

May 2006

SL-811/a-06



BACKGROUND



Relevant and Effective: The CATSA Board of Directors



Canadian Air Transport
Security Authority

Administration canadienne
de la sûreté du transport aérien

Canada 

As a Crown corporation, CATSA reports to Parliament, through the Minister of Transport. CATSA is governed by an effective and dedicated Board of Directors. The Board brings valuable business and aviation industry experience and perspective to the interpretation and execution of CATSA's critical mandate.

1.0 BOARD STRUCTURE AND COMPOSITION

Pursuant to the *CATSA Act*, CATSA's Board of Directors comprises 11 directors, including the Chairperson. Appointments are made by the Governor in Council, on the recommendation of the Minister of Transport. Two of CATSA's directors must be nominees proposed by airport operators and two must be nominees proposed by the airline industry. Directors may hold a maximum of two terms of up to five years each.

As of January, 2006, the CATSA Board has nine members (and two vacancies):

1. Mr. Maurice Baril – Chair
2. Mr. Steve Baker (Canadian Airports Council nominee)
3. Mr. Ron Clark (Air Transport Association of Canada nominee)
4. Ms. Josée Goulet
5. Mr. Clément Joly
6. Ms. Mary Martin
7. Mr. Ron Patmore (Air Transport Association of Canada nominee)
8. Ms. Lecia Stewart
9. Mr. Anil Wirasekara

Short biographies of these Board members are provided in Appendix A.

2.0 CORE ATTRIBUTES, COMPETENCIES AND EXPERIENCE

Pursuant to the *CATSA Act*, members of CATSA's Board of Directors must be Canadian citizens or permanent residents; cannot be members of the Senate, the House of Commons or a legislature; cannot be full time public servants of Canada or a province; and cannot be mayors, councillors, officers or employees of a municipality.

In 2004, the Corporate Governance and Nominating Committee of the Board developed a competency matrix, which defines the required qualities and expertise, and enables the Board to determine whether there are gaps to be filled, when providing advice to the Minister on appointments. This matrix is provided as Appendix B. The bar is set high as a high calibre and accountable Board is required to ensure effective stewardship of CATSA.

Members of CATSA's Board of Directors must demonstrate a number of key qualities relating to leadership, knowledge and experience.

In addition, directors must comply with the CATSA Board of Directors' Conflict of Interest Code. This rigorous code reflects current governance standards and practices.

3.0 RESPONSIBILITIES

Empowered by the *CATSA Act* and governed by Part X of the *Financial Administration Act*, the Board has responsibility for the overall stewardship of the Authority.

CATSA's Board has a duty to protect the long-term interests of the corporation, safeguard its assets and practice due diligence in its decision-making.

The Board's key functions and responsibilities are described below.



Members of CATSA's Board of Directors must demonstrate a number of qualities relating to leadership, knowledge and experience.

3.1 Strategic Direction and Public Policy

Consistent with Boards of Directors in the private and public sectors, CATSA's Board interprets the corporate mandate and sets CATSA's strategic direction. In addition, it reviews the Authority's policy mandate and continuing relevance in light of changing circumstances, and ensures that the Authority communicates effectively with Government, other stakeholders and the public. Moreover, given its responsibility for a federal Crown Corporation, CATSA's Board must also receive and implement policy directives from the Minister, and ensure full and fair reporting of the stewardship to stakeholders on a timely basis. The Board conducts an annual strategy session to review CATSA's mandate and played an instrumental role in defining the CATSA's four strategic priorities. In December 2005, the Board created a *Strategy Committee* which considers the effectiveness and relevance of CATSA in the changing security and transportation environments, and which is actively monitoring the five-year review of the *CATSA Act*.

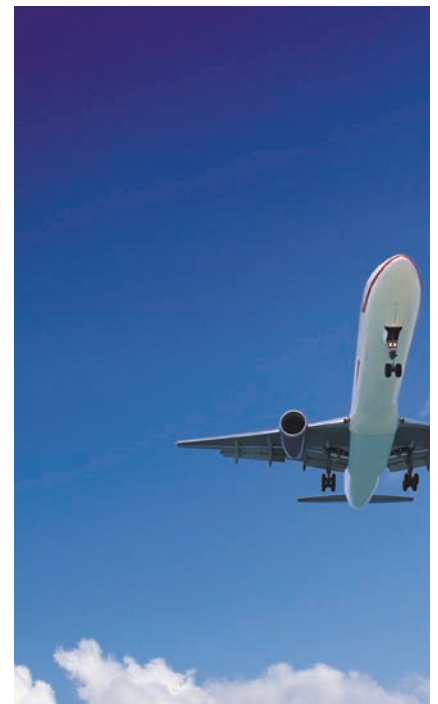
3.2 Financial Oversight

CATSA's Board ensures diligent financial management of the Authority by:

- ensuring that the corporation has adequate resources and is efficient in its operations
- reviewing and approving financial statements
- approving audit plans and receiving internal audit reports
- receiving and reviewing the annual Auditor's Report

3.3 Corporate Oversight

Unlike many Crown corporations, the CATSA Board appoints the President and CEO. In addition, the CEO is not the Chair, nor even a member of the Board. This practice increases the independence of the Board and enables true oversight and accountability to government.



