



Governance Policy for Crown-Held Subsidiaries

Issue Date: May 6, 2002

Reissue Date: March 27, 2013

Authority

The Crown Corporations Act, 1993, Section 6
CIC Board Minute # 67/2002

Purpose

This Policy sets out the shareholder's expectations for how CIC subsidiary Crown corporation boards and management will govern the affairs of any wholly-owned subsidiary of the CIC subsidiary Crown corporation.

Application

This Policy applies to all CIC subsidiary Crown corporations.

Definitions

CIC governance framework - means the set of corporate governance policies, practices and standards that CIC has adopted to direct and guide the governance of its subsidiary Crown corporations;

Subsidiary governance - means the structures, processes and authorities that have been established to effectively oversee, monitor and hold accountable the parties responsible for the governance of a wholly-owned subsidiary; and

Wholly-owned subsidiary - means an operating company owned entirely by a CIC subsidiary Crown corporation.

Guiding Principles

- CIC is committed to maintaining high standards of corporate and subsidiary governance consistent with all applicable regulatory requirements and good practices applied in the private or public sectors to the extent they are appropriate in a public enterprise environment.
- Wholly-owned subsidiaries will be subject to the same level of authorization and will adhere to the same governance standards and practices as are applied to the parent Crown corporation in accordance with the CIC governance framework.
- The Crown corporation board of directors and management of the Crown corporation are responsible for all corporate actions and activities, including those of a wholly-owned subsidiary.
- As the holding company, CIC is responsible to communicate the shareholder's expectations to the subsidiary Crown corporation boards and management in a timely, open and clear manner through the various mechanisms established as part of the CIC governance framework.

Policy Statement

In overseeing management of the subsidiary Crown corporation's wholly-owned subsidiaries:

- The Crown corporation board and management shall take into account the interests and priorities of the shareholder when recommending the acquisition or creation of a wholly-owned subsidiary.
- The Crown corporation board is responsible for approving a corporate strategic plan for the subsidiary Crown corporation that aligns with the *Crown Sector Strategic Plan*, as approved by the CIC Board and as amended from time to time, and for regularly reviewing the strategic direction and organizational objectives of the Crown corporation.
- The role of and purpose for a wholly-owned subsidiary must be clearly linked to the approved organizational objectives within the corporate strategic plan of the parent Crown corporation.
- The Crown corporation board shall ensure that delegation of any of its authority to the board of directors of a wholly-owned subsidiary is supported by a robust subsidiary governance framework, including a clear definition of roles, mandate, and scope of authorities.
- The Crown corporation board shall ensure that the members appointed to serve on the board of a wholly-owned subsidiary have the necessary skill, expertise, commitment and time to fulfill their fiduciary responsibilities.
- The Crown corporation board is responsible to direct and monitor management's actions to achieve the corporate strategy and organizational objectives and to ensure that management has a system in place to manage significant risks to the Crown corporation, including risks related to the activities and performance of any wholly-owned subsidiary.
- The Crown Board shall determine what constitutes reasonable management information to make board decisions and to monitor the performance of the Crown corporation, including the performance of any wholly-owned subsidiary, and shall ensure that management puts in place the necessary systems and controls to provide such information in a timely manner.
- The Crown corporation board shall ensure that management establishes effective processes to fulfill its obligations of transparency and accountability to the government, Legislature and the public, by reporting its corporate performance in a regular, timely and complete manner in accordance with CIC's governance framework, including any required reporting on the performance of a wholly-owned subsidiary.
- As stewards of the corporate mission, vision and values, the Crown corporation board shall ensure that management has established effective communication processes throughout the Crown corporation and to any wholly-owned subsidiary to facilitate employee understanding of the shareholder's expectations regarding corporate and subsidiary governance.

Alternate Approaches to Subsidiary Governance

While wholly-owned subsidiaries are subject to the same level of authorization and governance standards and practices as are applied to the parent Crown corporation, the exact approach to subsidiary governance approved by the Crown corporation board may differ for a wholly-owned subsidiary where the Crown board determines that factors, such as the scale of operations, assets, revenues and expenditures, the sensitivity of its operations or the degree of risk exposure to the parent Crown corporation, justify an alternate approach to enhance effectiveness and/or efficiency.



Where a Crown corporation board determines that an alternate approach to subsidiary governance is justified, the board should clearly identify the provision in the CIC governance framework that is not appropriate in the circumstances, outline the alternate approach being taken and summarize the rationale for the alternate approach.

Effective Date

The Policy is effective on March 27, 2013.

Administrative Information

Contact: Director, Corporate Secretariat, CIC, 306-787-5907.

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