



#03-2010-96

MINUTES of the meeting of the Board of Directors of Canadian Blood Services held at Canadian Blood Services, 1800 Alta Vista Drive, Ottawa, Ontario on March 11 & 12, 2010, at 9:00 a.m.

PRESENT: Leah Hollins
Graham Sher
John Dawson
Dan Doran
Ken Ezeard
Bernadette Garvey
Gary Glavin
Joy Illington
Frank Jones
Marilyn Robinson
Tom Warner
Robert Teskey

REGRETS: Julie di Lorenzo
Shirley Raab

being a quorum of the directors of the Corporation, and invited were:

Rod Brandvold
Jean-Paul Bédard
Sophie de Villers
Christian Choquet
Dana Devine
Watson Gale
Ian Mumford
Pauline Port
Sheila McIntee – Minute Taker

Leah Hollins took the Chair and Watson Gale acted as Secretary to the meeting.

AGENDA

The proposed Agenda for the meeting was reviewed. Tom Warner added Post-Board Meeting Assessment to the Agenda for March 11 & 12, 2010. ***ON MOTION duly made, seconded and unanimously carried, IT WAS RESOLVED THAT the Agenda of March 11 & 12, 2010, be approved with one addition.***



MINUTES OF PREVIOUS MEETING

Leah Hollins referred to the minutes of the meeting held on December 3 and 4, 2009. After review and discussion, *ON MOTION duly made, seconded and unanimously carried, IT WAS RESOLVED THAT the minutes of the meeting of the Board of Directors held on December 3 and 4, 2009, be approved as amended.*

REPORT OF THE CHAIR

Leah Hollins advised she had nothing to report that would not be dealt with later in the meeting.

REPORT OF THE CEO

Graham Sher reported on the Q3 2009/2010 performance, major accomplishments and emerging issues.

Graham Sher touched on an issue that was discussed at the Safety, Science & Ethics Committee meeting. The Toronto production site was the subject of some concern over the integrity of certain records. This had been noted to the Chair of the Board at the time of the incident. Significant attention has been given to this issue as well as immediate corrective steps to assure that the non-conformance has been stopped. Note that no issue of product safety is evident. A root cause analysis as to the circumstances that would have allowed this to occur is underway. Christian Choquet noted that it is being followed very closely.

Graham Sher asked Ian Mumford to comment on the mega-clinic that took place in Toronto. Ian Mumford advised that Canadian Blood Services ("CBS") was in partnership with the Maple Leaf Hockey team, the Raptors and the Toronto FC soccer team at the Air Canada Centre. He noted the event had been well promoted and 560 people attended the event with 420 units of blood collected – a record for a single clinic.

Ian Mumford acknowledged Bernadette Garvey and Tom Warner for attending the event. Bernadette Garvey and Tom Warner both suggested any Board member who has an opportunity to stop by a donor event should do so and noted what an uplifting experience it was.

Graham Sher went through the progress report on strategy implementation for Q3 2009/2010.

Under Objective 1 - Stewardship – The Living Donor Paired Exchange (LDPE) registry continues to improve access for patients in need of a kidney transplant. Graham Sher noted that 26 kidney transplants have taken place as a direct result of this initiative and another match run will be taking place this quarter. He also noted the Province of Quebec may get involved in the LDPE, a very significant advancement.



Under Objective 3 - Meeting Patient Needs by Delivering Products and Services Quickly and Effectively - although the red blood cell fill rate fell in Q3 due to challenges with the availability of O Negative red blood cells, there was no impact on patient care reported. Graham Sher noted this is still a new reporting measure and a few more quarters of reporting are required to better assess the measure.

Graham Sher advised that Cangene has informed Canadian Blood Services it will begin source plasma collections at the University of Manitoba campus. This may have some impact on Canadian Blood Services' mobile blood drives at the campus. Meetings with Cangene management have taken place and Graham Sher noted Cangene does have the potential to compete with Canadian Blood Services over the next few years. Graham Sher noted this is only being raised at this time for information. Cangene is doing this with full approval from Health Canada and is subject to all the same issues, donor deferrals etc. as Canadian Blood Services. Canadian Blood Services has a very good working relationship with this company and will continue to monitor it.

