

GSC'S GOVERNANCE FRAMEWORK

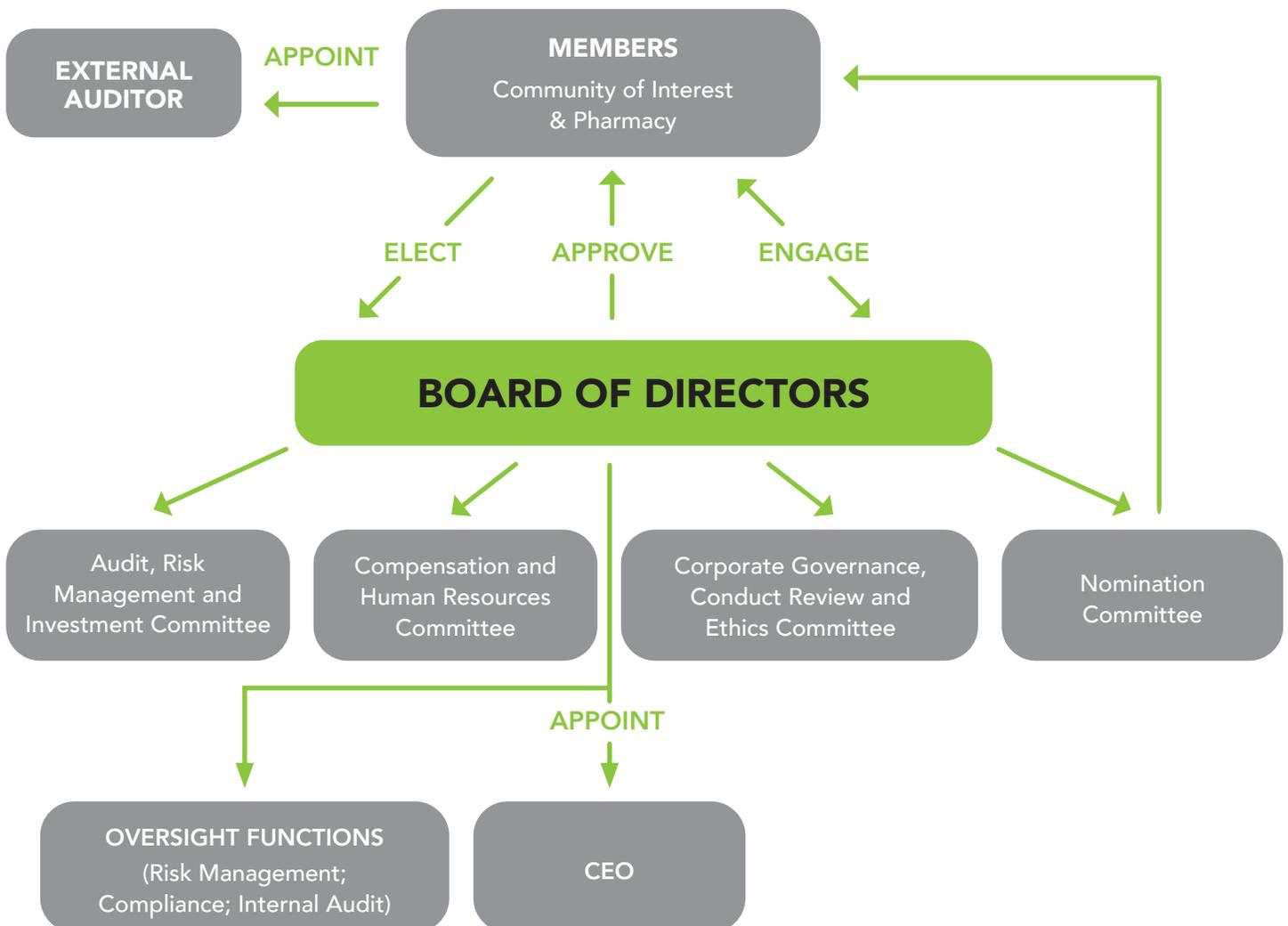
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PURPOSE

These Corporate Governance Practices were adopted by the board of directors and reflect the corporate governance practices of the Green Shield Canada board of directors. The Practices, along with the Green Shield Canada (GSC) Act, the Insurance Companies Act, the Corporation's By-laws, Board Mandate and Committee Mandates, provide the framework for the governance of Green Shield Canada, the board of directors and the executive management.

