Keynote Speaker B2-PS: Corporate Governance

Conférencier invité B2-SP : La gouvernance

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Speaker / Conférencier: Frank O’Dea

Mike Lombardi: I am pleased to introduce Frank O’Dea. Frank has triumphed over adversity to become one of Canada’s most successful and celebrated entrepreneurs founding numerous businesses, including the Second Cup, ProShred Security and Horatio Management Fund.

In addition to a string of business success Frank’s achievements in the not-for-profit sector both in Canada and worldwide are extraordinary. He is a co-founder of several volunteer organizations that I am sure you have heard of, Street Kids, Canadian Foundation for Aids Research, War Child, and the Canadian Land Mine Foundation. His ideas on leadership, entrepreneurship and visionary thinking make him a compelling and sought after speaker.

Please help me welcome Frank O’Dea.

...(applause)... 

Guest Speaker Frank O’Dea: Good morning, ladies and gentlemen. It is a delight to be here in Calgary with you and I want to thank the organizers for inviting me to share this morning with you.

I have been asked to speak on governance. Governance is a very hot topic, as you know. Incidentally, before I even start, I would like to ask, “How many people in this audience serve on boards currently?” Lots of you. Congratulations on your appointments. But you will know that governance is taking a lot of time at most of our boards. The agenda item is always on and organizations that feel that they have good governance; are trying to improve their governance; and those who feel that they are a little bit shy are scrambling to catch-up.

It has been an interesting decade of governance and I would like to say that the first time I ran into the word was on the Board of the Mount Pleasant Group. I am still on that board and our chair at that time, Alan Honkan(ph), was a brilliant man. He was a Deputy Minister of several departments federally, he had retired and he joined the boards of a couple of very large financial institutions in Canada and he was our Chair. He brought to us the subject of governance in 1991, 1992, 1993, somewhere in there and that was the first time that I really came in touch with the word. I guess I probably read about it from time to time, but it didn’t really hit my radar screen until Alan appointed a Governance Committee of the Mount Pleasant Group and appointed me Chair, so suddenly I had to pay attention.

It has been an interesting learning experience. The Mount Pleasant Group happens to be a very good organization to talk about in terms of the model of governance because it is quite unique in its structure. The Mount Pleasant Group is in the cemetery business. It is a very significant operation in Toronto, about a billion dollars in assets. It was started about 175 plus years ago, 1825, when in Toronto if you weren’t a practicing Catholic or a practicing Anglican you could not be buried if you died. It created some problems in Toronto. So some families in Toronto got together and created a potter’s field. They created an entity that was a non-share capital corporation, not charitable but non-share capital, each family put in one dollar and for ten dollars bought a piece of property at the corner of Bloor and Yonge Street which was the north end of the city never to be developed
and they put in a potter’s field. We subsequently had to move those graves or they did, I wasn’t around, but they subsequently moved those graves to a place called Prospect in Cabbagetown.

But the entity was a trust and the people that ran it were trustees. This has morphed over time into the Mount Pleasant Group and the trustees have become directors. But because it is a non-share capital corporation there are no shareholders to report to. As most corporations of this structure, there are members and we report to our members. However, the members are limited to the Board and the members appoint the Board, so we report to ourselves.

Because of the uniqueness of that organization and because it has somewhere of the order of a billion dollars of assets, governance is critically important. It is also critically important because we have a mandate to our stakeholders which are very large. All of the people that are buried at our nine cemeteries, their families, the history of Toronto and the future of Toronto. You see, when we sell a plot of land to an individual, 35% of the revenue of that plot of land has to go into a pool of funds for continuous care. It is our responsibility as directors of that corporation to be sure that that property is maintained in perpetuity. Actuaries would have a hard time I think figuring out how to define the risks around perpetuity.

Recently, I was looking at some sales contracts from very early days. We sold plots of land in 1825 for $3. Thirty-five percent of $3, the income from which we have to look after that land forever is a bit of a challenge. But we have the responsibility to those folks just as we do to the future. People who took decisions in 1825 are still affecting the organization today and decisions we take as a Board will affect the organization way out into the future. We are not going away. Incidentally the liability for a cemetery, should it get into financial trouble, is the municipality. I can assure you the municipalities around the GTA are not interested in taking on our liabilities. So we have significant responsibilities.

