2015/16 ANNUAL REPORT

Yours to Share

Colleen Cameron
Account Executive –
Aboriginal Market

Letter of Transmittal

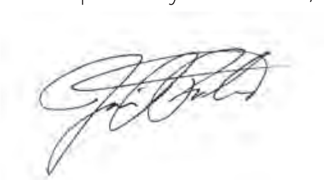
Regina, Saskatchewan
June 30, 2016

Her Honour
The Honourable Vaughn Solomon Schofield, S.O.M., S.V.M.,
Lieutenant Governor of Saskatchewan

Dear Lieutenant Governor:

I have the honour to submit herewith the annual report of SaskTel for the 15-month period ending March 31, 2016, including the financial statements, duly certified by auditors for the Corporation, and in the form approved by the Treasury Board, all in accordance with *The Saskatchewan Telecommunications Holding Corporation Act*.

Respectfully submitted,



Honourable Jim Reiter
Minister Responsible for Saskatchewan Telecommunications

Minister's Message

On behalf of Premier Brad Wall and the Government of Saskatchewan, I am pleased to present the 2015/16 SaskTel Annual Report. The report covers a 15-month period from January 1, 2015, to March 31, 2016, following a decision to align the fiscal period for all Crown Corporations with the Government of Saskatchewan's fiscal year.

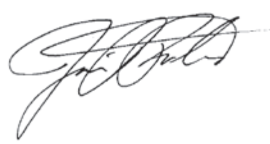
For more than a century, SaskTel has been integral to the growth and development of the province. Today, Saskatchewan people are connected like never before with the ability to use technology to keep in touch with family and friends, as well as conduct business. Saskatchewan businesses that create jobs are also better able to connect with and serve their customers, and even Governments have access to more advanced solutions to provide essential services to residents.

All across the province, SaskTel continues to deliver on its commitment to deploy next-generation technologies. Since 2007, the corporation has invested more than $2.4 billion in capital expansion and upgrades. This is helping to better deal with the increase in competition, customer expectations and industry regulations. I am proud of SaskTel's success in adapting to these changes by evolving into a leading Information and Communications Technology (ICT) provider.

As SaskTel evolves to meet demand, it is connecting rural, remote and First Nations communities. These communities are eager for partnerships to advance their social and economic policies. For example, an important partnership between the Canoe Lake Cree First Nation (CLCFN), Primrose Lake Economic Development Corporation and the Meadow Lake Health and Social Development Authority (MLHSDA) resulted in 4G being deployed in Jans Bay and Canoe Narrows for the first time.

Looking ahead, SaskTel will continue to deliver on the Government's plan for growth, which includes investments in infrastructure. These include investments in bandwidth and cellular infrastructure, broadband upgrades and fibre to the home in large centres.

The success of our Crown Corporations requires the support of residents, businesses and most importantly, employees. On behalf of the Premier and the Government, I want to thank the board, management and employees at SaskTel for their hard work and commitment.



Honourable Jim Reiter
Minister Responsible for Saskatchewan Telecommunications

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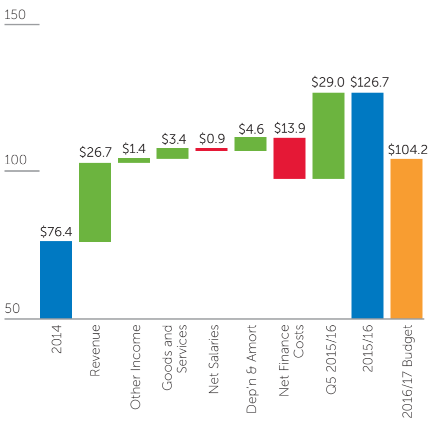
Financial Highlights

FINANCIALS

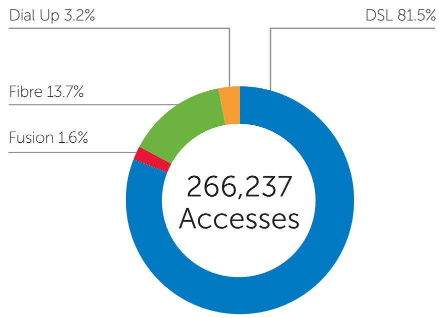
Net Income ($ Millions)



Net income increased due to a 2.2% growth in revenue, a 0.6% decline in operating expenses, and an additional three operating months as a result of a change in SaskTel's year end from December 31 to March 31.

CUSTOMER

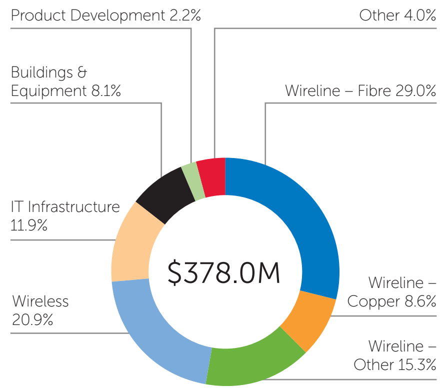
2015/16 Internet Accesses



Fibre network enhancements are contributing to a resurgence in Internet access growth. In 2015/16, fibre access via SaskTel's *infiNET* product grew 78.9% and contributed to overall Internet access growth of 2.6%.

