

# Corporate Governance



**SaskEnergy**

2007 Annual Report

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## Corporate Governance

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### BOARD OF DIRECTORS\*

Robert Pletch, Chair

Nadine Krenosky, Vice Chair

Jim Baker

David Bishop

Ralph Hesje

Daryl Labach

Brad Nelson

James Rybchuk

Victor Thomas

*\*As of February 12, 2008*

### EXECUTIVE COMMITTEE

Doug Kelln, President and Chief Executive Officer

Larry Braun, President, Communications, Energy and Paperworkers Union (CEP), Local 649

Debbie Brown, Vice President, TransGas Market Services and System Management

Mark Guillet, Vice President, General Counsel and Corporate Secretary

Robert Haynes, Vice President, Human Resources

Colleen Huber, Vice President, Corporate Support

Greg Mrazek, Vice President, Finance and Chief Financial Officer

Ron Podbielski, Executive Director, Corporate Affairs

Daryl Posehn, Senior Vice President, Gas Supply and Business Development

Dean Reeve, Executive Vice President, SaskEnergy

Phil Sandham, Vice President, TransGas Operations and Engineering

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## Corporate Governance

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### A. AUTHORITY

SaskEnergy is a statutory Crown corporation governed by *The SaskEnergy Act* and *The SaskEnergy Regulations*. By legislation, Crown Investments Corporation of Saskatchewan (CIC) is the holding corporation for Saskatchewan's commercial Crown corporations. CIC has the authority to establish direction for SaskEnergy related to matters set out in its legislation.

The Board of Directors (the Board) oversees the management of the Corporation and holds management accountable for the Corporation's performance. Through the Chair, who is an independent director, the Board is accountable to the Minister Responsible for SaskEnergy. The Minister Responsible functions as a communications liaison among the Corporation, CIC, Cabinet, the Provincial Legislature and the public.

### B. BOARD RESPONSIBILITIES

The Board is responsible for the stewardship of the Corporation. In carrying out this responsibility, the Board participates in the Corporation's strategic planning process each year and approves the strategic plan and annual business plan. The Board also exercises its responsibility to oversee and ensure adherence to *The SaskEnergy Act*.

### C. BOARD COMPOSITION

SaskEnergy's Board is representative of Saskatchewan community and industry. The Lieutenant Governor in Council, pursuant to *The SaskEnergy Act*, appoints Board members and designates the Chair and Vice Chair. Members possess a variety of significant attributes, including industry expertise, strategic leadership, entrepreneurial and communication skills, integrity, flexibility, sound judgment and initiative. Board members are committed to serving the Corporation, and in so doing, serving Saskatchewan people through emphasis on promoting customer service, productivity, profitability, co-operation and sound environmental stewardship.

### D. COMMITTEES

The Board established the following five committees to assist in discharging specific areas of Board responsibility:

- Audit and Finance Committee
- Business Development Committee
- Governance Committee
- Human Resources/Compensation Committee
- Safety, Health and Environment Committee

### AUDIT AND FINANCE COMMITTEE

**Chair: Nadine Krenosky**

The mandate of the Audit and Finance Committee is to assist the Board in meeting its responsibilities by ensuring the adequacy and effectiveness of the financial reporting, internal controls, management information systems and risk management. In addition, it interacts directly with the internal and external auditors, and ensures that the Board is provided with financial plans and proposals consistent with the Corporation's overall strategic plan, annual business plan and public policy objectives.

### BUSINESS DEVELOPMENT COMMITTEE

**Chair: Michael Chorlton\***

The Business Development Committee mandate is to assist the Board in oversight of new, non-core utility functions, strategic and tactical investments and business opportunities.

\* As of December 31, 2007

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### GOVERNANCE COMMITTEE

**Chair: Peter Bergbusch\***

The Governance Committee is responsible for the development and maintenance of SaskEnergy's corporate governance practices. Also, its duties include evaluating the performance of the Board, Committee chairs and individual directors and establishing appropriate Board and Board committee structure, composition and mandate.

