

Corporate Governance

Authority

Established in 1946, the Saskatchewan Transportation Company (STC; the Corporation) is a Crown Corporation of the province of Saskatchewan. STC is subject to *The Crown Corporations Act, 1993*, which provides the Crown Investments Corporation (CIC) of Saskatchewan, the holding company for Saskatchewan's Crown corporations, the authority to establish the direction of the Corporation.

Board of Directors

Role of the Board

The primary function of the STC Board of Directors (Board) is to represent the shareholder as stewards of the Corporation. The Board has a statutory authority and obligation to oversee the affairs and business of the Corporation. The Board supervises Executive Officers, who are responsible for day-to-day operations, and through the Chief Executive Officer (CEO), sets the standards of organizational conduct and performance.

The Chair is an independent director. The CEO leads the development and implementation of strategic initiatives, policies, operating and capital budgets, makes recommendations and implements Board-approved initiatives, liaises with the Minister acting on behalf of the Province and shareholder, and manages the day-to-day business. The Minister Responsible for STC and Cabinet are tasked to communicate broad objectives for the Corporation and empower the Board to oversee the business of the Corporation.

The Board has its own Terms of Reference, along with responsibilities laid out in accordance with industries' best practices for corporate governance, as developed by the Canadian Securities Administrators.

Board Composition

The STC Board consists of seven independent directors who are appointed for a set term by the Lieutenant Governor in Council. The Lieutenant Governor in Council also designates the Chair and Vice Chair of the Board. STC's Board was appointed on February 12, 2009 by order of the Lieutenant Governor in Council.

<p>Wayne Lorch Regina-based owner/President of Performance Marine (recipient of numerous customer service awards) and P.W. Lorch & Associates Ltd., an investment company and developer of Saskatchewan resort and commercial properties. 50 years of business experience in retail, manufacturing, Crown sector, international trade and investment, former Deputy Minister of Saskatchewan Economic Development and Trade, as well as a two-year posting as Director of Economic Development and Trade at the Office of Saskatchewan's Agent General in London, England. Past President/multiple Paul Harris Fellow Regina Rotary Club, Past Director Regina and Saskatchewan Chambers of Commerce, founding committee member of the Western Canada Farm Progress Show and founding Director of the Saskatchewan Trade and Export Partnership (STEP). Supporter and sponsor of numerous community causes and events, including the annual Regina Dragon Boat Festival, hospital Mother-Baby Care Project, the Canadian Progress Club Regina Centre's annual Charity Auction and Plywood Cup. Featured in 2009 Saskatchewan publication <i>Birth of a Boom: Lives & Legacies of Saskatchewan Entrepreneurs</i>.</p>	<ul style="list-style-type: none">› Board Chair› Audit and Finance Committee Member
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<p>Deb Schmidt Yorkton-based realtor (Royal LePage). Previous board experience includes Painted Hand Community Development Corporation, Parkland Victim Services, and SaskPower. Past and present involvement with numerous business and educational organizations. Founded “Coats for Kids” program (chair), providing disadvantaged children and families in the Parkland region with warm clothing. Has received numerous awards and accolades for business achievement and community involvement. Acknowledged in Saskatchewan Business Magazine as one of Saskatchewan’s 10 most influential business women 2005.</p>	<p>› Governance and Corporate Responsibility Chair</p>
<p>Jonathan Abrametz Saskatoon-based trial lawyer (KMP Law) specializing in no-fault and tort auto injury claims, real estate investment and transactions, and impaired driving and drug offences. Involved in many charitable and community organizations, and presents educational seminars to other lawyers. Editor of the Saskatchewan Bar Admission course materials on criminal law.</p>	<p>› Audit and Finance Committee Chair</p>
<p>John Breakey Estevan-based oil and farm entrepreneur. Sixteen years as owner manager of Watson Land Services, a full-service land brokerage serving the oil and gas industries in Saskatchewan and Manitoba. Shareholder and operator in a large grain and custom farm operation. Owner and manager of three other family corporations involved in oil and land operations. Past experience as a financial fieldman with Farm Debt Review Board. Regular participant in fundraising events for local organizations such as the Estevan Art Gallery and minor sports.</p>	<p>› Audit and Finance Committee Member</p>
<p>Walter Dutchak North Battleford-based business owner (founder and owner of WPD Ambulance).</p>	<p>› Governance and Corporate Responsibility Committee Member</p>
<p>Mervin Massier Saskatoon-based consultant. Banking/financial background includes senior positions with Concentra Financial Corporate Banking, Barclays Bank of Canada, and Northland Bank. Current/past membership with the Saskatoon Chamber of Commerce, Saskatchewan Chamber of Commerce, Prairie Implement Manufacturer’s Association, the North Saskatoon Business Association and Treasury Management Association of Canada.</p>	<p>› Audit and Finance Committee Member</p>
<p>Bill Missal Lang-area farmer, retired. Past experience as a driver educator (Prairie View School District) as well as traffic safety representative (SGI) and traffic safety co-ordinator and director (Saskatchewan Safety Council). Assists with management and operation of a Regina retirement home. Current member of the Highway Traffic Board.</p>	<p>› Governance and Corporate Responsibility Committee Member</p>
<p>COMPENSATION</p>	
<p>Directors are paid an annual retainer and per diems:</p> <ul style="list-style-type: none"> › The Board Chair receives an annual retainer of \$10,000 and a \$600 meeting fee. › Board members receive an annual retainer of \$7,000 and a \$500 meeting fee. › Committee Chairs receive a \$550 Committee Chair meeting fee. 	



