

Corporate Governance Policy

Workers' Compensation Board-Alberta
Board of Directors

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a) Governance Overview

Governance is a philosophy, an approach, and a process. Governance reflects the personality of a corporation. It must be molded to suit the needs of a corporation, to fit with its vision, its mission, and beliefs and values. It must encompass both internal and external relationships. Fundamental to governance is the clarity it brings to decision making, accountability, and the roles of the board and management. The WCB Board of Directors' governance model is driven by the *Meredith Principle*, legislation, and the corporation's beliefs and values. Decisions, strategies and results are measured, in part, within the framework of these beliefs and values. This provides the foundation for all policies.

The governance policy defines the Board of Directors' responsibilities, authority, and administration. The section titled *Executive Relationship* specifically addresses the responsibilities of the President and the authority delegated to this position. At the end of the document are *Appendix A* and *Appendix B*. *Appendix A* is a glossary of terms specific to workers' compensation or used within the document. *Appendix B* includes general information that is applicable and relevant to the Board of Directors and the Workers' Compensation Board.

The content is reviewed annually and revised when appropriate to ensure alignment with the needs of the corporation and governance best practices.

(b) Corporate Direction

The Board of Directors is responsible and accountable for the WCB-Alberta as defined in the *Workers' Compensation Act* and corporate governance policy. The Board of Directors determine and regularly review the strategic direction for the corporation. In determining the strategic direction, the Board of Directors will use information from a wide range of sources including WCB employees, partners, customers, and external experts.

The Board of Directors reviews, approves, and monitors the annual corporate objectives, ensuring they are consistent with the strategic direction and reflect the beliefs and values of the WCB.

(c) Vision and Mission

The Board of Directors governs the corporation according to the established vision, mission, beliefs, and values.

The Board of Directors establishes, reviews, and approves:

- the vision and mission
- the corporation's beliefs and values to ensure their continued importance and appropriateness in supporting the mission and vision.

The vision of the WCB is:

Albertans working – a safe, healthy, and strong Alberta.

The mission of the WCB is:

WCB - Alberta, working together with our partners will significantly and measurably reduce the impact of workplace illness and injury on Albertans.

(d) Beliefs and Values

The Board of Directors believes governance practices based on beliefs and values enables the success of the corporation.

WCB Beliefs

We believe:

- the corporation must be financially secure
- people must be treated with dignity
- in communication that is open, honest, timely, and defined
- in the fair and equitable compensation of workers'
- in the fair assessment of employers
- that a healthy, energized, and informed staff enables the corporation to be effective and agile.

This is accomplished by creating an environment that:

- applauds learning
- welcomes new ideas
- capitalizes on differences of opinions
- understands and deals with risks
- rewards innovation
- promotes continuous improvement.

(d) Beliefs and Values

WCB Values

Partnerships

Work together in partnerships, both internally and externally, to achieve shared goals.

Excellent Service

Provide customers with excellent service and products.

Achievement

Fulfill commitments and achieve desired results.

Respect

Treat everyone with dignity and interpersonal sensitivity, share information with staff, customers, and partners, act with integrity and as trustees of the workers' compensation system, and listen and respond to the needs of our customers.

Learning and Growth

Demonstrate continuous personal and corporate improvement, and apply this knowledge to provide the best services and products.

(e) Governing Style

The Board of Directors assumes its role and responsibilities within the context of a governance model of decision making and accountability. The Board of Directors is accountable through the Minister responsible for the *Workers' Compensation Act* to all Albertans and is responsible for maintaining the system and adhering to the *Workers' Compensation Act*.

The Board of Directors will:

- focus on strategic direction of the Workers' Compensation Board, not on the administrative or programmatic means of attaining those results
- be responsible for the performance of the WCB - Alberta, and monitor results through approved corporate objectives and performance measures
- appoint the President & CEO
- measure the performance of the CEO through approved corporate objectives and performance measures
- maintain a clear distinction between the role of the Board of Directors and the role of the President
- make decisions in the best interest of the workers' compensation system having considered the interests and fairness to all parties
- act in accordance with approved governance policy with respect to matters such as attendance, norms of good conduct, policy-making principles, and act in the best interest of the workers' compensation system, self policing any tendency to stray from the governance model
- encourage and respect individual diversity and expertise of each board member
- monitor and regularly discuss the Board of Directors' processes and performance
- maintain an ongoing board development program through continuing education and development
- ensure newly appointed board members are oriented to their governance role and responsibilities, and that they commit to fulfilling their individual obligations in the best interests of the workers' compensation system.

