



POTENTIAL CHANGES TO CBV INSTITUTE'S DIRECTOR NOMINATION AND ELECTION PROCESS

Discussion Paper – Solicitation for Feedback

August 2023

Executive Summary

CBV Institute is contemplating a change in its Board Director nomination and election process. Specifically, the Institute is contemplating **the elimination of regional directors, meaning that there would be one category of director for which Members would elect at the Annual Meeting of Members**. For clarity, this one category of director is hereafter referred to in this document as "Board Directors".

The Institute's business climate has evolved in complexity and rate of change, and the skills and experience needed in our boardroom has also changed. With the Institute's current director nomination and election process (i.e., regional directors are elected, with at-large are directors nominated subsequent to regional elections), it is extremely difficult for the Institute to achieve an appropriate degree of diversity (including, but not limited to, geographical location, type of workplace, practice area, age/experience, gender, race, and ethnicity) in the confines of a limited number of at-large positions when skills and experience must also be prioritized.

This Discussion Paper addresses potential changes to CBV Institute's nomination and election processes. It includes background information and an explanation as to why CBV Institute is contemplating such changes.

Note that no decisions have been made. Member input and feedback will be used to inform the Institute's decision-making process, considerations, and conclusions. Also note that Members will continue to have final authority in the election of directors via voting at the Annual Meeting of Members.

This matter will be one topic of discussion at the annual virtual practice roundtables scheduled on October 3rd and 4th. A further virtual roundtable will be held on November 2nd to facilitate discussion and solicit feedback from Members on this matter specifically. Members who wish to send written comments in advance of these roundtables (i.e., by September 30th) may contact both:

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I. Overarching Role of CBV Institute's Board of Directors

The role of CBV Institute's Board of Directors (the "Board") is to provide strategic guidance to support and ensure CBV Institute's near and long-term value to its members and key stakeholders. More specifically, at a governance oversight level, the Board must ensure that no single risk being taken by the Institute could disable the pursuit of our strategic plan, and that the Institute has the proper resources (i.e., technological, financial, human) and processes (i.e., policies) in place to make progress on the strategic plan. The Board's work is done in the context of CBV Institute's Purpose, Mission, Vision, and Values.

II. Current Board Structure

The Board of Directors can have a minimum of 10 directors and a maximum of 15 directors. Of those, 6 are Regional Directors (BC, Prairies, Ontario, Toronto, Quebec, and Atlantic Canada) elected via regional elections and the remainder are at-large directors elected at the AMM. Up to 3 of the at-large directors can be lay directors (i.e., do not have to be CBVs).

III. Director Nomination Process Recruitment

At a high level, the Institute's director nomination and election process can be divided into several phases:

1. Assessment of Board Needs – Management and the Nomination Committee examine the needs of the Institute over the short to medium term and compares it to the existing directors' competencies. The needs of the Institute can be divided into three categories:
 - a. Director Competencies (an individual's skills, attributes, and experience)
 - b. Board Diversity (geographic location, type of workplace, practice area, gender, race, ethnicity, etc.)
 - c. Board Composition (how an individual candidate will contribute to the board, including how they may affect compatibility and overall group cohesion)
2. Recruitment of Candidates – communication of needs to potential candidates is done via the creation of Director Position Profiles and news items over several weeks of *CBV Matters*.
3. Election of Regional Directors – Members with workplaces in specific regions may be nominated as a candidate for a regional election. Members in such regions vote for a candidate.
4. Selection of At-Large Directors – individuals may put their name forward as an at-large candidate. The Nomination Committee screens such candidates against the Institute's needs. The Nomination Committee produces a short-list of candidates who best address the Institute's needs (i.e., the needs which are not addressed by current directors and newly elected regional directors), and interviews are held with short-listed candidates. The short-listed candidates are ranked and those who best meet the Institute's needs are nominated by the Nomination Committee for election at the AMM.

