

Chapter 1 Governance Policies

Section 1.1 Roles and Responsibilities: The Roles of the Board of Directors and Management

Key Principles and Philosophy Underlying SOCAN's Governance Roles:

Principles need to be applied collectively because of synergy

- A group of directors who collectively have the knowledge, ability and commitment to fulfill their responsibilities.
- Directors have a clear understanding of their purpose – role and independence from management.
- Directors with knowledge of the strategies of the organization.
- Directors have a reasonable framework of information upon which to make decisions.
- Directors are prepared to act to ensure the objectives of the organization are met.
- Directors report on the effectiveness of the organization to instill public confidence in the organization.
- They should be future oriented and worry about mission, not micro management.
- They should measure and monitor effectiveness of performance against strategy, which implies there must first be goals established at a macro or global level.
- Directors must act on information they receive and sometimes make tough decisions – implies informed directors.
- Consider the connections among governance, accountability and results.
- Governance vs. management (steering vs. rowing).
- Fiduciary responsibility of trusteeship.
- Up front need to define the territory of governance and management.
- Information contributes to governance only if the mindset and environment are available to enable it.

The role of the Board of Directors of SOCAN is to:

Members:

- Ensure on behalf of members that they are receiving value for their investment in SOCAN.
- Convey the views of members to the Board and Management of SOCAN.
- Vote for the best interests of SOCAN (all members).
- Sponsor and champion decisions of the Board of Directors to members and others.

Strategy

- Ensure a strategic plan exists: work with management to develop the plan and approve it.
- Monitor implementation of the plan; measure progress using performance indicators.

Finances/Risk

- Ensure risk management framework is in place, including traditional Operational audit function having direct access to the Directors
- Approve annual budget and monitor actual performance

Chief Executive Officer

- Work with Management to develop options and approve policy recommendations in the areas of corporate identity, government lobbying strategy, tariff proposals and distribution rules, and other areas as agreed, such as SOCAN Awards.

Governance

- Establish a framework for information flowing from Management to the Board for Board decision making.
- After consulting CEO and others, take decisions regarding governance role, structures, processes and procedures.
- Specifically, make decisions about ongoing Board of Director's information requirements, ensure new Board members are appropriately oriented to governance and ensure appropriate succession of the Board of Directors.
- Propose By-law changes for approval by members, when appropriate.

The Role of Management through the office of the CEO of SOCAN is to:

Board/Management Relations

- Work with the Board of Directors to manage the affairs of SOCAN in the best interests of members.
- Establish the scope of issues on which senior managers will communicate directly to the Board, its committees and individual Board members.

Operations

- Take decisions and manage day-to-day operational performance of SOCAN, informing Board of Directors of significant issues as appropriate.
- Ensure efficiency and effectiveness of the means through which the approved strategic plan is accomplished.

Human Resources

- Take decisions and manage SOCAN's human resources below the level of CEO including hiring, performance evaluation, compensation and termination, within the guidelines of approved budgets and organizational values.

Finance and Information

- Provide timely, accurate and comprehensive information as required by the Board of Directors, consistent with the information framework approved by the Board.
- Propose annual budget, based on operational plans, for approval by the Board.

Strategy

- Work with Board of Directors to develop strategic plan.
- Lead management team to operationalize strategic plan.

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Section 1.2 Roles and Responsibilities: Code of Conduct for Directors

1. Act in the overall best interests of all members of SOCAN.
 2. Declare known or potential conflicts of interest to the President e.g. possibility of personal pecuniary gain when a company owned, operated or affiliated (majority or minority) by a Director, wishes to do business with SOCAN. This includes acting as a Director for one or more organizations whose interests are or may be conflicting with those of SOCAN or those engaged on opposing sides of the same transaction.
 - (a) All Directors of SOCAN are also members of the organization and therefore have a business relationship with SOCAN that is bound by the membership agreement. Any other business relationship a Director may have with SOCAN will likely find the Director facing conflicting interests: those of his/her fiduciary responsibility as a SOCAN Director and those of his own business or of the business that he/she represents. Therefore these business relationships should generally be avoided. However there may be times when it is in SOCAN's interest, as determined by the CEO, to have such a business relationship with a Director. When that is the case, the advantages may outweigh the risks. However, great care must be taken by the Director to ensure the following:
 - that SOCAN's President and Executive Governance Committee are notified and kept apprised of the relationship,
 - that the director abstains from voting on any resolution to approve the contract or transaction in question,
 - that the contract or transaction is fair and reasonable to SOCAN.
 - (b) Regarding notification: The President and EGC must be notified and informed by the Director of all relevant matters:
 - at the time SOCAN decides to initiate a business relationship with the Director.
 - at the time a business agreement is reached with SOCAN
 - at any time of a breakdown in negotiations and/or decision to not go forward with agreement
 - at any time when a dispute arises between SOCAN and the Director over the business agreement or relationship.
- The Director must answer any questions the President or EGC may ask him/her at any time regarding any business relationship the director may have with SOCAN.
3. Vote on all motions before the Board unless potential conflict of interest exists.
 4. Maintain confidentiality of information related to employees, licensees, members and SOCAN's strategic interest (survives the Director's term).
 5. Return all documents and materials received as a Director to SOCAN if requested.
 6. Make every effort to be fully prepared in advance of meetings including reviewing the advance materials.