Corporate oversight responsibilities include:

- appoint the President and CEO and periodically evaluate the President and CEO position and his/her performance and recommend performance pay
- develop an effective working relationship with management
- provide advice and support for the CEO, without interfering in day-to-day management of the Authority
- approve the Corporate Plan and Capital and Operating Budget submissions to Minister
- approve and submit Annual Report to Minister
- ensure that mechanisms are in place to identify corporate risks, specify the priority risks and to create and update risk management plans
- oversee management and corporate performance
- review and approve corporate-wide policies, such as codes of ethics and contracting
- approve benefits other than remuneration
- make the critical strategic decisions that contribute to organizational effectiveness

Because it is not involved in the day-to-day operations and administration of the Authority, the Board brings an essential fresh perspective to the Authority's deliberations and activities. Providing advice and support to the CEO, without interfering in day-to-day management of the Authority, the Board makes the critical strategic decisions that contribute to organizational effectiveness. More specifically, this means that the Board approves the Corporate Plan and Capital and Operating Budget ; approves and submits CATSA's Annual Report to



CATSA's Board has a duty to protect the long-term interests of the corporation, safeguard its assets and practice due diligence in its decision-making.

the Minister; ensures that mechanisms are in place to identify corporate risks; oversees management and corporate performance; and reviews and approves corporate-wide policies, such as codes of ethics and contracting. The Board appoints the CEO, periodically evaluates the CEO's position and performance, and recommends performance pay and other remuneration as appropriate.

The Board includes an Audit Committee composed of financially literate directors.

3.4 Governance

Responsible for the Authority's approach to governance issues, the CATSA Board has demonstrated solid commitment to establishing good governance practices. The Board adopts by-laws and policies governing its duties and the conduct of the activities of the Authority. The CATSA Board is responsible for implementing board evaluation, member orientation and education programs and making recommendations to the Minister on Board appointments and compensation. The majority of Board members have participated in the Corporate Governance training for Directors of Crown Corporations sponsored by PCO and several have taken the McGill University Directors Education Program to maximize their effectiveness and value to the Authority.

3.5 The Chair's Responsibilities

The role of Chair is outlined in a profile developed by the Corporate Governance and Nominations Committee and approved by the Government for appointment purposes. The Chair provides leadership and direction to the Board and undertakes the following responsibilities:

- serve as the principal link between CATSA and its "shareholder", the Minister of Transport, plus other senior government officials;
- serve as the leader of the Board;
- arrange the agenda, preside at Board meetings and approve Board minutes;
- respect the authority delegated by the Board to the President and CEO to run the Corporation on a daily basis;

- provide advice and support to the President and CEO;
- ensure that the Board has access to adequate, relevant and timely analysis to support informed decision-making;
- encourage and support the development and contribution of individual Board members and the operation of the Board as a collegial body;
- ensure that the Board and its committees function effectively and that it regularly evaluates and improves its performance; and
- act as the co-spokesperson for the Authority, sharing this responsibility with the President and CEO, in accordance with the corporate communication strategy established by the President and CEO.

CATSA has been extremely fortunate to have been led to date by two Chairs of eminent stature and exceptional experience. Under the leadership of Brian Flemming CATSA sailed through the start-up phase. He galvanized a diverse collection of experts into a strong, functional and motivated Board of Directors. General Maurice Baril's confident leadership and expansive security experience guides CATSA as it evolves into a security authority and takes on the critical mandate it has been assigned.

4.0 BOARD COMMITTEES

To execute these responsibilities, the Board currently has four standing committees: an Audit Committee; a Human Resources Committee, a Corporate Governance and Nominations Committee, and a Strategy Committee. The Board establishes ad hoc committees from time to time to manage issues of short duration that do not fall into the purview of any of the standing committees.

The Board includes an effective and rigorous Audit Committee composed of committed and financially literate directors.

4.1 Audit Committee

The Board includes an *Audit Committee* composed of financially literate directors.