IV. Election History

Over the past 10 years, the average number of candidates in each region (for a regional election) has consistently been very low, with the exception of the Prairies. This is despite efforts to increase transparency around the election process and Directors' roles, which was geared towards increasing participation in elections. In contrast, the number of at-large nominations is consistently far greater than the number of

regional nominations received in the same year. In 2020, 2021, and 2022, there were 10, 11, and 8 at-large nominations received, respectively.

	BC	AB,SK, MB	Toronto	Ontario	Quebec	Atlantic
2014				1		
2015	3				1	
2016		4	1			1
2017				1		
2018 *	0				1	
2019	2	5	4			1
2020				2		
2021					2	
2022	1	3	1			1
2023 *				0		

* No nominations received in these regional elections. Seats remained vacant until the election process in the following year.

V. Benefits and Challenges with the Current Nomination and Election Process

The main benefit with the current nomination and election process is that, theoretically, there are specific board members (regional directors) who are assigned to represent Members in a specific region, meaning that Members theoretically have an “assigned” voice at the board table. By law, however, the Institute’s board directors must act in the best interest of the Institute as a whole, and not a particular region.

The challenges with the current process are numerous, some of which are discussed below.

1. Oftentimes, there is an overlapping of skills, competencies, and experience with the regional directors. Fundamental gaps in skills, competencies, and experience end up being filled by at-large members, which means that there is a lack of board seats for more strategic choices in directors.
2. It is unavoidable that the results of regional elections are frequently contingent upon the successful candidate knowing more Members in their region, rather than being the best fit in terms of desired skills, competencies, experience, and elements of diversity.
3. The Institute has had to limit its lay director representation (e.g., academic community; individuals with broad business, finance, or governance experience, or deep technical expertise in fields in which Members do not practice (e.g., law, HR, technology, etc.)). Lay directors specifically bring fresh external perspectives and often can spot areas for growth or improvement that otherwise go overlooked.
4. The above challenges mean that **it is extremely difficult for the Institute to achieve an appropriate degree of diversity (including, but not limited to, geographical location, type of workplace, practice area, age/experience, gender, race, and ethnicity) in the confines of a limited number of at-large positions when skills and experience must also be prioritized.** While diversity alone is no guarantee of board success, diversity of board structure is widely acknowledged to be crucial creativity, innovation, and problem solving; and inclusiveness is one of CBV Institute’s key values.

The Institute's limitations in its ability to ensure that the skills, competencies, experience, and elements of diversity that the board needs to effectively lead the Institute are appropriately met by the Board of Directors is an important issue. As the Institute's business climate (including disruptors; stakeholder preferences, needs, and expectations; and technological change) evolves in both complexity and rate of change, the skills and experience needed in our boardroom has also changed; and as demands placed on the Institute's board will inevitably increase, the Institute will face a growing challenge to recruit directors with the experience and expertise the board needs to fulfill our mandate. These changes must be acknowledged and met by a change in boardroom skills and, potentially, in the Institute's nomination and election process.

Boards need to change today to ensure they remain relevant tomorrow. The Institute is proposing the elimination of regional directors, meaning that there would be one category of director. For simplicity, we will refer to the one category of director in this document as "Board Directors".

To be clear, the Institute has been very fortunate with its regional directors, who have been a committed, intelligent, and well-connected group of Members. As such, while the Institute does not consider its current election and nomination process to be a "problem" that needs to be fixed, the opportunities in ameliorating the challenges represents a significant opportunity to make improvements that will benefit the Institute, its Members and Students, and the valuation profession.

VI. Potential Changes to Nomination and Election Process – Illustrative Purposes Only

Potential changes to the nomination and election process relative to the status quo are outlined below. Note that a decision to change the nomination and election process (and the manner by which the process is changed) has NOT been made. The decision for a change (and the manner by which the process is changed, if applicable) will only be made after Member consultation, as outlined under Question 1 in Section VII below.

The following scenarios are provided as examples of how the nomination and election process may change, and are provided for illustrative purposes only.

