

ENGINEERS CANADA

**GOVERNANCE COMMITTEE WORKSHOP
MAY 6 AND 7, 2017**

**REVIEW AND UPDATES TO
THE ENGINEERS CANADA GOVERNANCE MODEL**

WORKSHOP FINDINGS

TABLE OF CONTENTS

<u>EXECUTIVE SUMMARY</u>	1
<u>GUIDING PRINCIPLE OF THE WORKSHOP</u>	2
<u>A FUTURE DIRECTION FOR GOVERNANCE</u>	2
GUIDANCE	2
<u>CHANGES IN TERMINOLOGY</u>	3
<u>I - GOVERNANCE UPDATE - IN COLLABORATION WITH REGULATORS</u>	4
RECOMMENDATION 1: GUIDING PRINCIPLES	4
RECOMMENDATION 2: PERFORMANCE ASSESSMENT AND BOARD OBLIGATION TO COMMITTEES	4
RECOMMENDATION 3: JOINT PLANNING AND DIRECTION SETTING PROCESS	5
RECOMMENDATION 4: STRUCTURE AND EFFECTIVENESS OF THE BOARD	5
<u>STAKEHOLDER ENGAGEMENT PROCESS WITH THE REGULATORS</u>	6
<u>II - GOVERNANCE UPDATE – DIRECTLY BY THE BOARD AND CEO</u>	7
RECOMMENDATION 5: TEMPLATED BRIEFING NOTES TO SUPPORT PROPOSED MOTIONS	7
RECOMMENDATION 6: OVERSIGHT OF THE GOVERNANCE UPDATE	8
RECOMMENDATION 7: COMPLETE EDIT OF THE BOARD MANUAL	8
RECOMMENDATION 8: ASSESSMENT OF CEO	9
RECOMMENDATION 9: FREQUENCY AND GRANULARITY OF REPORTING BY CEO	9
RECOMMENDATION 10: BOARD INTERACTION WITH STAFF	9
<u>ACTION PLAN</u>	10
PHASE 1 - JUNE 2017 – FEBRUARY 2018	11
PHASE 2 - FEBRUARY 2018 – FEBRUARY 2019	11
PHASE 3 - FEBRUARY 2019 – SEPTEMBER 2019	12
<u>ANTICIPATED CHALLENGES AND RESPONSE</u>	13

EXECUTIVE SUMMARY

The Engineers Canada Board directed the Governance Committee to conduct a review of the Board Governance model in light of significant dissatisfaction with the “Carver” model and possibly other aspects of the Board’s approach to governance.

The Governance Committee conducted a two-step review of Board Governance:

1. Comments on Board governance were solicited and reviewed by all members of the Committee.
2. A two-day workshop was conducted with all members of the Committee as well as the Engineers Canada CEO and the VP Governance in attendance.

As a result of their deliberations, the Governance Committee recognized the value of a policy governance approach and in that regard, did not seek to change what is working. However, the committee also identified discrete areas for improvement within the Board’s current governance model. This report outlines a series of ten recommendations intended to improve the effectiveness of the Board and restore the confidence of the Regulators.

The recommendations fall into two categories. Foundational matters (Recommendations 1 to 4) that should be refined in consultation with the Regulators before moving forward and matters that are more administrative in nature (Recommendations 5 to 10) that can be acted upon forthwith.

To allow sufficient time for consultation and implementation a three-phase approach is outlined that would provide an appropriate sequencing of work given the interdependence of some issues.

- Phase 1 – Consult with Regulators on *Guiding Principles* and *Performance Assessment*, and complete all administrative updates.
- Phase 2 – Develop and Implement a *Joint Planning and Direction Setting* process that sets direction for the CEO’s 2019 Operational Plan.
- Phase 3 – Implement updates that deal with the *Structure and Efficiency of the Board*.

Subject to more detailed planning it is anticipated that all proposed updates to the governance matter could be complete by September 2019.

GUIDING PRINCIPLE OF THE WORKSHOP

At the outset, the Governance Committee acknowledged that the role of the Board was to:

- ❑ Govern by setting direction; *and*
- ❑ Not to manage or direct operations.

