



Disclosure of Corporate Governance Practices

The Alberta Pensions Services (APS) Corporate Board has adopted a governance oversight model that defines accountability between the Board and management, and balances strategic opportunity with risk assessment.

The Mandate and Roles Document between the President of Treasury Board and Minister of Finance (Minister) and APS, defines the following accountabilities:

- The Minister is accountable to the Legislature for APS.
- The APS Board is accountable to the Minister for the performance of APS and for fulfilling its mandate.
- The CEO takes direction from and reports to the Board.

The APS Board of Directors is committed to continuous improvement, monitors regulatory changes and follows best governance practices. This includes following many of the guidelines of National Instrument 58-101 - **Disclosure of Corporate Governance Practices**, National Instrument 52-110 - **Audit Committees** and National Policy 58-201 - **Corporate Governance Guidelines** of the Canadian Securities Administrators for disclosure of corporate governance practice and audit committee disclosure. The following reporting is compiled based on relevant components of those guidelines.

BOARD OF DIRECTORS

Independence of the Board

The Board understands the importance of good governance with independence from management. Every director of the APS Board is independent of management. In addition, the Board and its Committees hold a part of every meeting in private (“*in-camera*”) to provide opportunities to meet independent of management, or to consider any matter relating to:

- a. Board / Committee / Director evaluation
- b. Matters related to the conduct of the CEO
- c. Findings of the independent auditor
- d. Other matters with which the majority of directors are of the opinion that it is in the Board or Corporation’s interest to hold a discussion in closed session

Five directors are recruited through an open and transparent recruitment process, and four directors are recommended by each of the pension plan boards. All nominees are appointed by the Shareholder.

Chair of the Board

The Chair of the Board is an independent Director appointed by the Shareholder.

Director Attendance

Each director is expected to actively participate in deliberations and decisions in fulfilling the Board’s stewardship role. This involves preparing thoroughly for each Board and Committee meeting by reviewing the materials sent to the Directors in advance of meetings. Directors are expected to inform themselves of significant matters dealt with at meetings not attended. The Chair of the Board reviews the attendance of Directors each year as part of the Board and Director evaluation process. The Board Terms of Reference provides a process for addressing attendance, in that the majority of the Board may request any Director who does not attend at least two consecutive regularly scheduled meetings of the Board and the Board Committees to which he or she is assigned, to tender a written offer to resign to the President of Treasury Board and Minister of Finance.



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BOARD MANDATE

The Board governs with the intention of understanding its responsibilities under the *Alberta Public Agencies Governance Act* and the Corporation's Mandate and Roles Document with the Minister, and evaluates objectively, on a regular basis, the Board's effectiveness in fulfilling those responsibilities. The Board acts in the best interests of the Corporation to perform its stewardship responsibilities either directly or through the Committees of the Board, to fulfill its responsibilities for the strategic governance of APS, risk management and oversight of APS operations.

Under the Mandate and Roles Document agreement between APS and the Minister, the Board:

- Provides strategic direction to the Corporation and is accountable to the Minister for the performance of APS
- Reviews and approves annually:
 - a five year strategic plan
 - a three year business plan with financial forecast
 - an annual budget
 - an annual report
 - Office of the Auditor General audit report
- Provides the above accountability reporting to the Minister, and publishes the information on the corporate website within 60 days of Board approval.

To accomplish its mandate, the Board and its Committees follow a three year work plan of agenda items, ensuring compliance with the items' required timelines set by legislation, regulation, policy, or as mandated by the Shareholder. In addition, agendas incorporate emerging issues, follow-up on action items or requests for information made by the Board.

Board Meeting Minutes

The Board reviews and approves meeting minutes at the next regularly scheduled Board meeting. After approval, the minutes are published on the APS website, after completion of a review process to control release or disclosure of information to preserve confidentiality expectations and meet the Board's legal obligations. Rules and exceptions are also applied from the *Freedom of Information and Privacy Act*, and other relevant and applicable legislation.

Position Descriptions

The Board's Terms of Reference identifies separate job descriptions for the Board Chair, Committee Chairs and Directors.