The board is committed to sound corporate governance practices designed to promote the well-being and ongoing development of the Corporation and reviews its governance practices and those of Green Shield Canada regularly.

Green Shield Canada's governance practices are consistent with the *Insurance Companies Act* and the Office of the Superintendent of Financial Institutions (OSFI) requirements and reflect governance best practices.



ROLE AND STRUCTURE OF THE BOARD

BOARD MANDATE: The board of directors (board) oversees governance, strategy development and strategic planning, leadership development and succession planning, financial and corporate matters, risk management and social responsibility, ethics and integrity.

BOARD CHAIR: The board elects the independent Chair of the Board annually from among its members to provide independent leadership and oversight. The board's policy is that the role of the Chair of the Board and the Chief Executive Officer are separate and are not held simultaneously by the same individual. The board has in place the process for Chair succession, which is reviewed annually.

BOARD COMPOSITION: The board of directors is uniquely composed of fifty percent pharmacists and fifty percent community of interest members. The President & Chief Executive Officer (CEO) is a member of the board of directors as set out in the Insurance Companies Act.

BOARD SIZE: The board of directors has the flexibility under its By-law to fix the number of directors between 10 and 18 members. Currently there are 12 board members. The board believes it is in the best interest of the Corporation to ensure a board with a range of skills and experiences which meet the needs of Green Shield Canada. The Corporate Governance, Conduct Review and Ethics Committee (CGCREC) considers and makes recommendations to the board concerning the appropriate size based on director input and the needs of the organization.

TERMS AND SERVICE LIMITS: Directors are elected for three year terms which are staggered and are subject to a service limit of 21 years (for individuals elected prior to June 2011) or 15 years (for individuals elected post June 2011). Directors may remain eligible for nomination beyond their service maximum if the board of directors so deems appropriate. Despite having service limits in place, the board does not practice automatic re-nomination and the Nomination Committee utilizes various tools in determining continued service of directors, including peer evaluations and skill requirements of the board.

BOARD SUCCESSION: The board annually reviews board succession plans and ensures that the board collectively reflects a complementary mixture of skills, competencies, experiences and knowledge to support the corporation to fulfill its mandate. The board has developed a skills and attributes competency matrix which summarizes the collective expertise of directors and which assists in identifying skill gaps on the board. The board approves the competencies, skills and personal attributes the Nomination Committee is to consider when both nominating an existing director for another term and recruiting new directors. The board of directors reviews and approves board succession plans.

NOMINATIONS: The Nomination Committee is responsible for recommending to the Membership individuals qualified to become board members. Existing directors or new directors are nominated based upon the existing competencies of the board and the future needs of the Corporation. Candidates are selected based on this assessment, along with a candidates' demonstrated integrity, independence, diversity of experience, leadership and ability to exercise sound judgment.

DIVERSITY: The board's conscious mandate for diversity is reflected in its composition. The GSC General Operating By-law subparagraph 5.5 states that no more than 2/3 of the board composition may be of a single gender. In addition, the board also takes into consideration objectives such as education, professional experience, age, geographic location, and ethnicity. It is noteworthy that GSC's board diversity was achieved in the absence of any formal policy, however, the board wished to recognize their commitment to diversity and adopted a policy in early 2017.

DIRECTOR INDEPENDENCE: It is policy that the board consists of a majority of independent directors. With the exception of the CEO, all directors have been deemed to be independent. To assist in determining board independence, the board has established a director independence policy.