(a) Legislative Authority

The Board of Directors' authority is established under the *Workers' Compensation Act*.

(b) General Structure and Terms

The structure of the Board of Directors is determined by the *Workers' Compensation Act*.

The Board of Directors consists of:

- a member who shall be Chair, who is appointed by the Lieutenant Governor in Council
- not more than three members whom the Lieutenant Governor in Council considers to be representative of the interests of employers
- not more than three members whom the Lieutenant Governor in Council considers to be representative of the interests of workers, and
- not more than three members whom the Lieutenant Governor in Council considers to be representative of the interests of the general public, and
- the President of the Board shall be a non-voting member.

A member of the Board of Directors, other than the President, shall be appointed for a term not to exceed three years, and is eligible for reappointment for one additional term, not to exceed three years. Where a member of the Board of Directors has served two terms but was not appointed Chair for the full duration of either term, that member is eligible for appointment as chairman and member of the Board of Directors for one further term not to exceed three years.

(c) Role of the Board of Directors

The Board of Directors operates in a manner consistent with the *Workers' Compensation Act* and corporate governance policy. Although the board members are representative of the interests of workers, employers, and the general public, it is expected that they will maintain the credibility and integrity of the workers' compensation system.

In accordance with the *Workers' Compensation Act*, the Board of Directors shall:

- determine the Board's compensation policy
- review and approve the programs and operating policies of the Board
- consider and approve the annual operating and capital budgets of the Board
- enact bylaws and pass resolutions for the conduct of the business and affairs of the Board
- select and appoint a person to be the President of the Board and determine the salary and benefits of the President.

In accordance with corporate governance, the Board of Directors will:

- monitor the performance of the corporation
- establish and approve the corporate beliefs and values
- determine the strategic direction of the corporation
- assess relevant risks
- approve the investment principles and policy
- approve the funding policy
- review and approve audited financial statements
- approve policies taking into consideration the *Meredith Principle*, legislation, and the fairness to our customers.

(d) Role of the Chair

The Chair is appointed by the Lieutenant Governor, through an Order in Council on the recommendation of the Minister responsible for the *Workers' Compensation Act*.

The Chair:

- allocates responsibility within the Board of Directors
- provides positive and proactive leadership and direction
- approves attendance at and remuneration for all activities and events other than Board of Directors' meetings or task force and committee meetings.

The authority of the Chair's decision making falls within the topics covered by corporate governance policy, except where the Chair specifically delegates portions of this authority to others. The Chair is authorized to use any reasonable interpretation of the provisions in these policies.

The Chair:

- is authorized to establish committees and task force groups, and appoint board members to the committees and task force groups
- calls and conducts meetings of the Board of Directors at any place in Alberta the Chair determines, sets the agenda, and ensures business transactions are recorded properly and accurately through the Secretary of the Board of Directors
- is not eligible for the position of President while holding the position of Chair
- on the advice of a committee of the Board of Directors and as approved by the Board of Directors, has the authority to develop and enter into an employment agreement with the President, setting out the terms and conditions of employment, salary, and benefits
- manages the administrative affairs of the President and reports to the Board of Directors
- brings to the attention of individual board members or the Board of Directors as a whole, any situation that contravenes the code of conduct and ensures the matter is dealt with.

(e) Role of the Vice Chair

Under specific circumstances, the position of Vice Chair may be initiated.

The role of Vice Chair may be initiated for the purpose of succession planning.

The Vice Chair is selected from amongst the members of the Board of Directors.

The appointment is made through an Order in Council.

The Vice Chair shall be vested with and may exercise all of the powers, and shall perform all of the duties of the Chair of the Board of Directors when the Chair is unavailable or unable to act.