When I was thinking about what I was going to say today I was thinking that perhaps what I need to do is talk about boards as I saw them when I first joined a board in 1979 as opposed to the changes across the boards over time and their responsibilities. But before I get into that I would like to start with a story.

The hero of my story is always George, in all my stories the hero is George, so we will use George this time. George was the president of a very large chicken franchise. George had done very well and the company had done very well and he decided to take a trip to Europe and part of the trip would be to Rome. Because of his stature as a business leader he was able to arrange a private audience with the Pope. So, he got to Rome and he went and saw the Pope and when he met him he said, “Your Holiness, I have authorization from my board to make a $100 million contribution to the church.” The Pope, of course, was delighted to hear this and was overwhelmed with the generosity. And then George said, “However, there is one caveat.” He said, “You know where you say, Give us this day our daily bread well we would like you to say Give us this day our daily chicken.” The Pope said, “Come on, we can’t do that.” “Well..” he said, “...$100 million.” And the Pope said, “Well, I don’t think we can do this, but I will take it to my board, the Cardinals.” So, he went to the Curia and he said, “I have some good news and I have some bad news.” He said, “The good news is we got $100 million, the bad news is it looks like we are going to lose the Safeway bread account.”

…(laughter)…

They told me you guys don’t have a sense of humour.

I joined my first board when I was I guess about 35. It was late 1970s. The name of the organization was Renascent Foundation. Renascent Foundation was in the drug and alcohol treatment business. It was a not-for-profit organization and because I had significant experience—in another story in another time I would tell you—but in short I found myself addicted to alcohol which took me to Skid Row in Toronto where I was panhandling for nickels and dimes at the age of 26. I sobered up, of course, and was able to turn my life around and I created the Second Cup and other things. But because I had had some success with the Second Cup and had some background the Renascent Foundation came and asked if I would serve on the board.

It was a very small organization and it was leading in its community, it served the Toronto community and had a particularly good reputation. My fellow directors were very civil to one another and on the whole a very enjoyable group, meetings were few. The president and founder was a very strong-minded individual. Paul Sullivan had a very clear idea of what this organization
would do and it stemmed from something that was very internal. I hesitate to use the term mission statement, because as we understand mission statements today those are statements that have been developed by boards of directors, interested stakeholders and others who have come together to work out and debate and to develop a mission and vision. That wasn’t what we had at Renascent. What we had was a very strong individual who had a clear idea that had to be almost a divine right that this is what it was going to be and no director, no director would challenge that view. It was a mission statement that was developed internally and, as I say, we wouldn’t challenge that under any circumstances.

My fellow directors were all strong-willed individuals as well. They were CEOs of their own organizations and they treated Paul with the respect and the expectation that they would expect from their own boards, in other words they never questioned him. The disagreements were never aired at a board table and, if we were to have a disagreement, it would be held one on one after the meeting, but never confrontation at the board table. Directors were expected to be supportive, supportive publicly and nearly always privately. This was an unwritten rule and woe to the person who defied it.

In fact, I remember clearly one time where an offending director on another board did offend the rule and here is what happened. The chair called the offending director to a private meeting off site. When the offending director arrived there was the chair and another director and the resignation was asked for and accepted and at the next board meeting the minutes showed that the offending director had simply resigned and there was no discussion. It was a different era.

In the 1970s directors were a class constituted perhaps as the old boys’ network. This is not an overstatement in my view, but rather an act that reflected the state of affairs of directors and governance at that time. The president of the corporation, both in public and private corporations, was clearly in charge and, except where there was a majority shareholder, that CEO ran the organization. CEO was actually a term that didn’t come into existence until later, so the president ran that organization. Where there was a majority shareholder the majority shareholder took the major decisions and that is true today in most organizations that I have been involved with.

On one board where I became executive chair or non-executive chair rather, I was frequently praised for the brevity of meetings. Rarely did they exceed two hours, the board format was always formal, discussion was civil and the atmosphere was constrained. This again reflected the times in the business community. Business was done at a more leisurely pace with protective trade barriers protecting most of our industries. Competition from Europe was virtually non-existent. We could afford to be rather laid back.

