MINUTES of the meeting of the Board of Directors of Canadian Blood Services held at Canadian Blood Services Head Office, 1800 Alta Vista Drive, Ottawa, Ontario on March 20-21, 2014. This was a closed meeting, not open to the public.

PRESENT: Leah Hollins, Chair
Henry Pankratz
H. Dunbar Russel
Gary Glavin
Wayne Gladstone
Elaine Sibson
Craig Knight
Rabbi Dr. Reuven Bulka
Robert Teskey
Denis Losier
Suromitra Sanatani
Chris Carruthers
Mike Shaw
Graham Sher (ex-officio)

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

Jean-Paul Bédard
Christian Choquet
Dana Devine
Watson Gale
Ian Mumford
Andrew Pateman
Pauline Port
Mark Donnison (21 March only)
Ralph Michaelis
Bonnie Charron, Assistant Corporate Secretary
Laurie-Jean Smith – Executive Admin to VP General Counsel & Corporate Secretary

CALL TO ORDER / OPENING OF MEETING
Ms. Hollins took the Chair and Mr. Gale acted as Secretary to the meeting.

The Chair called the meeting to order.
APPROVAL OF AGENDA
Ms. Hollins referred directors to the meeting’s agenda.

After review, ON MOTION duly made, seconded and unanimously carried, the agenda for the meeting of March 20-21, 2014 was approved.

APPROVAL OF MINUTES OF FEBRUARY 6, 2014
Ms. Hollins referred directors to the minutes of the Board meeting held on February 6, 2014.

After review, ON MOTION duly made, seconded and unanimously carried, the minutes of the Board meeting of February 6, 2014 were approved.

REPORT OF THE CHAIR
Ms. Hollins reviewed the preparations being made for the Special Meeting of the Members (SMM) to be held on 26 March 2014. She reviewed the planned agenda items and thanked the Board for attending the teleconference on 7 March in order to approve the Corporate Performance close-out report which would be delivered to the Members at the SMM. Dr. Sher noted that as of that morning, most Ministers had sent in proxies indicating that a provincial official would act as their representative. Mr. Bédard added that this is the usual attendance for the SMM.

REPORT OF THE CEO
Dr. Sher reported on the Q3 results, reviewing a number of key metrics under the various themes of Stewardship, Delivering a Safe and Effective Product, Leveraging our Expertise and Financial Performance.

On Stewardship he noted the Satisfaction index is above target for large hospital customers. This is as a result of efforts to increase engagement with these stakeholders and develop mutually beneficial partnerships. After the difficulties resulting from the transition to Brampton, these efforts were important and have paid off.

Regarding safe and Effective Products and Services, certain underperforming metrics were noted, in particular the Labour Hour per Unit in the Supply Chain and the Fill Rate on O Neg RBCs. These continue to be addressed and Dr. Sher was clear to note that, in spite of these issues, there has been no adverse impact on patient care.

With respect to Leveraging our Expertise, Dr. Sher spoke about the work of the Innovation group in the MSI division and addressed the work on the kidney (LDPE) and stem cell registries.

On financial performance, he gave a brief outline of the overall financial picture and noted the conditions that lead to under-performing measures that, in some cases can be
beyond the control of CBS. He cited in particular, the difficulties with decreased demand while working with fixed production costs, and the role played by stakeholders in the system who may under or over-order, causing a negative impact on the overall supply system. With respect to the savings target of $14.0 Million for FY14, it is forecast that only $11.3 Million will be realized. The gap is in large part due to the inability to realize a benefits premium holiday as had been anticipated.

Lastly, Dr. Sher reviewed some key recent events and emerging issues such as a visit from the American Red Cross executive team, the status of the Grand Falls –Windsor clinic closure, an upcoming “Fifth Estate” program on organ donation and a very new initiative by the Ontario government to propose legislation to prohibit paid donations in Ontario.

The Board asked questions and the following matters were addressed by Dr. Sher and the management team:

- Demand forecasting and the CBS expertise and international experience
- Plasma utilization forecasting and the impact on the provinces, as well as their reaction to the increased cost due to foreign exchange and utilization
- Pathogen reduction and the overall future plan
- Certain employment and labour matters
- Aspects of the ongoing improvement of the quality system, and
- The employee engagement survey.

Graham Sher reviewed various risk areas and emerging issues since the material was prepared. No significant or substantive issues were raised by the Board.

**SUBSTANTIVE MATTERS**

**Budget Drivers**
Ms. Port presented the key budget drivers for fiscal 2015/16 and explored the impact on the 2015-2018 Corporate Plan. The meeting discussed the political and fiscal environment, changing dynamics in the blood system (e.g. declining red cell demand, flattening of platelet demand, emergence of new products, etc.), CBSI as an enabling financial strategy, and trends in the blood system. Directors asked questions and there were suggestions to separate fresh blood products from PPP and other product lines in the Corporate Plan, as well as to consider making the OTDT section more than maintaining the status quo.

**Organizational Re-design**
Dr. Sher presented a status report on the implementation of the organization design initiative. Having completed the installation phase, all affected staff have now either been severed or transferred to other jobs. The target in reduction of 10% of FTEs in the
head office / management / administrative ranks was achieved, and in fact slightly exceeded. Dr. Sher outlined the next steps, including implementing the outcomes from a recent workshop for approximately thirty senior leaders at CBS who met to determine the next phase of the transition into the new model. He noted that the next phase is a more difficult phase of realizing the benefits of the re-design given the need to have widespread change in behaviour and culture.