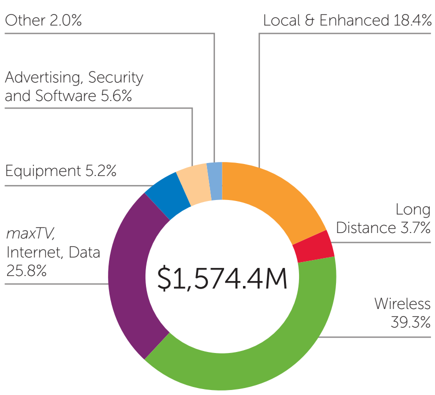
NETWORK

2015/16 Capital Expenditures



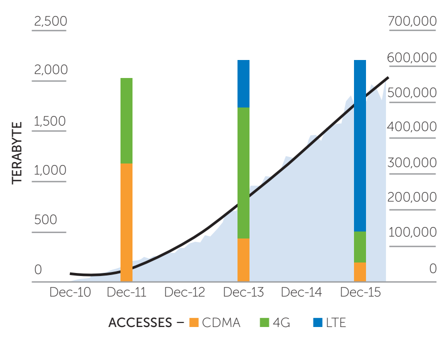
SaskTel invests significant dollars to deliver an advanced ICT core to our customers. During 2015/16, SaskTel invested in fibre-based technologies ($69.9 million), advanced wireless technologies like LTE and LTE-TDD, and spectrum ($76.8 million), and other network improvements ($85.1 million).

Revenues ($ Millions)



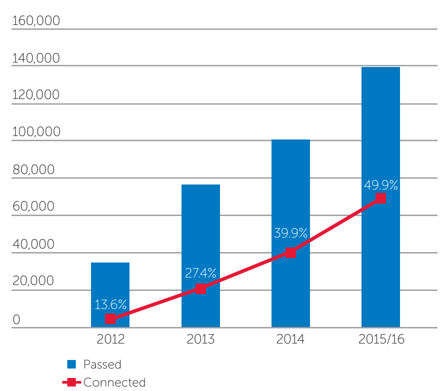
Revenue from wireless, *maxTV*, Internet and data continue to represent 65.1% of revenues. SaskTel's network investments in LTE and fibre allow customers to adopt new plans with increased data speeds and advanced features. Local access, enhanced features and long distance revenues continue to decline. This is primarily attributed to wireless substitution and limited organic growth as a result of "cord nevers."

Data Usage & Network Technology Accesses



Wireless revenues continue to grow in direct correlation to SaskTel's investment to increase capacity and speeds on its wireless network. Customers are subscribing to larger tier data plans in order to satisfy their data consumption needs. The trend is expected to continue as customers continue with wireless substitution and as a new "cord nevers" enter the market.

Fibre to the Premises (Homes)



Fibre is a key component in providing the high bandwidth (up to 260 Mbps) that customers are demanding. To date, the fibre build focused on communities of Regina, Saskatoon, Moose Jaw, Prince Albert & Swift Current. SaskTel expects to spend $51.0 million in 2016/17 to continue rollout of fibre to these communities, as well as Weyburn & Estevan.

Sharing our Stories

President's Message

SaskTel is in the business of making it easy for people to connect to one another and to the world that exists across town or across the planet. *How* that happens is our job as an ICT company, and I think we do that job pretty well, but there is another question that drives nearer the heart of SaskTel's reason to be, and that is to get beyond the *how* and ask *why*?

Why do we work so hard to connect our customers and why do our customers want to connect? The answer has a lot to do with a very human impulse to reach out and share something—an idea, a laugh, a product. Share buttons on social media are merely the most overt examples of the phenomena that have us using our phones and computers every day to send out messages and images to those who matter to us most.

Offering what is yours to share by following that basic desire to be heard, to move and be moved by others, is part of what makes the human community complex and fascinating. SaskTel provides the connectivity, the platforms for that sharing impulse, by continually upgrading and improving the systems that make it effortless for our customers to engage in and express that desire for connection and community.

OUR INVESTMENT IN INFRASTRUCTURE

This past year was one of our finest for improving those platforms and systems our customers depend on. Our Fibre to the Premises (FTTP) program passed 38,986 homes with *infiNET*, putting us on schedule for our target of passing 100% of homes in the nine major centres in the province by 2022. This multi-year program, totalling an investment of $670 million, will provide residents in Saskatchewan's major centres with speeds up to 260 Mbps downloading and 60 Mbps uploading—the fastest speeds available in the province.

On the wireless side of things, we increased our LTE capacity to 25 towers in Regina and Saskatoon, essentially doubling their wireless capacity while increasing speeds. We are now well positioned to provide the bandwidth we need to accommodate customer growth in these two centres.

Speed is something we work very hard to achieve in our LTE offering. When U.K.-based OpenSignal group looked at LTE providers around the world, testing average download speeds among 185 providers, we tied with two Singapore providers for first place. This top global ranking is a direct result of the work our Technology and Operations groups have accomplished in recent years, delivering unparalleled wireless service to communities in Saskatchewan.

As well, in early 2016, we began to apply some new wireless technologies. We started to test and install microcells in some areas and we were the first in North America to deploy a new Ethernet-based antenna system—Huawei's LampSite—which I can report is doing very well.

The rest of the annual report will provide details on these and many other investments we made from January 2015 to March 2016, in order to ensure that our residential and business customers continue to receive the best wireless, *maxTV*, Internet, data and IP-based services in the world.

BUILDING HONEST RELATIONSHIPS

As a corporation that is accountable to the people of Saskatchewan, SaskTel is itself "shared" by the citizens of the province. In our Corporate Values, we demonstrate this connection to shareholders by promising to "build honest relationships through open communications with all people who interact with our business: our customers, co-workers, partners, and shareholders." Sharing an interest in SaskTel's financial well-being and strength, everyone in Saskatchewan benefits through our contributions to the province's economic success and improved quality of life.

2015/16 was a strong period for SaskTel financially. Our net income was higher than budgeted, reaching $126.7 million at the end of the fiscal period, March 31, 2016. Our staff have done a remarkable job this year—particularly in efforts to reduce spending. I am happy to say that the reductions came not at the expense of service but from better prices on supplies, and efficiencies in our operations. Our procurement and technology staff get part of the credit here for the work they do with our vendors.