Board Members: John Breakey, Mervin Massier, Deb Schmidt, Jonathan Abrametz, Wayne Lorch, Bill Missal.
Missing: Walter Dutchak

Board Committees

To assist the Board in fulfilling its obligations and meeting its responsibilities, the Board has statutory authority to establish any committees it considers necessary for the efficient conduct of the Corporation's business affairs and to prescribe duties to any committee it appoints. Each committee has its own Terms of Reference, outlining its authority and its areas of responsibility. Delegation of responsibility by the Board to a committee does not absolve the full Board from responsibility for a committee's work or decisions. The Board Chair is ex-officio on all Board Committees and may attend any meeting as appropriate.

The following committees acted in an advisory capacity to the Board of Directors in 2009.

Audit and Finance Chair: Jonathan Abrametz

Committee Members: John Breakey, Wayne Lorch

Appointed annually by resolution of the Board, the Audit and Finance Committee assists the Board in fulfilling its obligations and responsibilities for:

- › overseeing the overall financial management of STC to ensure the integrity of internal financial controls and reporting processes;
- › overseeing the provision of relevant and timely financial information to the Board;
- › the appointment of the external auditor; and
- › ensuring appropriate follow-up of audit results.

Governance and Corporate Responsibility Chair: Deb Schmidt

Committee Members: Bill Missal, Walter Dutchak

Appointed annually by resolution of the Board, the Governance and Corporate Responsibility Committee assists the Board in fulfilling its obligations and responsibilities for:

- › developing and recommending best corporate governance practices and the annual strategic planning processes;
- › overseeing human resource strategies, programs and practices;
- › keeping current with developments and emerging best practices in corporate governance;
- › ensuring the Corporation is proactive in addressing safety, health and environment issues and is in compliance with all statutory requirements;
- › identifying and recommending competent, skilled candidates for appointment to the Board;

- › reviewing the Board's Committee Terms of Reference and the skills matrix required for Board complement;
- › managing evaluations of the Board, Committees, Chair and Director performance; and
- › providing oversight to the Corporation's code of conduct and ethics.

Corporate Governance Practices

STC's approach to corporate governance practices is consistent with the guidelines set forth in the Canadian Securities Administrators (CSA) National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

These CSA guidelines outline national governance requirements for publicly traded companies and address areas of responsibility for effective corporate governance.

While STC is not a publicly traded company, its practices are benchmarked against these current industry best practices.

The following Governance Scorecard includes a detailed discussion of STC governance practices.