The Audit Committee meets regularly to provide ongoing rigorous financial oversight of the Corporation. Specifically, it conducts timely reviews of CATSA's quarterly financial statements and variance reports, the expenses of the Board of Directors and the year end Financial Statements for recommendation to the Board. The Committee reviewed and recommended to the Board a comprehensive Risk Management Framework and a Corporate Risk Profile, which the Committee reviews annually. Internal audit plans and reports were reviewed and regular communication with, and guidance to, the internal auditor are maintained. The Committee receives reports and guidance from CATSA's external auditor, the Auditor General of Canada (OAG), whose officials attend every Committee meeting. In addition to its quarterly review of financial results, this committee is currently monitoring CATSA's involvement in the Auditor General's special examination, including the development of the audit criteria and the review of the draft report. In conjunction with the Governance Committee, the Audit Committee provided direction on Board expenses and clarity on claiming per diems. Several Committee members attended a course on financial literacy for directors; moreover, the incumbent and past Audit Committee chairs have financial designations. Currently five Board members sit on this dedicated Committee, with the Chair of the Board as *ex officio* Committee member.

4.2 Human Resources Committee

The Human Resources Committee was instrumental in guiding CATSA through the setting up of the organization. The Committee reviewed and provided guidance on CATSA's pension plan and the Pension Transfer Agreement with the Public Service as well as two corporate reorganizations and several key staffing issues. The Committee monitors employment equity



compliance and provides oversight and direction on Occupational Health and Safety. Various Human Resources initiatives, including an employee recognition program and HR policies, were reviewed for recommendation to the Board. The Committee began to work with management on a long-term labour strategy and headquarters' staffing levels. Since 2004, the Committee has been working with senior management on the development of a comprehensive Succession Plan, including the assessment of key management. Currently four Board members sit on this productive Committee; the Chair of the Board is an *ex officio* member of the Committee.

4.3 Corporate Governance and Nominations Committee

In just two short years, the Corporate Governance and Nominations Committee has worked diligently to ensure that CATSA and the Board employ good governance practices. The Committee developed Roles and Responsibilities documents to better delineate the roles of the Board of Directors, the Chair, the President and CEO and the Corporate Secretary and to solidify Board-Management relations. Faced with two vacancies and a Chair transition and in order to comply with proposed new appointment procedures, the Committee set out to establish and conduct an open, fair and transparent recruitment process. The Committee assessed the Board competencies and prepared a gap analysis. Profiles of the Board of Directors, the Chair position and Directors were prepared and approved by the Minister of Transport and the Privy Council Office. The Committee worked closely with an executive search firm to attract, interview and select appropriate candidates to recommend to the Board and subsequently to the Minister of Transport. The Committee also held preliminary discussions on Board and Directors' evaluations with a view to beginning a comprehensive evaluation and assessment process in 2006. Currently four Board members sit on this busy Committee; the Chair of the Board is an *ex officio* member of the Committee.



4.4 Strategy Committee

The newest of the Board committees was struck in December, 2005. It is responsible for overseeing CATSA's participation in the five-year review and

reporting to the Board; considering management proposals and providing advice to the Board on CATSA's future directions and mandate; and keeping abreast of new and emerging threats, as well as trends, technologies and techniques within aviation security that might have an impact on the Authority's operations. Currently four Board members sit on this new Committee; the Chair of the Board is an *ex officio* member of the Strategy Committee.

5.0 KEY ACCOMPLISHMENTS

One of the Board's first tasks was to appoint the President and CEO, Jacques Duchesneau. It then endorsed the Authority's Mission and Vision Statements and set the corporate strategy.

Within a relatively short, four-year time span, through the diligent efforts of its Committees, the Board has also implemented modern governance practices and activities that many other organizations are only now introducing, and has taken strategic actions that have successfully led the Authority through the start-up phase.

Some key accomplishments include the following:

5.1 Strategic Direction and Public Policy

- reviewing the corporate mandate and setting out strategic direction for CATSA
- working with management on a framework for performance measures and objectives
- meeting with Minister to discuss priorities
- adopted a unique logo identifier for the new Authority

Within a relatively short, three-year time span, through the diligent efforts of its Committees, the Board has also implemented modern governance practices and activities that many other organizations are only now introducing, and has taken strategic actions that have successfully led the Authority through the start-up phase.

5.2 Corporate and Financial Oversight

- endorsed the contract screening model
- established an RFP Subcommittee to review the evaluation criteria to be applied in the selection of screening providers and, following the evaluations of the bids, reviewing the evaluation process itself
- took the decision to reconcile baggage with passengers, to reduce claims and increase security
- established corporate and board travel policies
- established a contracting policy and reviewed contracts over five million dollars
- reviewing annual reports and corporate plans, operating and capital budgets
- established CATSA's Human Resources Framework
- developing, in collaboration with Senior Management, a management succession plan
- approved and oversaw a corporate pension plan

5.3 Governance

- established by-laws
- benchmarking and documenting the roles and responsibilities of the Board in relation to management
- participated in training by PCO on governance and financial literacy
- participating in consultations by Treasury Board during its Crown



Corporations Governance Review

- established a code of conduct for the Board and a corporate code of ethics
- reviewed the Board's committee structure and creating four committees, as described above
- representing CATSA at conferences and stakeholder meetings
- upon the retirement of CATSA's first Chair, conducted a fair, open and transparent search for a new Chair, in accordance with government policy; and worked with Transport Canada staff and PCO on the reappointment of current members and the appointment of new ones

CATSA's Board members are experienced and active in industries and organizations that are of direct importance to the Authority and Transport Canada. With backgrounds in airlines, airports, other modes of transport, national defence and security, law and financial management, the Board provides indispensable perspectives on aviation security policy and practices in Canada.