### HUMAN RESOURCES/COMPENSATION COMMITTEE

**Chair: Ralph Hesje**

The Human Resources/Compensation Committee mandate is to oversee SaskEnergy's human resource strategies, programs and practices to ensure that SaskEnergy is a corporate leader in the development and implementation of proactive human resource strategies, compensation and succession planning.

### SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

**Chair: Eldon Lindgren\***

The Safety, Health and Environment Committee is charged with ensuring that the Corporation proactively addresses safety, health and environmental issues, incorporates them into SaskEnergy's vision, mission and values and has adequate and effective controls in place to monitor compliance with regulatory and statutory requirements.

### E. GOVERNANCE PRACTICES

SaskEnergy's approach to corporate governance practices is substantially consistent with the guidelines set forth in the Canadian Institute of Chartered Accountants (CICA) Handbook and the Canadian Securities Administrators (CSA) National Policy 58-201 – Corporate Governance Guidelines, and National Instrument 58-101 – Disclosure of Corporate Governance Practices.

The National Policy and National Instrument address the key areas of responsibility for effective corporate governance, including responsibility for stewardship of the Corporation, the Board's role in working with management and the functioning of the Board. Although SaskEnergy is not legally obligated to comply with the CSA governance guidelines, the Corporation has benchmarked its Corporate governance practices against the CSA National Policy and Instrument Guidelines in the following corporate governance scorecard.

\* As of December 31, 2007

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CSA National Policy 58-201 and National Instrument 58-101 Disclosure of Corporate Governance Practices 2007 (Summary)	SaskEnergy's Corporate Governance Practices	Consistent with CSA Guidelines?
<b>1. BOARD OF DIRECTORS COMPOSITION</b> The board should have a majority of independent directors.	There are 10 individuals appointed to the SaskEnergy Board. There is a majority of independent directors.	Yes
Disclosure of significant shareholders (ability to exercise the majority of votes to elect directors):	SaskEnergy as a statutory Crown corporation does not have any issued share capital. Although CSA review of governance of controlled companies is in progress, this feature is not applicable to SaskEnergy.	Not applicable
(a) Disclose the identity of directors; and (b) Describe who is independent and the basis for the determination of independence.	<p><b>Heather D. Heavin</b>, Chair: INDEPENDENT            Assistant Professor of Law, University of Saskatchewan</p> <p><b>Leanne Bellegarde Daniels</b>: INDEPENDENT            Director of Aboriginal Services, University of Saskatchewan</p> <p><b>Peter Bergbusch</b>: INDEPENDENT            Lawyer, Balfour, Moss</p> <p><b>Donald Ching</b>, Vice Chair: INDEPENDENT            President &amp; CEO, AREVA Resources Canada Inc.</p> <p><b>Michael W. Chorlton</b>: INDEPENDENT            President &amp; CEO, Parkland Income Fund</p> <p><b>Ralph Hesje</b>: INDEPENDENT            President, CCS Energy Services (a CCS Income Trust Company)</p> <p><b>Nadine Krenosky</b>: INDEPENDENT            Vice President, Compliance, Greystone Managed Investments Inc.</p> <p><b>George E. Lafond</b>: INDEPENDENT            Special Advisor to the President on Aboriginal Initiatives,            University of Saskatchewan            (Ceased to be a Board member on March 27, 2007)</p> <p><b>Eldon Lindgren</b>: INDEPENDENT            Lawyer, Lindgren, Blais, Frank &amp; Illingworth</p> <p><b>Florence Norman</b>: INDEPENDENT            Communications, Protection &amp; Control Development Engineer I,            SaskPower</p> <p><b>Jean Weimer</b>: NOT INDEPENDENT            Assistant to the President of CEP Union, Local 649            (company employee on leave for Union business)</p>	Yes