Under Objective 4 – Manage Change and Innovation Effectively – The issue of note here is ensuring projects are meeting timelines. Projects get delayed for various reasons and this is being examined on an ongoing basis. Graham Sher also spoke about the Appointment Management System project which fell further behind schedule due to software development issues. Dr. Sher reported he is confident the benefits will be realized.

Under Objective 5 – Develop Partnerships with Customers and Stakeholders Through Understanding and Engagement - given the number of complex stakeholder issues Canadian Blood Services is managing, such as the New Brunswick issue, Cord Blood and OTDT, there has been a significant increased reliance on government relations by the business lines to ensure successful execution of their strategies.

Under Objective 8 – Actively Manage Costs – Canadian Blood Services is projecting a surplus of approximately \$1.7 million for the March 31, 2010 year end. That compares with the budgeted surplus of approximately \$2 million. Graham Sher noted in 2009/2010, Canadian Blood Services is achieving its efficiency target but not as often by way of process improvement as had been hoped. Work is ongoing to identify sustainable process efficiencies from both this fiscal year and next. Graham Sher noted the negative variance in transfusable products and donor and clinic services, even though some efficiencies have been achieved. The unfavourable variance in this area was offset by favourable variances in donor testing and support services. Last, Graham Sher commented on Plasma Protein Products. He reported that despite the positive financial benefit of Canadian Blood Services manufacturing Humate P from Canadian plasma there is a high usage of FVIII. He referred the Board to correspondence under Tab 22 received from the Canadian Hemophilia Society concerning a comment Dr. Sher made at the December 2009 Open Board Meeting about high FVIII usage. Dr. Sher noted while usage is unusually high for FVIII, he did want to note that it is being carefully monitored to assess the trends that may be different from prior years.



John Dawson noted, to the Board, the Finance & Audit Committee received a presentation from Pauline Port, Chief Financial Officer, which showed the positive and negative variances and targets for the efficiencies and it was informative.

Objective 9 – Drive Process Excellence in Everything We Do – Graham Sher stressed the issue of process improvement and process management at Canadian Blood Services and referred the Board to Christian Choquet’s presentation from the Safety, Science & Ethics Committee of March 10, 2010. While Canadian Blood Services is scoring a red under this objective, it is not to suggest there is not a lot of hard work going on in the organization but, rather, the targets for improved performance in this area have not yet been reached. Gary Glavin asked that Christian Choquet’s presentation be brought to the full Board at some point.

Objective 15 – Ensure We Have An Agile Workforce With The Right Competencies to Execute Strategy – Graham Sher noted staff turnover, although better than last year, is still not meeting target. The target is 18% per fiscal year, we are around 20%. There were several other questions related to aspects of the CEO Report.

Leah Hollins thanked Graham Sher for the highlights of the CEO Report.

H1N1 Influenza Pandemic

Ian Mumford advised that while the Public Health Agency of Canada has announced that the second wave has tapered off, the Agency is still recommending that Canadians receive H1N1 seasonal flu vaccines in anticipation of a possible third wave. Ian Mumford spoke to the Board about Canadian Blood Services’ readiness and continued vigilance and monitoring of key indicators to ensure the Organization continues to be able to respond quickly. Ian Mumford advised that until a re-emerging influenza threat impacts Canadian Blood Services, the National Emergency Response Team and Local Emergency Response Teams have ceased meeting on a weekly basis.

Graham Sher thanked Ian Mumford and advised Canadian Blood Services will remain vigilant but, in future, this matter will only come back on the agenda if there is something to report.

Cord Blood Bank Business Plan

Ian Mumford provided an update on the Canadian Blood Services OneMatch Cord Blood Bank business plan status and next steps for exploring possible augmented funding options. The options include: 1) some form of public/private partnership; and/or 2) support through the Canadian Blood Services Fundraising and Development programme. The options explored will be brought back to the Executive Management Team for a full discussion. The Board had a significant discussion around this topic. Graham Sher reminded the Board



decisions are not yet being made, this is just the investigation stage. He noted the Board will be kept informed.

GENERAL COUNSEL'S REPORT

Watson Gale highlighted issues from the General Counsel's Report and the conclusion of the Freeman trial.

