

CANADIAN SCHOLARSHIP TRUST FOUNDATION

BOARD POLICY GUIDELINE

Board Independence

A. Policy Objective:

A.1 It is an important hallmark of a well-functioning board that it is comprised of independent directors who are able to act within the proper sphere of the board's governance responsibilities in a fully independent manner. This policy is designed to provide structures to better assure that result.

B. Policy Principles:

B.1 The board must be capable, if required, of acting independently, without the support or involvement of senior management and without constraint by reason of conflict of interest or other external factors.

B.2 On the other hand, it is critical to good governance that there be strong and effective teamwork and trust between the board and senior management, led by the Chief Executive Officer. Policies and practices designed to achieve board independence must not be such as to derogate from that teamwork and trust.

B.3 Management must respect the need for the board to regularly pursue practices designed to foster and ensure its independence – for example, the practice of regular private meetings without management in attendance.

B.4 On the other hand, the board must also ensure that it does not misapply the principle of independence by stepping into the realm of management issues which should be left as the preserve of the Chief Executive Officer and the senior management team.

C. Implementation Details:

C.1 Board independence is more a state of being than a practice. As a result it is best achieved by formally noting its importance (through this policy and other parts of the board's governance documentation) and by creating structures designed to permit such independence to be exercised, if necessary.

C.2 No one should be appointed to, or remain on, the board if there are circumstances or relationships which are likely to create the perception of conflict of interest or imperil independence of thought and action.

- C.3 Independent board action, without significant management input, is required regularly, for example:
- * In the process to evaluate the performance of the Chief Executive Officer.
 - * Where, by reason of a vacancy in the office of the Chief Executive Officer, the board must take steps to ensure the continuity of the management function and to engage a new Chief Executive Officer.
 - * Where, by reason of information received from internal or external sources, the board must undertake an independent evaluation of financial or compliance issues (including ethical or other conduct matters).
- C.4 Board and committee agendas should include a regular opportunity for private deliberations without management personnel present. The purpose of such session, which can and should be brief except where there are issues of substance, is to build an awareness on the part of board members of their distinct governance responsibilities and to provide an opportunity for candid expression on issues of concern.
- C.5 It is the role of the board chair to convey the sense of any significant concerns that are raised in the private sessions to senior management. Where such concerns arise in committee deliberations, the committee chair will advise the board chair and act in close consultation with the board chair in conveying committee concerns to senior management. Normally all such concerns will be raised first by the board chair with the Chief Executive Officer and not with other members of the senior management team.
- C.6 To support its independence, each board committee is empowered to engage external advisors, subject to prior consultation and approval of the board chair. It is expected that this power will be utilized only in special circumstances, for example, where there may be reason to believe that information or advice from senior management or the Foundation's normal advisors may not be adequate to ensure independent board action (for instance, by reason of a perceived conflict of interest or lack of expertise in senior management or the advisors).

D. Accountability:

- D.1 It is the responsibility of the board chair to ensure that a culture of board independence is created and maintained, while at the same time fostering the trust and team relationship with senior management which is critical to ongoing operations.
- D.2 It is the responsibility of the Chief Executive Officer to educate other members of the senior management team to understand the role of the board and the need for board independence and to respect board practices designed to foster such independence.