## Corporate Governance

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	For the independent directors, none of them, or their "associates", have worked with or for the Corporation or have 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.																							
(c) Indicate whether directors are directors of any other issuer that is a reporting issuer.	Not applicable as SaskEnergy does not have share capital, and is therefore not an issuer.	Not applicable																						
(d) Do directors hold regularly scheduled in-camera meetings to facilitate open and candid discussion? If so, how many meetings were held in the previous 12 months?	The Board meeting procedures are such that at each regular meeting the Board allocates time on the agenda for an in-camera session whereby Management is excused from the meeting. The Board held nine meetings in 2007.	Yes																						
(e) The chair should be independent to provide leadership for the directors.	The Board structure at SaskEnergy is such that the Chair of the Board is independent.	Yes																						
(f) Disclose the attendance record of each director for board meetings held in the most recently completed financial year.	<p>There were nine Board meetings in the calendar year 2007. The following are the attendance statistics for Board meetings:</p> <p><b>JANUARY 1, 2007 TO DECEMBER 31, 2007</b></p> <p><b>Director Board Meetings Attended</b></p> <table data-bbox="787 917 1239 1234"> <tbody> <tr> <td>Heather D. Heavin, Chair</td> <td>9 of 9</td> </tr> <tr> <td>Leanne Bellegarde Daniels*</td> <td>6 of 7</td> </tr> <tr> <td>Peter Bergbusch</td> <td>8 of 9</td> </tr> <tr> <td>Donald Ching, Vice Chair</td> <td>8 of 9</td> </tr> <tr> <td>Michael W. Chorlton</td> <td>9 of 9</td> </tr> <tr> <td>Ralph Hesje</td> <td>8 of 9</td> </tr> <tr> <td>Nadine Krenosky</td> <td>9 of 9</td> </tr> <tr> <td>George E. Lafond**</td> <td>2 of 2</td> </tr> <tr> <td>Eldon Lindgren</td> <td>8 of 9</td> </tr> <tr> <td>Florence Norman</td> <td>9 of 9</td> </tr> <tr> <td>Jean Weimer</td> <td>9 of 9</td> </tr> </tbody> </table> <p>* Leanne Bellegarde Daniels was appointed to the Board on March 27, 2007.  ** George E. Lafond ceased to be a Board member effective March 27, 2007.</p> <p>For the purposes of this report, members who attended meetings in part, were considered to be present.</p>	Heather D. Heavin, Chair	9 of 9	Leanne Bellegarde Daniels*	6 of 7	Peter Bergbusch	8 of 9	Donald Ching, Vice Chair	8 of 9	Michael W. Chorlton	9 of 9	Ralph Hesje	8 of 9	Nadine Krenosky	9 of 9	George E. Lafond**	2 of 2	Eldon Lindgren	8 of 9	Florence Norman	9 of 9	Jean Weimer	9 of 9	Provided
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## Corporate Governance

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<p><b>2. BOARD MANDATE</b></p> <p>The board should adopt a written mandate which explicitly acknowledges responsibility for the stewardship of the corporation which delineates its roles and responsibilities, including responsibility for:</p>	<p>The Board has written Terms of Reference that sets out its responsibility to function as stewards of the Corporation, and the 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. The Board and Committee Terms of Reference are available on the Corporation's website at <a href="http://www.saskenergy.com">www.saskenergy.com</a>.</p>	<p>Yes</p>
<p>(a) Satisfaction regarding the integrity of the Chief Executive Officer (CEO) and executive and the creation of a culture of integrity;</p>	<p>The Board acts in accordance with the governing legislation, the Corporation's Code of Business Conduct and Ethics and the Board's Terms of Reference.</p> <p>In 2007, all employees, including the CEO and Executive were required to complete mandatory training on the Code of Business Conduct and Ethics. Management monitors and reports to the Governance Committee any issues arising under the Code of Business Conduct and Ethics.</p>	<p>Yes</p>
<p>(b) The adoption of a strategic planning process and approval of a strategic plan which takes into account, among other things, the opportunities and risks of the business;</p>	<p>One of the Board's principal duties is to provide leadership in setting the Corporation's long-range strategic direction and to approve the Corporation's overall strategic plan. The Corporation's comprehensive strategic planning process results in the review and approval by the Board of the Corporation's strategic plan, annual operating and capital budget and business plan.</p>	<p>Yes</p>
<p>(c) The identification of the principal risks of the corporation's business and ensuring the implementation of appropriate systems to manage these risks;</p>	<p>Executive Management and the Board identify the principal risks of the Corporation on an annual basis and directly or through the Audit and Finance Committee, monitor the Corporation's risk management programs, in addition to overseeing the implementation of appropriate systems to manage those risks. The Audit and Finance Committee meets regularly to review reports and discuss significant risk areas with internal and external auditors.</p>	<p>Yes</p>
<p>(d) Succession planning, including appointing, training and monitoring senior management;</p>	<p>The Human Resources/Compensation Committee of the Board annually reviews the adequacy of the Corporation's succession planning strategy, performance targets and the performance evaluations of the Executive Officers of the Corporation. The Board supports Management's commitment to training and development of all employees.</p>	<p>Yes</p>