Despite our strong performance this year, however, our financial picture continues to be at risk from regulatory developments. The regulations that affect our bottom line include spectrum auction rules, and the anticipated unbundling of television channels—not to mention the regulator's emphasis on developing a fourth national wireless carrier. None of this, however, has caught us unprepared and we are confident that SaskTel will thrive in the midst of every regulatory disruption to the industry. Competition in the market also remains vibrant and our wireless customers enjoy rates well below rates in most other provinces.

GIVING BACK TO THE COMMUNITY

Sharing takes on yet another meaning for SaskTel when we consider the many ways we reach out to, and give back to, communities around the province. Sometimes that means finding ways to provide services to areas too remote and sparsely populated for us to recover costs of the infrastructure. This year, under the Community Participation model (our partnership with the leaders of the Town of Canoe Narrows and Jans Bay First Nation), we were able to partner with the people in those communities to provide first-class wireless technology to their communities, providing them equal access to the economic and social development opportunities that technology brings.

With our community investment focus on youth, rural life, diversity and technology, we support non-profit and charitable organizations around the province, and sponsor some of the most important sport and cultural events in every season. The Corporate Social Responsibility (CSR) Report we produce each year accounts for everything we do to remain a socially, environmentally and economically sustainable corporation with a strong ethical foundation. During the reporting period, SaskTel partnered with 1,041 not-for-profit and charitable organizations, including schools via scholarships and grants, helping them to serve Saskatchewan with programs that bring health, education, and fulfillment to our communities.

We are especially proud of our I Am Stronger campaign, which addresses bullying and cyber-bullying in our communities and online. In the 2015/16 fiscal period, the program approved nineteen grant applications, providing more than $17,000 to young people implementing anti-bullying initiatives. And, as always, the SaskTel Pioneers were a source of inspiration, with more than 4,200 members across the province contributing more than $165,000 in charitable donations and completing more than 49,000 hours of volunteer time to support worthwhile community initiatives.

I could list dozens of other CSR highlights, but I would like to single out one program in particular that celebrated 65 years of generosity. Since 1950, SaskTel employees participating in SaskTel TelCare have reached into their pockets and given a portion of their income to charitable organizations around the province. SaskTel contributes an additional fifty cents for every dollar donated by employees, helping TelCare over the years to contribute millions of dollars to charities like the United Way and many others that provide life-giving support and programming where it is needed.

EARNING YOUR CONFIDENCE

We are proud of the recognition we receive each year for our employee-related initiatives, and this past year was no exception. MediaCorp Canada Inc. named SaskTel one of Canada's Greenest Employers for the seventh consecutive year, one of Canada's Top Employers for Young People for the fourth consecutive year, and one of Canada's Best Diversity Employers for the sixth consecutive year.

Being recognized as a "top employer" is gratifying to be sure, but it is easy to forget that what these honours really mean is that we have and are able to attract "top employees." The decision our employees make to share their lives with SaskTel, and to share the work load that keeps us on mission serving our customers, is something I do not take lightly. It may be easiest to appreciate in moments of crisis like the fires of last summer or floods of years past, but any employee's daily choice to give customers and co-workers their best is worthy of our deepest gratitude.

The SaskTel we shared with the world in 2015/16 is detailed throughout this report, and comes directly from the dedication and hard work of our talented employees, management team, executive and board. To all of them, I extend my most sincere appreciation. And, finally, I thank our customers, shareholder, and partners—the people we share this corporation with—for your support during the past year. Everything we do depends upon our ability to continue earning the faith you place in us, and the confidence that keeps you coming back.

Sincerely,
Ron Styles, SaskTel President and CEO

Seeing Through the Cloud

Using your smartphone to transfer funds or watch a newscast, it can seem as though the data that makes it possible is just "out there" somewhere. Hence the term "cloud storage," but, like most things, data needs a place to reside. Just like the files on your personal computer, data, too, needs to be stored in a physical location that is reliable, safe and secure. Increasingly, businesses are outsourcing their storage needs to data centres—places measured not only by their square footage but by their capacity to guarantee maximum availability and security.

Cisco estimates that mobile data traffic has grown 4,000-fold over the past 10 years and almost 400-million-fold over the past 15 years. In the year 2000, mobile networks carried fewer than 10 gigabytes per month, and less than 1 petabyte per month in 2005. By the end of 2015, mobile data traffic was at 3.7 exabytes per month. (One exabyte is equivalent to one billion gigabytes, and one thousand petabytes.)

DATA CENTRES

With that much data moving through the hands of individuals, businesses, governments, and institutions, the need for good storage services is only going to increase. That is why SaskTel has been building state-of-the-art data centres in both Saskatoon and Regina. During the reporting period, we opened a new Tier II data centre in Regina that offers business customers a secure and stable operating environment for their IT infrastructure. With SaskTel data centre services, such as Managed Hosting and Colocation, businesses will benefit from a secure data centre environment and IT infrastructure management ensuring that their critical data is kept safe.

SaskTel has been improving data centre services for more than 13 years now, hosting government, corporate, and private customers from throughout North America. In October 2015, we began construction of a new certified Tier III data centre in Saskatoon, offering redundant attributes providing power, cooling, and power generation. It will be a world-class data storage centre outfitted with the latest technologies to provide our business customers with the security, availability and assurance they demand from a technology provider.

By adding the new Tier III data centre in Saskatoon, SaskTel will increase its data centre capacity significantly. SaskTel currently has a total of 31,088 square feet in six different data centre locations with four locations in Regina and two in Saskatoon. The new facility will consist of 24,000 square feet of building area, including an initial 9,650 square foot data hall, expandable up to 30,000 square feet, and an additional 4,630 square feet for the second floor generator rooms.