While this is so, it is also true that the Directors must be provided with sufficient information to be assured that the direction they set is being achieved.

A FUTURE DIRECTION FOR GOVERNANCE

At the outset, the Governance Committee was very aware that this review must result in not only tangible changes to the governance model itself but – with equal importance – a strengthening of the commitment to accountability by the Board (collectively) and its Directors (individually), and to how the Board collaborates with Regulators and other key stakeholders.

Guidance

The Committee proposes:

- ❑ **The end of Carver.** The word "Carver" should never be spoken again, nor will the words "ends" or "linkages". Directors will not see "Monitoring reports" but rather performance assessments will be adopted in a more meaningful and useful form.
- ❑ **Policy Making.** The Board remains primarily a policy-making shop.
- ❑ **Key Roles.** There are foundational differences between the role of the President and Board (one of oversight and guidance) and the role of the Chief Executive Officer and staff (one of delivery). The intention is to clearly encode these roles into the revised governance framework.
- ❑ **Terminology.** The governance framework is being redesigned in common-sense terms that engineers, and regulators, understand.
- ❑ **Custom fit.** We are redefining the system to work for us. We are not letting it define us; we are redefining it. This will be an Engineers Canada governance model, not the adoption of something else.
- ❑ **Collaboration with the Regulators.** The Board is responsible to the Regulators - that is, the regulatory community across Canada. To this end, we will undertake to update the governance model with regulators, not without them. By proceeding in this way, it is hoped that critical governance updates will be aligned with and fully supported by the Regulators.
- ❑ **Iterative consultation and development.** This report includes recommendations that are directional but not conclusive in nature. A draft plan has been laid out to illustrate the timeline required to clarify scope and to demonstrate appropriate consultation with regulators, and if appropriate, other key stakeholders.
- ❑ **Early Benefit.** We have designed consultation and development timelines that show both quick wins and ongoing useful progress. Subject to more detailed planning, a goal of

conclusion by Fall 2019 appears to be reasonable. By then we hope to have tested the success of the changes and evaluated the overall performance of this initiative.

- **Commitment of the Regulators.** To achieve the many milestones between now and the completion of this initiative, engagement from the regulators is essential. We do not believe it to be onerous, but it will need to be consistent and timely.
- **Parallel activities.** The Board is directly responsible for the activities of the Engineers Canada CEO and staff. Therefore, a parallel set of improvements is anticipated which the Board can action directly with the CEO while engaging the Regulators in the development of governance changes that must benefit from their collaboration.
- **Accountability and Performance Assessment.** The Board, all its' committees, Directors and the Engineers Canada CEO must demonstrate that their mandate is being fulfilled by providing performance assessments to the Board. The Board delegates responsibility but retains accountability and must govern accordingly by verifying and insisting upon performance.

CHANGES IN TERMINOLOGY

The Governance Committee proposes the following changes in terminology be implemented forthwith:

Suspend	Adopt
Owners	Regulators
Ends	Goals
Means	Processes
Policy Manual	Board Manual
Linkages	Stakeholder Engagement
Big Picture Thinking	<i>Not required -See Recommendation 3 on Joint Planning</i>

I - GOVERNANCE UPDATE - IN COLLABORATION WITH REGULATORS

The Governance Committee determined four areas for improvement to be refined during the June 2017 Board Retreat and then developed further in collaboration with the Regulators. The areas of improvement are tentatively grouped into three phases as some may serve as prerequisites that inform – at least in part – the others. The phases should be done sequentially and should include an appropriate consultation process with the Regulators in each phase.



Phase 1

Recommendation 1: Guiding Principles

The Board and the Regulators should have the opportunity to discuss and agree upon a set of guiding principles intended to inform future decisions on the intent of governance and processes by which the Board governs. This discussion should reflect on:

- Agreement on a Common Purpose
- Agreement of roles within the governance framework
- How to maintain consistency of direction given the cycle of appointments
- Ensuring transparency and accountability at all levels of governance

Recommendation 2: Performance Assessment and Board Obligation to Committees

The Board may delegate responsibility as appropriate but it must be accountable as a governing body. Therefore, it should have accurate and timely assessments to measure performance and respond accordingly. These performance assessments may include, but upon further reflection may not be limited to:

- Relationship with Regulators
- The effectiveness of the Board itself
- The effectiveness of Board committees
- CEO Performance

Phase 2

Recommendation 3: Joint Planning and Direction Setting Process

The Board should adopt a Joint Planning and Direction Setting process that:

- ❑ Considers trends and challenges while providing a multi-year outlook of the chosen direction for Engineers Canada
- ❑ Integrates consultation with the Regulators
- ❑ Maintains consistency of direction while still adapting – when necessary - to notable change in the regulatory environment.
- ❑ Annually provides clear and timely direction to the CEO so that operational and financial planning may occur in a timely fashion

Phase 3

Recommendation 4: Structure and Effectiveness of the Board

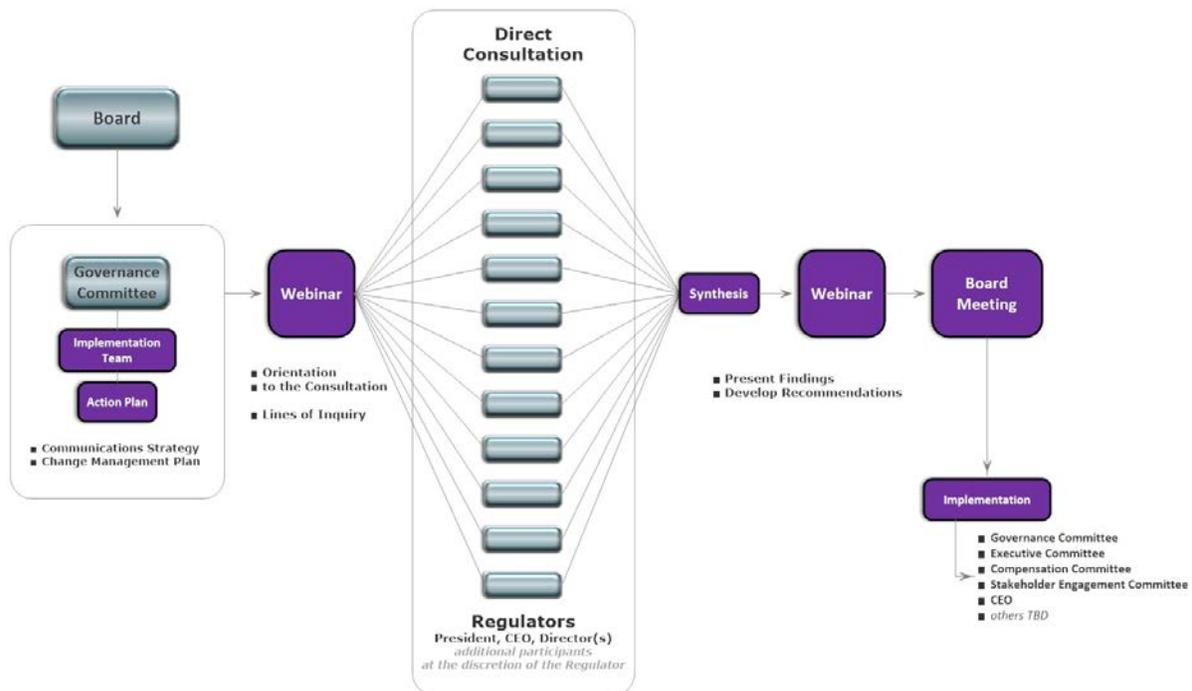
Once informed by the outcomes of recommendations 1, 2 and 3 the Board should consider structural and any additional process changes that may be required to address the current concerns with the governance model. The matters to be resolved include, but may not be limited to:

- ❑ **Size of the Board.** It is felt that the Board may be too large to govern effectively; however, a solution must be found that maintains appropriate representation of all the Regulators.
- ❑ **Meeting Format and Frequency.** The Board should explore the merits and efficiency of a number of options including:
 - Frequency of face-to-face meetings
 - Online meetings, including the use of online collaboration tools and processes.
 - Optimal format and agenda of the Board Retreat
 - Joint planning “meetings” with Regulators using appropriate processes and/or tools
 - In-camera meetings/meeting segments to allow for in-depth discussions.
 - Format of committee meetings.