Corporate Governance Scorecard

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Composition of the Board		
<p>NP 58-201, section 3.1</p> <p>The Board should have a majority of independent directors.</p>	<p>All directors of the STC Board are independent members.</p>	<p>✓</p>
<p>NI 58-101F1, sections 1(a) to (d)</p> <p>1(a) Disclose the identity of directors who are independent.</p> <p>1(b) Disclose the identity of directors who are not independent and the basis for that determination.</p> <p>1(c) Disclose whether the majority of directors are independent.</p> <p>1(d) Disclose whether a director is a director or any other issuer that is a reporting issuer.</p>	<p>Wayne Lorch (Chair): INDEPENDENT President, Performance Marine and P.W. Lorch & Associates Ltd.</p> <p>Jonathan Abrametz: INDEPENDENT Lawyer, Bridges Duty Counsel</p> <p>John Breakey: INDEPENDENT President, Watson Land Services (1994) Ltd., Lakewood Holdings Corporation and A.L. Breakey Oil Holdings Ltd.</p> <p>Walter Dutchak: INDEPENDENT</p> <p>Mervin C. Massier: INDEPENDENT</p> <p>Bill Missal: INDEPENDENT</p> <p>Deb Schmidt: INDEPENDENT Realtor, Royal LePage Premier Realty</p> <p>Sandra Archibald (Vice-Chair): INDEPENDENT Operations Manager, Regina Cabs Premiere Taxi Service (First Quarter 2009 only)</p> <p>Sarah Gauthier: INDEPENDENT Water Resources Engineer, Golder Associates Ltd. (First Quarter 2009 only)</p> <p>Section 1(d) does not apply to STC. STC does not have share capital and is not an issuer.</p>	<p>✓</p>
<p>NP 58-201, section 3.2</p> <p>The chair of the Board should be an independent director who is the effective leader of the Board and who ensures that the Board's agenda will enable it to successfully carry out its duties.</p>	<p>The Chair of the Board is an independent Director who provides effective leadership in all Board activities. Through meeting agendas, the Chair ensures that all required information and decision items are brought forward in a timely and effective manner, enabling the Board to successfully carry out its mandate and responsibilities. The Chair also serves as liaison between the Board and the shareholder.</p>	<p>✓</p>

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Composition of the Board (cont'd)		
<p>NI 58-101F1, sections 1(f)</p> <p>1(f) Disclose whether the chair of the Board is an independent director; disclose the identity of the chair and describe the role of the chair.</p>	<p>Wayne Lorch is the Chair of the Board and is an independent director. The Chair reports to the CIC Board of Directors and is responsible to ensure that the shareholder receives accurate, relevant and timely information respecting Board actions and critical corporate issues and initiatives. As the chief spokesperson for the Board, the Chair represents the Board's views to, and reports back to, the Board, respecting communications with the shareholder.</p> <p>The Chair functions in a leadership capacity, and has the statutory authority and obligation to preside over meetings of the Board, and to perform duties and exercise powers assigned by the Board. The Chair's primary responsibilities are to:</p> <ul style="list-style-type: none"> • chair meetings of the Board, ensuring that meetings are properly convened, business is conducted legally and accurate minutes of proceedings are recorded; • work with the CEO and Corporate Secretary to set Board meeting schedules and establish agendas; • monitor meeting attendance and encourage full participation of directors at meetings; • maintain open channels of communications with directors between meetings; • champion the Corporate approach to governance; • provide leadership in Board organization, optimizing Board and committee structures and operations; • take a lead role in assessing and addressing any concerns related to the performance of the Board, its committees or individual members; • assist directors to achieve full utilization of individual abilities, recommending orientation and training opportunities; • work with Committee chairs to establish effective communications, information sharing mechanisms and establish clear delineation of responsibilities; • act as an ex-officio member of all Board committees; • coach, support and assist the CEO and senior management; • monitor and influence the strategic agenda of the Corporation, providing leadership and advice respecting strategic planning processes, supporting material and outcomes; and • work with the CEO to develop and maintain productive relationships and represent the Corporation. 	<p style="text-align: center;">✓</p>