DIRECTOR ORIENTATION

Director orientation and Board reference materials are reviewed and updated annually. All new directors receive an orientation upon their appointment to the Board. The orientation includes:

- an overview of the operations of the Corporation, its organizational structure and strategic and business plans
- an overview of the Board governance model, practices and policies
- pension industry education



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BOARD EDUCATION

The Board's Education Plan is reviewed annually. The Plan includes an annual schedule of education sessions incorporated into meeting agendas. Directors are also encouraged to participate in governance and industry related courses and conferences with the Chair's approval and with budget considerations.

CODE OF CONDUCT AND ETHICS

The APS Board has adopted a Code of Conduct and provides it on the APS Corporate website. The Code includes administrative processes for conflicts disclosure and for confidential reporting of a real or perceived breach. Each director is required to file an annual certification of compliance with the Code.

The Board provides an oversight role in the Whistleblower reporting program. The Audit Committee Chair is notified of all complaints of wrongdoing, and the Audit Committee reviews, at minimum, quarterly reporting which summarizes complaints and concerns received and investigated, including the disposition of any complaints and concerns investigated.

DIRECTOR RECRUITMENT

For independent directors, the APS Board follows the Government of Alberta recruitment regulations for public agencies, in an open and transparent recruitment process. This is an integrated process which includes oversight by the Minister and Ministry staff, and collaboration with the APS Board. Independent director positions are posted on the Government of Alberta website. Nominations for the pension plan board representative positions are sent from the pension plan boards to the Minister for appointment consideration.

In the year prior to a director's term ending, or if a director resigns, the Board will develop a succession plan specific to that director's board position – independent or plan board representative. The plan will consider:

- the skills and competencies of that director, and the skills required as indicated in the Board's competency matrix
- the number of years served and the agency's maximum term limit of ten years
- the willingness of the current director to serve an additional term, and to comply with the recruitment process requirements

The independent director recruitment is performed by a selection committee who makes a recommendation to the Minister. The selection committee consists of an APS Board Director, a representative of the Treasury Board and Finance Ministry, and a representative of the Minister. The Board engages a recruitment agency to work with the Board and the selection committee.

Profiles and competencies of APS Board directors are provided on the APS corporate website.

Diversity Policy

The Board supports the Government of Alberta's transparent and competence based approach to Board recruitment. Board renewal and succession planning is based on having qualified directors from appropriate backgrounds and expertise who represent the changing population demographics in Alberta, with a balance of ethnic, gender and regional diversity. The Board supports diversity as a means to better corporate governance through fresh perspectives and backgrounds, improved decision making and strategic thinking, and enhanced oversight and management of risk.

Fifty percent of the current Board are females.



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Board Composition

The Board composition is set by the Shareholder in the Unanimous Shareholder Agreement. The Board consists of nine members: five independent directors, and one representative of each of the following pension plan boards:

- Local Authorities Pension Plan Board
- Public Service Pension Plan Board
- Management Employees Pension Plan Board
- Special Forces Pension Plan Board

In addition, the Minister assigns a representative who is entitled to attend all Board meetings and receive all meeting materials. Currently this position is performed by the Assistant Deputy Minister, Strategic and Business Services Division, Alberta Treasury Board and Finance.

COMPENSATION

Board Compensation

The Minister sets the Board remuneration framework. Board remuneration paid is posted annually at the end of June on the Government of Alberta website. Board expense claims follow the corporate Travel, Meals and Hospitality Expense Policy, which is based on a Treasury Board directive for expense reimbursement. Board director expense claim payments are disclosed quarterly on the APS website.

CEO Compensation

The Shareholder sets the CEO compensation within the compensation regulation and framework for CEOs of Alberta's public agencies. The APS Board makes recommendations to the Minister for the remuneration and terms of an employment contract, suitable to retain, motivate and appropriately reward the CEO, and in compliance with current Government of Alberta compensation regulations and framework. The APS Board annually assesses the adequacy of the CEO's compensation within the Minister's approved framework. CEO compensation is published in the Corporation's Annual Report and on the Government of Alberta website.

BOARD COMMITTEES

The Board has established four committees to provide support to the Board in delivering its oversight responsibilities. The Board annually reviews and confirms the mandate of the Governance, Audit, Human Resources and Operational Risk Committees in accordance with the Mandate and Roles Document. In practice, the Board Committees sit as committees of the whole Board with unique agendas and meeting times, and include regularly scheduled in-camera sessions independent of management.

