

Corporate Governance

The Canadian Securities Administrators and securities regulators across Canada have implemented governance policies for publicly traded companies. National Policy 58-201 and National Instrument 58-101 came into effect on June 30, 2005. While Saskatchewan Government Insurance is not publicly traded and therefore not required to comply with these guidelines, they provide an excellent benchmark to measure good governance practices.

National Policy 58-201 Corporate Governance Guidelines

Guideline	Saskatchewan Government Insurance
<p>Composition of the Board</p> <p>1. The board should have a majority of independent directors.</p>	<p>Yes. The Board of Directors is constituted of a majority of independent directors.</p>
<p>2. The chair of the board should be an independent director. Where this is not appropriate, an independent director should be appointed to act as “lead director.” However, either an independent chair or an independent lead director should act as the effective leader of the board and ensure that the board’s agenda will enable it to successfully carry out its duties.</p>	<p>Yes. The Chair of the Board is an independent director.</p>
<p>Meetings of Independent Directors</p> <p>3. The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.</p>	<p>Yes. The Board of Directors has meetings in-camera, during which no management is in attendance, at every Board and committee meeting, as well as on an as-required basis. There are no non-independent directors on the current Board.</p>
<p>Board Mandate</p> <p>4. The board should adopt a written mandate in which it explicitly acknowledges responsibility for the stewardship of the issuer, including responsibility for:</p> <p>(a) to the extent feasible, satisfying itself as to the integrity of the chief executive officer (the CEO) and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization;</p> <p>(b) adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business;</p>	<p>Yes. The Board has approved Terms of Reference (Mandate) which explicitly acknowledge responsibility for the stewardship of the Corporation.</p> <p>Yes. The Board has approved the corporate values to which all employees, including the CEO and senior management, are expected to operate.</p> <p>Yes. The Board of Directors holds an annual multi-day strategic planning session. This session provides the basis of the Corporation’s strategic plan and initiatives, as well as direction to management in the formation of Corporation’s operating budget and goals. Further, the Board is provided with periodic updates during the year on the progress of the corporate strategic initiatives.</p>

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(c) the identification of the principal risks of the issuer's business, and ensuring the implementation of appropriate systems to manage these risks;	Yes. The Board of Directors undertakes a process to identify the principal risks of the business, to achieve a proper balance between risks incurred and potential returns and to oversee the implementation of appropriate systems to manage the risks. The Board of Directors has charged the Audit and Finance committee with responsibility for this function and it reports to the Board on those risks on at least an annual basis.
(d) succession planning (including appointing, training and monitoring senior management);	Yes. The Board of Directors has charged the Governance and Human Resources committee with responsibility for reviewing the Corporation's succession plan. The committee reviews the plan on an annual basis and reports its findings to the Board.
(e) adopting a communication policy for the issuer;	Yes. The Corporation has a formal communications policy which has been approved by the Board of Directors.
(f) the issuer's internal control and management information systems; and	Yes.
(g) developing the issuer's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the issuer.	Yes.
<p>The written mandate of the board should also set out:</p> <p>(i) measures for receiving feedback from stakeholders (e.g., the board may wish to establish a process to permit stakeholders to directly contact the independent directors), and</p> <p>(ii) expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at board meetings and advance review of meeting materials.</p> <p>In developing an effective communication policy for the issuer, issuers should refer to the guidance set out in <i>National Policy 51-201 Disclosure Standards</i>.</p>	<p>Yes. the Corporation also undertakes research annually on behalf of the Board.</p> <p>Position descriptions for directors were developed and approved.</p>

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<p>Position Descriptions</p> <p>5. The board should develop clear position descriptions for the chair of the board and the chair of each board committee. In addition, the board, together with the CEO, should develop a clear position description for the CEO, which includes delineating management's responsibilities. The board should also develop or approve the corporate goals and objectives that the CEO is responsible for meeting.</p>	<p>Position descriptions for directors were developed and approved. A position description for the CEO has been developed and approved. The Board has developed and approved corporate goals and objectives.</p>
<p>Orientation and Continuing Education</p> <p>6. The board should ensure that all new directors receive a comprehensive orientation. All new directors should fully understand the role of the board and its committees, as well as the contribution individual directors are expected to make (including, in particular, the commitment of time and resources that the issuer expects from its directors). All new directors should also understand the nature and operation of the issuer's business.</p>	<p>Yes. The Terms of Reference for the Board specify the responsibility for director training, which has been delegated to the Governance committee. New directors receive an orientation which provides a overview of the Corporation, its operations and its industry. Further, directors are educated on the role of the Board, its committees and the expectation of directors. The director position description describes a director's responsibilities.</p>
<p>7. The board should provide continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the issuer's business remains current.</p>	<p>Yes. The Board provides opportunities for all directors to increase their knowledge of issues and subjects facing the Corporation. Further, Crown Investments Corporation provides annual director training opportunities to all Crown corporation directors.</p>
<p>Code of Business Conduct and Ethics</p> <p>8. The board should adopt a written code of business conduct and ethics (a code). The code should be applicable to directors, officers and employees of the issuer. The code should constitute written standards that are reasonably designed to promote integrity and to deter wrongdoing. In particular, it should address the following issues:</p> <p>(a) conflicts of interest, including transactions and agreements in respect of which a director or executive officer has a material interest;</p> <p>(b) protection and proper use of corporate assets and opportunities;</p> <p>(c) confidentiality of corporate information;</p>	<p>Yes. The Board has adopted a written Code of Conduct for Directors and a Corporate Code of Ethics and Conduct which is applicable to directors, officers and employees.</p> <p>Yes. Conflicts of interest are addressed in both the Code of Conduct for Directors and the Corporate Code of Ethics and Conduct.</p> <p>Yes. The protection and proper use of corporate assets and opportunities are addressed in both the Code of Conduct for Directors and the Corporate Code of Ethics and Conduct.</p> <p>Yes. The confidentiality of corporate information is addressed in both the Code of Conduct for Directors and the Corporate Code of Ethics and Conduct.</p>