The role of the Vice Chair supersedes the role of the Deputy Chair.

The Vice Chair is not eligible for the position of President while holding the position of Vice Chair.

(f) Role of the Deputy Chair

The Deputy Chair is selected through a nomination process and assumes the responsibilities of the Chair when the Chair is unavailable or unable to act.

The selection of the Deputy Chair lies with the Board of Directors, through a formal nomination process.

The Deputy Chair shall be vested with and may exercise all of the powers, and shall perform all of the duties of the Chair of the Board of Directors when the Chair is unavailable or unable to act.

The Deputy Chair is selected by the members of the Board of Directors from their number. The President is not eligible for this role.

The Deputy Chair will serve for a term concurrent with the member's current appointment to the Board of Directors.

If both the Chair and Deputy Chair are unavailable or unable to act, the longest serving member shall preside. The President is not eligible for this role.

The Deputy Chair is not eligible for the position of President while holding the position of Deputy Chair.

(g) Role of Committees and Task Force groups

The Board of Directors has committees and task force groups as required, with the exception of the Audit Committee which is required by legislation.

Board of Directors' committees and task force groups will normally consist of three board members; one representative of the interests of workers, one representative of the interests of employers, and one representative of the interests of the general public. In exercising their responsibilities, committees and task force groups will assist the Board of Directors by reviewing information and identifying and assessing risks for Board of Directors' deliberation in the decision making process.

The Chair of the Board of Directors and the President are ex-officio members of committees and task force groups.

(a) Nominations

The Board of Directors may provide nominations for the position of board member to the Minister responsible for the *Workers' Compensation Act*.

The Chair:

- discusses any upcoming vacancy on the Board of Directors with the Minister responsible for the *Workers' Compensation Act*
- may work with the Minister responsible for the *Workers' Compensation Act* in the nomination process.

(b) Code of Conduct

The Board of Directors expects ethical and businesslike conduct of its members and of itself as a whole. Members of the Board of Directors are accountable for exercising the powers and discharging their duties honestly, in good faith, in the best interests of the workers' compensation system. This accountability supersedes the personal interest of any board member acting as an individual or consumer of the corporation's services. Enforcement of the code of conduct is the responsibility of the Chair of the Board of Directors.

The following Code of Conduct shall be observed by the Board of Directors. Board members shall:

- be responsible for making policy decisions and ensuring through the President that appropriate staff and structures are in place to carry out the policy and day-to-day operation of the corporation
- be familiar with the *Workers' Compensation Act*, the regulations pursuant to the *Act*, governance policy, policies and organizational structure of the corporation, as well as the rules of procedure and proper conduct of a meeting

- act honestly in their representation to the Board of Directors and in the fiduciary role of governing the management of the assets of the corporation
- respect all decisions of the Board of Directors and shall not publicly express views that are not consistent with the consensus of the Board of Directors
- not divulge confidential information to third parties or persons who would not, in the normal course of events, be privy to such information
- conduct their deliberations in duly convened meetings under the direction of the Chair
- be expected to exercise diligence in the execution of their duties and to reasonably determine the validity of recommendations or actions of other directors, corporate officers, management, and external experts.
- not make judgments of the President or other staff except as that performance is assessed against explicit board policies or a contractual agreement using the official process
- ensure that unethical activities not covered or specifically prohibited by this document or any other legislation are neither encouraged nor condoned
- regularly participate in the educational activities that will assist them in carrying out their responsibilities
- attend meetings on a punctual and regular basis.

(c) Conflict of Interest

Individual board members shall conduct their personal affairs in a manner that does not present a conflict of interest with their role as a board member of the corporation. Specifically, a board member shall be responsible for the identification and disclosure of conflict or potential conflict of interest situations as they arise.

A conflict of interest shall be any situation in which a board member's ability to act in the best interest of the corporation is compromised or potentially compromised by personal, business, or other interests. A conflict of interest may be actual or apparent, potential or perceived, and exists whether or not financial advantages or other valuable benefit has been or may be derived by the board member or associated persons.