Audit Committee: The Audit Committee oversees the integrity of the Corporation's financial reporting, risk management and compliance policies and practices, internal controls management and disclosures. The Audit Committee Chair has substantial executive management financial experience, and the Committee Vice-Chair is a finance professional and internal auditor. Because the Audit Committee sits as a committee of the whole Board, there is significant expertise in financial literacy and risk management experience represented across the committee. The Auditor of APS is the Office of the Auditor General of Alberta (OAG), designated by resolution of the Shareholder. The OAG does not assess fees for its APS annual audit. The committee meets independently of management with the auditors from the Office of the Auditor General.



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Human Resources Committee: The Human Resources Committee oversees the Corporation's human resources policies and practices, and ensures their alignment with corporate objectives.

Operational Risk Committee: The Operational Risk Committee assists the Board in fulfilling its strategic oversight responsibilities in relation to information and business technology, enterprise project management, operations and security (in both technology and physical assets).

Governance Committee: The Governance Committee ensures that the Board fulfills its legal, ethical, and functional responsibilities through adequate governance policy development, recruitment strategies, director development and training programs and monitoring of Board activities.

BOARD EVALUATIONS

Annually, the APS Board conducts a Board, Committee and Director evaluation process, including Board discussion and recommendations. In addition, Board directors complete an evaluation of the effectiveness of each Board meeting.

CEO ANNUAL PERFORMANCE EVALUATION

The CEO is solely accountable to the APS Board for the performance of the Corporation. The Board evaluates the CEO annually through the following operational results of the Corporation:

- progress on Strategic Plan and Business Plan initiatives
- quarterly Corporate Scorecard updates on performance measures, which are developed from Board approved targets in the Business Plan
- quarterly financial reporting and Budget variance analysis
- achievement of the CEO's annual performance plan presented at the beginning of each year

In addition, the CEO provides the Board with assurance, including evidence as required, that the results were achieved within APS' risk and compliance framework.

CLIENT AND STAKEHOLDER RELATIONS

The Board supports a collaborative approach in its strategic oversight of APS, in order to advance the effectiveness of pension administration services in Alberta on behalf of its Shareholder. The directors who represent the pension plan boards will provide feedback and perspectives from the various pension plans in establishing strategies for pension administration and risk management, including key risk indicators and risk appetite. At the conclusion of each APS Board meeting, the APS Board will provide written guidance to the plan board representatives for post meeting communication back to the pension plan boards.

The Board ensures that the Corporation has efficient communications and processes in place for its 360,000 members, that demonstrate APS provides timely and effective responses to its clients, stakeholders and the public in managing issues.

Client Service Advocate

The Client Service Advocate (CSA) business unit at APS investigates and facilitates resolution of issues identified by our stakeholders – members, pensioners and employers. The CSA works with the appropriate areas within APS to identify the root cause of the issues. These factors are then communicated to the appropriate functional area to be addressed as part of their continuous improvement activities to improve the overall client service experience. The target to respond to these



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concerns is 48 hours. In 2017 this target was met 95% of the time and on average the responses were completed in 0.87 days.

Privacy Advocate Office

The Privacy Advocate Office (PAO) at APS supports a key corporate initiative to build a privacy awareness culture at APS. The PAO manages privacy risks and responds to all access to information requests in a systematic and timely manner in accordance with the Alberta *Freedom of Information and Protection of Privacy (FOIP) Act*. In 2017, APS responded to 17 requests for information, one of which was handled formally under the FOIP Act. The other 16 requests were handled routinely as permitted under APS' Routine Disclosure Policy. The majority of the requests were for information relating to a member's own file. All 17 information requests were responded to within prescribed timelines stipulated in the FOIP Act and APS policy. In 2017, no requests were received from the Office of the Information and Privacy Commissioner.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITIES

APS supports the Government of Alberta's Climate Leadership Plan and is committed to managing the impact of its business operations on the environment. APS provides a listing of its socially responsible initiatives for the broader community in its Annual Report, published on its Corporate website.