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6.0 ON THE LEADING EDGE OF PUBLIC SECTOR GOVERNANCE

The composition and responsibilities of CATSA's Board incorporate best practices in public sector governance and demonstrate a number of key accountability features, including:

- the Board – and not the Governor in Council - appoints the Authority's CEO (it is interesting to note that this practice complies with recommendations in the February, 2006 report of the Gomery Commission)
- the Board provides nominations for the Chair position to the Minister for

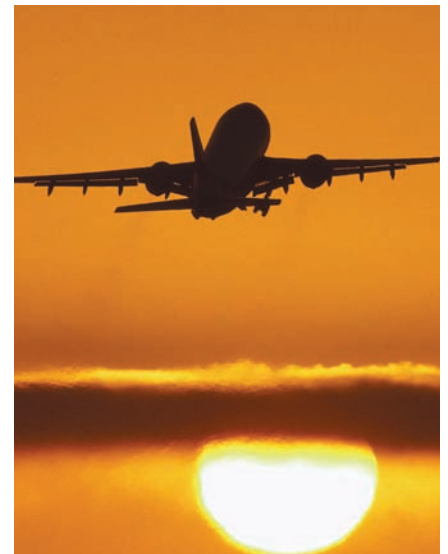
recommendation to the Governor in Council

- the CEO is not a Board member – thus reinforcing the Board’s independent decision-making capacity
- active participation in the TBS review of Crown corporation governance and built-in compliance with many of the TBS recommendations (see Appendix C of this document for details)
- participation in a PCO pilot program to harmonize, the extent appropriate, the selection criteria for chairpersons and the board profiles
- requirements that Audit Committee members be financially literate, and training made available for all Directors in financial literacy and governance

In large measure due to the commitment, dedication and vision of the Board, three years from inception, CATSA is a solid, credible partner in Canadian air transport security.

7.0 A WEALTH OF EXPERTISE AVAILABLE TO THE MINISTER

The CATSA Chair meets periodically with the Minister of Transport, while the full Board of Directors met with the Minister in the fall of 2005. As a source of accountability and expertise that is separate from policy-makers in government, CATSA’s Board is part of a healthy structure of checks and balances between those responsible for making and evaluating policy, and those responsible for implementing it. Indeed, the Minister of Transport can rely on this wealth of experience and expertise in the development of policies and mechanisms to support future aviation security in Canada. In February 2005 TBS proposed that Ministers issue a Statement of Priorities and Accountabilities to Crowns under their responsibility. Although this could be an excellent accountability and governance tool, CATSA is working with other Crowns to obtain clarity on the content of and controls on the statement to ensure that it does not impinge on operational autonomy.



8.0 A CONSTRUCTIVE AND COLLABORATIVE RELATIONSHIP WITH MANAGEMENT

As a Board-governed Crown Corporation, CATSA benefits from a governance model with numerous useful attributes. First, in addition to its oversight role, and thanks to the membership of representatives of CATSA's stakeholder groups, the Board plays a critical role in monitoring stakeholder relations and providing important observations and feedback to the Senior Management Committee. Second, Board members, with their experience in other government and private sector organizations, enable CATSA to emulate the best management practices in these organizations. Third, CATSA's Board plays an important role in representing the Authority at conferences and stakeholder meetings, which reinforces the perspectives and messages delivered by CATSA's Senior Management Team. Together, the Board and Management share a consistent vision of the future, and both teams work collaboratively to build and strengthen CATSA. Indeed, in appreciation of its first Chairman, Brian Flemming, CATSA has launched an academic fellowship that will further research in areas relevant to the future of air transport security.

9.0 CONCLUSION

In large measure due to the commitment, dedication and vision of the Board, four years from inception, CATSA is a solid, credible partner in Canadian air transport security.

The Board's current and future vision will enable CATSA to build on its solid foundation to achieve its vision to be a world leader in air transportation security through operational and corporate excellence.

APPENDIX A: BOARD OF DIRECTORS BIOGRAPHIES

Maurice Baril, Chairman

General Baril, of Ottawa, served in the Canadian Forces for 40 years. He held command and staff responsibilities across Canada, in Europe, the United States, the Middle East and Africa. He was appointed Canada 's Chief of Defence Staff in 1997 where he served until his retirement in 2001. Since retirement, General Baril has been special advisor to the Ambassador for Mine Action, Foreign Affairs Canada. In January 2003, he was appointed Inspector General in the Department of Peace Keeping Operations (DPKO) at the United Nations Secretariat. General Baril is a graduate of Canadian Army Staff College, US Army Special Forces, Canadian Forces Command and Staff College, and École Supérieure de Guerre in Paris.