Freeman - The trial concluded in January and Canadian Blood Services is now awaiting a judgement of the Court which is expected in the summer of this year. Watson Gale noted this was a major undertaking by Canadian Blood Services. The Board discussed various matters related to the trial and Leah Hollins noted the Board of Directors are very appreciative of all the efforts the Canadian Blood Services staff has undertaken.

Zoldy - This is a very similar situation to *Freeman*. There have been no changes since the last report to the Board.

Whistleblower - Notification of an incident was received by General Counsel. Upon review, it was noted this was not the type of matter that ought to be raised through the use of the Whistleblower process, but was a fairly routine inquiry as to the application of certain deferral criteria. The Board questioned the process for staff to raise issues. The Board was informed Canadian Blood Services has gone through training with staff and the Whistleblower is meant for a different purpose than what was reported. Rod Brandvold noted when staff have an issue, there are various levels and stages for employees to report to. Employees are encouraged to speak to their supervisor first, and perhaps use "Ask EMT", which is also anonymous.

The Toronto Humane Society – Liability of Directors - Watson Gale spoke to the Board about this case where the Board of Directors for The Toronto Humane Society were charged with cruelty to animals and there was a general discussion about directors' responsibilities.

The Chair thanked Watson Gale for his legal update.

FINANCE & AUDIT COMMITTEE REPORT

John Dawson provided the highlights from the Finance & Audit Committee meeting held on March 10, 2010.

The Committee welcomed Elaine Ashfield, Executive Director, PRIMO & Chief Privacy Officer to the Finance & Audit Committee to provide the semi-annual update on the Privacy and Access Office. The Committee was updated on the management and investigation of privacy breaches, the measures taken to reduce the privacy risks through Privacy Impact Assessments, the Privacy and Access to Information Awareness Training and Records Management matters.



Sheldon Gunn from KPMG presented the Audit Planning Report and Engagement Letter for the year-end audit for 2009-2010. There was extensive discussion about the new accounting standards and the application of the standards for Canadian Blood Services. John Dawson noted that the Committee will go over the final audit plan at the June meeting.

Pauline Port presented the Consolidated Unaudited Financial Statements and the forecast to year end. As of December 31, 2009 Canadian Blood Services had a surplus of \$1.7 million compared to a budget of \$2 million. The 20/20 Efficiencies were reviewed and it was noted that they are built into the budget.

John Dawson noted there was an extensive discussion on financial reporting. The issue is whether or not Canadian Blood Services meets the definition of a government partnership. The view of the Committee, is that by applying the definition, Canadian Blood Services is not controlled by Government and therefore does not meet the definition of a government partnership. The Finance and Audit Committee recommends the adoption of the following resolution:

WHEREAS pursuant to the Federal/Provincial/Territorial Memorandum of Understanding from which Canadian Blood Services arose, Canadian Blood Services operates at arm's length from the governments with respect to decisions related to the financial and operating policies and exercises "complete management discretion over all blood system decisions", AND WHEREAS, in practice, notwithstanding that the organization receives all its funding from governments, Canadian Blood Services does actually operate at arm's length from governments with respect to decisions related to financial and operating policies.

ON MOTION duly made, seconded and unanimously carried, IT WAS RESOLVED THAT the Board of Directors has determined that Canadian Blood Services does not meet the definition of a "government partnership" as defined in Section PS 3600 of the public sector accounting standards, but, rather, is a not-for-profit entity which operates at arm's length from governments.

Michael Foster reported on the audits at Canadian Blood Services and presented the Internal Audit Plan for 2010/2011. The Committee reviewed and approved the 2010/2011 Internal Audit Plan.

John Dawson noted to the Board how pleased the Committee is with the collaboration of Internal Audits and Quality Assurance with respect to the new Audit Program for Fiscal 2010-2011. The leadership shown by Michael Foster and Christian Choquet's group has been great and bringing together the skills from both sides promises a positive result.

Leah Hollins thanked Mr. Dawson for his report.



QUARTERLY REPORTS OF CBSI AND CBSE

John Dawson, Chair of CBS Insurance Company Limited (“CBSI”) and Canadian Blood Services Captive Insurance Company Limited (“CBSE”) presented the quarterly report for the two captive insurance companies and provided highlights of each for the period ending December 31, 2009.