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines																		
Meetings of Independent Directors																				
<p>NP 58-201, section 3.3</p> <p>The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.</p>	<p>As a standing agenda item, the Board holds an in-camera session without management presence at each regular meeting.</p>	<p>✓</p>																		
<p>NI 58-101F1, sections 1(e)</p> <p>1(e) Disclose where the independent directors hold regularly scheduled meetings at which members of management are not present; disclose the number of such meetings held in previous 12 months; if such meetings are not held, disclose what the Board does to facilitate open and candid discussion among independent directors.</p>	<p>The Board held regularly-scheduled meetings at which members of management were not present. There were nine (9) regular Board meetings held in 2009. The Board facilitates open and candid discussions by holding in-camera sessions during these regular meetings without management presence.</p>	<p>✓</p>																		
<p>NI 58-101F1, sections 1(g)</p> <p>1(g) Disclose the attendance record of each director for Board meetings held in the most recently completed financial year.</p>	<p>There were nine (9) Board meetings in the calendar year 2009. The following are the Director's attendance statistics:</p> <table border="0"> <thead> <tr> <th data-bbox="540 1125 649 1150">Director</th> <th data-bbox="865 1125 1094 1150">Meetings Attended*</th> </tr> </thead> <tbody> <tr> <td data-bbox="540 1165 748 1190">Wayne Lorch (Chair)</td> <td data-bbox="1019 1165 1084 1190">9 of 9</td> </tr> <tr> <td data-bbox="540 1190 854 1215">Sandy Archibald (Vice Chair)**</td> <td data-bbox="1019 1190 1084 1215">2 of 2</td> </tr> <tr> <td data-bbox="540 1215 743 1241">Jonathan Abrametz</td> <td data-bbox="1019 1215 1084 1241">9 of 9</td> </tr> <tr> <td data-bbox="540 1241 675 1266">John Breakey</td> <td data-bbox="1019 1241 1084 1266">8 of 9</td> </tr> <tr> <td data-bbox="540 1266 699 1291">Walter Dutchak</td> <td data-bbox="1019 1266 1084 1291">4 of 9</td> </tr> <tr> <td data-bbox="540 1291 724 1316">Mervin C. Massier</td> <td data-bbox="1019 1291 1084 1316">9 of 9</td> </tr> <tr> <td data-bbox="540 1316 639 1341">Bill Missal</td> <td data-bbox="1019 1316 1084 1341">9 of 9</td> </tr> <tr> <td data-bbox="540 1341 672 1367">Deb Schmidt</td> <td data-bbox="1019 1341 1084 1367">8 of 9</td> </tr> </tbody> </table> <p>* For the purpose of this report, members who attended meetings in part were considered to be present. ** Resigned March 4, 2009.</p>	Director	Meetings Attended*	Wayne Lorch (Chair)	9 of 9	Sandy Archibald (Vice Chair)**	2 of 2	Jonathan Abrametz	9 of 9	John Breakey	8 of 9	Walter Dutchak	4 of 9	Mervin C. Massier	9 of 9	Bill Missal	9 of 9	Deb Schmidt	8 of 9	<p>✓</p>
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CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Board Mandate		
<p>NP 58-201, section 3.4</p> <p>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>(c) the identification of the principal risks of the issuer's business, and ensuring the implementation of appropriate systems to manage these risks;</p> <p>(d) succession planning (including appointing, training and monitoring senior management);</p> <p>(e) adopting a communication policy for the issuer;</p> <p>(f) the issuer's internal control and management information systems; and</p> <p>(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.</p>	<p>The function of the Board is to act as stewards of the Corporation. The Board has a statutory authority and obligation to manage the affairs and business of the Corporation. While the fundamental objective of the Board is to act in the best interests of the Corporation, the Board has a responsibility to ensure congruence between shareholder expectations, corporate plans and management performance.</p> <p>The Board of Directors has a written Terms of Reference, which is reviewed annually. These terms outline its responsibilities and principal duties.</p> <p>a. One of the Board's principal duties is to appoint, monitor and evaluate the performance of the President & CEO, taking appropriate action as warranted. The Governance and Corporate Responsibility Committee has established reporting standards to promote a culture of ethical business conduct among other executive officers.</p> <p>b. The Board participates in an annual strategic planning process with officers and senior management. The outcome of this process establishes the core objectives and strategic direction of the Corporation for the upcoming year. A complete strategic plan is approved annually and includes the identification of business opportunities, threats, new initiatives, operating goals and performance measures.</p> <p>c. A principal duty of the Board is to identify principal risks of the business in which the Corporation is engaged, 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 delegates this responsibility to the Audit and Finance Committee.</p> <p>d. The Board has delegated the responsibility of succession planning to the Governance and Corporate Responsibility Committee to oversee. The Committee reviews the plan on an annual basis and reports its findings to the Board.</p> <p>e. The Board adopts policies and processes to enable effective communication with the shareholder, stakeholders and the public.</p> <p>f. The Board monitors the integrity of the Corporation's internal control and management information systems.</p> <p>g. The Board has delegated the Corporation's approach to corporate governance to the Governance and Corporate Responsibility Committee to oversee.</p>	<p style="text-align: center;">✓</p>