Steve J. Baker, Director

Mr. Baker, of London, Ontario, is President and Chief Executive Officer of London International Airport. He has previously developed, directed, and managed security programs at Toronto Pearson International Airport, Calgary International Airport, Yellowknife Airport, and Timmins Airport. Mr. Baker served with the Royal Canadian Air Force, and is a licensed pilot. He was nominated by the Canadian Airports Council.

Ronald K. Clark, Director

Mr. Clark, of Guelph, Ontario, has worked with Air Canada for more than 20 years. He has held various positions, including Vice-President of Corporate Safety and Environment, Senior Director of Flight Standards and Training, Chief Pilot, Flight Training Manager, and Manager of Flying Operations. He also served as a pilot with the Royal Canadian Air Force. Mr. Clark was nominated by the Air Transport Association of Canada.

Josée Goulet, Director

Ms. Goulet, of Montréal, Québec, brings to the Board a breadth of experience in business administration, industrial relations, marketing, and human resources. Ms. Goulet was the Chief of Marketing Services for Bell Canada and sits on several Boards including Alimentation Couche-Tard. Ms. Goulet began her 20-year career at Bell Canada as an engineer before moving into the sales and marketing areas of the company. Between 1994 and 1998 Ms. Goulet served in several vice president positions before becoming President of Bell Distribution Inc. in 1999, President of Bell ActiMedia Inc. in 2000, and President of Bell Quebec in 2001. Ms. Goulet was recognized by the Globe and Mail's Report on Business as one of Canada's "Top Forty under Forty" in 1996. Ms. Goulet holds a Bachelor's degree in electrical engineering, a Master's degree in business administration, and a 21st Century Fellowship at Cambridge University, England.

Clément Joly, Director

Mr. Joly, of Laval, Québec, is a partner in the firm of Raymond Chabot Grant Thornton. He is Governor of the Chambre de commerce de Laval, Chairman of the Fondation Armand-Frappier and former president of the Chambre de commerce du Québec. He was awarded a FCA designation of the Ordre des comptables agréés in 1989 and was a member of Team Canada trade missions from 1997 to 2000. Mr. Joly has a Master's degree in accounting from the University of Sherbrooke. He received his CA designation in 1969. Mr. Joly was nominated by the Government of Canada.

Mary Martin, Director

Ms. Martin, of Richmond, British Columbia, has worked in the airline industry for more than 30 years as a customer service representative. She has held several elected union positions, including trustee, bargaining representative, and Vice-President with the Canadian Auto Workers Airline Local. Ms. Martin also represented the Canadian Auto Workers on the Executive Council of the B.C. Federation of Labour. She was nominated by the labour community.

Ron Patmore, Director

Currently retired from Skyservice Airlines Inc. from the position of Managing Director/President, Mr. Patmore remains a director of the company as well as a consultant, as required. Additionally, he is a director of other Skyservice companies – Sky Service FBO Inc., Skyservice Aviation Inc. and Skyservice Investments Inc. Mr. Patmore entered the airline industry in 1973 with Nordair in Montreal. He held various management positions in purchasing, supply and operations, moving to Vice-President Marketing and Sales. He moved to Toronto in 1982 as Vice-President Ontario Region and remained in that position until 1987 through acquisitions by CP Air and Canadian Airlines. Mr. Patmore left to found and become President and CEO of Ontario Express, a commuter line dedicated to feeding Canadian in the Ontario Region. During his career he has served on various service-oriented boards and committees including the Hamilton and District Chamber of Commerce, the Ontario Chamber of Commerce, Crime Stoppers, Outward Bound, ATAC, and the ad hoc committee for the development of the Hamilton Airport.

Lecia Stewart, Director

Ms. Stewart, of Westmount, Quebec, was a senior executive with 20 years of public and private sector experience in transportation, major infrastructure project management, negotiations, communications and labor relations. She was the North American Vice-President for Bombardier Transportation where she led a sales, marketing and product development team for high-speed rail. She served as President and Project Director of Vancouver 's SkyTrain rapid transit project from 1997 to 2002. Ms. Stewart also served as President of West Coast Express from 1995 to 1997, and as General Manager of BC Transit's commuter rail project from 1993 to 1995, as well as its Vice-President of Corporate Services and Corporate Secretary from 1992 to 1993. Ms. Stewart is a graduate of the Harvard Business School Executive MBA Program for Management Development.

Anil Wirasekara, Director

Mr. Wirasekara, of West Vancouver, British Columbia, has served as Executive Vice-President and Chief Financial Officer of MacDonald Dettwiler since 1996. He first joined the information systems firm in 1992 as Manager of Operations Information and Financial Management. Mr. Wirasekara, who is a graduate of the U.K. Chartered Institute of Marketing and Management, previously served five years as a financial manager with Ernst & Young Chartered Accountants.