7. Attend meetings as scheduled (missing 3 consecutive meetings may result in being dismissed from the current Board)
8. Recognize that SOCAN's CEO is the only member of SOCAN's management and staff that is directly accountable to its Board of Directors, and that no individual director, only the Board as a whole, has authority over the CEO. The President, however, acting on behalf of the Board, interfaces with the CEO between meetings as required by the day-to-day development of issues.
9. Do not advocate on behalf of individual members.
10. Acknowledge leadership role of the Chair of the Board of Directors in managing discussion according to agreed upon rules and interpreting this Code of Conduct.
11. Regardless of individual vote, supporting and championing decisions of the Board in public.
12. Forward requested agenda items or informational materials through the Chair for circulation to the Board.

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Section 1.4 Roles and Responsibilities: Suggested Competencies for Directors

Central to the SOCAN Director competencies is the belief in and active commitment to the SOCAN Values (as follows):

SOCAN believes that:

- Culture is the heart and soul of a community
- Music creators and their works are essential to the cultural expression of their community
- Canadians treasure the unique music created by their fellow Canadians
- Musical works and the rights of their creators and owners deserve the support and protection of their community

SOCAN values:

- Its independence as a Rights Management Organization
- Respect for the rights of its membership (composers, lyricists, songwriters and music publishers) as well as the rights of others
- The cultural dimension of its business
- Democratic governance for the ultimate benefit of all of its members
- Regional representation
- Transparent communication with its membership
- Innovative thinking and prudent business actions
- Exploration of new technological, cultural and business concepts as they emerge

Finding the right people for a Board involves defining the competencies of potential Directors. These fall into two groups:

- Personal behaviour and qualities that are desirable in any Board member; and
- Specific skills and experience that meet the needs of the Board and its committees

What Behavioural Skills Should Directors Have?

The culture of a Board is as important as the skills, experience and knowledge of its members. The Directors should have the behavioral skills to function and work effectively together as a collegial team.

These skills include:

- **Ability to present opinions** — they are able to present their views clearly, frankly and constructively.
- **Willingness and ability to listen** — they listen respectfully and make sure they understand what they have heard.
- **Ability to ask questions** — they know how to ask questions in a way that contributes positively to debates.
- **Flexibility** — they are open to new ideas and responsive to the possibility of change.
- **Dependability** — they do their homework and attend and actively participate in meetings.

What Personal Qualities Should Directors Have?

The qualities of good Directors include:

- **Integrity** — they have personal integrity and insist that the company behaves ethically.
- **Courage** — they have the courage to ask tough questions and to voice their support of or opposition to management proposals and actions. Their loyalty to the members' interests may demand that they express dissent and persist in demanding answers to their questions.
- **Good judgment** — they focus on the important issues and base their decisions and actions on sound business and common sense.
- **Perspective** — they have broad knowledge and experience, which they apply to discussions and decisions.
- **Commitment to learning** — they are prepared to take the time to get to know their company, know their job and stay up to date. They take responsibility for their own education in areas of their contribution to the Board and participate in educational sessions offered by the company.

Do Directors Need To Have Experience In Our Industry?

Board members should have industry experience. Directors need to understand SOCAN's business environment so they can participate in developing strategy and monitoring results.

There may also be value in including individuals with less industry knowledge but who can offer personal qualities and behavioural skills as Board members and have the capacity to quickly learn and understand how the business works.

In order to assist new and less experienced Directors, the Board uses a "buddy" system for mentoring that provides a contact to an experienced SOCAN Director. In addition, the new, less experienced Director may call on the President of the Board or any other Director for assistance and guidance.

What Specific Skills Do We Need On The Board?

- To be effective, all Directors should have the “financial acumen” to read and understand financial statements. In addition, those Risk Committee members should have a deeper level of “financial literacy” in order to understand the various financially oriented documents that may be presented as well as risk oriented documents. As noted earlier, SOCAN paid education sessions are available to Directors.
- Wisdom, judgment and common sense, skill in human relations and financial analysis, ability to prioritize multiple and complex issues, ability to perform as a member of a team, contributing to collective decision making and ability to communicate clearly.
- Ability to put aside the necessary time to read, evaluate and understand Board material sent in preparation for Board, Committee and Special meetings.

Number of meetings per annum includes:

Board: (4); Risk Committee (4); Tariff Licensing and Distribution Committee (4); Membership Committee (4); plus extra meetings as required. Normal participation for a Director includes the Board meetings and meetings related to 1 out of the 3 committees.

As well, attendance requires multiple day attendance e.g. Board Meeting on one day and committee meetings possibly before and/or after the Board meeting day.

- Willingness to fly to various Canadian destinations to attend Board and Committee meetings, as required
- Computer literacy: from the perspective of being able to navigate the Directors’ secured website and receive, open and work with documents electronically (through the web site and via email).
- Willingness and ability to take the necessary courses/ seminars (paid for by SOCAN) to fill the gaps in one’s background to ensure complete effectiveness as a Director.
- Ability to represent SOCAN and the Board to members and other stakeholders.