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Board Mandate (cont'd)		
<p>NP 58-201, section 3.4 (cont'd)</p> <p>The written mandate of the Board should also set out 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 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>STC surveys internal and external stakeholders to obtain feedback about Corporate activities. The Chair of the Board participates in a forum established by CIC, which is comprised of the chairs of all subsidiary Crown Boards and senior CIC officials, where issues of mutual interest and concern are shared.</p> <p>The Board's Terms of Reference outlines expectations and responsibilities of directors and it also provides the Chair the right to recommend to CIC the removal or replacement of a member that has missed two consecutive regularly scheduled Board meetings or has attended fewer than 60 per cent of all meetings held in any year.</p> <p>STC is not an issuer.</p>	✓
<p>NI 58-101F1, sections 2</p> <p>Disclose the text of the Board's written mandate.</p>	<p>The Board's principal responsibilities are described in the NP 58-201, section 3.4. The text of the Board's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.</p>	✓
Position Descriptions		
<p>NP 58-201, section 3.5</p> <p>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.</p> <p>The Board should also develop or approve the corporate goals and objectives that the CEO is responsible for meeting.</p>	<p><i>The Crown Corporations Act, 1993 subsection 23 (5)</i> and CIC "Chair of the Board Terms of Reference" outline the primary duties of the Chair of the Board. There is a Terms of Reference for the Board and each Committee of the Board; however, the Board does not have a written position description for the Chair, the Chair of each Committee or the CEO.</p> <p>The Board's Terms of Reference sets out matters that require Board approval and delegate other matters to management.</p> <p>The Board annually approves a strategic business and performance management plan, which includes the Corporate objectives and goals (balanced scorecard targets) for the upcoming year. The CEO is ultimately responsible to the Board for meeting these goals and objectives.</p>	✓

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Position Descriptions (cont'd)		
<p>NI 58-101F1, sections 3(a) and (b)</p> <p>3(a) Disclose whether the Board has developed written position descriptions for the Chair of the Board and the Chair of each Board Committee and, if not, describe how the Board delineates the role and responsibilities of each such position.</p> <p>3(b) Disclose whether the Board and CEO have developed a written position description for the CEO.</p>	<p>In addition to the Term of Reference, which has been developed for the Board and Board Committees, a checklist of annual deliverables guide the Board's and Committees' planning and decision making, ensuring that all governance requirements are met.</p> <p>Through regular evaluations of performance, the company is satisfied that all governance requirements for the Chair of the Board, Chair of the Board Committees and CEO are met. Specific written position descriptions are being developed to further improve governance in this area.</p>	✓
Orientation and Continuing Education		
<p>NP 58-201, section 3.6</p> <p>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>Orientation sessions are held between management and directors, providing insights into the business and its operations. Written reference materials are provided to supplement these orientation sessions. The Board also receives regular operations and management updates at each of its regular meetings. In the circumstance that there are new Board members appointed, a Board orientation will be scheduled.</p>	✓
<p>NP 58-201, section 3.7</p> <p>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>CIC's Board Training Program covers all the Crown Corporations' education programs. All STC Board members have the opportunity to take part in various sessions of this training throughout the year.</p>	✓

