

BOARD POLICY ON CONTROLLED ENTITIES

Approval Authority	Board of Governors
Primary Contact	President
Related Policies / Legislation	Board policy direction University Planning and Directions (BPD-200) <i>University Act, s. 27 (1) & (2)</i>

PHILOSOPHY

The University recognizes the important contribution controlled entities can make in achieving the University's overall mission. A controlled entity may be established or acquired by the University in order to advance, directly or indirectly, the purpose of the University.

Reasons for establishing or acquiring a controlled entity include:

- a) to provide an appropriate governance framework for the management of specialized functions of the University;
- b) to separate the management of non-core functions of the University from core functions;
- c) to provide for a level of independence in the decision making or operation of a function of the University;
- d) to enable the University to establish a more flexible operational environment for the purpose of the management of specific functions of the University; or
- e) to have a holding entity for specific activities of the University.

POLICY

The establishment or participation of the University in controlled entities must be approved by the University's Board of Governors.

The approved controlled entity's purpose, governance framework and actions must be consistent with the University's strategic and institutional plans, including financial and budget plans, university governance policies, risk mitigation policies, and management practices.

As decision-making bodies, controlled entities are capable of exposing the University to increased levels of risk and liability for their decisions and activities. Therefore, the University must take reasonable steps to ensure that controlled entities operate at all times in the best interests of the University, in addition to meeting their own stated objects.

When the Board of Governors has approved the establishment of a controlled entity, the University must ensure that the controlled entity is accountable and operates within a system of internal controls that allows the Board of Governors to verify the appropriateness of the entity's decision making and management.

Subject to the requirements of this Policy, a controlled entity will operate independently of the University and will manage its own operations in accordance with relevant laws, its constituting documents and, where applicable, any agreement with the University.

GUIDELINES FOR CREATION/ACQUISITION OF CONTROLLED ENTITY

1. A proposal for the creation or acquisition of a controlled entity must be submitted to the Board of Governors for evaluation and approval.
2. A proposal for the establishment of a new entity should provide justification for the creation of the entity and the University's involvement, including both financial and non-financial reasons, as well as a clear statement about what need the proposed entity will be meeting, how this need is compatible with the University's goals and objectives, and why the need cannot be met within existing structures.
3. The proposal must include precise information on the type of entity being proposed (i.e. type of corporation, trust, society, partnership, etc.), the objectives of the new entity and its governance structure. An analysis of the environment and the competition, including similar services provided by other entities, would be useful.
4. Information on other owners, partners, shareholders, or persons having a financial or contractual relationship with the new entity (if any) should be provided, including a description of their involvement and, if appropriate, a description of their business, their incorporation documents and bylaws, and their most recent financial statements.
5. Information must be provided to the Board of Governors regarding how the proposed entity will interact with the University. Any services to be provided by one party to the other should be defined. A clear statement is required on what administrative support services and/or facilities the entity expects the University to provide, and over what period of time.
6. An operating plan for a controlled entity must be approved by the Board of Governors before the establishment or acquisition of the entity. An operating plan should address the following:
 - a) Source of funds (Note – a description of any commitments to provide these funds must be included);
 - b) Legal costs of incorporation, registration of business name, etc.;
 - c) Description of employees required (number, qualifications, experience) and cost of establishing a payroll system and benefit plan;
 - d) Capital requirements (land, building, equipment);
 - e) Regulatory costs including annual audit, income tax returns, annual meeting costs, filing of tax returns and employee remittances to the Canada Revenue Agency;
 - f) Financial and administrative costs;
 - g) Liability insurance arrangements and identification of unusual risks;
 - h) Proposed banking arrangements; and
 - i) Any use of the University's name, logo, trademark, etc.

ONGOING OVERSIGHT

1. Once the Board of Governors has approved the creation or acquisition of a controlled entity, the University will supervise the entity's decision-making in relation to the financial and operational policies and actions of the entity so as to ensure that it pursues the interests and goals of the University.
 2. A controlled entity must provide for the appointment of members of its governing board by the University in such proportion as may be necessary for the management of the University's risk.
 3. A controlled entity's governing board is accountable to the University for the following:
 - a) Approving the business plan, annual budget, and operational and strategic plans of the entity;
 - b) Monitoring performance against the annual budget and strategic plan;
 - c) Ensuring adequate control and accountability systems are in place, including frameworks for delegation, risk management and legislative compliance;
 - d) Ensuring the entity's policies and procedures are consistent with the objects and functions of the University;
 - e) Regular review of its own performance in relation to the objects in the entity's constituting documents, business plan, strategic plan, operational plan and budget;
 - f) Ensuring that any uses of the University name, logo and brand are in accordance with relevant University consents and policies; and
 - g) Ensuring that the entity's insurance coverage, whether through University insurance policies or the entity's own policies, or through a combination of the two, provides adequate coverage at a level acceptable to the University.
 4. The President will report to the Board of Governors on an annual basis to confirm that the entity is complying with the obligations and responsibilities outlined in this Policy.
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