Board committees, except audit committees, were almost nonexistent. Where we needed to have a committee meeting it was a committee of the whole. One example underlines just how the Board was out of touch with an organization. I can remember a board meeting where the executive director of this organization arrived and at the end of the agenda under other business he announced that we had a crisis in the organization. He said he had just fired the senior manager of our Botswana organization and that the car that the person had had been impounded by the local government and he was reporting this as a crisis to the board. It was in fact a crisis, but it was more of a crisis than he knew because it became quickly apparent that none of the directors even knew we had an organization in Botswana, let alone an employee or a car. But that was a reflection of the times.

To be asked to join a board in the 1960s and 1970s was considered an honour, a reward, like being asked to join a private club. The fees were very modest, no one asked about fees, they were rarely increased and when they were they were almost done furtively as if we had to do it in some way that nobody noticed. Perhaps it is nostalgia, but I think that the corporate leaders were held in the highest regard in those days, they were considered captains of industry, cities and municipalities. Business people seemed to be contributors to society and businesses were welcomed in our communities. That is not so today. Today, polls would show the business leaders in a class with class action lawyers, politicians even, and phone solicitation people.

The level of respect for the corporation and corporate leaders has gone down and we can understand why. We understand why because we read in the papers day after day about scandals that are rocking this country and others. I was reading again in the Globe and Mail that Hollinger is under more pressure today because of circulation numbers and so on. These things have caused great disruption in our communities and that is why, frankly, governance has taken a huge leap forward. It was on the agenda
much earlier than Enron, but it certainly peaked when Spicer was demanding huge huge fines which were deserved and people are going to jail. That certainly got attention of those of us who sat on boards.

I think that and I believe that stock options were, at least in practice, the problem. I think the principle of stock options is quite good. I think they get everybody on the right side of the table, as in everybody involved and invested in the community or in the company is good. But the huge stock options that were awarded for no performance and in many cases when performance was very poor, still stock options rewarded CEOs and senior executives in a way that was completely inappropriate.

In William Dimma’s article recently he classed them as obscene and I think that is right. As recently as the 1970s a CEO is paid roughly 40 times what the lowest paid employee was in North America, 40 times. Today it is 450 times is the norm. Is it any wonder that there is high dissatisfaction and high turnover among employees? Is there any wonder about the low state of affairs that we see or the low esteem we hold business communities in? Is it any wonder that shareholders are concerned about what is going on and big institutional shareholders have a responsibility to help us in this regard?

In my experience though, the state of the board is changing. As I said earlier, the governance is an agenda item that is always there. The Governance Committee is always reporting as actively involved in all of the boards that I am on and I serve on about five boards at the moment. Governance has become a leading issue with not only our directors, but our stakeholders and shareholders. My reading tells me that this is true universally and my contacts with fellow board members who serve on other boards confirms that. It gives me hope, but I also have some concerns, hope first.

The Canadian Coalition for Good Governance, CalPERS in the States, teaches here. Institutional investors have taken this very seriously. They have changed the way corporations have acted and they are changing the way they want reports and they are changing the amount of information that is available to not only themselves, but other shareholders. I see a great deal of attention paid to governance issues on the Boards that I serve on and the annual reports that I read. The Globe and Mail Report on Business, annual report on governance, is a big motivator. In fact, I was talking to a large institution recently who saw his number had fallen in that report and he takes that very seriously. There is very good reason for all that. Shareholders pay more money for corporations that demonstrate good governance practices.

The Institute of Corporate Directors and the Rotman School of Management now have a credential course. McMaster University at their DeGroote Business School and the Conference Board of Canada have combined to create a chartered directors designation. We are going to see people that are well trained, people that have been through these courses on our boards. There is going to be a demand for them. I think that this is very good news for corporations of the future.

We are seeing debate at the board tables, CEOs and CFOs are no longer getting a free ride. The work of directors is becoming much more demanding and the fees are going up. The corporations today where the budget for directors’ fees was relatively modest are now having to take that fee very seriously. They, in return, are demanding a lot of work from the directors. It is no longer going to be possible to serve on, as some of my directors serve, 8, 10 or 12 boards. You won’t be able to do that any more. The workload is getting much much greater.

I am finding that when I get my package a week or 10 days before the Board meeting it takes most of that week or 10 days to prepare for the Board meeting. There is also follow-up after the Board meeting and the committee meetings and so on. These are now taken much more seriously. They are taken much more seriously because, as I said earlier, investors pay more money for companies that have good governance practices.