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Code of Business Conduct and Ethics		
<p>NP 58-201, section 3.8</p> <p>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>(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>Directors and officers must comply with <i>The Crown Corporations Act, 1993 Part VI</i>, which explicitly outlines duty of care, conflict of interest and indemnification.</p> <p>The Board must also comply with the <i>CIC's Directors' Code of Conduct</i>, which is applicable to all directors of its subsidiary Crown Boards. A copy of the Directors' Code of Conduct can be obtained by contacting the Corporate Secretary to the Board. In 2008, an affirmation of fiduciary duty and responsibility to respect confidentiality was established by the Board and must be endorsed by each director annually.</p> <p>Officers and employees of the Corporation must comply with STC's Code of Conduct. Management reports on the compliance with the Corporations Code of Ethical Conduct to the Governance and Corporate Responsibility Committee at each of its regular meetings.</p>	✓
<p>NP 58-201, section 3.9</p> <p>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>The Governance and Corporate Responsibility Committee has the duty and responsibility to administer the Director's Code of Conduct, reports on compliance with the code and provides advice to the Directors on conflict of interest.</p>	✓

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Code of Business Conduct and Ethics (cont'd)		
<p>NI 58-101F1, sections 5(a)</p> <p>5(a) Disclose whether the Board has adopted a written code of ethical business conduct for the directors, officers and employees of the corporation; how to obtain a copy of the Code; how the Board monitors compliance with the Code and reference any material change report in the most recent financial year relating to any conduct of a director or officer that constitutes a departure from the code.</p>	<p>A copy of <i>CIC's Code of Conduct</i> can be obtained by contacting the Corporate Secretary to the Board.</p> <p>The Audit and Finance Committee assists the Board in fulfilling its financial accountability by maintaining oversight of the Corporation's budget and financial operations; reviewing internal controls; participating in the audit processes; monitoring capital assets; reviewing and recommending on capital activities; and ensuring systems are in place to identify and manage risk. The Chair of the Audit and Finance Committee reports to the Board any such issues addressed by the Committee, and all directors receive summaries of risk management reports.</p> <p>The Governance and Corporate Responsibility Committee reviews, develops and maintains corporate governance practices and oversees the Board's nominating and governance activities. Duties and responsibilities include: overseeing processes for evaluating the performance of the Board, Committees, Chair, directors and CEO, and ensuring Board orientation and opportunity for professional development. The Chair of the Governance and Corporate Responsibility Committee reports to the Board any such issues addressed by the Committee.</p> <p>No waivers from the Code were granted to any directors in 2009. In 2009, the Governance and Corporate Responsibility Committee changed the frequency of officer and employee compliance with the Code reporting from once a year to a regular report at each of its meetings.</p>	<p>✓</p>
<p>NI 58-101F1, sections 5(b)</p> <p>5(b) Describe steps that Board takes to ensure directors exercise independent judgment in considering transactions and agreements where a director or officer has a material interest.</p>	<p>Where a director has, or is perceived to have personal interest in a transaction being considered by the Corporation, the director has a fiduciary responsibility to declare such interest at the meeting in which the matter is being considered.</p> <p>The CEO monitors agenda items to identify any issues where a director or officer may have a material interest and such items would not be distributed to the director.</p>	<p>✓</p>
<p>NI 58-101F1, sections 5(c)</p> <p>5(c) Describe other steps the Board takes to encourage and promote a culture of ethical business conduct.</p>	<p>The Governance and Corporate Responsibility Committee has been tasked with the undertaking to ensure that the Board is in full compliance with industry best practices in corporate governance.</p>	<p>✓</p>