Conflict of interest situations may exist where benefits derived from a board member's activities benefit individuals or entities with which the board member is closely associated in either an actual or perceived way.

Board members shall bring any actual or apparent, potential or perceived conflict of interest to the attention of the Chair of the Board of Directors. The Chair of the Board of Directors will determine the appropriate course of action to resolve the conflict of interest.

(d) Annual Planning Cycle

The Chair of the Board of Directors and the Secretary of the Board are responsible for maintaining an annual planning cycle from which the Chair approves the meeting agendas for the Board of Directors.

Activities included on meeting agendas are consistent with:

- the annual planning cycle
- the operational needs of the corporation.

(e) Remuneration

Each member of the Board of Directors will be remunerated as prescribed by an order in council and government authority.

Remuneration is based on the following:

- payments for services rendered are approved by the Chair of the Board of Directors
- travel and living expenses properly incurred by board members in connection with the affairs of the corporation, in accordance with the expense reimbursement normally granted to employees of the corporation, are approved by the Chair of the Board of Directors
- management audit services will audit remuneration and expenses of board members annually and provide a report to the Chair of the Board of Directors and the President
- the Chief Financial Officer will review the remuneration and expenses of the Chair, Board of Directors and report to the Finance Committee.

(f) Board of Director Meetings

Board meetings shall be held to conduct the business of the Board of Directors. Meetings will follow these guidelines:

Absenteeism:

Board members who are unable to attend a board meeting must give prior notice to either the Chair of the Board of Directors, an appointed designate or the Corporate Secretary. Any board member who is absent from two consecutive regular board meetings without due cause or has failed to give prior notice to the Chair or the Secretary of the Board of the reason for the absences is subject to a recommendation from the Chair to the Minister responsible for the *Workers' Compensation Act (WCA)* to rescind the appointment as a board member.

Agenda content and preparation:

In accordance with the annual planning cycle, those issues that are within the governance role and responsibilities of the Board of Directors shall be placed on the agenda. The Chair shall prepare the board meeting agendas jointly with the President. Board members and the President may request additions, deletions, or deferments of business from the agenda at the discretion of the Chair.

Authority to preside:

The Chair presides at all meetings of the Board of Directors and in the Chair's absence, the Vice Chair shall preside, and failing the Vice Chair, the Deputy Chair shall preside and, failing the Deputy Chair, the longest serving board member shall preside.

Conduct:

Sufficient time shall be allocated for the board meeting as a whole and for individual agenda items to enable all views to be heard and considered before decisions are taken. Board members shall participate as equals in the discussion and dissenting points of view shall be encouraged. Members of the Board of Directors shall participate productively in the discussion within the boundaries of conduct identified within Corporate Governance.

Frequency and location:

The Board of Directors shall meet regularly each month or at such times as found acceptable by the Board of Directors, provided that in no case more than three months elapse between meetings. A board meeting may be convened at any time by the Chair of the Board of Directors. Meetings can be held at any place in Alberta, as determined by the Chair. Meetings can also be held through teleconferencing.

Notice:

Members of the Board of Directors shall receive notice of all board meetings not less than three business days before the meeting is to take place. The Corporate Secretary gives notice in writing of all meetings. Meetings of the Board of Directors may be held without notice if all the directors are present or those absent waive notice or signify their consent in writing to the meeting being held in their absence.

Preparation:

The Board of Directors shall receive timely, reliable, and appropriate information in support of the agenda items. Board members shall be prepared to participate in the meeting discussions.

Quorum:

At least one half of the number of members appointed by Order in Council shall constitute a quorum at a meeting of the Board of Directors.

Records:

Minutes shall be kept of all meetings of the Board of Directors and such minutes shall be approved with or without amendment and signed by the Chair, Vice Chair, or Deputy Chair and the Corporate Secretary, and shall constitute the record of proceedings of the corporation. The Corporate Secretary, or an appointed designate, will serve as the recording secretary of the meetings of the Board of Directors for the purpose of reporting the minutes of all board meetings.

