

Policy Direction – Chief Executive Officer (CEO) Succession

Rationale and Relationship to Mission, Principles and Values

The Board of the MS Society of Canada recognizes the importance of good planning in the eventuality of a Chief Executive Officer (CEO) succession whether on a planned or emergency basis. Beyond the obvious benefits of minimizing the risks of disruption during a period of leadership transition, good succession planning also generates opportunities for professional growth and development. This document outlines the key elements which form the basis of the CEO succession plan at the MS Society of Canada. The document also provides guidance for succession planning for other executive-level roles and for early preparations in the eventuality of the need for a CEO search.

Policy Objective

The objective of this policy is to ensure that the MS Society has a comprehensive CEO succession plan.

Policy Application

This policy applies to the role of the Chief Executive Officer (CEO) and to those executive-level staff who are authorized from time to time to exercise the authority of the CEO.

Authorization

The policy was approved by the MS Society Board of Directors, May 21, 2014.

Policy Details

1.0 Executive-level staff authorized to serve as Acting CEO

The Board of the MS Society of Canada directs the CEO, at all times, to have at least two executive-level staff identified for approval by the board so that they may exercise the authority of the CEO on an acting basis when the CEO is on vacation or otherwise unable to exercise the duties of the role. On recommendation from the CEO, the board will approve the executives who are authorized to act in this capacity. (Appendix One)

2.0 Compensation Committee Role

The Compensation Committee has been created by the board to provide advice on and oversight to the MS Society's compensation policies and strategy. Additionally, it manages the processes related to the management of the CEO performance on an annual basis. The terms of reference of the Compensation Committee provide for it to provide advice to the Board on succession planning. The Compensation

Committee shall plan annually to hold a conversation about the succession plan so that a number of senior officers of the Board are briefed by the CEO on the depth of the succession pipeline at the MS Society.

3.0 Succession planning for executive-level roles other than the CEO

The CEO is hereby charged to discuss annually with the direct-reports of the CEO the depth of the succession pipeline available in the event of a succession required on an emergency or planned basis for any of the direct-reports of the CEO. Annually, the Compensation Committee should test the depth of the succession pipeline to identify and eventual mitigate any significant succession risks. The proactive grooming of successors provides opportunities for professional growth and development and can be an element of strategies to increase retention.

4.0 Improving succession readiness

4.1 Emergency Succession

An emergency succession is required when a tragic accident or other circumstance temporarily or permanently renders the CEO unable to perform the duties of the role. Because of the need for continuity in the role of the CEO and because of the inability to predict such circumstance, the board shall determine annually which of the executives identified to exercise the authority of the CEO will automatically assume the role of Acting CEO in this eventuality and would be charged to communicate information about the circumstance leading to the need for an emergency succession to the senior officers of the Board. A special meeting of the Board would be convened forthwith at which time the board would decide which of the executives might be appointed as Acting CEO for the remainder of the time required. If the emergency permanently disables the CEO from performing the duties of the role, please refer below for additional information in the sections titled 'Departure' and 'Advance Preparation for a CEO search.'

4.2 Short-term planned succession (e.g. vacation, approved and planned short-term medical leave)

The requirement for short-term planned successions surfaces frequently as there is a continuing need for the authority of the CEO to be exercised when the CEO might not be available when on vacation (or on short-term planned medical leave). In these cases, the CEO will identify the Acting CEO from among those authorized by the Board to play the role. The appointment will be a rotational basis and on the basis of the availability of those individuals. At no time, will the CEO and the executives identified by the Board to exercise this role be absent at the same time. When the CEO is away on vacation, information about how to reach the CEO (or not, if this is not practical) will be available to the executive acting on behalf of the CEO in the event that a crisis might justify interruption of a planned absence of the CEO. For the most part, the CEO remains accessible by cell phone to the Acting CEO while away on vacation.