DIRECTOR ORIENTATION AND CONTINUING EDUCATION: The board has developed an extensive orientation for directors that includes review of the Board of Directors Manual, access to a board portal and one-on-one meetings with executive management designed to familiarize new directors with GSC's environment, finances and governance matters. The board supports director development and expects that directors will **annually identify an individual development plan** and participate in continuing education programs that assist them in performing their responsibilities as directors.

DIRECTOR REMUNERATION: The board of directors receive remuneration and it is the responsibility of the Compensation and Human Resources Committee to review director remuneration regularly. As part of their remuneration, directors receive health and dental benefits.

BOARD INSURANCE: Appropriate director and officer Insurance is in place and reviewed on a regular basis.

COMMITTEES OF THE BOARD: The board has the following committees to assist the board in discharging its duties:

- **AUDIT, RISK MANAGEMENT AND INVESTMENT COMMITTEE**

Oversees: the external auditor; financial reporting; investments (including impact investing); internal audit; risk management; and regulatory compliance.

- **COMPENSATION AND HUMAN RESOURCES COMMITTEE**

Oversees: corporate human resources strategy; leadership performance management; succession planning; CEO and leadership compensation; board compensation; pension plan governance.

- **CORPORATE GOVERNANCE, CONDUCT REVIEW AND ETHICS COMMITTEE**

Oversees: corporate governance and development of governance policies and procedures; appointment of officers, committee chairs and committee members; board performance; board chair performance and succession planning; **performance**, appointment and replacement of President & CEO; and conduct review.

- **NOMINATION COMMITTEE**

Oversees: recruitment and nomination of board members; admission of Members

These committees are composed of independent directors and specifically, the Audit, Risk Management and Investment Committee and the Corporate Governance, Conduct Review and Ethics Committee also satisfies an additional independence standard, regarding no membership of officers of GSC.

Each committee of the board has specific terms of reference which are reviewed annually and approved by the board.

The members and chairs of committees are recommended to the board by the Corporate Governance, Conduct Review and Ethics Committee and are rotated from time to time. With the exception of directors serving as committee chairs and the Chair of the Board, each independent director sits on a minimum of two committees.

The board has approved the formation of a Pharmacy Advisory Committee, which reports directly to, and advises the CEO. The board forms Ad-hoc and/or Advisory Committees on an as-needed basis.

BOARD OVERSIGHT

The Board Mandate clarifies the board's specific responsibilities. In addition to the Board Mandate, the board has developed and monitors many corporate and board policies, which are reviewed on a rotating basis. Board members may consult with independent legal, financial, accounting, human resources and other advisors to assist in their duties to the Corporation, when necessary and appropriate.

CEO OVERSIGHT AND COMPENSATION: The board is responsible for the general oversight of the CEO. The board is responsible for the selection, evaluation and compensation of the CEO and CEO succession planning. The board approves the annual succession plan for the CEO and other key executives, including the emergency contingency plan for the CEO. The board maintains a role profile for the CEO that reflects the needs of the Corporation.

The Corporate Governance, Conduct Review and Ethics Committee (CGCR&EC) and Compensation and Human Resources Committee (CHRC) assists the board in carrying out its responsibilities with respect to compensation and CEO evaluation matters. Comprised of independent directors, the CHRC meets with the CEO and develops annual and longer-term performance goals and performance objectives. The annual CEO evaluation is based on the annual objectives **and is conducted by the CGCR&EC**. The CHRC recommends to the board of directors the CEO's compensation, which is based on achievement of approved objectives.

OVERSIGHT OF EXECUTIVE MANAGEMENT AND OVERSIGHT FUNCTIONS: The board approves and oversees the appointment and compensation of executive management and participates in their performance review. The board approves, oversees and participates, through the Audit, Risk Management and Investment Committee in the appointment, performance review, compensation and effectiveness of the Oversight Functions.

