

Corporate Governance

SaskPower's governance practices substantially align with the guidelines set out by the Canadian Securities Administrators (CSA) Corporate Governance Guidelines (National Policy 58-201) and Guidelines for Disclosure of Corporate Governance Practices (National Instrument 58-101).

The National Policy and Instrument address areas of best practice in corporate governance. Unlike a publicly-held entity, SaskPower — as a Crown corporation — is not required to comply with these policies.

The Corporation, however, has adopted an approach of benchmarking itself to these standards.

SaskPower's alignment with the CSA Corporate Governance Guidelines is set out in the following scorecard:

CSA national policy 58-201 Part 3 — Corporate Governance Guidelines	SaskPower's corporate governance practices	Consistent with CSA guidelines?
<p>Composition of the Board</p> <p>3.1 The Board should have a majority of independent Directors.</p>	<p>The Board is comprised of nine independent Directors.</p>	<p>Yes</p>
<p>3.2 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>The Chair of the Board is an independent Director.</p>	<p>Yes</p>
<p>Meetings of independent Directors</p> <p>3.3 The independent Directors should hold regularly scheduled meetings at which non-independent Directors and members of management are not in attendance.</p>	<p>All members are independent.</p>	<p>Yes</p>
<p>Board mandate</p> <p>3.4 The Board should adopt a written mandate in which it explicitly acknowledges responsibility for the stewardship of the issuer, including responsibility for:</p>	<p>The Board has a written mandate in its Terms of Reference, where it explicitly acknowledges that the Board of Directors functions as a steward of the Corporation as well as communicating the following:</p>	<p>Yes</p>

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(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;	The Terms of Reference for a Director state that Directors shall require “of themselves and Corporate employees high standards of ethical behaviour...” The President and CEO Mandate also places accountability on that position for ensuring activities and practices of the Corporation are ethical and compliant with the law. The Board made revisions to its Terms of Reference in 2007, to explicitly augment its oversight of corporate integrity.	Yes
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;	The Board, working with the Executive, provides strategic direction to SaskPower as a corporation. Formally, this is accomplished with the annual approval of the Strategic Plan in fall. SaskPower's revitalised process involves frequent reviews of strategic direction and issues on a regular basis. This ensures a more rounded and comprehensive examination of the issues and helps assure continuity and familiarity in contrast to the once-a-year approach. Development of the Strategic Plan is a continuous improvement process with further progress expected in 2008.	Yes
(c) the identification of the principal risks of the issuer's business, and ensuring the implementation of appropriate systems to manage these risks;	The Board identifies principal risks to the Corporation on an annual basis. Either directly or through the Audit and Finance Committee, the Board monitors the Corporation's risk management programs. It also oversees the implementation of risk-management systems. The Audit and Finance Committee meets regularly to review reports and discuss significant risk concerns with both the internal and external auditors.	Yes
(d) succession planning (including appointing, training and monitoring senior management);	The Board Terms of Reference state that the Board is responsible for succession planning.	Yes
(e) adopting a communication policy for the issuer;	Pursuant to the Board Terms of Reference, the Board adopts policies and processes to enable effective communication with CIC, stakeholders and the public.	Yes
(f) the issuer's internal control and management information systems; and	The Board approved an internal control program. It has documented and evaluated the design of the Corporation's internal controls over financial reporting, including the adequacy of its information systems. The Corporation is currently developing a testing program to regularly evaluate the effectiveness of these controls.	Yes

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<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.¹</p>	<p>The Governance Committee was responsible for and reported to the Board on corporate governance matters. The Governance Committee was also established as the ethics advisor for the Board. In 2007, the Governance Committee reviewed updates to SaskPower's governance processes.</p>	<p>Yes</p>
<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>The Board assumes responsibility for adopting policies and processes to enable effective communication with the shareholder, stakeholders and the public. To facilitate feedback from employees, the Board adopted a whistle blower policy in 2006. In addition, the Chair of the Board participated in a forum conducted by the statutory shareholder [Crown Investments Corporation (CIC)], where communication was provided on performance expectations.</p>	<p>Yes</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 National Policy 51-201 Disclosure Standards.</p>	<p>Expectations and responsibilities of Directors, including participation in and preparation for meetings, are outlined in the Terms of Reference for a Director. These were reviewed and updated in 2007.</p>	<p>Yes</p>

¹ Issuers may consider appointing a Corporate Governance Committee to consider these issues. A Corporate Governance Committee should have a majority of independent Directors, with the remaining members being "non-management" Directors.