John Dawson advised CBSI is continuing in good standing with no new claims and no outstanding claims. For the nine month period ending December 31, 2009, CBSI incurred a net deficit of \$1.0 million. The market value of the investment portfolio was \$308 million as of last week and the CBSI Board remains satisfied with HSBC/Bank of Bermuda, the investment manager. As of December 31, 2009, CBSI is in good standing with the statutory requirements of the Bermuda Monetary Authority.

John Dawson summarized a few key matters to the Canadian Blood Services Board. CBSI is switching over to the International Financial Reporting Standard. He reminded the Board members that a mock claim scenario of a disaster was completed to see how CBSI, CBSE and Canadian Blood Services would react. Some procedural issues were noted and Canadian Blood Services has been working on these. Sign off on this will take place within the next few months.

John Dawson advised that CBSE has much smaller earnings than CBSI. For the nine month period ending December 31, 2009, CBSE incurred a net income of \$3,292. The investment portfolio for CBSE had a value of approximately \$400,000. This is managed by HSBC through pooled funds. The CBSE Board is satisfied with the performance of the investment manager. CBSE meets and exceeds regulatory compliance.

John Dawson summarized a few key matters to the Canadian Blood Services Board. He confirmed that CBSE is switching over to the International Financial Reporting Standard and mock claims flows along the same lines as CBSI.

Leah Hollins thanked John Dawson and noted how important it is for the Board to understand the matters relating to CBSI and CBSE.

CAPTIVE INSURANCE PROGRAM REVIEW

Watson Gale provided a comprehensive review with respect to the Canadian Blood Services Captive Insurance Program, including both CBS Insurance Company Limited (Bermuda) and Canadian Blood Services Captive Insurance Company Limited (British Columbia), which is managed by Canadian Blood Services. He went over the establishment of the program, operational aspects, the coverage structure, investment capital, governance and a variety of issues both past and present that face the organization and the program itself.



Leah Hollins thanked Watson Gale for the informative education session. She also noted John Dawson is Chair of CBSI and CBSE and Frank Jones, Tom Warner and Graham Sher are on the Board of Directors for both these captive insurance companies.

TALENT MANAGEMENT COMMITTEE REPORT

Marilyn Robinson, Chair of the Talent Management Committee, provided highlights from the meeting held on March 10, 2010.

Marilyn Robinson advised collective bargaining is now complete save for the last four agreements and a new cycle will begin again this quarter. Incidents/accidents, long term disability, workers compensation and grievances are all trending downward. There was one Whistleblower issue but it was addressed in Watson Gale's report to the Board.

Graham Sher presented a recommendation to the Committee on Executive Compensation. After consideration and a lengthy discussion the Talent Management Committee approved the recommendation to add to its mandate:

- (a) the approval of Canadian Blood Services' Executive compensation structure;
- (b) process and comparator groups for benchmarking executive compensation; and
- (c) performance pay program design, including the performance management program.

As the executive compensation process is finalized for 2010-2011, the Committee will work with Graham Sher and Rod Brandvold to implement this recommendation and transition it over the next two years.

The Committee Terms of Reference, when revised, will be brought to the Board for approval.

Leah Hollins thanked Marilyn Robinson for her report.

REPORT OF THE GOVERNANCE COMMITTEE

Tom Warner, Chair of the Governance Committee, provided highlights from the meeting held on March 10, 2010.

The Committee discussed the Board Balanced Scorecard on a go forward basis and its effectiveness as a governance tool. It was decided to look at this after the May Retreat when the Board has had further insight on governance. Tom Warner advised this is a work in progress.

The Committee discussed the post-meeting assessment process and a suggestion was made to set time aside at the end of each Board meeting to go over the pros and cons of the meeting.



A more formal survey would be completed on line one time per year that would look at more specific questions.

An update on Board Recruitment was provided to the Committee. It was noted there are a large number of applications from last year from which to draw. A Nominating Committee will be formed shortly. The Board asked when the appointments will take effect (before or after the September Board meeting). Leah Hollins advised this is uncertain but that all Board members should expect to be at the September Board meeting.

The last discussion was regarding options for staggering the Board recruitment process. It was noted there is not enough time to do it for this year but would be put on a future meeting agenda to discuss.