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Nominations of Directors		
<p>NP 58-201, section 3.10</p> <p>The Board should appoint a nominating committee composed entirely of independent directors.</p>	<p>The Governance and Corporate Responsibility Committee serves as the nominating committee and is comprised of all independent Board members.</p>	<p>✓</p>
<p>NI 58-101F1, sections 6(a) and (b)</p> <p>6(a) Describe the process by which the Board identifies new candidates for Board nomination.</p> <p>6(b) Disclose whether the Board has a nominating committee composed entirely of independent directors and, if not, describe the steps the Board takes to encourage an objective nomination process.</p>	<p>The Governance and Corporate Responsibility Committee (the nominating committee) is comprised of all independent board members. They review skills and composition of current directors annually and perform a needs and skills assessment when seeking appointment of a new member.</p> <p>The Committee identifies skill sets required on the Board and seeks input from directors for nominees. It then recommends to the Board those nominees that have the required competencies to fill any identified skill gap(s).</p> <p>Potential candidates are interviewed to determine a fit with the Board's needs. The Committee makes recommendations to the Board and the Board then makes recommendations to the shareholder. The shareholder has the legislative authority to make Board appointments and all appointments are by Order In Council.</p>	<p>✓</p>
<p>NP 58-201, section 3.11</p> <p>The nominating committee should have a written charter that clearly establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, and structure and operations (including any authority to delegate to individual members and subcommittees).</p>	<p>The Governance and Corporate Responsibility Committee's Terms of Reference establishes the Committee's role and responsibility to act as advisors to the Board regarding purpose and responsibilities that include the objectives to advise the Board regarding nominees for positions on the Board of Directors.</p>	<p>✓</p>
<p>NI 58-101F1, sections 6(c)</p> <p>6(c) If the Board has a nominating committee, describe the responsibilities, powers and operation of the committee.</p>	<p>The Governance and Corporate Responsibility Committee performs the function of the nominating committee. Its Terms of Reference describes the responsibilities, powers and operation of the Committee. The Committee is appointed by the Board and serves in an advisory capacity. A copy of the Committee's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.</p>	<p>✓</p>

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Nominations of Directors (cont'd)		
<p>NP 58-201, section 3.12</p> <p>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>The Board's nomination process meets these guidelines.</p> <p>As stated in its Terms of Reference, the Board shall be comprised of not more than ten (10) members. Board members are appointed by Order in Council.</p>	<p>✓</p>
<p>NP 58-201, section 3.13</p> <p>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>As outlined in its Terms of Reference, the Governance and Corporate Responsibility Committee has the responsibility to advise the Board regarding the composition of the Board and puts forward qualified nominations to fill vacant positions for consideration.</p>	<p>✓</p>

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Nominations of Directors (cont'd)		
<p>NP 58-201, section 3.14</p> <p>In making its recommendations, the nominating committee should consider:</p> <p>(a) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess;</p> <p>(b) the competencies and skills that the Board considers each existing director to possess; and</p> <p>(c) the competencies and skills each new nominee will bring to the boardroom.</p> <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>The process followed by the Governance and Corporate Responsibility Committee complies with that set out in these guidelines.</p>	<p>✓</p>
Compensation		
<p>NP 58-201, section 3.15</p> <p>The Board should appoint a compensation committee composed entirely of independent directors.</p>	<p>The Board appoints a Compensation Sub-Committee. The composition of this committee is the Board Chair and Chair of Governance.</p>	<p>✓</p>
<p>NI 58-101F1, sections 7(a) and (b)</p> <p>7(a) Describe the process by which the Board determines compensation for the directors and officers of the Corporation.</p> <p>7(b) Disclose whether the Board has a Compensation Committee composed entirely of independent directors and, if not, describes the steps the Board takes to ensure an objective process for determining such compensation.</p>	<p>Board Compensation is paid in accordance with <i>The Crown Corporations Act, 1993</i>, subsection nine and CIC's remuneration schedule. These documents outline the annual remuneration and rates of reimbursement for the expenses incurred by directors of subsidiary Crown Corporations. A copy of CIC's remuneration and expense guidelines for directors can be obtained by contacting CIC or the Corporate Secretary to the Board.</p> <p>A framework for officer's compensation has been established by CIC. The Board has the authority to approve compensation and benefit packages within that framework.</p> <p>In 2009, the Compensation Sub-Committee brought forward recommendations that were in alignment with CIC's remuneration mandate for consideration and resolution by the Board.</p>	<p>✓</p>