APPENDIX B: BOARD COMPETENCY MATRIX

BOARD MEMBER

CORE QUALITIES	SKILL, ATTRIBUTE EXPERIENCE				
	Integrity and Accountability				
	Adaptability				
	Sound judgment				
	Collegiality				
	Impact and influence				
LEADERSHIP QUALITIES	Previous Board Experience				
	* Chair/Vice position				
	* Served on Board				
	* Reported to Board				
	Business Experience				
	* Education				
	* Extensive knowledge through experience				
	* Basic or common knowledge				
	Mediation/Brokering Skills				
	* Education				
	* Extensive experience				
	* Basic or common ability				
EXPERTISE	Financial Competency				
	* Professional Designation				
	* Education				
	* Extensive knowledge through experience				
	* Financial literacy/basic or common knowledge				
	Legal knowledge				
	* Professional Designation				
	* Education				
	* Extensive knowledge through experience				
	* Basic or common knowledge				
	Security Expertise				
	* Professional experience				
	* Subject matter expert				
	* Basic or common knowledge				



BOARD MEMBER

EXPERTISE

SKILL, ATTRIBUTE EXPERIENCE				
Intelligence Expertise				
* Professional experience				
* Subject matter expert				
* Basic or common knowledge				
Aviation experience				
* Airline experience				
* Airport experience				
* Pilot				
* Support Services Industry				
* Transport Canada				
Transportation industry experience (non-aviation)				
* Professional experience				
* Subject matter expert				
* Basic or common knowledge				
Technology				
* Engineer				
* Subject matter expert				
* Professional experience				
* Basic or common knowledge				
Knowledge of Government				
* Subject matter expert				
* Professional experience				
* Basic or common knowledge				
Labour Relations				
* Subject matter expert				
* Professional experience				
* Basic or common knowledge				



BOARD MEMBER

	SKILL, ATTRIBUTE EXPERIENCE				
	Media / Communications				
	* Subject matter expert				
	* Professional experience				
	* Basic or common knowledge				
EXPERTISE	Client Services / Marketing				
	* Subject matter expert				
	* Professional experience				
	* Basic or common knowledge				
	Major Project Management				
	* Subject matter expert				
	* Professional experience				
	* Basic or common knowledge				
	Stakeholder Representation				
	Security Clearance				
BIOGRAPHICAL	Bilingual				
	Geographic Representation				
	Gender				

APPENDIX C:

CATSA'S IMPLEMENTATION OF TREASURY BOARD GOVERNANCE FRAMEWORK

The Auditor General's Report of November 2003 addressed, in part, the governance and activities of six of Canada's Crown corporations. To respond to the report, and as part of a package of initiatives to strengthen transparency, oversight, accountability, and management across the entire federal public sector, the Government of Canada made a commitment to take a thorough look at the governance and accountability framework for all of its Crown corporations, and to report to Parliament on its findings. The outcome is the February 17, 2005 *Review of the Governance Framework for Canada's Crown Corporations – Meeting the Expectations of Canadians*. The report contains 31 measures that the government will take to strengthen Crown corporation governance. The table below shows CATSA's progress with regard to those measures.

MEASURE

CATSA ACTION TAKEN/REQUIRED

Measure #1

No action required

The government will clarify the accountability structure for Crown corporations, including in the *FAA*, in order to describe the relationships between Parliament, the responsible Minister, the Board of Directors and the CEO.

Measure #2

No action required

The government will affirm, including through amendments to the *FAA* and other relevant statutes, that the responsible Minister is its representative.

Measure #3

Action required: Corporate Secretary is working with other Crowns to obtain clarity on the content of and controls on the statement to ensure that it does not impinge on operational autonomy.

To improve the communication of policy objectives and priorities from the government to Crown corporations, the responsible Minister will issue a statement of priorities and accountabilities to Crown corporations within his or her portfolio. The statement will be discussed beforehand with corporate management and the Board. The statement will be subject to annual review and help form the basis for a periodic review of the corporation's performance.

MEASURE**CATSA ACTION TAKEN/REQUIRED****Measure #4**

In order to reaffirm that Boards of Directors are accountable for the activities and performance of the corporation to the responsible Minister, the government will embody the role and the responsibilities of directors in Part X of the *FAA* and in other enabling statutes.

No Action required. Note however that CATSA has been included in a PCO pilot program to harmonize, the extent appropriate, the selection criteria for chairpersons and the board profiles. Through this process, the roles and responsibilities that we have defined for our Board have been provided to PCO and will therefore feed into the development of this measure.

Measure #5

The government will review the appointment of public servants to the Boards of Crown corporations with a view to restricting or eliminating their participation.

Not applicable to CATSA. Public servants are ineligible under the *CATSA Act*.