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CSA National Policy 58-201 and National Instrument 58-101 Disclosure of Corporate Governance Practices 2007 (Summary)	SaskEnergy's Corporate Governance Practices	Consistent with CSA Guidelines?
(e) A communications policy for the corporation;	SaskEnergy is committed to the principles of transparency, openness and timeliness in communications with its owner, employees, stakeholders and the public. The Corporation complies with communication requirements set by the shareholder and by statute, its Board-approved external communications policy.	Yes
(f) The integrity of the corporation's internal control and management information systems;	While the Board is responsible for risk management, the Audit and Finance Committee is responsible for oversight of financial reporting, internal controls and management information and risk management systems for the Corporation. This Committee reviews the integrity of the internal control processes and financial management information systems in conjunction with the internal and external auditors.	Yes
(g) Development of approach to corporate governance, principles and guidelines;	<p>The Governance Committee is mandated through its Terms of Reference, to be responsible to the Board for governance of SaskEnergy, including issues related to governance and conflict of interest involving Directors and Senior Executives. The Governance Committee annually prepares an Ethics Advisor report to the Board on any issues dealt with in the preceding 12 months.</p> <p>The Corporation has an on-line Governance Handbook site for use by employees of the Corporation and publishes the Terms of Reference for the Board of Directors and its Committees on its website.</p>	Yes
(h) General mandate re: stakeholder feedback, and expectations and responsibilities of directors.	<p>To facilitate feedback from employee stakeholders, the Board has adopted a Whistleblower Policy. The Whistleblower Policy provides a procedure to contact the Board.</p> <p>The Chair of the Board participates in a CIC Chair forum conducted by the statutory shareholder, where feedback and communication is provided to all Crown corporation Board Chairs on the expectations of the statutory shareholder.</p> <p>Building on the base of directors' duties outlined in legislation, Terms of Reference for the Board and its Committees are reviewed annually.</p>	Yes

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<p><b>3. POSITION DESCRIPTIONS</b></p> <p>(a) The board should develop position descriptions for the chair of the board and chair of each board committee;</p> <p>(b) Together with the CEO, develop a position description for the CEO delineating management's responsibilities and approving corporate goals and objectives that the CEO is responsible to meet.</p>	<p>The Board Chair operates within the statutory requirements of <i>The SaskEnergy Act</i>.</p> <p>The Board has approved position descriptions for the Chair of the Board, the Chairs of the Board Committees and for individual Directors which sets out the responsibilities for each.</p> <p>The Board has developed the Board's Terms of Reference which outline the responsibilities for the Board and Management. The Board has also approved policies for the execution of documents and expenditure authorities for the CEO and Executive Officers. These policies clearly outline the limits to their authorities and the levels for which matters must receive Board approval. The Board has also approved a CEO mandate document which sets out the CEO's principal duties and responsibilities.</p>	<p>Yes</p> <p>Yes</p>
<p><b>4. ORIENTATION AND CONTINUING EDUCATION</b></p> <p>The board should ensure new directors receive comprehensive orientation and fully understand the role and the contribution they are expected to make; and, the board should provide continuing education opportunities for all directors.</p>	<p>The Governance Committee has responsibility to provide ongoing training and education to the Board in accordance with the Board of Directors Training Policy. This policy outlines the Corporation's commitment to the orientation and training of its incoming Board members and the ongoing training and industry education for current Board members. This policy outlines the comprehensive orientation material to be provided to incoming Board members. As part of the ongoing training for Board members, the Corporation provided an industry training session and CIC has facilitated additional training sessions as part of its Subsidiary Crown Directors Training Program for Board members.</p>	<p>Yes</p>

