(s), competencies and skills.</p> <p>(58-201)</p> <p>Performance evaluations of board and committee chairs is leading practice, not just of the board and committees, since their performance is pivotal to success (and they report on behalf of all members). Board should approve process of evaluation (Governance & Nominating Committee recommends, evaluates and reports annually on board, committees, members, board chair, committee chairs and individual directors)</p> <p>The FRC stresses high quality external evaluations, emphasizing the importance of the evaluator’s direct</p>		Board Evaluation & Governance effectiveness: external evaluator in direct contact with Board and Directors	CNA conducted a Board and Committee self-assessment in December 2020. CNA is undertaking a more comprehensive review using an external evaluator including for example: <ul style="list-style-type: none"> • Review of Board meetings (agenda, timing, materials, presentations, etc.) • Assessment of individual directors (peer review) • Assessment of Chair effectiveness. 	✓ Complies

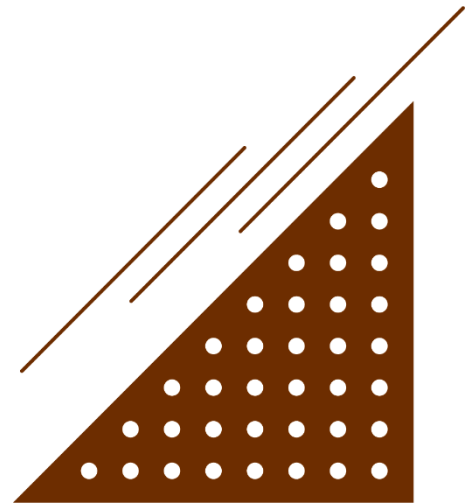
How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
<p>contact with the board and individual directors (FRC – 2018)</p> <p>CEO Evaluation:</p> <p>The Compensation (Human Resources) Committee should be responsible for ... evaluating the CEO's performance in light of those corporate goals and objectives, and determining (or making recommendations to the board with respect to) the CEO's compensation level based on this evaluation. (58-201)</p> <p>Board should approve assessment annually (HR & Compensation Committee develops criteria and process with CEO, and prepares and evaluates annually)</p> <p>Evaluation Beyond the CEO:</p> <p>CEO ensures the evaluation of the performance of all levels of employees below the CEO [see earlier for dual accountability Internal Control & Governance Officers, for those aspects of their performance, Board/Committee may contribute to their performance evaluation]</p>		Setting of corporate goals and objectives used in HR	CNA through its strategy formulation process is establishing corporate goals and objectives.	✓ Complies
		CEO Annual objectives	Set through strategy formulation process.	✓ Complies
		CEO Annual evaluation	GHRC Committee together with the Chair of the Board.	✓ Complies
		CEO Compensation Salary, Benefits, Perqs, Pension, Incentive Comp	GHRC Committee together with the Chair of the Board.	✓ Complies
		Executives' Annual objectives	CEO (coming out of the Strategic Plan)	✓ Complies
		Executives' performance evaluations	CEO	✓ Complies
		Executives' Compensation	GHRC Committee recommendation to the Executive Committee and the Board.	✓ Complies
		Employee Salary ranges and Overall annual % increase	Board decision through the budget process.	✓ Complies

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
		Employees Performance Evaluation and Compensation including incentives	Staff responsibility	✓ Complies
		Board Directors Compensation: Retainers and meeting fees	n/a	
		Compensation plan periodic review & benchmarking: executives and employees	GHRC Committee	✓ Complies
		HR policies: e.g., leaves & non-cash remuneration programs	Outlined in the Employee Handbook	✓ Complies
Tool 9: Policy Control: How effective are our policies and what must be updated or adapted?				
<p>Accountability and Compliance:</p> <p>Board is responsible for corporation’s accountability and compliance:</p> <p>Disclose if the board has adopted a written code for the directors, officers and employees, and how the board monitors compliance.</p> <p>Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.</p> <p>Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.</p> <p>(58-101)</p>		Monitoring compliance with Code	CNA does not yet have a Code of Conduct.	<p>× Does Not Comply</p> <p>The Board needs to develop a mechanism for monitoring compliance with the Code of Conduct once it is developed.</p>
		Monitoring legal and regulatory compliance	Board maintains oversight with monitoring done through committees.	✓ Complies
		Policy compliance: monitoring compliance with all board-level policies (may be delegated to committees)	Delegated to committees with reporting to the Board.	✓ Complies