Measure #6

The government will enact legislative changes required to ensure a split in the positions of CEO and chair.

Not applicable to CATSA. Already a split function under the *CATSA Act*.

Measure #7

The government will require that the CEO be the sole representative of management to a Board of Directors.

No action required. The purpose of this measure is to ensure Board independence.

MEASURE

Measure #8

To ensure that the Board may deliberate freely, and exercise the challenge function expected of directors, Board proceedings should remain confidential. The government will require that Boards of Directors of Crown corporations hold annual public meetings at which stakeholders could express their views and seek information about the activities of the corporations. Corporations are also encouraged to develop outreach activities to solicit input and feedback from stakeholders on an ongoing basis.

CATSA ACTION TAKEN/REQUIRED

CATSA Board currently meets with Stakeholders throughout the year. CATSA is developing a more systemic plan for stakeholder relations.

The Corporation recognizes the importance of stakeholder input and feedback. The Corporation has developed close relationships with industry stakeholders (airports and airlines) and conducted a nationwide outreach program to its contracted screeners this summer which afforded an opportunity to obtain direct feedback from the frontline stakeholders. CATSA has engaged the public through customer surveys and a complaints hotline.

Action required: CATSA to consider an annual public meeting.

Measure #9

To assist the work of Board members, the government will issue to every new director a guidance letter that would make explicit the expectations of the government with regard to the role and responsibilities of directors. The letter would also include provisions related to the values and ethics of public office holders and disclosure of conflict of interest.

CATSA currently provides an orientation to new directors which includes information on responsibilities, ethics and conflict of interest.

Action required: CATSA's orientation will be reviewed to ensure consistency with government guidance letter.

MEASURE

Measure #10

To strengthen the corporate governance of Crown corporations, the government will work with Boards to adopt a charter that would define clearly the roles and responsibilities of the Board.

CATSA ACTION TAKEN/REQUIRED

In May 2004, the CATSA Board adopted a Statement of Roles and Responsibilities in accordance with government guidelines and corporate best practices. As a participant in PCO's pilot project, CATSA contributed its Statement and provided feedback on development of a draft Accountability Profile for Chair and Board.

Action required: CATSA will continue to work with the government in this project and will continue to review its Statement for compliance with government guidelines

Measure #11

To further enhance the skills and performance of Boards and building on current orientation programs, the Canada School of Public Service will establish additional training and professional development programs on public sector management and Crown corporations.

No Action required.

All CATSA directors have attended or are scheduled to attend the Governance Training sponsored by PCO. Members have taken additional training, such as financial literacy courses, as required.

Measure #12

Consistent with good governance practices, the government will ask Boards of Directors to establish regular assessments of their effectiveness and the contribution of individual directors as a self-development tool. The assessment of the Board as a whole will be communicated by the Chair of the Board to the appropriate Minister.

The CATSA Board acknowledges the importance of Board and Director assessment and, through the Governance Committee, has been working on developing an appropriate program. PCO recently announced a review by Renaud Foster of best practices in this area. The CATSA Chair is interested in the outcome of this project.

MEASURE

Measure #13

The government will require that Boards of Directors for all Crown corporations establish an audit committee.

The committee would consist of a minimum of three members and would have the authority to engage independent counsel and expertise, as it deems necessary, to carry out its duties.

The mandate of the committee should include the requirement to set up a process to investigate complaints related to issues of integrity and behaviour and to establish a risk assessment and management mechanism as well as adequate controls and protocols to mitigate those risks.

The audit committee would also adopt an audit plan that would be communicated to the Board of Directors.

Measure #14

All directors on the audit committee must be independent of management and have financial literacy. An individual with financial expertise must chair the activities of the committee. The government will be mindful of this requirement in the context of the selection and appointment process of directors.

CATSA ACTION TAKEN/REQUIRED

CATSA has a standing Audit Committee. The Committee's terms of reference require a minimum of three members and provide for oversight on risk assessment and mitigation and for the review of audit plans (internal and external). Issues of integrity and behaviour are the purview of the Corporate Governance Committee. It is responsible for reviewing policies and procedures with respect to Ethics and Values, and considering and making recommendations to the Board with respect to reports of employee wrongdoing under CATSA's Code of Conduct.

Action required:

CATSA will continue to review its Committee terms of reference with regard to any further government guidelines

The Terms of Reference currently require that all members be financially literate and that, "whenever possible, at least one of these Directors must have accounting and related financial management expertise..." To date the Audit Committee has been chaired by a director with a financial expertise.

Action Required: although it has been the convention, consider amending the Committee terms of reference to require that the Committee chair have financial expertise.

MEASURE

Measure #15

In order to enhance and protect the independence of the audit function, internal and external auditors will report directly to the audit committee.

CATSA ACTION TAKEN/REQUIRED

The Auditor General is the external auditor for CATSA and reports directly to the Audit Committee.

