



PBC Health Benefits Society

Board Composition and Succession Planning Policy



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1. Introduction

Every organization operates within a specific and unique context, which is determined by its current situation, its aspirations and its priorities. The structure and composition of its Board should reflect this context.

It is the Board's responsibility to ensure that the Board is composed of a group of individuals who collectively possess the optimal mix of skills and experience and that there is a planned process to ensure orderly succession of Board members.

2. Board Structure

2.1 Director Categories

The Pacific Blue Cross¹ (PBC) Board is composed of 14 directors of whom:

- no more than 6 shall be elected from among individual members;
- no more than 4 shall be elected from among organizational members; and
- no more than 4 shall be elected from among those members who are or represent health care professionals, as defined in the Bylaws, Section 1.1(n).

2.2 Director Eligibility Requirements

The PBC Bylaws eligibility requirements are that a Director must be:

1. a member in good standing,
2. a member for at least 1 year,
3. 19 years of age or older,
4. ordinarily resident in BC, and
5. eligible to act as a director in accordance with all applicable legislation.

Ineligible individuals are those who are or were within the past 3 years:

1. employees, spouses or immediate family members of employees,
2. former directors that reached their term limit, or
3. engaged in any similar business to PBC.

The amendments continue a long-standing special exception made for Health Care Professionals, exempting them from the requirement of being a member.

2.3 Director Terms and Term Limits

The term of a director will normally be three (3) years and a director may be elected to hold office as director for a maximum of three (3) consecutive terms.²

After holding office for three (3) consecutive terms, a director must cease to hold office as a director for a period of at least three (3) years before being eligible for re-election.

¹ Pacific Blue Cross' legal name is "PBC Health Benefits Society". ² The Board instituted a term limit of eight (8) years in 2015 and those term limits were amended to nine (9) years in 2019. The maximum term of an existing director of PBC at the time the term limit was amended to nine (9) years shall also be nine (9) years, commencing on or after the date of the 2015 general meeting of the members, as applicable. The Nominating Committee may therefore designate a renewal term of a director to be less than three (3) years if necessary, to ensure a maximum term of such director of nine (9) years. 2

3. Board Composition

The optimal Board composition for PBC involves a consideration of the following four broad categories.

3.1. Personal Characteristics

All directors should be committed to PBC's vision, mission and values and possess the following personal characteristics:

- integrity and accountability;
- demonstrated high ethical standards and integrity in personal and professional dealings;
- informed judgment;
- ability to provide wise, thoughtful counsel on a broad range of governance issues;
- mature confidence;
- preference for Board and team performance over individual performance;
- respect for others;
- a history of achievements that reflect high standards for themselves and others;
- ability to commit the time required; and
- no real or perceived conflicts.

3.2. Specific Skills and Experience

Board members, as a group, should possess a combination of skills and experience relevant to the PBC's strategic goals and the Board's oversight responsibilities. The specific skills and experience sought may change from time to time in keeping with changes to PBC's internal and external opportunities or challenges.

Relevant skills and experience include the following categories:

- **Board Governance:** Experience as a board director overseeing the management team of an organization, including knowledge of the board's duties and responsibilities, and experience at the board level with how a board functions, strategic planning, risk management and CEO evaluation/recruitment. Experience in member-based organizations would be an asset.
- **Leadership:** Experience as a leader, leading a management and/or functional team for an organization.
- **Strategic Planning:** Experience in the preparation, execution and/or oversight of strategic plans, the strategic planning process and oversight of implementation.
- **Risk Management:** Experience in risk management with either direct responsibility for risk management, or oversight of the risk management function either as director/ trustee, or in a management capacity. Experience with the identification of material risks, risk assessment, internal risk, mitigation and controls and risk reporting in the insurance/benefits industry would be an asset.
- **Insurance/Benefit Industry:** Experience in the insurance or benefits industry as a major provider or user, preferably including health care benefits. This experience need not be at the director /professional level; for example, a deep functional knowledge of insurance and/or benefits would qualify as expert.
- **Health Care:** Experience in the health care system, either directly as a health care practitioner or overseeing a health care organization (eg. as an administrator, regulator, etc.) Experience relating to primary health care delivery, as well as an understanding of public policy and reform, regulations, and health care education and prevention.
- **Financial:** Being financially literate with experience managing the financial activities of an organization, including financial reporting and risk management. "Financial Literacy" means having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can be reasonably expected to be raised in PBC's financial statements.
- **Investment:** Experience working with investment management, either directly as an asset manager or overseeing asset management firms (e.g., as a regulator or client).

- **Information Technology:** Experience in information technology and security with either direct responsibility for information technology and security, or oversight of the information technology and security function either as a director/trustee or in a management capacity. Experience with an organization's information technology and security activities, including large project implementation, cybersecurity, leveraging new technology platforms, and data analytics would be an asset.
- **Labour Relations:** Experience working within the labour relations community, reflecting both management and labour perspectives.
- **Actuarial:** Experience relating to the analysis of risk, reserving, pricing, re-insurance, and profitability.
- **Legal:** Experience and knowledge relating to legal principles, processes and services, including corporate law, insurance law, interpreting and applying legislation, litigation as well as an understanding of the legal dimensions of organizational issues.
- **Regulatory:** Experience in a regulated industry as well as an understanding of regulatory compliance and general practices.