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<p>(d) fair dealing with the issuer's security holders, customers, suppliers, competitors and employees;</p> <p>(e) compliance with laws, rules and regulations; and</p> <p>(f) reporting of any illegal or unethical behaviour.</p>	<p>Yes. The fair dealing with customers, suppliers, competitors and employees is addressed in the Corporate Code of Ethics and Conduct.</p> <p>Yes. The compliance with laws, rules and regulations is addressed in both the Code of Conduct for Directors and the Corporate Code of Ethics and Conduct.</p> <p>Yes. The reporting of any illegal or unethical behaviour is addressed in the Corporate Code of Ethics and Conduct, and more specifically in the Whistleblower Policy.</p>
<p>9. The board should be responsible for monitoring compliance with the code. Any waivers from the code that are granted for the benefit of the issuer's directors or executive officers should be granted by the board (or a board committee) only.</p> <p>Although issuers must exercise their own judgment in making materiality determinations, the Canadian securities regulatory authorities consider that conduct by a director or executive officer which constitutes a material departure from the code will likely constitute a "material change" within the meaning of National Instrument 51-102 Continuous Disclosure Obligations. National Instrument 51-102 requires every material change report to include a full description of the material change. Where a material departure from the code constitutes a material change to the issuer, we expect that the material change report will disclose, among other things:</p> <ul style="list-style-type: none"> • the date of the departure(s), • the party(ies) involved in the departure(s), • the reason why the board has or has not sanctioned the departure(s), and • any measures the board has taken to address or remedy the departure(s). 	<p>Yes. The Human Resources committee receives an annual report concerning compliance with the code. On an as required basis, the Human Resources committee may grant a waiver from the code.</p> <p>Not applicable.</p>
<p>Nomination of Directors</p> <p>10. The board should appoint a nominating committee composed entirely of independent directors.</p>	<p>Yes. The Board has charged the Governance committee with the responsibility of the nomination of directors. The committee is comprised entirely of independent directors.</p>
<p>11. The nominating committee should have a written charter that clearly establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to</p>	<p>Yes. The Governance committee's charter is contained within the Terms of Reference.</p>

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<p>individual members and subcommittees), and manner of reporting to the board. In addition, the nominating committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties. If an issuer is legally required by contract or otherwise to provide third parties with the right to nominate directors, the selection and nomination of those directors need not involve the approval of an independent nominating committee.</p>	
<p>12. Prior to nominating or appointing individuals as directors, the board should adopt a process involving the following steps:</p> <p>(a) Consider what competencies and skills the board, as a whole, should possess. In doing so, the board should recognize that the particular competencies and skills required for one issuer may not be the same as those required for another.</p> <p>(b) Assess what competencies and skills each existing director possesses. It is unlikely that any one director will have all the competencies and skills required by the board. Instead, the board should be considered as a group, with each individual making his or her own contribution. Attention should also be paid to the personality and other qualities of each director, as these may ultimately determine the boardroom dynamic.</p> <p>The board should also consider the appropriate size of the board, with a view to facilitating effective decision-making.</p> <p>In carrying out each of these functions, the board should consider the advice and input of the nominating committee.</p>	<p>Yes. The Governance committee undertakes a skills assessment on an annual basis.</p> <p>Yes. The Governance committee undertakes a needs assessment on an annual basis.</p> <p>Yes. The Governance committee reviews and recommends the size of the Board.</p> <p>Yes. The Governance committee reports regularly to the Board and when required makes recommendations. It should be noted however that director appointments are made by Order-in-Council.</p>
<p>13. The nominating committee should be responsible for identifying individuals qualified to become new board members and recommending to the board the new director nominees for the next annual meeting of shareholders.</p>	<p>Yes. The Governance committee has a recruitment and selection process which it undertakes prior to making recommendations for appointments to the Board of Directors and Crown Investments Corporation.</p>