STRATEGIC PLANNING: The board is responsible for overseeing the development and implementation of GSC's strategy. The board collaborates with executive management in meetings dedicated to strategic planning and approves the strategic plan and the annual operating plan. At every board meeting, the board discusses strategy and related risks and monitors implementation of the strategic goals and initiatives. In addition, the board annually reviews and approves the organizational structure of GSC.

FINANCIAL REPORTING: The board is responsible for ensuring the integrity of financial reporting and financial reporting is directly to the board. The board requires management to implement an effective risk management and internal control system.

The Audit, Risk Management and Investment Committee meets independently with the Chief Financial Officer, Internal Auditor, and External Auditor to monitor reporting and controls.

RISK MANAGEMENT: The board oversees risk management through the Audit, Risk Management and Investment Committee, assesses and monitors major risks facing GSC; reviews and approves strategies for addressing such risks, and approves and monitors GSC's *Risk Appetite Framework*. The Audit, Risk Management and Investment Committee meets independently with the Chief Risk Officer.

MONITORING PERFORMANCE: Benchmarks have been established and are reported to the board by the CEO at each board meeting.

BOARD EFFECTIVENESS

ANNUAL PERFORMANCE EVALUATIONS: The board conducts an annual evaluation to assess their effectiveness. Each of the committees conducts an annual evaluation, and the Board Chair and Committee Chairs are also evaluated annually. Directors also complete a self-evaluation and peer evaluation for the purposes of development. Meeting evaluations are conducted for board, committees, planning sessions and board orientation as determined from time to time.

BOARD MEETING AGENDA: The Chair of the Board, in consultation with the CEO, set the agenda for board meetings. Any director may request that an item be included on the agenda. Agendas are matched against the board work plan, strategic issues, and matters coming forward from Committees or previous board meetings.

BOARD GOALS AND WORK PLAN: The board annually develops board goals and a work plan based on GSC's strategy achievement and the Board Mandate. Progress against the board goals and the work plan is reported at each board meeting.

BOARD MATERIALS: Board materials related to agenda items are posted to a board portal and provided to the Board sufficiently in advance of the board meetings to allow the directors to prepare for discussion of the items at the meeting. A review of the board materials is currently underway to make sure the board is receiving the right information, at the right level of detail, to make informed decisions.

EXECUTIVE AT BOARD MEETINGS: At the invitation of the board, executive management attends board meetings, or portions thereof, for the purpose of participating in discussions and presentations as appropriate.

ACCESS TO EXECUTIVE MANAGEMENT: The board may access senior management as they deem appropriate and in accordance with board policy.

ACCESS TO INDEPENDENT ADVISORS: The board has the authority to engage independent financial, legal counsel or other advisors as they deem appropriate at the Corporation's expense.

MEETING OF INDEPENDENT DIRECTORS: The independent directors meet at each board meeting to discuss various issues of concern to them. This is not a board meeting and no decisions are made during these sessions.

CODE OF CONDUCT

The *Code of Conduct* formally sets out standards for ethical behaviour and practices expected of employees, directors and officers of GSC. The board of directors approves the *Code of Conduct* and the CEO is responsible for monitoring and enforcing the *Code of Conduct*.

All GSC directors, officers and employees are required to annually acknowledge that they have read and understood the *Code of Conduct*; they have complied with the *Code of Conduct* and that they are not aware of any violations of the *Code of Conduct*.

The *Code of Conduct* is reviewed regularly by the board of directors and revised and updated as considered necessary. Oversight of compliance with the *Code of Conduct* is the responsibility of the board through its Corporate Governance, Conduct Review and Ethics Committee, which receives quarterly reports on code of conduct matters and an annual attestation of completion of the employee acknowledgement and accountability requirements from the Chief Executive Officer. Employees may report concerns regarding compliance with the *Code of Conduct*, anonymously and directly to the Chair of the Corporate Governance, Conduct Review and Ethics Committee.