3.3. Board Leadership

In order for the Board to be effective, it is important that the Board include some directors who have the necessary skills, experience and desire to fill key leadership positions on the Board including Board Chair and Committee Chairs.

3.4. Diversity

Within the context of the required Board skills, consideration is given to bringing together a diverse group of directors with the goal of creating robust Board dynamics, comprehensive Board discussions and ensuring different perspectives are brought to issues. Diversity in this context includes diversity of backgrounds, perspectives, and problem-solving approaches.

The Board is also committed to promoting and protecting inclusion of directors from diverse backgrounds and lived experiences who reflect our community and PBC's membership, and acknowledges that it must work to address any shortfalls on its part.

4. Board Succession Planning

The Board engages proactively in succession planning to determine the needs of the Board, communicate those needs to the membership and manage the director election process.

4.1. Determining the Needs of the Board

The Board's needs are determined through the use of a Board Skills Matrix Assessment Criteria (attached as Schedule "A"). This document is a living document and evolves over time as the Board's needs change.

Each year (in or about January or February) the Governance Committee:

- reviews the Board Skills Matrix Assessment Criteria to determine the optimal attributes desired for the Board as a whole and whether the categories should be changed or updated;
- assesses the skills, background and experience of continuing directors against the categories in the Board Skills Matrix Assessment Criteria;³ and
- identifies the "gaps" (i.e., those attributes that should be added and/or strengthened on the Board) to be sought in the election of new directors.

The completed Board Skills Matrix Summary is reviewed and approved by the Board.

³ The skills, background and experience of continuing directors is assessed by the Governance Committee objectively, referring to the Director Information Form filed by each director.

4.2. Communication to the Membership

At least 45 calendar days before the annual general meeting (AGM), the Nominating Committee notifies the membership that an election of directors is to take place, together with a Nominee Information Package (which includes information about PBC and the Board's role and responsibilities, a description of the priority skills and experience sought in new director candidates, a Nominee Information Form to be completed by individuals wishing to submit their name for election, documents required by BC Financial Services Authority, and a description of the nomination and election process).

4.3. Assessment and Election Process

Individuals who are interested in seeking election to the PBC Board are required to complete the Nominee Information Form and other required documentation as set out in the Nominee Information Package and return the documents to PBC by the required date. The Nominations Committee invites potential candidates to complete the required documentation in order to be considered to stand for election.

The Corporate Secretary reviews all nominations and determines:

- whether the Nominee is qualified pursuant to PBC's Bylaws and the Financial Institutions Act; and
- the Nominee's appropriate election category (i.e., organizational members, individual members, health care professionals).

The Nominating Committee reviews all Nominee submissions and meets with each eligible Nominee to review their background, particularly with respect to the priority skills and experience sought on the Board.

Based on their review, and following consultation with an independent advisor, the Nominating Committee makes an independent assessment of each Nominee against all of the categories set out in the Board Skills Matrix Assessment Criteria, in order to recommend those candidates with the skills and attributes being sought for the effective governance of PBC.

Following the review by the Nominating Committee and the Corporate Secretary, the Nominating Committee provides a report to the Board confirming the nominees for election and any specific nominees being recommended by the Nominating Committee. The Board approves the list of nominees to be presented to the AGM.

At least 30 days prior to the AGM, the Nominating Committee sends out a Notice to the membership with the name and profile (Nominee Profile) of each of individual standing for election. The format of the Nominee Profile will be determined by the Nominating Committee and will include: Name, Education, Employment History, Board Experience, Community service and the assessment of the Nominee against the Board Skills Matrix Assessment categories, and any Nominees being recommended by the Nominating Committee.

Members elect directors at the annual general meeting by secret ballot, as well as by the absentee voting options available to Members as may be prescribed by the Board in the AGM Notice.

4.4 Filling of Board Vacancies Philosophy

In circumstances where a Board vacancy occurs and, pursuant to the Bylaws, the Board has the authority to fill the vacancy by appointment, the Board will take into consideration several factors in order to determine whether the Board will proceed with filling the vacancy by way of appointment or by way of election at the next annual general meeting. These factors include, but are not limited to: total number of vacancies, timing of the vacancy in conjunction with the date of the next annual general meeting, and the impact of the vacancy or vacancies on the needs of the Board and the optimal Board composition objectives set out at Section 3 of this policy.

If the Board determines that a vacancy or vacancies will be filled by appointment, the Board may provide notice of the vacancy to the Membership, or affirmatively solicit qualified candidates to apply for the vacant position(s). The Board, or a committee designated by the Board, will screen the applicants and carry out the interviews of the eligible candidates to ensure that all recommended candidates are eligible to stand as nominees for appointment to the Board.