INTEGRATED BUSINESS COMMUNICATIONS (IBC)

This was the year we launched a new Integrated Business Communications (IBC) solution for our business customers, a digital service allowing them to connect with employees and customers instantaneously and manage their communications no matter where they are. A unified communication service that combines IP voice, telephony and collaboration features, IBC allows business customers to make the most of today's communications functions. The IBC basic package gives users full control over an array of features and functions, from audio conferencing to call trace, and from last number redial to call park & retrieve, and many more.

IBC STILL OFFERS VOICE BUT NOW WITH MESSAGING, REAL TIME USER STATUS, DESKTOP SHARING, AND OTHER COLLABORATION TOOLS LIKE FILE SHARING.

IBC uses IP-based systems to take a leap forward from our legacy services like Centrex. "The service itself allows far more functionality than anything in the legacy world," explained Dennis Ziegler, Marketing Manager – Service Development. "IBC still offers voice but now with messaging, real time user status, desktop sharing, and other collaboration tools like file sharing."

The entire system ties together every aspect of what customers need, and makes it simple and transparent. Users can customize their settings to receive calls and transfer data with the same experience across devices and locations. "Essentially IBC expands the office to anywhere you want it to be with access to the same functionality from anywhere, all without customers knowing any different."

On 18 January 2016, IBC celebrated a milestone with its 100th customer and 1,000th end user. Among customers taking to the new service in the last year, is the Town of Shellbrook. Kelly Hoare, the town's administrator, is more than pleased with the capacity and control IBC offers: "We have to be able to be mobile in the event of an emergency. We now have the ability to have a remote location, remote administration, and make remote phone calls and be mobile. This is of immeasurable value."

Kelly Hoare
Chief Administrative Officer
Town of Shellbrook

Meeting the Need for Speed

There is no denying the appeal of speed, whether it is an antelope racing across the prairie or a video of that antelope uploading to YouTube, but it is what speed allows customers to do that drives the demand for faster Internet speeds around the world.

When Akamai produced its State of the Internet Report in the first quarter of 2015, they announced that, on average, Internet speeds had increased globally by ten per cent in the previous year. SaskTel stays at the leading edge of that trend by investing in ways to provide faster and more reliable services. In April 2015, we increased 4G capacity in 62 communities, enhanced LTE capacity in Regina and Saskatoon, and deployed new spectrum to increase LTE capacity.

One of the many reasons SaskTel works hard to ensure that fast, reliable service is available throughout the province is a commitment to keep up with the technological needs of the agriculture sector. As one of the continent's centres of agricultural innovation, Saskatchewan has thousands of people who rely on connectivity to get their work done on fields, pastures, and roads that are often far from urban centres.

M2M AT EMERGING AGRICULTURE HACKATHON

One way to stay on top of emerging needs and possible solutions is to get tomorrow's technology developers to start looking at problems and opportunities today. With that in mind, last January, SaskTel sponsored Emerging Agriculture, Canada's only agriculture-based "hackathon" at the University of Saskatchewan.

Students from various colleges, including Commerce, Engineering, Computer Science, and Agriculture, gathered at Innovation Place to work with industry experts for three days. Finding technology solutions for problems found on farms and ranches today, students looked for ways, often involving machine-to-machine communications (M2M), to provide the kind of time and money saving value to farmers that make for a solid business case.

"We had an opportunity to get in front of students who are considering the industry," said Richard Redekop, a Technical Sales Consultant for SaskTel. He was one of a handful of employees who represented SaskTel at the hackathon.

"(The students) were essentially being data scientists. They were taking information and making sense of it and solving a potential business problem."

SaskTel sponsored its own Mini Case Challenge focusing on incorporating our M2M platform into technology for the livestock industry. Students had just over an hour to come up with the best solution to incorporate this technology into a proposed product for the industry, and produced some amazing results.

From SaskTel's perspective, it was time well spent, because one of our business priorities is to develop relationships with those who have identified M2M solutions, but require the network to transfer data. At the same time, participating in an event like Emerging Agriculture is an expression of SaskTel's support for the economic well-being of the province.

Rory Nussbaumer, Committee Chair of Emerging Agriculture, grew up on a farm near Yorkton, and put it this way: "When companies like SaskTel contribute their time to such an event, it shows students how corporate social responsibility can work in the real world with a long-term impact to Saskatchewan's economy. We learn so much about corporate social responsibility in the classroom, but SaskTel shows us how it is performed in the real world."

HETNET

Demand for speed is distributed unevenly throughout any provider's serving area. In spots where demand is particularly high, SaskTel takes steps to respond so that congestion does not become an issue. That response has led us to work with technology suppliers to try new solutions in high-customer-density hotspots.

Partnering with Huawei Canada this past period, SaskTel was able to install what the industry calls a heterogeneous network, or HetNet architecture, in the Kinesiology building and the Riddell Centre at the University of Regina. These buildings provide the high levels of demand for wireless data that gave us the chance to see how the new "small cell" technologies work in a real-life situation. Featuring the first deployment of Huawei's LampSite product in Canada, the U of R HetNet also uses the company's microcell system, as the two key features in an architecture that uses a range of systems and frequencies to provide deep penetration indoors and high capacity LTE (Long-Term Evolution) coverage at speeds reaching 150 Mbps.

Peter Dang, a planner in our technology division, was one of SaskTel's technical experts who teamed up with graduate students from the university's Faculty of Engineering and Applied Sciences to deploy the new systems.

"This is a very exciting project for us in several ways," said Peter. "One of the primary goals of the project was to explore the capabilities of a HetNet architecture in a high data demand environment. The LTE and UMTS small cell technologies allow us to provide high data speeds and excellent coverage to areas of high customer density. As a result, we were able to make the wireless communication experience seamless for the customer as they move from outdoor to indoor and from building to building. The project also sets us up well for future testing of various LTE advanced and cloud configurations as our network evolves."