4.3 Departure (voluntary)

In the event of a voluntary departure, the CEO will provide notice before an eventual departure. Typically, a voluntary departure does not provide sufficient lead time for the search for a permanent replacement to be completed in time before the departure of the incumbent. Unless the voluntary departure arises on the occasion of a retirement, an Acting CEO is typically required during such transitions. In this circumstance, the Board would have sufficient time to meet to consider the appointment of the Acting CEO and the plans for the search to find a permanent replacement. In appointing an acting CEO, the board may want to consider whether it prefers to select someone who will not be a candidate for the permanent role. This is not necessary but it should be a consideration in making the appointment.

4.4 Departure (involuntary)

If the board initiates the removal of the CEO, it is incumbent on the board as it negotiates the removal of the CEO to plan for the appointment of the Acting CEO. For continuity sake, the appointment of the Acting CEO should be synchronized with the announcement of the removal of a CEO.

4.5 Advance preparation for a CEO search

This section is not intended to preclude the board's authority at the time when the need arises to launch a CEO search; rather, the section is intended to expedite the work of the board at a time when it needs to act quickly.

4.6 Search committee

The board is very likely to delegate much of the responsibility to implement the search to a small search committee, drawn largely, if not exclusively, from those currently serving on the board. The size of a search committee should be relatively small (i.e. 4-6) to facilitate the scheduling of meetings of the search committee and to ensure that the potential candidates can enjoy a warm and congenial atmosphere when they meet with members of the search committee. Members of the search committee will include some of the officers exercising the most senior leadership roles in the organization as well as members of the board who have sufficient depth and length of involvement with the organization to be able to reflect its complexity to potential candidates. The search committee may include a member of the Board of the Foundation as the CEO plays a key role in supporting the role of the Foundation. It is not advisable that the search committee include potential future direct-reports to the CEO though the advice/input of direct-reports can be solicited in additional meetings between finalists and a small selection of future direct-reports. Members of the search committee should be screened for their flexibility and availability as members of the search committee cannot, in fairness to the candidates, opt in and out of a search process.

4.7 Search Counsel

There is a growing and nearly universal trend for the most senior leadership roles in the nonprofit/charitable sector to be recruited with assistance of professional search counsel. While there are significant costs arising from the engagement of search counsel, these are often offset by the savings that flow from a gap in the senior

leadership ranks of the organization. Because of this trend, many candidates for these roles will not respond to advertisements in the pages of major newspapers. Often, the best candidates are not paying attention to potential roles as they enjoy and are successful at their current job. Search counsel is often key in causing candidates to 'pay attention.' This trend reflects the growing competitiveness for talent in top jobs in the nonprofit/charitable sector. A similar trend is observable in the private sector and increasingly in the public and institutional sector. Mirroring this trend is the growth of boutiques search firms which bring special focus to the nonprofit/institutional sector and the growth of nonprofit/institutional sector areas of specialty or practice within the larger firms which bring a similar focus and experience.

Reflecting this trend, the board views the engagement of search counsel as critical to the successful implementation of a CEO search. It further directs the CEO to maintain an updated list of the top 4-5 search firms so as to make such list available to the Compensation Committee on an annual basis (Appendix 2). This short list could eventually serve as the basis from which the Society might launch an RFP for search counsel. In considering the appointment of search counsel, the board should also consider the potential to appoint a search firm without RFP from among those who have provided services in the recruitment of other executives at the MS Society. The benefit of working with a firm already experienced and knowledgeable of the MS Society is not insignificant.

Finally, search firms have historically pegged their fee as a percentage of the compensation of the successful candidate in the first year of the assignment. This practice often generated the potential if not the possibility of a real conflict between search counsel and the client organization as the search firm's compensation would increase in direct proportion to the negotiated compensation of the successful candidate. Search counsel fees will be arranged on a flat fee basis. In this way, the search firm and the Society avoid both the potential of a real or perceived conflict of interest.

Executive Champion

The MS Society of Canada President and Chief Executive Officer is the executive champion for the CEO Succession policy direction.

Monitoring and Compliance

The Compensation Committee will be responsible for leading the monitoring of the application and compliance of this policy direction, with the support of the CEO where appropriate.

Related Policies, Legislation

None.

Policy Review

This policy direction is to be reviewed every five years.

Definitions:

Executive Level Staff - President & CEO, Vice Presidents, and Division Presidents