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
<p>Legal and Regulatory Compliance:</p> <p>Receive reports (Audit & Finance Committee receives and reviews updates from management and legal counsel on compliance matters and litigation claims or other contingencies; Governance & Nominating Committee monitors compliance with governance related issues; HR & Compensation Committee reviews compliance with HR related issues; Management ensures compliance)</p>		Disclosures on compliance including with Code	n/a	
Tool 10: Resource Control: Financial Reporting – How Are We Doing Compared to Budget?				
<p>Financial oversight: Audit Committee:</p> <p>Members: Audit Committees must be composed of a minimum of three members, who</p> <ul style="list-style-type: none"> • must be directors. • must be independent. • must be financially literate (or become so in a reasonable period of time) (= the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues comparable to issues raised by the corporation's financial statements). (52-110; SEC; NYSE) <p>Audit Committees must:</p> <p>(1) have a written charter that sets out its mandate and responsibilities.</p> <p>(2) recommend to the board of directors:</p> <p>(a) the external auditor; and</p> <p>(b) the compensation of the external auditor.</p>		Audit (or Audit & Finance) Committee Charter	CNA has a Finance Committee which has a comprehensive Charter which includes Audit.	✓ Complies
		Interim (quarterly?) Financial Statements	Provided.	✓ Complies
		Selection of External Auditor and setting scope of Audit	Responsibility of the Finance Committee to recommend selection of the external audit and scope of the audit.	✓ Complies
		External Audit plans: management of issues and develop review plans	Responsibility of the Finance Committee.	✓ Complies
		Accounting principles, policies, practices, estimates and judgments, IFRS, GAAP	Part of the Finance Committee's duties and responsibilities.	✓ Complies

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
<p>(3) be directly responsible for overseeing the work of the external auditor, including the resolution of disagreements between management and the auditor.</p> <p>(4) pre-approve all non-audit services to be provided by the corporation's external auditor.</p> <p>(5) review the corporation's financial statements, MD&A and annual and interim earnings press releases before public disclosure.</p> <p>(6) be satisfied that adequate procedures are in place for the review of extracted or derived public disclosures of financial information.</p> <p>(7) establish procedures for:</p> <p>(a) the receipt, retention and treatment of relevant complaints; and</p> <p>(b) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.</p> <p>(8) review and approve hiring policies re: partners and employees of the auditors. ["Cooling off " period in hiring employees from Auditor's firm (e.g. 3 years: SOX)].</p> <p>(9) have the authority</p> <p>(a) to engage independent counsel and other advisors,</p> <p>(b) to set and pay their compensation and</p> <p>(c) to communicate directly with the internal and external Auditors.</p> <p>(52-110)</p> <p>Audit Committee should review and approve all related party transactions (Nasdaq); and;</p>		External audit reports, findings, management responses, follow-up	Responsibility of the Finance Committee.	✓ Complies
		External audit effectiveness and independence – rotation policy?	Not seen.	<p>× Does Not Comply</p> <p>Recommend that CNA develops an external auditor policy...rotation, etc. if one is not already in place.</p>
		Approval of non-audit services	Not seen.	<p>× Does Not Comply</p> <p>Note: some of the audit, risk and control related procedures are less urgent and can be implemented as resource capacity is in place over time.</p> <p>Recommend that CNA builds into the Finance Committee's terms of reference the review and approval of material non-audit services by the auditing firm.</p>
		Setting role/function for Internal Audit	CNA does not have an internal audit role/function but the Finance Committee has a responsibility to review the quality of internal accounting controls and make recommendations to	<p>✓ Complies</p> <p>The Finance Committee should satisfy itself that there are adequate internal controls in place, and audits or tests of their effectiveness. The Finance Committee should at least, on an</p>

How? Best Practice Guidelines and The Role of the Board	Sector Specific Best Practices	What Needs to be Done?	Current Practice – Governance policies or practices seen at CNA (What we saw)	Comments and Suggestions (Our Assessment)
<p>Review changes in accounting policies and discuss quality and acceptability of accounting practices with auditor.</p> <p>Board approves (Audit & Finance Committee reviews and recommends) financial statements and MD&A; management prepares (51-102)</p> <p>Internal Audit:</p> <p>Audit Committee:</p> <p>Review and approve Internal Audit charter/mandate, scope, capacity and resources, independence</p> <p>Review and follow-up findings and recommendations of Internal Auditor, including on adequacy of risk management and control frameworks and systems</p> <p>Executive (in camera) sessions with each of internal and external auditor, CFO, and if in place, CRO and CCO.</p>			the executive committee and board.	annual basis, have a dialogue with the CFO and the external auditor about the adequacy of internal audit plans and whether it makes sense to outsource, insource or expand the external auditor’s scope to cover off required internal audit functions.
		Internal Audit plans: management of issues and develop review plans	n/a	
		Internal Audit resources, capacity, independence	n/a	
		Internal Audit reports, findings and management responses, follow-up	n/a	
		Assess Internal Audit Performance	n/a	
		Integrity Assurance (“Whistleblower”) Policy / Protocol	CNA has a short section in the Employee Handbook on whistleblowing.	<p>✓ Partially Complies</p> <p>Recommend that CNA develop a comprehensive Integrity Assurance (“Whistleblower”) Policy/Protocol.</p>



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