The experience deploying a HetNet and working with Huawei's small cell products will be invaluable to SaskTel and its customers as we look for ways to meet Saskatchewan's growing demand for speed and bandwidth.

Rory Nussbaumer
Committee Chair of Emerging Agriculture

Rolling Up Our Sleeves

Some of what makes a community healthy is visible to the eye: public space where young people can gather and children can play, small businesses serving local needs, and streets, parks and other infrastructure in good condition. But other elements that make a community function well are harder to see or simply transparent: the volunteer ethic that makes people roll up their sleeves and pitch in, the confidence that leads to self-determination and self-reliance, the generosity that inspires donors to give time and resources.

For more than two decades, SaskTel employees and retirees, all members of the SaskTel Pioneers, have been volunteering at Regina's North Central Family Centre. The centre provides a safe environment where children, families and seniors can access programs and services that are supportive, educational, and life enhancing.

Bev Cyca, Sales Associate – Business Sales & Solutions, and a long-standing member of the SaskTel Pioneers, represents them on the board for the centre. "It's a safe place for kids and adults to go. They have programs for all ages but the focus is really on kids and education. A lot of it is geared toward Indigenous people in the neighbourhood, but there are a lot of new Canadians moving into the area so it is becoming very multi-cultural."

Sandy Wankel
Executive Director
North Central Family Centre

The SaskTel Pioneers provide a variety of support—everything from Santa Claus at Christmas to fundraising to furniture. Sandy Wankel is the centre's Executive Director. "From our inception, the SaskTel Pioneers have played a huge role in the North Central Family Centre," Sandy said. "A perfect example is when we were in need of tables and chairs for our conference room and our computer labs, the Pioneers provided all we needed from their salvage program. True to SaskTel's commitment to the community, they are currently supporting our Casino Gala to help raise funds for a commercial training kitchen. Our plan is to offer an accredited program that will open up new opportunities for our families and clients to find work in the food industry."

Several Pioneers come out to help at the centre, but Sandy mentioned one retiree in particular whose computer skills have been invaluable. "Jim Goldie is there at least once every week or two. SaskTel Salvage has provided the centre with computers for its computer room and Jim makes sure they are upgraded and working well for people who come in to use them."

Bev Cyca is particularly proud of one project the SaskTel Pioneers took the lead on—a neighbourhood clean-up. "Our provincial SaskTel Pioneers partnered with volunteers from the centre to go from door to door raising awareness about recycling and we handed out recyclable tote bags and information on environmentally friendly cleaning. Some people from the neighbourhood joined us and helped pick up litter from the streets. We won an award for that project from the International Pioneers Organization."

Asked what this kind of involvement does for SaskTel, Bev said, "I think it shows the community that we are good corporate citizens, that we care about others in all walks of life. Without SaskTel's support, we wouldn't have access to the salvage items that allow the Pioneers to help like this. We are not always good at telling people about what we do in the community, but the SaskTel Pioneers are great at partnerships and volunteering."

Bev added that everyone benefits when there are positive stories coming out of places like the North Central Family Centre. "You hear all the tragedy and so on in the news, so people get certain ideas about the place. But the media seldom talks about the good news there. I believe the Centre has had a powerful effect on the neighbourhood. We know because we see it in the kids. The ones who come there and use the place—we see them grow up and do very well."

BEV ADDED THAT EVERYONE BENEFITS WHEN THERE ARE POSITIVE STORIES COMING OUT OF PLACES LIKE THE NORTH CENTRAL FAMILY CENTRE.

The North Central Family Centre is also an example of a community-based group that has received funding from SaskTel TelCare, the employee benevolent fund. In 2015, TelCare celebrated its 65th anniversary. Starting in 1950, employees wanted to pool their money to lend a hand where it was needed in the province's communities. Over the years, thousands of SaskTel employees have donated millions of dollars to charities, but the beauty of TelCare is SaskTel's corporate matching policy. SaskTel provides fifty cents for every dollar that TelCare members donate, which happens automatically with payroll deductions.

From January 2015 to March 2016, approximately one thousand TelCare members donated $196,414 and SaskTel matched contributions with 50 per cent—providing a total of $294,621. All of it went to support 67 different charitable organizations right here in Saskatchewan.

Putting Out Fires

If you work for SaskTel, you know that the corporation's number one priority is to serve our customers well and keep them connected wherever they live, work, and raise their families. We have worked hard to foster a culture that inspires employees to take seriously their role in serving our vision to "be the best at connecting people to their world."

Most days, and for most employees, the focus on keeping customers connected is part of the job description. Working with your team and managers, you do your part to ensure that, down the line, the end customer is served by the best networks, exceptional service, advanced solutions, and applications that they have come to expect from SaskTel.

But some days that task is a bit more complicated and the job description goes up in smoke.

What do you do when forest fires are blazing all around, you are the last technician north of the fireline, and the roads are blocked preventing your co-workers from bringing in the back-up generator you need to keep essential communications going? Easy—you pick up a hose and start fighting the fire.

Barry Roberts, Customer Service Technician in La Ronge, never hesitated.

It was late June last year. More than thirty fires were burning in Saskatchewan's forests, one of them twice the size of Saskatoon. The town of Sucker River, near where Barry joined the fight, was at risk and the residents were being evacuated.

Barry lives in Stanley Mission, one of the communities eventually evacuated, so when the fires began, it made sense for him to stay near home and try to keep communications operational.

"We decided I should deal with SaskTel work north of the fires, as well as any power outages that might have occurred that would affect SaskTel infrastructure north of La Ronge."

Rising winds made short work of that plan. "At one point during the worst of it, I was to meet my co-workers in Sucker River—they were bringing a back-up generator. We needed to keep the power going, but then the road closed and they couldn't come through from La Ronge."