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<p>14. In making its recommendations, the nominating committee should consider:</p> <ul style="list-style-type: none"> (a) the competencies and skills that the board considers to be necessary for the board, as a whole, to possess; (b) the competencies and skills that the board considers each existing director to possess; and (c) the competencies and skills each new nominee will bring to the boardroom. <p>The nominating committee should also consider whether or not each new nominee can devote sufficient time and resources to his or her duties as a board member.</p>	<p>Yes. The Governance committee reviews the competencies and skills required for the Board as a whole.</p> <p>Yes. The Governance committee reviews the competencies and skills of each of the directors.</p> <p>Yes. The Governance committee reviews the competencies and skills of nominee directors.</p> <p>Yes. During the recruitment and selection process, the Governance committee ensures that potential nominees understand the requirements and have sufficient time and resources to devote to the Board member responsibilities.</p>
<p>Compensation</p> <p>15. The board should appoint a compensation committee composed entirely of independent directors.</p>	<p>Yes. The Board has delegated the responsibilities for compensation to the Human Resources committee.</p>
<p>16. The compensation committee should have a written charter that establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members or subcommittees), and the manner of reporting to the board. In addition, the compensation committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.</p>	<p>Yes. The Human Resources committee's charter is contained within the Terms of Reference. The committee has the authority to engage and compensate any outside advisor it may determine is necessary to carry out its duties.</p>
<p>17. The compensation committee should be responsible for:</p> <ul style="list-style-type: none"> (a) reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining (or making recommendations to the board with respect to) the CEO's compensation level based on this evaluation; (b) making recommendations to the board with respect to non-CEO officer and director compensation, incentive-compensation plans and equity-based plans; and 	<p>Yes. The Human Resources committee undertakes a detailed CEO evaluation on an annual basis. As part of that evaluation, the committee reviews corporate goals and objectives and evaluates the CEO's performance against those goals and objectives. The findings of the evaluation and any compensation changes resulting from the review are recommended to the Board.</p> <p>Yes. The Human Resources committee reviews and recommends to the Board and Crown Investments Corporation any changes to compensation.</p>

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<p>(c) reviewing executive compensation disclosure before the issuer publicly discloses this information.</p>	<p>Not applicable. Individuals reporting to the CEO, which includes all executive members, are required by legislation to file and report any changes in their compensation to the Clerk of the Saskatchewan Legislature within a 14-day period of time. Further, by policy of the Crown and Central Agencies committee of the Legislature, the Corporation is required to file an annual payee list which also contains the compensation of all members of the executive.</p>
<p>Regular Board Assessments</p> <p>18. The board, its committees and each individual director should be regularly assessed regarding his, her or its effectiveness and contribution. An assessment should consider:</p> <p>(a) in the case of the board or a board committee, its mandate or charter, and</p> <p>(b) in the case of an individual director, the applicable position description(s), as well as the competencies and skills each individual director is expected to bring to the board.</p>	<p>Yes. The Board conducts on a rotational basis peer assessments and reviews of the Board and the Chair.</p> <p>Yes. The Board and its committees review their terms of reference on an as needed basis and at least every three years.</p> <p>Yes. The Board has a position description for directors, further, individual director's skills and competencies are reviewed as part of the regular assessments.</p>

Independence

The matter of "independence from management" is based upon the definition set by the Canadian Securities Administrators (CSA) and utilized by publicly traded companies in the industry. None of the directors have worked with or for the Corporation, or have direct material contracts or relationships with the Corporation, or have received remuneration from the Corporation in excess of the fees and compensation as directors and committee members or as directors of subsidiaries of the Corporation. However, the Chair of the Board of Directors is a partner in a law firm that has performed legal services for the Corporation in 2008, and is thereby deemed to have a material indirect relationship with the Corporation under the above standard. The Corporation's owner has managed this issue through the development of a protocol regarding lawyers serving on Crown Investments Corporation subsidiary Crown corporation Boards of Directors. Although not in strict compliance with the CSA standards, this protocol adopts the principle that directors must be free from any material relationship that may interfere with the director's ability to exercise independent judgment in the best interests of the Corporation or to influence the choice of law firms. Given the smaller local market in Saskatchewan for legal services, the protocol restricts directors from any direct material relationship, but allows a limited indirect relationship subject to the qualifications of the protocol, such as pre-approval of legal services by an independent Board committee, declarations of conflict, no direct benefit to the director and restriction of information to that director. The Corporation's General Counsel reviews all charges related to the provision of legal services by external counsel. The General Counsel in turn reports to the Governance committee of the Board on any new matters undertaken by the director's law firm, other than those that are substantially similar to matters previously performed by the law firm in question. The Board Chair, Warren Sproule, is a lawyer who is subject to this protocol. All other directors, including the Vice-Chair of the Board, are independent of management. At each Board and committee meeting, the directors meet in-camera without the presence of management.