<p align="center">CSA National Policy 58-201 Part – 3 Corporate Governance Guidelines</p>	<p align="center">SaskPower’s corporate governance practices</p>	<p align="center">Consistent with CSA guidelines?</p>
<p>Position descriptions</p> <p>3.5 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>In 2007, the Governance Committee reviewed Terms of Reference for the Board Chair as well as Committee Chairs. These have been approved by the Board. In 2003, the Board adopted a President and CEO Mandate. In 2007, the Board enumerated specific goals and objectives for the CEO to form a basis for evaluation and compensation. Lead responsibility lies with the Human Resources/Compensation Committee.</p>	<p align="center">Yes</p>
<p>Orientation and continuing education</p> <p>3.6 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>The Governance Committee Terms of Reference state that it shall recommend a Director orientation and continuing education policy. In 2007, with the appointment of four new Directors, a comprehensive full-day orientation to corporate issues and approval processes was designed and delivered. Comprehensive briefing binders were also provided to new members covering key aspects of the Corporation’s business.</p>	<p align="center">Yes</p>
<p>3.7 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>Directors participate in development sessions sponsored by CIC. These are designed to ensure Directors stay up-to-date with best practice developments in corporate governance. In addition, the Corporation provides opportunities to participate in site visits and tours. The Board also receives industry-specific briefings as a backdrop for policy and investment decisions.</p>	<p align="center">Yes</p>

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<p>Code of Business Conduct and Ethics</p> <p>3.8 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>SaskPower has a written Code of Conduct Policy applicable to Directors, officers and employees. It is intended to provide both general and specific guidelines to protect and guide SaskPower personnel faced with ethical, moral and legal dilemmas during the course of their employment or in carrying out their duties. The Board has the responsibility to annually review and, as required, revise the Code. In 2006, the Board further strengthened this directive by adopting a whistle blower policy and implementing an anonymous reporting process to help deter wrongdoing. Quarterly irregularity reporting has been implemented.</p>	<p>Yes</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>The Code addresses conflict of interest. In addition, Board members complete and file an annual conflict of interest declaration with the office of the General Counsel as well as declare any conflicts on the spot as they may arise in a meeting setting. Board members are also bound by the CIC Directors’ Code of Conduct.</p>	<p>Yes</p>
<p>(b) protection and proper use of assets and opportunities;</p>	<p>Property and inventions are covered in the Code.</p>	<p>Yes</p>
<p>(c) confidentiality of corporate information;</p>	<p>Confidentiality is covered in the Code, including SaskPower information that contains third party information and personal information about personnel and customers.</p>	<p>Yes</p>
<p>(d) fair dealing with the issuer's security holders, customers, suppliers, competitors and employees;</p>	<p>Fair dealing is covered in the General Conduct Principles section of the Code as follows: “SaskPower expects Personnel to conduct themselves...in a manner that is and is perceived to be fair and even-handed, and to carry on their activities within the scope of their duties and in compliance with applicable laws and this Code and Related Policies. The public is entitled to expect and receive...fair and equitable treatment and compliance with confidentiality expectations and laws, whether in the provision of services or in the acquisition of property.”</p>	<p>Yes</p>

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(e) compliance with laws, rules and regulations; and	The code requires Directors, officers and employees to comply with applicable laws and related policies.	Yes
(f) reporting of any illegal or unethical behaviour.	The Policy on Irregularities Reporting, which is appended to the Code, places an onus on employees who suspect illegal or unethical behaviour to report it.	Yes
<p>3.9 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 judgement 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>	<p>The Governance Committee's Terms of Reference state that it shall monitor and report annually to the Board concerning compliance with the "Director's Code of Conduct" and to "review and report to the Board on conflict of interest matters involving Directors." In 2006, the Board approved revisions to the SaskPower Code of Conduct and implemented a whistle blower policy.</p> <p>There were no waivers granted in 2007 with respect to Code compliance by Directors, Officers or employees.</p>	Yes