Back to the Mount Pleasant Group, for example, we do peer Board and Chair review every year. In some of the boards that I am on that doesn’t happen, but on this Board it does and the Chair and Board review were pretty well received and it was quite easy to get approval from the Board to do that. But when it came to peer review there was some angst among the directors. I must tell you that the exercise of these programs has improved the Board attendance, has improved Board focus, and has made significant changes to the activities of our Board. Our Board was good before and it is better now.

That report done annually goes back to the Board. It is done anonymously so all of the directors can in fact make any comment they wish about the state of affairs of the Board, the Chair and fellow directors. As Chair of the Governance Committee I meet
with each director and give them their report. They don’t see the whole report. They just see their own report. I am the only one that sees the whole.

We use that report to suggest perhaps that they get more help with particular areas and we try to improve the performance of our directors. It is not to change them, it is to improve the performance of the directors. Our directors are stellar, they have done a great job and they continue to do a great job, but it is nice to have that report to know it. The CEO is reviewed now on a 360 basis by the HR Committee, the Chair of the HR Committee who meets with all the senior executives and meets with the Board and, in this case, her performance is reviewed annually.

We learned this the hard way. We had a CEO in our recent history that put up barriers to information flow, who was very much a control type of CEO and we got ourselves into some difficulty. Not difficulty in the organization, the organization is in great shape, but difficulty in the sense of communication with our staff. We didn’t quite know what was going on. In fact, when we terminated that CEO we found that there was lots of underlying issues that had not been able to find any way to get through this barrier that she had imposed. So, we wanted to create a governance process that would allow for that free flow of information. So this peer Board and Chair review underlines the need for that and then doing a 360 around the Chair drills deeply into the organization to make sure that all the information is coming through. It has improved the performance of the organization. In fact, their returns have grown significantly, the NOR has been a joy to watch.

Another Board I am on, the name of the company is ARCS and it is in the construction business, it is a private corporation, it has no need for complying with TSE regulations or Sarbanes-Oxley or any of those others. But we, the Board, have decided that it is important that we do exactly that. Why? Because it is an investment of our Horatio group and our exit strategy is to sell this company in the next few years to a strategic buyer. That strategic buyer may or may not be a public corporation, we don’t know that, but it would be very nice if we meet all of the regulations and standards of Sarbanes and others so that when a purchasing company buys it they know that all of that is in place. Again, why? It increases value, so it is worth doing. So, practically, governance means a lot.

Governance means a tremendous amount to our public corporations. Investors pay more for shares in corporations that exhibit good governance practices. So what is the state of governance in the country? Well, if the purpose of governance is to create strong, viable and competitive businesses with a view to increasing shareholder value, we are doing that. Canadian corporations must compete for business and, most importantly, capital globally. We cannot fall behind in the quest for good governance. As Don Brown at the OSC said recently, he urged his fellow regulators and corporations to pick-up the pace. We compete for capital, capital moves across borders even quicker than business does. If there is a dearth of governance, capital will flee. It is critical then not only to have good governance practices, but we must be seen to have good governance practices as well. This does mean, unfortunately, regulation and legislation. Because if we do not have reporting we will not attract the capital required to grow our businesses. Simply put, shareholders believe that better corporate governance means better stewardship of their money.

An interesting report was done four and a half years ago. MacKenzie & Company together with the World Bank came together and did an extensive study of 200 of the largest institutional investors in the world. They represent three and a quarter trillion dollars that they invest. The result, in short, 75% of those institutional investors ranked board practices at least as important as financial results. Eighty percent would pay more for shares of a hypothetical corporation with good governance practices than for a poorly governed corporation with comparable financials. How much more? 16% There is a premium for good corporate governance. All of this was done before Enron. Think of what it might be today. So the message is clear, there is no doubt good governance is tested and found to be critical to shareholder value. In global markets there is a corporate governance premium.