Leah Hollins thanked Tom Warner for his report.

REPORT OF THE SAFETY, SCIENCE & ETHICS COMMITTEE

Gary Glavin, Chair of the Safety, Science & Ethics Committee (“SSEC”), provided highlights from the SSEC meeting held on March 10, 2010.

Gary Glavin spoke about an earlier discussion under the CEO Report with respect to the Toronto production records matter. He noted that the root cause analysis is a thorough investigative tool and would be reviewed closely.

At the December 2009 Board of Directors meeting it was noted there are some indications that the XMRV virus may be linked to patients with chronic fatigue syndrome (CFS). Individuals who have a medical definition of CFS will be deferred from donating blood. The Patient Advisory Group is in agreement with this decision.

The Committee asked Christian Choquet to give the Committee the “why approach” for his reports so the newer members have some background. Christian Choquet presented “A Process-Based Management System and Process Management. Why?”. It was an excellent, informative presentation and well received.

Tom Poirier – Executive Director, Quality Assurance provided a report to the Committee on the Audit Program for Fiscal 2010-2011. Gary Glavin reported this is a risk-based and process oriented program. It was well presented and is a good way to integrate Internal Audit and Quality Assurance.

Risk CBS-09-I is stable and remains unchanged. Management of risk is proceeding very well.

The Chair thanked Gary Glavin for his report.



REPORT OF THE AD HOC RISK ADVISORY COMMITTEE

Gary Glavin, Chair of the Ad Hoc Risk Advisory Committee provided highlights from the meeting held on March 9, 2010. The Committee consists of Tom Warner, Shirley Raab and Gary Glavin from the Board and Pauline Port, Graham Sher, Sophie deVillers, Watson Gale and Judie Leach Bennett from management. The Committee went over the reporting requirements, key essentials for risk and Board education requirements.

Gary Glavin noted the Committee had a good discussion on the approach for the full day Enterprise Risk Management (ERM) session to be held at the May Board Retreat as well as the Agenda. The Committee went over the Change Agenda for ERM. It was noted a package will be coming to the Board in advance of the May Retreat.

The next meeting of the Ad Hoc Advisory Committee will be held on April 21st.

Leah Hollins thanked the Committee for their work to date.

REPORT OF THE NATIONAL LIAISON COMMITTEE

Dan Doran, Co-Chair of the National Liaison Committee advised the March meeting has been postponed until late June, 2010.

NATIONAL FACILITIES RE-DEVELOPMENT PROGRAM

Ian Mumford presented a new risk based status report to the Board on the National Facilities Re-Development Program and welcomed any modifications to the Report from the Board. He went over the key decision points with the Board and where they are at this point.

Ian Mumford noted there are no new issues identified. The funding remains within the envelope previously approved by the Board. The tendering process for a general contractor & electrician is under way in Brampton, Ontario. Out of the four pre-qualified bids received, Bell Rock was the lowest bidder and Canadian Blood Services will sign the Letter of Intent shortly. While formal approval is not technically required for the Letter of Intent to the general contractor, Graham Sher noted since it is a large amount, Board approval would be appropriate.

ON MOTION duly made, seconded and unanimously carried, IT WAS RESOLVED THAT the Board endorses the process and the outcome of the process to date with respect to the purchase and development of the site in Brampton, Ontario.

The Chair thanked Ian Mumford and Graham Sher for the update.



UPDATE ON ORGAN & TISSUE DONATION & TRANSPLANTATION

Sophie de Villers provided an update on the organ and tissue donation and transplantation (“OTDT”) program and touched on a few of the areas of focus for the 2009-2010 work plan.

Graham Sher and Jean-Paul Bédard will be meeting with the Deputy Minister, Health Canada on March 22, 2010 to discuss Organ & Tissue Donation and Transplantation.

Sophie de Villers noted the first day of the Retreat in May, 2010 will be dedicated to a comprehensive discussion on OTDT, where Canadian Blood Services is at and how it affects Canadian Blood Services.