STAKEHOLDER ENGAGEMENT PROCESS WITH THE REGULATORS

Given the complexities and interlinkages involved in the four activity areas listed above, the CEO of Engineers Canada will be tasked with sourcing (internally or externally) appropriate resources to support the proposed three phases of engagement with the Regulators and all tasks necessary to successfully implement an updated policy governance framework.

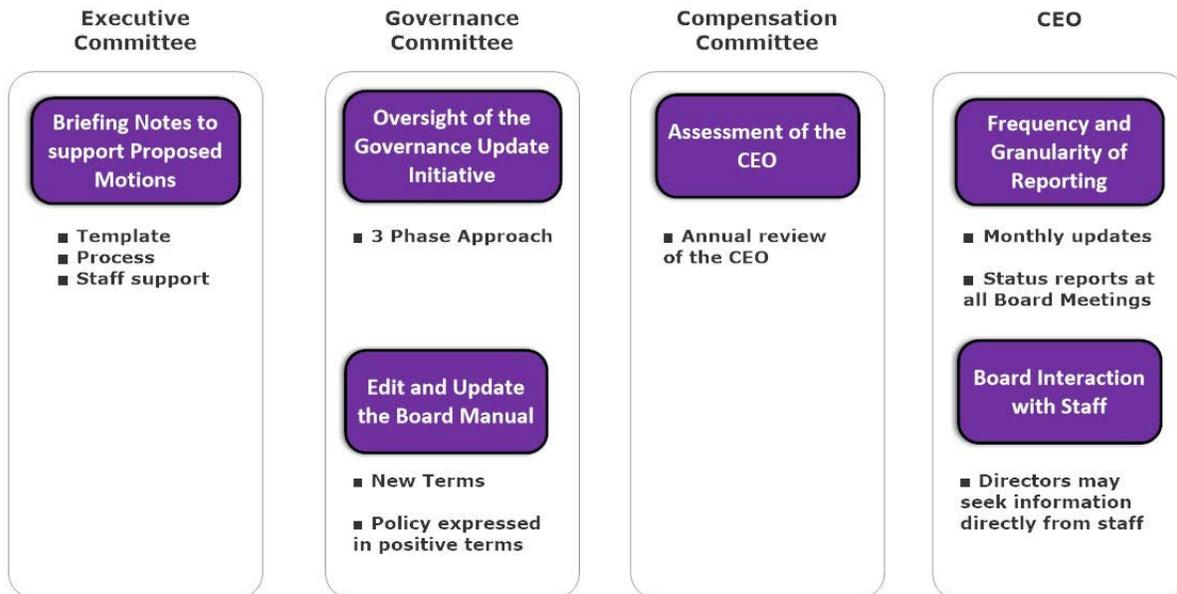
The stakeholder engagement process illustrated below is recommended to engage the Regulators in a meaningful way that deals with all the issues and avoids needing to revisit any governance matters that might otherwise be missed.



In addition to informing key updates to the Engineers Canada governance model the process of stakeholder engagement with the Regulators will be monitored by the Board's Stakeholder Engagement committee and may inform – based on what proves to work well – the future approach to consultations and engagement.

II - GOVERNANCE UPDATE – DIRECTLY BY THE BOARD AND CEO

To be actioned by:



The Governance Committee determined six areas for improvement that may be undertaken directly by Board committees or the Engineers Canada CEO. Work on all of these areas may begin forthwith and can be completed in Phase 1. These include:

Executive Committee

- Templated briefing notes to support proposed motions

Governance Committee

- Oversight of the Governance Update Initiative
- Complete edit of the Board Manual (Policy Governance Manual)

Compensation Committee

- Assessment of the CEO

CEO

- Frequency and granularity of reporting by CEO
- Board Interaction with Staff

Recommendation 5: Templated Briefing Notes to Support Proposed Motions

The Board should commence using templated briefing notes for all motions being brought before the Board. These briefing notes will help to ensure that sufficient investigation, analysis and context is provided in support of the motion. This will provide consistent communications and greater clarity for Directors as they consider any given motion.