Furthermore, I believe that high governance standards will prove increasingly essential to attracting and retaining high quality investors. High quality investors, as those of you know that are on boards, but all of you will know a high quality investor is a really good partner. In the organizations that I am in, where we have financial partners we are always looking not only just for the money, we want high quality investors, investors that will be there for the long term who understand the business, who will take the time to learn it, who will take the time to make a contribution. A high quality investor is a very valuable thing for a corporation and governance will help in attracting that.
To obtain our share of corporate governance premiums Canada’s financial markets need to improve their standards. As Don Brown said, “We need to pick-up the pace.” Investors need to see that Canadian exchanges, corporations are being held to the same standards as their U.S. counterparts, especially in North America where we have this very close relationship with our partners. Capital easily flows. As I said earlier, it is even easier Canada to U.S. Companies in the U.S. must meet mandatory best practices. Our companies cannot have a different standard. We need to meet these standards. Investors have a right to the information they can use. Corporations must not only have good corporate practices, but they must also benchmark their practices against standards. These standards must be developed and you and the actuarial community can help set those standards, but we need to benchmark your corporations against similar corporations. It can’t just be good governance in a vacuum, there has to be a benchmark. We need to comply with universal standards or explain why. There are some corporations that don’t want to comply. Well, then they better find a way to explain why to their investors or they aren’t going to be there.

I said I am encouraged and discouraged. I am still worried about the culture of “me first”. Recent press, even this morning, we see where egomaniacs and corporate raiders have destroyed the culture of the corporation. People are out there earning huge amounts of money that they have no particular right to and the shareholders of course are paying for that. Corporate raiders are being abusive of the shareholders. Hollinger, of course, Parmalat and others, these guys were simply more interested in their own personal gain than that of their shareholders. There is human nature though, this will continue. There will always be those who will take advantage of the system, so regulation, legislation and, ladies and gentlemen, the ability to choose good directors, directors that are educated and aware and understand good corporate governance is going to be key. This is the framework that will control the excesses or hopefully will work to control the excesses that have so clearly been displayed in the press recently.

Moving to politics for a moment. In reading Jeffrey Simpson this morning, voters are mad as hell and they won’t take it any longer. It is no one scandal. It seems to me that we are offended by the activities and the arrogance of our political leaders. I personally am very angry with Paul Martin. But I think it is really to do with government governance. How do you say that? Government governance? They are not talking to us in a way that people understand, they are hiding it. Where is the responsibility? Where is the accountability? Has anybody resigned? I have heard people say, “I will take responsibility.” Well then show me what that means, resign, step down. Our corporate leaders do that. Why wouldn’t we see that happen at the government level?

There are many reasons for politicians to be held in low regard and I believe that is one of them, I believe the lack of accountability. It is all well and good to say we are going to fix it, but we don’t believe you anymore. It is all well and good to say they are going to spend more money, but we don’t believe you anymore. Where is the responsibility for the last time you didn’t hold up your promises? I don’t know what the answers are and I don’t know who to vote for. But I do know that I am mad and I would like to change.

One of the greatest failures of governance in this country was the blood scandal of the Red Cross. The people on the street knew there was a problem, the Board denied there was a problem, thousands of people died, thousands of people will die from HepC. Where is the responsibility? Failure of governance. Does governance count? You bet it does. Does governance count for our shareholders? Yes, but it counts in a greater sense, it counts for our community, it makes a difference about how we live in our communities. It makes a difference how you live and I and what you and I will leave to our children. Governance counts.

There are 10 things that directors can and should do. These are from Bill Dimma. One, adopt a sensitive individual director assessment program. Bill says, “I am convinced that the key to doing it right is pure evaluation.” I talked about that earlier. The focus should be development, not judgmental. Forego compulsory retirement for directors. He is saying no, if pure evaluation is done carefully and annually there is no need for compulsory retirement. Simplify governance for smaller corporations. Small companies need governance every bit as much as large ones, but they don’t need all of the bureaucracy that goes with it. Expect all directors to stay current through ongoing education and training. The great myth is that older more experienced directors don’t need any further training or education. Delegate CEO succession issues to boards even with 100% owned subsidiaries. A controlling shareholder and a public float, the argument for board involvement is much stronger, the view of dominant shareholders matter, but so do the best interests of the minority shareholders.
Seven, use performance options more frequently and routinely. As I said earlier, I think options provide a useful and tax efficient way to forge a community of interest among company interests and those of executives. But payout should be clearly linked to the achievement of targets and superior performance, unlike some of the recent ones. Separate the roles of board and chair except in unusual circumstances. The most compelling argument for separation is that ideally a board and a management create a coherent system of checks and balances which provide that well-known creative tension which can enhance corporate performance.