That was when he decided the best thing he could do would be to join the firefighting crew. "There were many volunteers fighting the fires, including a First Nations crew. Before joining SaskTel, I had experience in firefighting, so I joined them. I grew up with a lot of these guys so it was kind of a reunion, although I could think of better circumstances to get together."

During the weeks to come, more than 13,000 people from communities across the north would be forced from their homes by the blaze and transported to temporary quarters in Saskatoon and Regina, in the biggest evacuation effort in the province's history. As things turned out, communications remained open for the most part, and the town of Sucker River was spared. Residents there credit the efforts of Barry and the others who stayed behind and worked with shovels and hoses to protect their homes.

"I AM ALWAYS IMPRESSED BY THE ENORMOUS CAPACITY OF SASKATCHEWAN PEOPLE TO RALLY AROUND EACH OTHER DURING TIMES OF CRISIS. EVACUEES FROM THIS YEAR'S UNPRECEDENTED FIRES FACED ENORMOUS UNCERTAINTY WHEN ARRIVING AT EVACUATION CENTRES. WHETHER IT WAS PROVIDING FREE CABLE AND INTERNET , TECHNICIANS PROTECTING INFRASTRUCTURE WHO BRAVELY SERVICED THE AFFECTED AREA, OR WAIVING LATE PAYMENT FEES, SASKTEL PROVIDED MUCH-NEEDED COMFORT AND SUPPORT. IT WAS AN AMAZING RESPONSE."

– BRAD WALL
PREMIER OF SASKATCHEWAN

Heroic efforts in time of fire or flood are only the most dramatic examples of our employees sharing their energies and time selflessly to help in their communities. Every day in towns and neighbourhoods across Saskatchewan, SaskTel employees are stepping up and making a difference.

Barry Roberts
Customer Service Technician

Bringing Technology to Rider Nation

In times past, you could put thirty thousand people in one place, all gathered to watch the same spectacle, and they would be happy to meet their communication needs with some old-fashioned arm-waving, shouting, and a sign or two. When the new stadium rising over Elphinstone Street in Regina is complete and filled with its first crowd, the thirty thousand in attendance will be using those tried and true messaging methods as well as an array of newer ones they have at their fingertips thanks to smartphones and wireless technology.

Text, videos and images will be flying across the field and far beyond at speeds that would baffle the quickest defensive back. Whether it is text messages, voice calls or posts on Instagram, Twitter, and Facebook, a new complex wireless network designed and installed by SaskTel will make it all work transparently.

Scott Anderson
Program Manager
Regina Revitalization Initiative Stadium Project

Scott Anderson, our Program Manager for the overall communications build at the new stadium, and his team of technology staff have been doing everything they can to ensure that the facility receives world-class communications infrastructure.

"I like to compare it to building a small city's communications network from scratch. Everything you can think of is required to properly service this 33,000-seat facility—a population comparable to some of the province's larger centres!"

A cellular network to ensure the crowd has solid coverage is just one small aspect of the project SaskTel has taken on as the technology partner for the Saskatchewan Roughriders. "Wi-Fi is another critical piece," said Scott. "The SaskTel Select Wi-Fi service will be deployed using roughly six hundred APs (access points) so that SaskTel subscribers will have access to the stadium's Wi-Fi network."

But at the base of the new stadium's impressive communications network is fibre access ensuring high-capacity connectivity with an active 40 gigabit link. SaskTel and its subcontractors are installing all of the structured cabling for the complex. Our staff have already put in place roughly 190 kms of CAT6 network cable and when the project is complete, approximately 36 kms of fibre backbone cabling will be deployed.

Then there is the broadcast cabling to serve the SaskTel *max*Tron screens in the stadium, LED screens throughout the facility, and television broadcasters covering games. The broadcast network has to support roughly five hundred simultaneous video feeds. For those who are not in the stadium on game day, TSN's coverage will be delivered via the best technology available.

To get the right video and messages on approximately six hundred displays throughout the complex, SaskTel is using a Distributed Video System, thanks to a key technology partnership.

"WE ARE WORKING WITH CISCO TO DEPLOY THEIR STADIUMVISION SOLUTION, TO CONNECT ROUGHLY SIX HUNDRED DISPLAYS, INCLUDING CONCESSION BOARDS, PUBLIC SIGNAGE, IN-STADIUM GAME-VIEWING, REPLAYS, SPECIAL CAMERA ANGLES, SOCIAL MEDIA INTERACTIONS, AND THE ABILITY TO SHOW SASKTEL *maxTV*."

Will it be ready in time? "A construction project of this scale and complexity is never without its challenges and issues," said Scott. "However, we are working diligently toward the target date of 31 August 2016 for substantial completion."

As for that first big crowd of thirty thousand, they will be surrounded by video displays and screens, even as they send messages from the small screens in their hands—communicating through and beyond the invisible world of technology and its network of cables and fibre optics encircling the stadium.

Corporate Social Responsibility Highlights

Since SaskTel's inception more than 100 years ago, our goal has been to connect Saskatchewan people to their world by giving them access to high quality services to make their lives easier.

Throughout the 2015/16 period, we continued to breathe life into the province with our reliable network, superior customer experience, longstanding community partnerships, sound environmental policies, dedicated team of employees and strong economic model. Our efforts are delivering on our Corporate Social Responsibility (CSR) targets and our commitment to residential and business customers.

CSR has been integrated into our business strategy and is helping to deliver value in terms of revenue growth, operating efficiency, risk management and strategic alignment. That is why today, SaskTel is the leading Information and Communications Technology (ICT) provider in Saskatchewan, with over $1.2 billion in annual revenue and approximately 1.4 million customer connections, including over 614,000 wireless accesses, 408,000 wireline network accesses, 266,000 Internet accesses and over 107,000 *maxTV* subscribers.

