



CORPORATE GOVERNANCE PRACTICES

Purpose

These Corporate Governance Practices were adopted by the Board of Directors and address significant corporate governance matters. The Practices, along with the Green Shield Canada (GSC) Act, the Corporation's By-laws, Board Mandate and Committees Mandates, provide the framework for the governance of Green Shield Canada, the Board of Directors and the Executive.

The Board is committed to sound corporate governance practices designed to promote the well-being and ongoing development of the Corporation. These Practices and other aspects of Green Shield's governance are reviewed by the Board at least annually, and may be amended by the Board as it deems appropriate.

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

General. GSC's business and affairs are conducted by its employees and management, under the direction of the CEO and oversight of the Board, with the ultimate objective of the best interests of the Corporation.

Board Leadership. The Directors elect the independent Chair of the Board annually from among its members. 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.

Board Size. The Board of Directors has the flexibility under its By-law to fix the number of directors between 12 and 20 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 the Corporation. The Corporate Governance, Conduct Review and Ethics Committee (CGREC) considers and makes recommendations to the Board concerning the appropriate size based on director input and the needs of the organization.

Term. Directors are elected for three year terms which are staggered and directors are not eligible for nomination for re-election if they have completed 21 consecutive years as a Director (for individuals elected prior to June 2011) or 15 consecutive years as a Director (for individuals elected post June 2011). The Board does not believe in automatic re-nomination and election and utilizes various tools in determining continued service of Directors, including peer evaluations and skill requirements of the Board.

Director Independence. It is the policy of the Corporation that the Board consists of majority of independent Directors. With the exception of the President & CEO, all Directors have been deemed to be independent. To assist in determining Board independence, the Board has established a director independence policy.

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. 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 and from which the Board approves the competencies, skills and personal attributes the Nomination Committee is to seek in new Board members. Candidates are selected based on this assessment, along with a candidates' demonstrated integrity, independence, diversity of experience, leadership and ability to exercise sound judgment.

Director Orientation and Continuing Education. The Board has developed an extensive orientation for directors that includes review of the Board 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 participate in continuing education programs that assist them in performing their responsibilities as directors.

Board 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.

Committees of the Board. The Board has the following committees to assist the Board in discharging its duties:

- Audit, Risk Management and Investment Committee
- Compensation and Human Resources Committee
- Corporate Governance, Conduct Review and Ethics Committee
- Nomination Committee

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 OSFI independence standard, regarding no membership of officers of the Corporation.

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.

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 Insurance. Appropriate Director and Officer Insurance is in place and reviewed on a regular basis.

Board Oversight

The Board Mandate clarifies the Board's specific responsibilities. In addition to the 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 Chief Executive Officer (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 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. The CHRC recommends to the Board of Directors the CEO's compensation, which is based on achievement of approved objectives.

Strategic Planning. The Board is responsible for overseeing the development and implementation of the strategy of the Corporation. The Board collaborates with Executive management in meetings dedicated to strategic planning and annually approves the Corporate Plan. In addition, the Board approves the organization structure of GSC and its annual operating plan within the Corporate Plan. At each Board meeting, the Board discusses strategy and related risks and monitors implementation of the strategic goals and initiatives.

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 Internal Auditor, Chief Financial Officer and External Auditor to monitor reporting and controls.

Risk Management. The Board oversees and approves GSC's *Risk Management Policy* and the Risk Appetite Framework. Through the Audit, Risk Management and Investment Committee, the Board assesses major risks facing GSC; and reviews and approves strategies for addressing such risks. At each Board meeting, the Board and Executive management review, key organizational risks affecting GSC. 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 President & CEO at each Board meeting.

Board Effectiveness

Annual Performance Evaluations. The Board conducts an annual evaluation to assess the effectiveness of the Board. 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 and 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 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.

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 Executive management of the Corporation 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 Board of Directors approves the *Code of Conduct Policy* for Directors, officers and employees of the Corporation. The *Code of Conduct* formally sets out standards for ethical behaviour and practices.

All Directors, officers and employees are required annually acknowledge that they have read, understand, and intend to comply with the *Code of Conduct*.

The *Code of Conduct* is reviewed annually by the Board of Directors and revised and updated as considered necessary. Compliance with the Code is monitored by the Board through its Corporate Governance, Conduct Review and Ethics Committee, which receives regular reports on any compliance issues from management, and annually receives a report 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.

HISTORY

Date Last Approved by Board:	September 26, 2018
Board Approval History:	September 25, 2017; October 4, 2016; December 1, 2015; September 23, 2014; September 25, 2013; December 1, 2011; November 30, 2010; June 2010
Committee Review Dates:	September 12, 2018; September 12, 2017; September 13, 2016; September 15, 2015; September 9, 2014; September 10, 2013, November 17, 2011; May 2010, November 2010