In Mount Pleasant Group, we have a Chair and a President in the same role and in that case we appointed a Lead Director. Have directors speak out frankly and fearlessly, though civilly, when necessary. For a director with serious doubts about a given project it is always a tough call to make, especially if all of the other directors seem to be going along. This should not deter a good director from reasoned objections to what is perceived to be a flawed proposition. Too often the director stays silent. As directors avoid conflicts of interest, it is always better not to have any. William Dimma wrote that recently and I think that it stands the test.

So, I continue to have great confidence in our Canadian corporations. I believe that we will continue to focus on governance issues, to pay attention to the issues in the press of the day and I know the reason that we will do that is because, as I repeatedly said through this piece, because it I think bears repeating, is that it increases shareholder value. It makes shareholders more comfortable with our corporations, it increases shareholder value and quite frankly we have to. If we don't do it, the capital markets simply won't be able to sustain the growth that our corporations need. These are mandatory. So I think in this area of corporate governance we will meet and exceed the investors' expectations.

On that note, I would like to say thank you very much for your kind attention. I would be happy to take any questions on my comments if you have any and I open the floor at this time for any questions that you might have.

…I…(applause)…

Mike Lombardi: Frank O’Dea, my name is Mike Lombardi. I had a quick question and just thinking back on some of the comments you made about obligations of directors, etc. I am thinking about situations where you have perhaps a dominant CEO who may be the darling of the media or perhaps investment analysts and it has taken the company three or four times larger than it was when it started. How does a whistle-blower in that organization really get comfortable about calling the shots and saying, you know, there are things not right? I am thinking about Enron. I had the privilege of listening to one of those whistle-blowers talk about the trauma and the agony they go through before the come up and finally go public. So maybe you can make some comments in that regard?

Speaker O’Dea: Thank you, Michael. Yes, this is a very difficult subject and unfortunately a long answer. A culture has to be developed within the organization to encourage whistle-blowing. That wasn’t the case in Enron. Right now, in many of our organizations the path of least resistance is to go to your supervisor and then that supervisor and people have a great deal of difficulty going beyond the first level. While it is alright at the Board for us to agree with or to suggest that to others, an employee is not likely to be able to do that and so I agree with the difficulty involved in that. And there is also corporate resistance to any changes.

So I think that it seems to me, especially the Mount Pleasant Group which I keep going back to, what we have tried to do is tried to advance that. We have tried to create a culture where people are able to bring forward their concerns by doing the 360 review of the CEO, for example, by directors being visible in the corporation, we do a directors’ dinner for example where executives and director levels, so two levels down are encouraged to come to the directors’ dinner so that we get to know some of those people, so that they have some familiarity with us. Those are the kinds of ways that I think it can be done. I am a little afraid of anonymous reporting. If somebody’s not ready to sign their name it is pretty often times that it is vindictiveness and that needs to be carefully handled and we can find ourselves chasing ourselves down some pretty ugly rat holes.

I don’t have any particular answer, except begin the culture of it, to understand within the organization the need for people to have the freedom to speak and to speak above their immediate supervisor, because that is often where it stops.
Rob Stapleford: Hi Frank, my name is Rob Stapleford. Many of us work in the pension field and pension governance is almost a subset of corporate governance. I am just curious if you had any remarks on… in terms of how from a corporate perspective pension plan governance is impacting the broader question of overall corporate governance?

Speaker O’Dea: Bob, I don’t serve on our Finance Committee, so I don’t really. Perrin.. who do you work for, Mike?

Mr. Lombardi: Towers Perrin…

Speaker O’Dea: Towers Perrin is our advisor on pensions and they do a remarkable job, so I read the report every year and say gee you have done a remarkable job and vote in favour.

I think that in the conversation at a recent meeting, which happened to be our AGM when we were talking about our pension plan what we were talking about is communication with employees and talking to them about all the changes that are going on, if any, and keeping employees abreast. Again, the more transparency we have the less angst there will be among our employee group.

I don’t know if that answers your question, Bob, but that is what we do in our organization and it has been very important. Our turnover of employees is very low. I was going to say until death do they part, but that would not be a good joke in the cemetery business. But that is what we do. Yes?