The Executive Committee should develop this template by proposing a format that provides:

- Concise but sufficient detail (word limit)

- Mandatory information requirements including:
 - Title
 - Purpose/Objective of the Motion (What is being addressed?)
 - Person requesting the motion
 - Other supporters
 - Situation that is resolved or improved by the motion (Why is it needed?)
 - Benefits that will accrue should the motion be passed. As appropriate to:
 - The profession
 - The Regulators
 - The Canadian Public
 - The Board and Directors
 - Engineers Canada CEO and staff
 - Address the resource implications of the motion
 - Financial
 - HR
 - Technology
- Relevant additional information that may facilitate next steps should the motion be passed:
 - RACI elements - who is to be accountable, responsible, consulted and informed
 - Links to supporting documents

Engineers Canada staff will provide secretariat support to Directors who require assistance completing a briefing note in support of a proposed motion.

Recommendation 6: Oversight of the Governance Update

To ensure continuity during this governance update initiative, the current Governance Committee should be reappointed for an additional year. In addition, it is recommended that one additional member be appointed to the committee again to facilitate continuity and share in the work. This is a project in early flight. It would have substantial impact if the team were to be changed up and therefore unable to maintain focus this early in the process.

Recommendation 7: Complete edit of the Board Manual

The Governance Committee will provide oversight and recommend for approval a complete edit of the Board Manual (formerly Board Policy Manual). The goal for completion of this effort is September 2017.

The CEO will assign staff to undertake edit the Board Manual to:

- Remove all references to Carver (including diagrams) and replace unique Carver terms with more generally accepted vocabulary (*see Table page 3*);
- Express all policy in positive terms, not negative terms;

The Governance Committee will review the initial draft edits as provided by Engineers Canada.

Recommendation 8: Assessment of CEO

The Compensation Committee should undertake the redesign of the process and means used to assess the Engineers Canada CEO. This should include:

- ❑ **Competency Profile.** Professional development of a competency profile and job description for the CEO. The competencies required of the CEO may include but are not limited to:
 - Demonstrated effectiveness at reporting
 - Ability to sustain positive relationships with all relevant stakeholders
 - Activity in support of the wellbeing of staff and volunteers
 - Demonstration of leadership and management of the organization.
- ❑ **Annual Assessment.** A formal assessment of the CEO must be conducted annually and should include a reasonable 360-degree review. This assessment should be overseen by a professional HR agency to ensure compliance with industry standards for executive assessments. The CEO should be evaluated as to their personal effectiveness as a leader, and not only in regard to the tasks that the CEO has or has not completed.

Recommendation 9: Frequency and Granularity of Reporting by CEO

Monthly Update. The CEO will write monthly information updates to the Board, beginning in June 2017. These updates will reflect current status and forecast activities. These updates will be informational in nature, and be written in a format that provides an open, transparent and clear view of the activities and accomplishments of Engineers Canada in the previous month. It will be distributed both by email and on the members' only web site, so that it can be viewed in comparison to previous months' reports.

The monthly update will not contain financials. Financial information will be included in the CEO's update to the Board.

CEO's update to the Board. The CEO will provide status reports on work to date at every formal Board meeting. The Governance Committee will work with the CEO to define the level of granularity and specific elements of information to be included in these performance reports. These reports will include financials, the status of ongoing operations and updates on new initiatives or projects. The CEO will provide supporting evidence for all activities in status reports. Directors will regularly audit evidence. (*see also Recommendation 10, Board Interaction with Staff, below*).