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Compensation (cont'd)		
<p>NP 58-201, section 3.16</p> <p>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 it determines necessary to permit carrying out its duties.</p>	<p>The Board takes direct responsibility for compensation matters and by resolution appoints a Compensation Sub-Committee for the purpose of reviewing and recommending Executive short-term incentive measures and targets each year to the Board. All decisions are made within the policy framework set forth by CIC. The Committee's purpose, responsibilities and structure are recorded in the Corporate meeting minutes.</p> <p>If the Board deems it necessary, it has the authority to engage outside professional advisors to properly discharge its functions, duties and responsibilities.</p>	✓
<p>NI 58-101F1, sections 7(c)</p> <p>7(c) If the Board has a Compensation Committee, describe the responsibilities, powers and operation of the committee.</p>	<p>By resolution of the Board, a Compensation Sub-Committee is appointed annually for the purpose of reviewing and recommending to the Board the Executive short-term incentive measures and targets. The Board approves compensation and determines the performance rating of the CEO to determine compensation and for any progression within the salary ranges established by CIC.</p>	✓
<p>NP 58-201, section 3.17</p> <p>The Compensation Committee should be responsible for:</p> <p>(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;</p> <p>(b) making recommendations to the Board with respect to non-CEO officer and director compensation, incentive-compensation plans and equity-based plans; and</p>	<p>a. The Board Chair and Chair of Governance conduct annual CEO performance evaluations. The Board annually sets and reviews corporate target objectives and the degree of success that the CEO has achieved in aligning with pre-determined targets. The results of the CEO evaluation are used to determine compensation. This CEO evaluation process was completed in 2009.</p> <p>b. The Board annually sets and reviews corporate target objectives and the degree of success that the corporate officers have achieved in aligning with the pre-determined targets. Under the established Short-Term Incentive Program, all officers are eligible for compensation based on the degree of success in attaining these corporate performance objectives. Compensation approvals and decision making process are subject to guidelines, as provided by CIC. As a provincially owned Crown Corporation, STC does not have equity-based plans.</p>	✓

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Compensation (cont'd)		
<p>NP 58-201, section 3.17 (cont'd)</p> <p>(c) reviewing executive compensation disclosure before the issuer publicly discloses this information.</p>	<p>c. CEO, officer and employee compensation disclosure occurs in the form of an annual payee list, which is recommended to the Board by the Audit and Finance Committee. Upon Board approval, the payee list is submitted and publicly disclosed through tabling with the Crown and Central Agencies Committee of the legislature. Under <i>The Crown Employment Contracts Act</i>, the CEO, officers and senior managers, who report directly to the CEO, are also required to file their employment contract details to the Clerk of the Executive Council.</p>	<p>✓</p>
<p>NI 58-101F1, sections 7(d)</p> <p>7(d) If a compensation consultant has been retained, at any time during the Corporation's most recently completed fiscal year, to assist in determining compensation for any of the Corporation's directors and officers, disclose the identity of the consultant and briefly summarize their mandate. If retained to perform any other work, state the fact and briefly describe the nature of the work.</p>	<p>In 2009, the Corporation did not retain a compensation consultant.</p>	<p>✓</p>
Other Board Committees		
<p>NI 58-101F1, sections 8</p> <p>If the Board has standing committees of the Board, other than audit, compensation and nominating committees, identify the committees and describe their function.</p>	<p>Committees of the Board include the Governance and Corporate Responsibility Committee, the Audit and Finance Committee and an ad hoc committee specific to executive compensation. Their functions are described in previous sections. The Board does not have any other Committees.</p>	<p>✓</p>

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Board Assessments		
<p>NP 58-201, section 3.18</p> <p>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>The Governance and Corporate Responsibility Committee, with the assistance of the Corporate Secretary to the Board, is responsible for conducting such evaluations and reporting results to the Board.</p> <p>All CIC subsidiary Crown Corporation Boards conduct performance evaluations on a two year cycle. Director peer, Committee Chair and Committee evaluations were conducted in 2009 and all CIC subsidiary Crown Boards completed performance evaluations of the Board and the Board Chair in 2009.</p> <p>The Board and its Committees review their Terms of Reference annually. Directors' skills are reviewed annually; individual Directors are plotted on a skills matrix and are assessed as part of a regular peer review.</p>	✓
<p>NI 58-101F1, sections 9(a)</p> <p>9(a) Disclose whether the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contributions and, if yes, describe the process used.</p>	<p>The evaluations are conducted using an instrument developed by CIC. Directors complete surveys, which allow them to provide feedback in writing on the effectiveness of the Board, Committees, Chairs and individual Directors.</p> <p>The Governance and Corporate Responsibility Committee outlines evaluation results, which are submitted to the Board for review and approval. The Committee tracks implementation of any action items.</p>	✓