CUSTOMERS AND SUPPLIERS

Our customers come first as we aim to provide the best experience through our superior networks, exceptional service, advanced solutions, and applications. SaskTel continues to grow and evolve to deliver innovative solutions to all customers, including ensuring that remote and northern communities have access to broadband and mobile infrastructure.

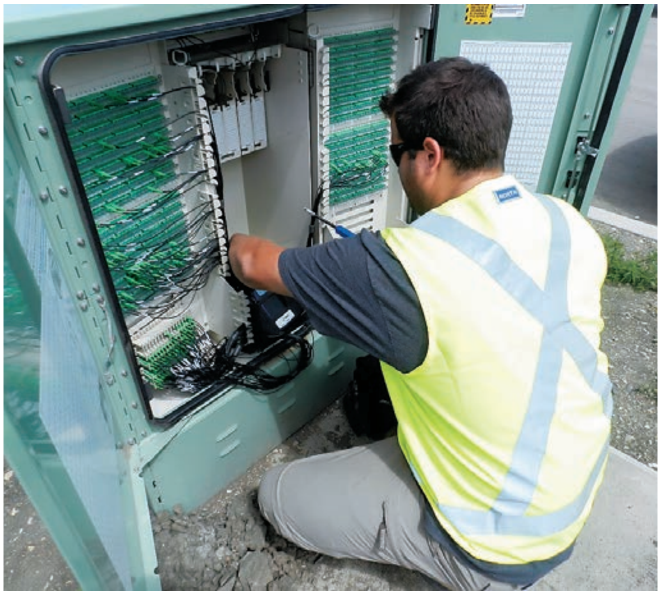
- SaskTel's LTE network was ranked as one of the three fastest among 185 carriers worldwide.
- More than 70% of SaskTel suppliers were located in Saskatchewan, providing economic opportunities to small and medium-sized businesses.
- Fibre to the Premises (FTTP) targets were surpassed by a wide margin, with 38,986 homes passed and 28,895 connected for the period ending March 31, 2016.
- Achieved the highest ranking in customer care across Canada among wireless carriers from J.D. Power in their 2015 Canadian Wireless Customer Care study.
- Won the J.D. Power award for highest television and Internet customer satisfaction in the West Region for a third consecutive year.
- Launched an Integrated Business Communications (IBC) solution, a feature-rich, customizable, hosted communication and collaboration service for business customers.
- Completed development of, and successfully converted, over 600,000 wireless customers to, a new and enhanced billing system.

- Launched a new Interactive Voice Response (IVR) system with fewer menu options, making it easier for customers to get to the right person and receive quicker service.
- Launched SaskTel Wavelength service providing customers up to 10 Gigabits (Gb) per second of dedicated bandwidth to support latency-sensitive networking applications.
- Built a new SaskTel Tier II Data Centre in Regina and commenced the construction on the new Tier III Data Centre in Saskatoon.
- Expanded SaskTel Select Wi-Fi network, bringing the total number of access points to more than 1,350.
- Continued work on the Regional Ethernet Transport Program, replacing rural linear transport systems with fibre rings connected to major centres, powering improvements to rural Saskatchewan.

EMPLOYEE EXPERIENCE

SaskTel employees are part of the fabric of the province, representing the diversity and culture of Saskatchewan. They are our strength and help to deliver an outstanding customer experience. All around the province, you will find them working, raising families and volunteering.

- Improved our performance on the annual Hay Group employee engagement survey by 4%.
- SaskTel saw an increase in disability representation to 9.9% at the end of March 2016, up from 5.7% in 2004.
- Since 2004, SaskTel has seen total Aboriginal representation rise within our organization, to 9.4% at the end of March 2016, up from 5.5%.
- Named one of Canada's Best Diversity Employers for the sixth consecutive year.



- Named one of Saskatchewan's Top Employers for the tenth straight year.
- Recognized as one of Canada's Top Employers for Canadians over 40 for the sixth time.
- Named one of Canada's Greenest Employers for the seventh consecutive year.
- Recognized as one of Canada's Top Employers for Young People for the fourth time.
- Introduced new ICT training courses to increase employee understanding of the evolving industry.

COMMUNITY INVESTMENT

SaskTel remains an integral part of the community. Through longstanding partnerships, we are making a positive difference in the lives of Saskatchewan people.

- Donated more than $3,665,043 to 1,041 non-profit and charitable organizations, community associations, venues, events and partnerships in 229 communities throughout the province.

- Between January 2015 and March 2016, 19 grant applications were approved with just over $17,000 given to the youth of this province to implement their own I Am Stronger anti-bullying initiatives.
- Between January 2015 and March 2016, under the Phones for a Fresh Start program, more than 13,000 devices were recycled for a total of more than $28,000.
- 2015 marked the seventeenth year that SaskTel and the Wicihitowin Foundation have partnered to host the annual Aboriginal Youth Awards of Excellence.
- With more than 4,200 members across the province, the SaskTel Pioneers contributed more than $165,000 in charitable donations and completed more than 49,000 hours of volunteer time to support worthwhile community initiatives.
- Across the province, the SaskTel TelCare program contributed more than $196,414 to 67 organizations. Matched by a 50 per cent allocation from SaskTel, the total funds made available equalled $294,621.

ENVIRONMENTAL SUSTAINABILITY

As a good corporate citizen, SaskTel works to balance our business priorities with protecting the environment. We are well positioned to take the next step in environmental sustainability and stewardship, with a solid foundation that has organizational practices aligned with environmental policies, and an Environmental Management System (EMS) that allows SaskTel to manage environmental aspects of our business effectively, based on International Organization for Standardization standards (ISO 14001).