1. Status Quo – Regional elections and at-large nominations continue. At-large candidates voted on at AMM.
2. Nomination Committee puts forward a slate of at-large candidates and invites (confidential) input from Members. Nominations from Members are also invited. Nomination Committee presents slate of potential at-large candidates to Members, and Members vote on final slate of candidates for AMM. Members formally elect at-large directors at AMM.
3. Nomination Committee puts forward a slate of at-large candidates and invites (confidential) input from Members. Nominations from Members are also invited. Nomination Committee finalizes slate of at-large candidates for AMM and Members formally elect at-large directors at AMM.
4. Nomination Committee puts forward a slate of at-large candidates and invites (confidential) input from Members. There is no invitation for nominations. Nomination Committee finalizes slate of at-large candidates for AMM and Members formally elect at-large directors at AMM.

Regional directors are eliminated – Board would have one type of director.

Regardless of any changes made (or not made), Members can be assured that the following facts will remain true:

- Members will have multiple opportunities to provide comments and feedback on this matter in different formats (e.g., roundtables, focus groups, open lines of communication, etc.).
- There will be continued transparency with respect to the skills, competencies, experience, and elements of diversity that is being focused on in each election (i.e., Director Position Profiles).
- Members will be able to provide feedback on potential Board Director candidates and will continue to have the ultimate say in who is elected to the Board via voting at the Annual Meeting of Members.

VII. Potential Questions/ Concerns

1. What are next steps and the anticipated timeline for the process?

The anticipated timeline is as follows:

- September 30th, 2023 – written responses to this Discussion Paper are due from Members or Students
- October 3rd and 4th – matter is discussed at the annual virtual practice roundtables
- November 2nd – matter is discussed at virtual roundtable(s) held specifically for this matter
- November 30th – CBV Institute board of directors decides the course of action to be taken, which will be based on the Institute and the profession's needs and the input and feedback collected from members
- February 2024 – Special Meeting of Members to vote on change to the nomination/ election process (i.e., move to one category of director)
- March 2024 – Regional Election IF Members do not approve a change in nomination/ election process (i.e., move to one category of director)

2. What would happen with the existing regional directors?

If Members approve changes to the process (i.e., one category of director), the individuals sitting as Regional Directors would simply become Board Directors, and they would complete their terms as originally anticipated (see table below).

			<u>Scheduled Election Year</u>	
			2024	2025
N/A (vacant for 2023-2024)	Ontario		X	
Catherine Tremblay	Québec	MNP LLP	X	
Brian Gibson	AB/SK/MB	Davidson & Company LLP		X
Susie Foley	British Columbia	KPMG LLP		X
Vivian Alterman	Toronto	ap Valuations Limited		X
Corinne Larkin	Atlantic	Grant Thornton LLP		X

3. I live and work in Fredericton (or Victoria, or Saskatoon, or Winnipeg, etc.). The Institute and its staff are based out of Toronto. If I no longer vote for a regional director, will my concerns and needs be heard by someone in Toronto?

Yes. Members will have representation on the board on a number of fronts, which will result in a diverse Board and provide a voice for all Members. For clarity, it is anticipated that the following elements of diversity will be prioritized when Board Directors are selected (note that additional elements of diversity may be considered subsequent to Member feedback):

- Geographical location (BC, Prairies, Ontario, GTA, Quebec, Atlantic Canada, International)
- Types of workplace (local/ regional/ national public practice, financial institute/ pension fund, corporation, regulator/ government/ academia)
- Practice area
- Age/ experience
- Gender
- Race and ethnicity

4. Wouldn't reducing the number of regions and regional directors open up spaces for additional at-large directors (and help to solve the current issue of diversity)?

Reducing the number of regional directors (e.g., from the six regions we currently have to, for instance, West, Central, and East) could be a potential solution, but it would likely create debate in terms of which regions should be grouped together and the appropriateness of grouping such diverse groups of Members together.

5. What if the Institute just increased the number of board seats? Wouldn't that open up spaces for additional at-large directors (and help to solve the current issue of diversity)?

Increasing the board size from 15 (and maintaining the same number of regional directors) would become more difficult to manage. Further, research suggests that an optimal board size is between 10 to 15 directors.