The Internal Auditor, as an employee of CATSA, reports to the President and CEO but has regular, unfettered and direct access to the Chair of the Audit Committee.

No action required unless this provision becomes mandatory.

Measure #16

Selection criteria for chairs and Board profiles will be made public by the government. Similarly, Crown corporations will make CEO selection criteria available to the public.

Action required: continue participating in the PCO pilot. With respect to the CEO selection criteria, CATSA will publish this information on its website when in the search process.

Measure # 17

The government will develop a central Web site to solicit potential candidates for director and chair positions.

Action required: continue to participate in the PCO pilot.

Measure #18

The selection process for the CEO will be determined by the Board of Directors and will include, at minimum, advertising in either or both the Canada Gazette and the corporation's Web site.

No action required: CATSA's President and CEO is already determined by the Board pursuant to the *CATSA Act*. The Board supports transparency and will advertise accordingly.

MEASURE

CATSA ACTION TAKEN/REQUIRED

Measure #19

The government will obtain references on all candidates for appointment as director or chair. In the case of CEOs, the Board’s nominating committee will be required to do the same for any candidate it submits to the government for appointment. In addition, the government will continue to conduct background checks and ensure that candidates are not in a conflict of interest.

Action required: CATSA will ensure that the CEO selection process includes references.

Measure #20

The government will work closely with parliamentary committees for a workable appointment review process that will not unduly delay necessary appointments.

No action required.

Measure #21

The government will amend the *FAA* and enabling statutes to provide for appointments for up to four years.

No action required. Note that the *CATSA Act* currently provides for terms of up to five years.

Measure #22

TBS will produce a guidance document for Crown corporations on annual report specifications, including the Management’s Discussion and Analysis Section and issues pertaining to values and ethics.

Action required: CATSA will continue to comply with all government specifications in its annual report.

Measure #23

The government will ensure that the Main Estimates document clearly identifies the funds allocated to each Crown corporation that receives parliamentary appropriations.

No action required.

MEASURE

CATSA ACTION TAKEN/REQUIRED

Measure #24

In principle, the government supports the use of a certification regime adapted to the reality of public institutions. The Treasury Board of Canada Secretariat will examine, in consultation with Crown corporations, the development of a certification regime that would be applicable to all Crown corporations.

Action Required: CATSA is currently documenting systems that would need certification in anticipation of implementation throughout the next fiscal year.

Measure #25

The Access to Information Act should:

- be extended to 10 of the existing 18 Crown corporations currently outside the provisions of the *Act* by an Order in Council

Not applicable. CATSA already covered by the *Act*.

Measure #26

The government will amend the relevant legislation in order to allow for the appointment of the Auditor General of Canada as the external auditor or joint auditor for all Crown corporations. In recognition of the specific needs of commercial Crown corporations, and in line with current practice with regard to several organizations, the government would encourage the Auditor General of Canada to work in partnership with private sector auditing firms.

Not applicable. *CATSA Act* already designates the Auditor General as CATSA's external Auditor.

Measure #27

The government will implement the necessary legislative changes to provide the Office of the Auditor General of Canada with the authority to conduct special examinations in all Crown corporations.

Not applicable. CATSA already mandated for special examination under the *FAA*.

MEASURE

Measure #28

The government will establish a more flexible system for the timing of special examinations, reflective of the level of risk related to each corporation. The risk analysis would be based on the complexity of the organization, the field of operation, and the changes taking place in the business and policy environment that may impact on the corporation. The Office of the Auditor General of Canada would have the responsibility for determining the frequency of special examinations for each Crown corporation. At a minimum, all corporations would undergo a special examination every eight years.

CATSA ACTION TAKEN/REQUIRED

No action required. In collaboration with other Crowns, CATSA will continue to input into the implementation of the measures to ensure that the needs of individual Crowns are respected

Measure #29

The government will require that each special examination report prepared by the Auditor General be submitted to the Board of Directors, the responsible Minister, the Treasury Board, and Parliament, to maximize the value of these reports to Canadians. In accordance with the provisions of the FAA to protect commercial interests of a parent Crown corporation or a wholly-owned subsidiary of a parent Crown corporation, the government will work with the Office of the Auditor General of Canada to develop a protocol relating to the release of the special examination.

No action required. In collaboration with other Crowns, CATSA will continue to input into the implementation of the measures to ensure that the needs of individual Crowns are respected



MEASURE

CATSA ACTION TAKEN/REQUIRED

Measure #30

Action required: CATSA will input as appropriate.

The government will ask the Advisory Committee on Senior Level Retention and Compensation to review the compensation provided to chairs and directors of Crown corporations.

Measure #31

No action required. CATSA's by-laws currently provide for an advance.

The government intends to develop regulations pursuant to the FAA to provide for an advance of costs to directors in much the same manner as in the Canada Business Corporation Act.