Charles McLeod: My name is Charles McLeod. To further improve corporate governance in Canada would you favour more legislation, better enforcement of existing legislation, more voluntary actions? I mean, you could say all of the above, but which would you favour more than any other?

Speaker O’Dea: I think that we have to get beyond voluntary reaction actually. Voluntary stuff is good, but investors are now saying enough is enough, we need legislation. Whether we agree with it or not, that is the sentiment of the time and I think we need to have clear legislation and regulation outlining at least as good as Sarbanes-Oxley in the United States because otherwise the flight of capital will be significant. I think we need legislation. It is well past the time for voluntary stuff.

Charles McLeod: Thanks.

Mark Campbell: My name is Mark Campbell. You mentioned the value of performance reviews of boards, chairs and individual directors. And I got the impression, perhaps wrongly, that you were talking about the directors reviewing each other, either individually or collectively. My question is what role does upward feedback from managers or even external service providers have in this performance review process? Many of us are in those kind of roles, management or external service providers and it might be very interesting to have an opportunity to provide that kind of upward feed back. I wonder if you see any value in that?

Speaker O’Dea: I like the idea, it hadn’t occurred to us. It is peer review and the directors review themselves. On that point, we each review our fellow directors. So, in the case of one organization that I am on, there are 11 directors, I get a list of all 11 and the matrix and I check off what I think and it is all anonymously then recorded. I like the idea of outside suppliers and service providers providing information. I think that might be very useful in selective cases, I don’t think it can be broadly based, but I think that organizations such as pension benefits and so on that would be very useful. I think that that could be a very good idea. In fact, I will bring it up at my next Board meeting and next Governance Committee in two weeks, so I will be bringing that up. Thank you for that.

Lee Watchorn: My name is Lee Watchorn. I’m interested in your comments about the Mount Pleasant Group. I am not sure how I categorize myself. I am certainly not a resident yet.

…(laughter)…

My wife is a stakeholder or plot owner. And I guess, you know, I am very pleased to hear that the governance is very strong. But as someone who has an interest in the group, what kind of communications there should be or is with the people that are plot owners or whatever and is that part of good governance?
**Speaker O’Dea:** Absolutely, it is. And I don’t drill down to that level, but I do know that we talk about our stakeholders and people who are owners of plots and we try to communicate, but the doors are completely open all of the time. You would be surprised, because we are so old, how many people visit these sites because of historical reasons and doing research into families and all that sort of stuff. But it is wide open to those who wish to come and get any advice. There are web sites. All of that is completely open to plot holders and others. We have a walk that is done by the Arborist of Toronto who takes people through twice a year our cemeteries to show the wonderful trees we have. Unfortunately, we are attacked by a southern beetle at the moment and this thing is voracious and so we are having to cut down anything within 400 yards of a tree that is attacked, so we are losing a lot of our very wonderful trees, which is sad.

But it is, as I say, completely open to any of the plot holders and other stakeholders in the organization. We have to be very careful, of course, because we are in the centre of the city in many cases there are lots of residents around the cemetery and we have to be cognizant of their concerns as well and we need to keep them completely abreast of what is going on. So it is a very sensitive organization. As I said, we are sensitive to the history of the place and we are also just as sensitive to the future of that organization.

On that, I think I will again say thank you, Michael.

**Mr. Lombardi:** Frank O’Dea, on behalf of the Canadian Institute of Actuaries I would like to thank you for taking the time to talk to us about governance issues. These are very timely with all the changes going on in corporations with Enron and Sarbanes-Oxley, etc. I think a lot of us related very well to the comments you made both because, as you heard, we are advisors to boards in many cases and in other cases we are actually board members, every year we elect four or five individuals to our own Board and that has been going on since 1965. So, not counting repeats, that might be 200 individuals who, you know, are paying attention to your comments.

Some of the other things that related to what we do, you talked about peer review. We have a different kind of peer review in our organization. You said you’re in the cemetery business. A lot of our life actuaries would say that. Yes, that sounds familiar. And when you talked about long-term, I thought we were in the long-term business but you are. You can’t beat a perpetuity that is really long-term.

So, Frank, on behalf of the CIA thank you very much for your insight and for coming down to show some of your prospective.

…(applause)…

**Speaker O’Dea:** Thank you very much.

**Mr. Lombardi:** So we are going to take a break now and the next session is at 10:45. Thank you.