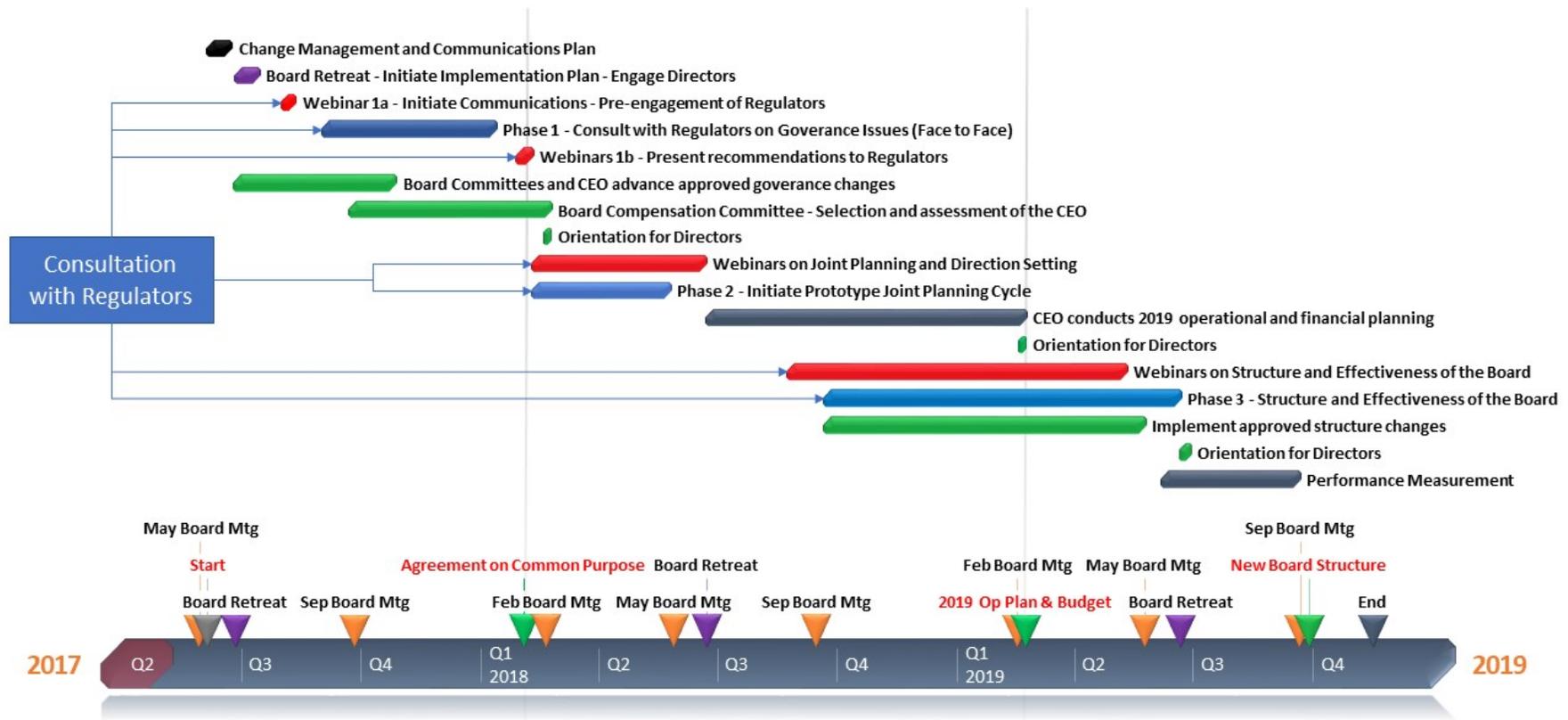
Recommendation 10: Board Interaction with Staff

Directors should be able to ask questions and generally request information from the staff in the performance of their duties as a Director. Nonetheless, it is appropriate for Directors to seek the concurrence of the CEO before engaging staff. Staff will be informed that the need for Directors to confirm information is a necessary and regular activity in a healthy system of governance. However:

- ❑ Directors must not give direction to staff. Should this situation arise, staff will be trained to seek the council of the CEO or their supervisor.
- ❑ Directors must not criticize or assess the performance of staff. If necessary a Director may discuss such matters with the CEO.

ACTION PLAN

To illustrate a potential timeline of activities, the current schedule of formal board meetings and retreats was used to suggest progress milestones. The use of these events as milestones could change if detailed planning reveals a more opportune structure. The diagram below and the following notes are estimates and intended only to inform scope. More detailed planning is required.



Phase 1 - June 2017 – February 2018

May 2017 Board Meeting and AGM

- ❑ Review of the Governance Committee Report
- ❑ Begin implementation of the Governance Update initiative (as approved)
- ❑ Adoption of Recommendations 6 – *Oversight of the Governance Update*.