(g) Development for Board Members

Board members in consultation with the Chair will take responsibility for directing and managing their own development and education regarding their roles and responsibilities as set out in the board member profile, and director orientation and training process guidelines.

This will include:

- an orientation for new members
- ongoing education of governance best practices
- attendance at the annual board of directors retreat
- education about the business of the corporation and new programs.

(h) Evaluation

The Board of Directors is committed to assessing its performance as it relates to ongoing governance.

Individual board members will be evaluated in terms of their contributions to the overall effectiveness and vitality of the Board of Directors by a process established by the Chair and the Board of Directors. The effectiveness of the Board of Directors as a whole will be evaluated and will involve a discussion by the full Board of Directors at least once annually.

Communication:

- The Board of Directors will ensure the corporations' communications with our partners is accurate, timely, and consistent with legislation.
- The Chair represents the Board of Directors to government, outside parties, partners, the media, and at the Annual General Meeting. This authority may be delegated, but the Chair remains accountable for its use.
- Board members will speak with a unified voice in communications to our partners, once a decision is made.
- Board members may undertake direct dialogue with our partners focusing on strategic issues and policies and to ensure understanding of issues.

(a) Role of the President

The President is the Board of Directors' link to the administration of the Workers' Compensation Board. The President is accountable to the Board of Directors as a whole and all communication to the Board of Directors on behalf of the corporation is through the President. As such, the President is accountable for the performance and employees of the Workers' Compensation Board and exercises all authority delegated by the Board of Directors through corporate governance policy.

For the purpose of governance, the President is considered the only employee and, as such, the Board of Directors directs and authorizes the President to:

- achieve results through the establishment of corporate objectives
- provide and implement a development and succession plan annually
- advise and inform on the operating, planning and development functions of the corporation
- delegate authority, implement policy, establish procedures, make all decisions, take all actions, establish all practices, develop all activities to conduct the business of the corporation
- enter into employment agreements with officers of the corporation setting out terms and conditions of employment, benefits, and salary, and advise of subsequent changes.

In exercising due diligence, the Board of Directors provides parameters for achieving results. As such, the President will not:

- allow assets to be unprotected, inadequately maintained, or unnecessarily risked
- operate without strategies that adequately respond to the nature and level of risk, risk parameters, impairment, or loss of assets
- endanger the corporation's public image or credibility, particularly in ways that would hinder the accomplishment of the mission
- allow compensation and benefits to employees to jeopardize the corporation's public image
- provide a budget that contains insufficient information to enable credible projection of revenues and expenses; separation of capital, operational and notes to the budget; cash flow and disclosure of planning assumptions
- provide a budget that does not support the achievement of the corporate objectives
- expend more funds than those approved in the administrative budget, allowing for a five per cent variance, or neglect to report any variance to the Chair of the Board of Directors as soon as practical
- endanger the fiscal soundness of future years or ignore the building of organizational capability sufficient to achieve the corporate objectives in future years
- operate inconsistently with the funding policy and/or investment policy
- allow the corporation to operate without financial management control systems or financial records using generally accepted accounting principles
- fail to advise the Board of Directors of a change in accounting policy.

(b) Monitoring Performance of the President

The Board of Directors will oversee and assess the performance of the President consistent with assessing the performance of the corporation by:

- regularly monitoring the performance of the President against the beliefs and values, corporate governance policy, corporate objectives, and individual performance expectations.

Monitoring will include:

- ongoing reports from the President
- information and reports, as requested
- regularly reviewing corporate performance
- reports from external and internal audit and actuary.

A committee of the Board of Directors, including the Chair, will complete a formal evaluation of the President and provide feedback to the President by January 31st of the following year and report its recommendations at the next regular meeting of the Board of Directors. The Chair of the Board of Directors is responsible for having ongoing performance discussions with the President regarding performance expectations.

Glossary of terms

Accident Fund

Comprises of all assets, liabilities, and reserves of the WCB. All money received by the WCB shall be paid into the Accident Fund and all expenditures of the WCB shall be paid from the Accident Fund. Assets minus liabilities and reserves equals the Fund balance.

Accountability

The obligation to answer for a responsibility that has been conferred.