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<p><b>5. CODE OF BUSINESS CONDUCT AND ETHICS</b></p> <p>(a) The board should adopt a written code of business conduct and ethics applicable to directors, officers and employees of the corporation which is designed to promote integrity and deter wrongdoing. The code should address conflicts of interest, protection, proper use of corporate assets and opportunities, confidentiality, fair dealing, compliance with laws, rules and regulations and provide a mechanism to report illegal or unethical behaviour.</p>	<p>Directors of the Corporation are required to abide by CIC's Directors' Code of Conduct. The Governance Committee, as the Ethics Advisor to the Board, is required to administer, monitor and enforce the Directors' Code of Conduct, which includes reporting annually to the Board concerning compliance. Also, it is standard procedure that the first item on the agenda for any regular Board meeting is an opportunity for Board members to declare any conflicts of interest or any changes to outside employment or directorships they hold which may create a potential conflict of interest.</p> <p>The Board has also approved and adopted a written Code of Business Conduct and Ethics (the "Code"), which is applicable to all employees, officers and directors of the Corporation. The Code, which is designed to promote integrity and deter wrongdoing, is based on values of fairness and honesty, equal treatment and accountability. The Code provides guidelines on handling information of the Corporation's assets, confidentiality, conduct with suppliers and customers, business history, international business, conflicts of interest, compliance with laws and policies and reporting. Employees of the Corporation received mandatory annual training in 2007 on the Code and the Corporation's Privacy policies, which are posted on the Corporation's intranet site.</p> <p>The Board has approved a Whistleblower Policy to promote reporting of any irregularities. In 2007, the Corporation also introduced a third-party confidential whistleblower mechanism for employees to report wrongdoing.</p> <p>The Corporation has annual mandatory governance training which educates employees on the Code and in 2007 included training on the Whistleblower Policy.</p>	<p>Yes</p>

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CSA National Policy 58-201 and National Instrument 58-101 Disclosure of Corporate Governance Practices 2007 (Summary)	SaskEnergy's Corporate Governance Practices	Consistent with CSA Guidelines?
<p>(b) The board should monitor compliance with the code and grant any waivers required for directors and executive officers. Any waivers for a material departure from the code for any directors or officers should be granted by the board.</p>	<p>The Human Resources/Compensation Committee is required to monitor compliance with the Code of Business Conduct and Ethics. Any irregularities raised under the Whistleblower Policy will be reported to the Governance Committee. In addition, the Audit and Finance Committee is required to monitor the effectiveness of financial controls and receive reports of internal and external auditors on the adequacy of those controls.</p> <p>In 2007, there were no waivers granted by the Board to any director or officer.</p>	<p>Yes</p>
<p><b>6. NOMINATION OF DIRECTORS</b></p> <p>(a) The board should appoint a nominating committee composed of entirely independent directors, with a written charter establishing the committee's purpose, responsibilities, member qualifications, appointment, removal, structure and operations.</p>	<p>The Corporation does not have a separate nominating Committee. SaskEnergy's Governance Committee is responsible for annually assessing the size, composition, and required qualifications of the Board to determine whether it has the necessary constituents for effective decision making.</p> <p>All of the Governance Committee members are independent.</p> <p>The Governance Committee has authority to engage and compensate any outside advisor it determines necessary to assist with carrying out its duties.</p> <p>In carrying out these functions, the Board considers the advice and the input of the Governance Committee, and makes recommendations to CIC, who makes recommendations to Cabinet, the Corporation's statutory shareholder, who is given the Legislative authority to appoint directors.</p>	<p>Yes</p>
<p>(b) The board should adopt a nomination process which first considers the competencies and skills of the board as a whole; assesses the competencies and skills possessed by each existing director; and, identifies competencies and skills each new nominee would bring to the board, including the ability to devote sufficient time and resources to the job.</p>	<p>The Governance Committee is charged with assessing the skills and competencies for the Board and its Committees to support the strategic direction and operational needs of the Corporation. The Committee is responsible for performing a skills gap analysis intended to assist achieving a balance of the skills of Board members through the appointment of new members. The Governance Committee is also responsible for the ongoing assessment of Directors, their training and skill set review. Position descriptions for the Chair of the Board, the Chairs of Board Committees and individual Directors were developed and approved in 2006 and these will assist in determining skill training opportunities.</p> <p>(For reference: <i>The SaskEnergy Act</i> requires appointment of directors through Order-in-Council, and sets a limitation on the Board's authority to recommend candidates only.)</p>	<p>Yes</p>