June 2017 Board Retreat

- ❑ Board review of the “*Guiding Principles*” and “*Performance Assessment*” updates for Engineers Canada Board Governance
- ❑ Board review of the Stakeholder Engagement process to consult with Regulators on the Governance Update
- ❑ Post June. Begin Phase 1 consultation with Regulators

September 2017 Board Meeting

- ❑ Update on progress of the Phase 1 Consultation Process with Regulators
- ❑ Review and potential adoption of Recommendation 7 the updated *Board Manual*
- ❑ Executive Committee implementation of Recommendation 5 –*Briefing Notes to support proposed motions*
- ❑ CEO’s report on implementation of Recommendations 9 (*Frequency and Granularity of Reporting*) and 10 (*Board Interaction with Staff*)

February 2018 Board Meeting

- ❑ Report and potential adoption the outcomes of the Phase 1 Consultation Process
- ❑ Compensation Committee report on the implementation of Recommendation 8 – *Assessment of the CEO*
- ❑ Begin Phase 2 consultation with the Regulators. Initiate Joint Planning for new Board Multi-Year Strategic Plan and input into the Engineers Canada 2019 Operational Plan

Note: A 3-month timeframe to prototype and trial a joint planning process is aggressive but may be achievable if preliminary work is completed during Phase 1. Otherwise an additional 12 months will be required to integrate with the next financial planning cycle.

Phase 2 - February 2018 – February 2019

May 2018 Board Meeting and AGM

- ❑ Review draft Board Multi-Year Strategic Plan (2019-2021) that includes the results of Phase 2 consultations with the Regulators.

June 2018 Board Retreat

- ❑ Board conducts Foresight exercise to inform future Strategic Plans
- ❑ Refine draft Board Multi-Year Strategic Plan and provide direction to CEO for 2019

September 2018 Board Meeting

- ❑ Engineers Canada CEO initiates operational and fiscal planning for 2019
- ❑ Initiate consultations with Regulators on recommendations for the future *Structure and Effectiveness of the Board*

Phase 3 - February 2019 – September 2019

February 2019 Board Meeting

- ❑ Engineers Canada CEO presents 2019 Operational Plan and Budget based on new direction setting process
- ❑ Begin Phase 3 consultation with the Regulators. Initiate development of recommendations on future structure of the Board and associated recommendations.

May 2019 Board Meeting and AGM

- ❑ Implement recommendations as appropriate.

June 2019 Board Retreat

- ❑ Board reviews trends and challenges that may influence the current Strategic Plan
- ❑ Board confirms direction for 2020

September 2019 Board Meeting

- ❑ Report on the Evaluation of the Governance Update initiative
- ❑ Engineers Canada CEO reports on effectiveness of the updated planning process and initiates operational and fiscal planning for 2020

ANTICIPATED CHALLENGES AND RESPONSE

Foreseen Challenge	Provisions to address the challenge
Engagement. Commitment to follow through	A top-quality change management plan will provide the tools necessary to optimize the engagement of the Regulators and key stakeholders.
Achievable Plan	The action plan is divided in three phases over 32 months to provide sufficient time for planning, consultation, and implementation.
The need for a “Common Understanding” by all key stakeholders	Phase 1 of the Action Plan is focused heavily on a proactive, face-to-face engagement with the Regulators and Directors to allow due process for a common understanding to emerge.
“Keeping the Lights on.” Need to make changes while also continuing with current operations.	<p>The action plan is phased and key activities are distributed among various Board committees to balance the workload.</p> <p>The CEO will investigate the use of supplemental, external resources so that this initiative can move forward without restricting day-to-day operations.</p>
Change Fatigue	Once again, a comprehensive change management plan will provide the pace and clarity that stakeholders require to support this initiative.
Stakeholder Availability	The Communications Strategy will include the development of supporting information describing the value of moving forward and a “Compelling Invitation” that encourages stakeholder to make time available so that the much-needed benefits can be achieved.
Turnover. Consistency of participants.	Both the project and change management plans will include supplementary, focused effort to ensure that viewpoints are documented and any new, about-to-be-appointed individuals are proactively included in consultations and deliberations.