Sophie de Villers advised there is a very active discussion going on in the country related to organs & tissues. Certain existing organizations are not supportive of Canadian Blood Services efforts, however Canadian Blood Services will meet with them to pursue collaborative efforts to develop this initiative. The Board questioned the reality of timelines as presented. Sophie de Villers reported that, originally, the intent was to be in front of the Deputy Ministers of Health in June. This is now being targeted for September. Sophie de Villers noted the progress to date is encouraging. The Board asked about funding needs. Sophie de Villers advised \$7 million is received jointly from the Federal and Provincial governments and this meets the needs for now.

Sophie de Villers reported work continues on building the plan for the national system design. The Steering Committee, Organ Expert Committee and Tissue Expert Committee continue their discussions on options and potential solutions for problems with the current OTDT system. Canadian Blood Services will now begin to formulate the system design with objectives and measures based on information from the Committees.

Jean Paul Bédard advised five public dialogues have been held. The consensus is the dialogues have been valuable and informative events. Upcoming dialogues are scheduled for Regina, Moncton, St. John’s and Toronto. Leah Hollins asked if Board members are invited to these forums. Jean-Paul Bédard noted they will start ensuring Board members are invited if the event is taking place in their area.

The National Living Donor Paired Exchange program recently completed its fifth match run. The first year of the LDPE Registry, resulted in 26 transplants. It is expected that all provinces, including Quebec, will participate in the next match run scheduled for late April.

Leah Hollins thanked all for their hard work.



CORPORATE STRATEGY REFRESH

Sophie de Villers provided an overview of Canadian Blood Services' approach to strategy management and the 2010-2015 strategy refresh. She explained Canadian Blood Services methodology for developing, executing and monitoring its strategy and how the strategy is linked to the annual funding request in the corporate plan.

Sophie de Villers went over Canadian Blood Services' management strategy, the three year corporate plan and the CBS 2010-2015 strategy. She explained what Canadian Blood Services' strategy is and where Canadian Blood Services is going and helped the Board get a sense of how it's all related. She noted that from every objective on the Strategy Map Canadian Blood Services defines how it will measure and set targets (or what Canadian Blood Services aspires to achieve). Initiatives are then defined for the purpose of achieving the target.

Sophie de Villers explained the various steps involved in the Balanced Scorecard Strategy Map. She showed how Canadian Blood Services' strategy has changed over the years, where it is going and how strategy and performance is communicated throughout the organization.

The Board raised the concern of becoming too bureaucratic and how to prevent this. Sophie de Villers noted that the cost of not doing this is a lot of re-work on projects. It's very tricky to keep it fresh and to keep re-inventing it, but it is important. There was some discussion around Canadian Blood Services reaching a point where the P/Ts do not need such a detailed three year plan. Graham Sher advised that the three year plan has earned Canadian Blood Services enormous trust in the early years and it gives the P/Ts an idea of what's coming. He noted that, with the current and future economic climate, a simpler approach could be investigated.

Leah Hollins thanked Sophie de Villers for her presentation.

Graham Sher provided further discussion about CBS' 2010-2015 Strategy. He went over Canadian Blood Services' mission and values and the strategy destination expected by 2015.

Graham Sher noted in the early years Canadian Blood Services managed the safety of the blood system. It is now more about an "earned" right to manage the safety of the blood system. The "one size fits all" will not work anymore. Canadian Blood Services has to have a management approach that fits for each business line. Our shift is to go from a "high cost" operation to a "highly efficient" operation. Graham Sher went over the strategic shifts underway in Leadership and Culture and Workforce Skills. There is significant focus on productivity within the three themes of the CBS Strategy and a very deliberate theme between each column. The Board questioned how they fit in. Graham Sher noted that the Board approves the Strategy and Management implements it. The Board holds Management accountable to get the strategies completed. Every year Canadian Blood Services revisits and refreshes the Corporate Strategy.



Graham Sher advised in order to continue, the Board needs to agree this is the journey that Canadian Blood Services will embark upon as this strategy will become the basis of Canadian Blood Services' activity in the next few years.

ON MOTION duly made, seconded and unanimously carried, IT WAS RESOLVED THAT the Board endorse the intent of the Strategy for Canadian Blood Services.

In-Camera: CEO Year End Self-Evaluation meeting was had.

All other matters are deferred to the next meeting.

There being no further business, the meeting was terminated.

Chair

Secretary