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<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>Nomination of Directors</p> <p>3.10 The Board should appoint a Nominating Committee</p>	<p>The mandate of the Governance Committee as stated in its Terms of Reference includes reviewing and recommending qualified potential candidates for the Board. The names of recommended candidates are submitted by the Board to CIC as shareholder. The appointment and removal of Directors is ultimately the prerogative of the Lieutenant Governor in Council, as established by statute.</p>	<p>Substantial compliance</p>
<p>3.11 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 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>The Board has a written charter in its Terms of Reference which includes all terms referred to in the CSA guideline, except authority to delegate to individual members and subcommittees and authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties. The Board Terms of Reference do state that any committee can obtain the advice and counsel of external advisors. However, it states the decision to engage such advisors rests with the Board.</p>	<p>Substantial compliance</p>

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<p>3.12 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>A skills and competency evaluation has been the foundation of the recruitment process in filling vacancies. The Governance Committee has annually reviewed the composition and skill sets of its Directors. A gap analysis was done with a view to identifying candidates with the required skill sets. Nominee suggestions were resourced and candidates were objectively ranked in order to finalize a list of qualified individuals for consideration by the full Board.</p>	<p>Yes</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 Governance Committee, with assistance from the Corporate Secretary, maintained and updated a skills matrix of existing members. As needed, it conducted a gap analysis to identify skills required in future appointments to round out the Board’s overall skill set.</p>	<p>Yes</p>
<p>The Board should also consider the appropriate size of the Board, with a view to facilitating effective decision-making. In carrying out each of these functions, the Board should consider the advice and input of the Nominating Committee.</p>	<p>The Terms of Reference for the Governance Committee state that it shall recommend the size of the Board.</p>	<p>Yes</p>

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3.13 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.	Responsibility for recruitment and nomination of new Board Members was assigned to the Governance Committee in its Terms of Reference.	Yes
3.14 In making its recommendations, the Nominating Committee should consider: (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	The Terms of Reference for the Governance Committee require the Committee to, “Recommend to the Board the size, composition, required capabilities and compensation of the Board of Directors to meet the needs of the Corporation.”	Yes
(c) the competencies and skills each new nominee will bring to the boardroom. 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.	A review of skills and competencies is the basis for determining the skill sets needed in filling a vacancy. The Governance Committee ensured that potential nominees understand the requirements of the position and have sufficient time and resources to devote to their duties.	Yes
Compensation 3.15 The Board should appoint a Compensation Committee composed entirely of independent Directors.	All members of the Human Resources/Compensation Committee were independent Directors.	Yes

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<p>3.16 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>The Terms of Reference for the Human Resources/Compensation Committee incorporate a written charter, which includes all items referred to in the CSA guideline (with the exception of member appointment and removal, which was established by statute). The Board Terms of Reference state that any committee can obtain the advice and counsel of external advisors. However, the Terms state the Board, rather than the Committee, shall determine the advisability of engaging external advisors.</p>	<p>Substantial compliance</p>
<p>3.17 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>The Human Resources/Compensation Committee’s Terms of Reference state that the CEO’s review is based upon agreed upon objectives, updated each year. While CEO compensation was not addressed specifically, the Committee had the responsibility to review and monitor all management compensation and benefit programs. As SaskPower is not a publicly-traded company, the parameters for CEO compensation were set by the Shareholder, CIC.</p>	<p>Yes</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>The Committee had the responsibility to annually review and monitor management compensation and benefit programs and make recommendations to the Board. The Governance Committee was also responsible for recommending Director compensation to the Board. CIC, as shareholder, sets Director remuneration.</p>	<p>Yes</p>
<p>(c) reviewing executive compensation disclosure before the issuer publicly discloses this information.</p>	<p>The compensation of Executive members and all employees earning more than \$50,000 per year is annually disclosed to the Crown and Central Agencies Committee of the Legislative Assembly, and ultimately the public, through payee disclosure. In addition, the President and CEO — and direct reports — are required to file their employment contracts, and any amendments thereto, with the Clerk of the Executive Council pursuant to The Crown Employment Contracts Act.</p>	<p>Not applicable</p>

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<p>Regular Board assessments</p> <p>3.18 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>The Governance Committee coordinated the assessment process with the assistance of an external service provider. A peer assessment was conducted on an annual basis. A Chair assessment was done in alternating years.</p>	<p>Yes</p>
<p>(a) in the case of the Board or a Board committee, its mandate or charter, and</p>	<p>Board and Board committee performance evaluations were conducted on a 2-year cycle, as per CIC guidelines.</p>	<p>Yes</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>Peer evaluations have been completed annually. The Board Chair scheduled interviews with individual Directors to complete the process.</p>	<p>Yes</p>