Act

Act means the *Workers' Compensation Act*

Authority

The right of one person to require another to fulfill specific duties; power to command or make decisions.

Beliefs and Values

Defined as the principles and standards about what is valuable or important to the corporation.

Board

Refers to the Alberta corporate entity known as the Workers' Compensation Board.

Board member

Refers to a member of the Board of Directors.

Code of Conduct

Standard of moral and ethical behavior expected or as prescribed by the Board of Directors.

Conflict of Interest

Any situation in which a person's ability to act in the best interest of the corporation is or could be directly or indirectly compromised by personal, business, or other interests.

Corporate Objectives

Specific objectives determined by the President that will enable the administration to achieve the direction and results set by the Board of Directors.

Customer

Workers and employers covered under the *Workers' Compensation Act*.

Disclosure

Provision of timely and accurate accountability reports usually consisting of annual and interim financial statements, information, or management circulars.

Diversity

Disagreements and opposing points of view expressed by members of the Board of Directors in the deliberation of issues.

Directors

Directors means the Chair, and any other individuals who have been appointed by an Order in Council of the Lieutenant Governor in Council to be members of the Board of Directors for the term specified in the Order and the *Workers' Compensation Act*.

Duty of care

Members of the Board of Directors, in exercising their powers and discharging their duties, shall act honestly and in good faith with a view to the best interests of the corporation and exercise the care, diligence, and skill that a reasonably prudent person would exercise in comparable circumstances.

Empowerment

Delegating authority to enable and permit others to act.

Ethical values

Includes moral values and are based on what is right. Ethical values enable a decision maker to determine an appropriate course of behavior.

Evaluation

Process of measuring organizational and individual performance against established and desired values, standards, policies, goals, and objectives.

Executive relationship

The relationship formed around the accountability between the Board of Directors, the Chair, and the President.

Governance

A structure and process to direct and monitor the management of the business and affairs of the corporation.

Intellectual property

Intangible assets (ideas, designs, creativity) including copyrights, trademarks, patents, trade names, company, and customer lists.

Mission

The reason for the corporation's existence.

Officers

Officers means the President, Vice Presidents, Chief Financial Officer, Secretary and General Counsel of the corporation.

Partner

Partners include stakeholder groups, government, safety associations, medical providers, and all other groups or individuals affected by the workers' compensation system.

Policy

The Board of Directors' direction of what should be done to ensure effective governance.

President

Defined as President and Chief Executive Officer (CEO).

Proactive

Taking initiative and providing leadership in creating desired events and circumstances rather than just reacting and responding to events and circumstances.

Procedures

Management's guideline to staff on how policy is to be interpreted and implemented.

Protocol

Description of the terms of reference and criteria for conducting specific activities.

Prudence

Caution exercised in the conduct of one's behavior as it pertains to organizational and individual performance.

Strategic leadership

The expression of how a corporation intends to realize its future when addressing the major risks and opportunities facing the corporation.

Succession planning

Planning undertaken for senior executives to assume the roles and responsibilities of the President in the event the position is vacated to ensure continuity of operations and the continued leadership and vitality of the corporation.

Unfunded liability

The unfunded liability is the amount by which the value of all liabilities exceeds the value of assets at any point in time.

Vision

The desired future to which a corporation aspires.

All terms contained in corporate governance policy and defined in the *Workers' Compensation Act* shall have the meanings given to such terms in the *Act*.

Indemnification of Directors and Officers

In supplement of and not by way of limitation upon any rights conferred upon directors by the *Act*, it is declared that the corporation shall indemnify and save harmless a director or officer of the corporation, a former director or former officer of the corporation, and heirs and legal representatives, against all costs, charges, and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by a director or officer in respect of any civil, criminal, or administrative action or proceeding to which a director or officer is made a party by reason of being or having been a director or officer of the corporation if:

a director or officer acted honestly and in good faith with a view to the best interests of the corporation;

and

in the case of a criminal, administrative or regulatory action or proceeding that is enforced by a monetary penalty, the director or officer had reasonable grounds for believing that their conduct was lawful.