Employee Engagement Survey – Preliminary Results
Mr. Pateman reviewed the preliminary results of the employee engagement survey, noting a completion rate of over 70%. He noted that there were nine questions added this year to parse out levels of engagement more clearly given the organizational re-design. Directors asked questions, particularly around the weaker areas of the results in the area of “freedom to speak one’s mind”. Mr. Pateman reported that overall results are reasonably good, and that more detailed analysis will be provided at the June meeting, including an analysis by function, region and various other parameters. There will also be a detailed action plan developed to specifically address areas of lower employee engagement.

Organs Donation and Transplantation – Status (ODT)
Dr. Devine provided a report on activities, issues, and funding of the ODT Program, including that there have now been over 250 kidney transplants directly attributable to the LDPE registry. She reported that CBS is preparing a comprehensive ODT System Performance Report which will be tabled at the June Board meeting for discussion, after which CBS will be preparing a strategy to move these issues forward.

Quality Module – Education Session
Dr. Sher introduced the module and noted it is one of the tools being used to train and educate all employees at CBS in the understanding of operating as a biologics manufacturer. He added that employees are encouraged to discuss the content with their managers and the session is interactive. The roll-out of the module to all employees is an important initiative of the Quality and Regulatory Affairs Division.

Christian Choquet walked the Board through the module and discussed the various aspects of it. The Board further discussed its use, ongoing development and rollout across CBS.

ADJOURNMENT
The meeting adjourned at 1555 to resume the next day.
MEETING RESUMES IN-CAMERA
The meeting resumed with all directors present at 0830 on Friday 21 March for an In Camera session with and without the CEO.

MATTERS FOR INFORMATION

Information Technology Report
Mr. Michaelis briefed the Board on the status of the IT strategy for CBS and the current initiatives underway including the release of an Apple mobile application, with the Android version set to be released in May. He reviewed efforts toward a more digital donor engagement, the web transformation program, eProgesa, and infrastructure renewal. He also outlined the business engagement activities which are fundamental to linking IT projects with the business and corporate strategy.

Productivity and Efficiency Program (PEP) – Update
Ms. Port provided an update on PEP citing various examples of savings achieved or planned savings in the areas of strategic sourcing, IT efficiencies, shared services, etc. She also noted that the program is undergoing change, with a renewed sponsorship plan, a refocus on the method of listing projects in order to show clear, understandable targets, and regular review at Executive Team meetings.

eProgesa
Mr. Mumford briefed the Board on the successful roll-out of eProgesa, the current global state-of-the-art blood application. Various issues were discussed, including the confidence this successful implementation has created, the issue of “evergreening” and the use of this system as a condition precedent to other important initiatives.

Fundraising
Mr. Bédard provided a status report on the fundraising campaign “For All Canadians”. He indicated that the campaign, while slightly behind target, is moving well and is expected to reach the next target of $9M by June.

National Donor Recruitment Strategy
Mark Donnison provided an update on the overall strategy and key aspects thereof, part of which is related to the mobile app previously noted in the IT report. The issue of 1st time donor deferrals was discussed with emphasis on the education of these donors. Aspects of rare blood donation were reviewed and Mark outlined new positive efforts in this field. He also highlighted the opportunity to further grow donations through corporate partnerships.

Honouring Our Lifeblood
Mark Donnison noted the upcoming donor events across the country and thanked the Board for their involvement in these important gatherings.
General Counsel – Report
Watson Gale gave a summary of various claims and issues facing CBS, none of which is seen as posing any significant threat or exposure to the organization.

Retreat Planning – update
Watson Gale gave a brief summary of the upcoming board retreat agenda.

Tissue Donation and Transplantation (TDT) – update
Dana Devine provided a brief update to the Board on the tissue initiative and noted the provinces have little appetite at the moment to expand these services. Thus, CBS has cut back plans somewhat to fit in with the limited effort supported by the provinces and territories.

Information items
Information was provided on board dates for 2015, ICD director education opportunities, a reference article on key matters for audit committees and certain correspondence sent and received.

COMMITTEE REPORTS

Finance & Audit
Wayne Gladstone provided a review of the committee’s work including a review of the audit plan, a summary of the internal audit work for 13/14 and the internal audit plan for 14/15, a review of the CBS financials for the first 9 months of the year, issues relating to the surplus forecast for the year, the issues around TPAD and the uncertainty as to what will happen to the surplus, and the results of the PEP initiatives.

Safety, Science & Ethics
Gary Glavin summarized the work of the committee including a discussion of the quality module, Health Canada audit results, the Centre for Innovation activities, the Ken Fyke Award, and quality recall issues and expectations relating to the impact of the cultural transition to the manufacturing mindset.

Talent Management
Chris Carruthers noted the excellence of the reports made to the committee and specifically noted the board issues of increasing LTD claims experience, benchmarking of overall compensation matters, anticipated changes in the market in the year ahead, the CEO job profile, the Leadership program and the employee engagement survey results (which will be reviewed in more detail at the June meeting of the Board).
Governance
Henry Pankratz reviewed the matters dealt with which included the upcoming board retreat, the board and director evaluation to be conducted through Deloitte, the corporate membership in the Institute of Corporate Directors and the ongoing governance review.

National Liaison Committee
Bob Teskey and Rabbi Bulka reported on the deliberations of the NLC and reiterated the importance of this committee and their dedication to contributing to the betterment of the system. Other matters discussed included issues on recruitment, emergent pathogens, the performance review and a sincere thank you to Lorna Lemay who is retiring from CBS and has contributed enormously to the success of the NLC.

Pension
Wayne Gladstone reported on pension matters and the key issues facing the three plans at CBS. This is a matter of increasing importance and will be a continuing focus.

CBSI/E
Wayne Gladstone gave a brief review of the subsidiary captives and noted that all matters are in good standing with various changes underway to improve the investment management environment.

MEETING CONCLUDED
There being no further business, the meeting concluded at 1325.