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<p><b>7. COMPENSATION</b></p> <p>(a) The board should appoint a compensation committee composed entirely of independent directors, with a written charter to establish the committee's purpose, responsibilities, member qualifications, appointment, removal, structure, operations and manner of reporting to the board.</p>	<p>The Human Resources/Compensation Committee is comprised of independent directors, other than Jean Weimer who, as a unionized employee on leave from the Corporation, has a material relationship, and is therefore not independent. This Director does not receive any material or minutes related to management compensation or collective bargaining, and is excluded from any Board or Committee discussion on those topics.</p> <p>The Corporation has appointed a Human Resources/Compensation Committee which has the responsibility to make recommendations to the Board on compensation-related matters. Written Terms of Reference have been established for the constitution and operations of the Committee, and the Committee has been given the authority to engage and compensate any outside advisor it deems necessary.</p>	<p>No</p> <p>Yes</p>
<p>(b) The compensation committee should be responsible for reviewing and approving corporate goals and objectives relative to the CEO's compensation, the CEO's performance in light of those corporate goals and objectives and determining the CEO's compensation level based on the evaluation; as well as reviewing executive compensation prior to public disclosure.</p>	<p>The Human Resources/Compensation Committee annually reviews with the CEO the performance targets and performance evaluation of the CEO and the Executive Officers. The CEO's performance based upon the requirements of the CEO Mandate is assessed against the Corporation's annual objectives and strategic plan. The results of the CEO's performance evaluation are reported to the full Board.</p> <p>The Human Resources/Compensation Committee and the Board annually review the details of the compensation payments to the Executive Officers that are to be reported in the Crown Payee Disclosure Report.</p>	<p>Yes</p> <p>Yes</p>
<p>(c) The compensation committee should be responsible to make recommendations to the Board with respect to director compensation.</p>	<p>The Human Resources/Compensation Committee is responsible for annually reviewing the compensation for the Board members and the Chair, and recommending to CIC for approval any proposed adjustments to compensation levels. CIC is mandated by legislation to fix the remuneration and rate of reimbursement for expenses of directors.</p>	<p>Yes</p>

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<p><b>8. OTHER BOARD COMMITTEES</b> Identify Standing Committees other than audit, compensation and nominating, and describe their function.</p>	<p>In addition to the Audit and Finance, Human Resources/Compensation and Governance standing committees of the Board, the Board has appointed a:</p> <ul style="list-style-type: none"> <li>(i) Safety, Health and Environment Committee; and</li> <li>(ii) Business Development Committee.</li> </ul> <p>These Committees are comprised solely of independent members, except for the Safety, Health and Environment Committee, where Jean Weimer who, as a unionized employee on leave from the Corporation, has a material relationship with the Corporation and is therefore considered a non-independent member. The majority of the Committee members are independent. The constitution, function and mandate of each of the Board Committees are set out in the Terms of Reference for each Committee, each reviewed and updated annually and adopted by the Board.</p>	<p>Yes</p>
<p><b>9. BOARD ASSESSMENTS</b> The board, its committees and each individual director should be regularly assessed with respect to their effectiveness and contribution in terms of the board or committee's terms of reference, or an individual director's position description and competencies and skills.</p>	<p>The Governance Committee is responsible for implementation of performance evaluations for the Board, each Committee, the Chair and individual Directors. The Committee surveys Directors to provide feedback on the effectiveness and contribution of the Board, Committees, Chairs and individual Directors on a rotational, bi-annual basis. The results are summarized and reported to the Board, as well as the CIC Board of Directors.</p> <p>For 2007, the process consisted of the individual Board and the members completing the evaluation surveys on the effectiveness and performance of the Board and the Board and Committee Chairs. The survey results were summarized and reported to the Board and to the CIC Board of Directors. The 2007 process was conducted with the assistance of an external consultant under the guidance of the Governance Committee.</p>	<p>Yes</p>