- Named one of Canada's Greenest Employers by MediaCorp Canada. SaskTel is the only Saskatchewan-based company to win that award in each of the first seven years.
- Completed an environmental compliance audit at our Yorkton Switch and Work Centres to verify policies, procedures, and practices are consistent with existing environmental regulations and SaskTel's Environmental Management.

- Since 2009, the Phones for a Fresh Start program has recycled 84,998 wireless devices.
- Internal employee-led group EnviroCare completes "greening initiatives" in the province including a partnership with the University of Regina.

ECONOMY AND SOCIETY

Guided by the Province's Plan for Growth, SaskTel continues to invest in capital expansion and upgrades. These help to stimulate economic growth, proactively meet growth needs and ensure a constantly improving network. Our investment is also helping to meet customer demand, particularly for data and cell service.

- Invested $378.0 million in capital expenditures during the 2015/16 period to improve customer experience and create opportunities to provide additional enhancements and capabilities in the future.
- Launched Machine-to-Machine (M2M) Management Centre, an online portal that provides valuable information to business customers on data from their M2M-enabled devices.
- In partnership with Huawei and the Athabasca Basin Development Corporation, added new cell towers to serve the communities of Stony Rapids, Black Lake, Wollaston Lake and Fond Du Lac First Nation.
- Through our Community Participation Model, added 4G service to Canoe Lake Cree First Nation, Jans Bay and surrounding area.

COLLEEN CAMERON, SASKTEL ACCOUNT EXECUTIVE – ABORIGINAL MARKET

Colleen Cameron is a true role model—not only in her professional capacity at SaskTel, but also in her commitment to SaskTel's core values of community investment and volunteerism. As Chair of the SaskTel Aboriginal Youth Awards, Colleen has played an integral part and committed countless hours over the years to planning and organizing the event. Colleen's passion for this event, and for supporting and encouraging Aboriginal youth, is truly inspirational, and is certainly evident through her longstanding service to the Wicihitowin Foundation.

SaskTel considers community involvement and volunteer work as foundational to our corporate culture, and Colleen embodies this in not only her work with the Awards, but also through her past work as a Board Chair for St. Paul's Hospital Foundation in Saskatoon.

In 2015, Colleen was honored with another important distinction—she was named to a five-year term as a commissioner with the Saskatchewan Human Rights Commission in Saskatoon. With her appointment, the Saskatchewan Human Rights Commission referred to Colleen as an "accomplished Executive with a strong commitment and leadership experience in Aboriginal and healthcare communities," making it evident that Colleen's new role with the commission is a great fit.

Management's Discussion and Analysis

Management's Discussion and Analysis

Contents

INTRODUCTION

The following management's discussion and analysis (MD&A) focuses on the strategies, business operations, consolidated financial position and results of operations of Saskatchewan Telecommunications Holding Corporation (SaskTel or the Corporation), including its major strategic business units and its subsidiaries. This discussion and analysis should be read in conjunction with the Corporation's audited consolidated financial statements, and accompanying notes, on pages 75 to 110 of this report, and includes information available to the Corporation up to May 31, 2016, unless otherwise stated.

CHANGE IN FISCAL YEAR END

During the twelve months ended December 31, 2015, the SaskTel Board of Directors approved a change in its year end from December 31st to March 31st. SaskTel's transition period is the fifteen months ended March 31, 2016. The comparative period is the 12 months ended December 31, 2014. The new financial year will align the Corporation with its sister Crown Corporations and with the Government of Saskatchewan. The explanations found within this MD&A will be comparing the twelve-month period ending December 31, 2015, with the twelve-month period ending December 31, 2014, unless otherwise stated.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Many sections of this discussion include forward-looking statements about SaskTel, its business outlook, objectives, plans and strategic priorities, the sources of liquidity we expect to use to meet our anticipated 2016/17 cash requirements, and our network deployment plans.

Forward-looking statements also include any other statements that do not refer to historical facts. A statement is forward-looking when it uses information known today to make an assertion about the future. Forward-looking statements are typically identified by the words assumption, goal, guidance, objective, outlook, project, strategy, target and other similar expressions or future or conditional verbs such as aim, anticipate, believe, could, expect, intend, may, plan, seek, should, strive and will.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in, or implied by, such forward-looking statements and that our business outlook, objectives, plans and strategic priorities may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. Forward-looking statements are presented in SaskTel's 2015/16 annual report, including in this MD&A, for the purpose of assisting readers in understanding our objectives, strategic priorities and business outlook as well as our anticipated operating environment. Readers are cautioned, however, that such information may not be appropriate for other purposes.

We have made certain economic, market and operational assumptions in preparing forward-looking statements contained in SaskTel's 2015/16 annual report. These assumptions include, without limitation, the assumptions described in the various sections of this MD&A. We believe that these assumptions were reasonable at May 31, 2016. If our assumptions turn out to be inaccurate, our actual results could be materially different from what we expect.

Important risk factors including, without limitation, competitive, regulatory, economic, financial, operational and technological risks that could cause actual results or events to differ materially from those expressed in, or implied by, the above-mentioned forward-looking statements and other forward-looking statements in SaskTel's 2015/16 annual report, as well as in this MD&A, include, but are not limited to, the risks described in the Risk Management section (page 47), which is incorporated by reference in this cautionary statement.

We caution readers that the risks described in the above-mentioned section and in other sections of this MD&A are not the only ones that could affect us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our financial position, financial performance, cash flows, business or reputation. Except as otherwise indicated by us, forward-looking statements do not reflect the potential impact of any special items or of any dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after May 31, 2016. The financial impact of these transactions and special items can be complex and depends on the facts particular to each of them. We therefore cannot describe the expected impact in a meaningful way or in the same way we present known risks affecting our business.

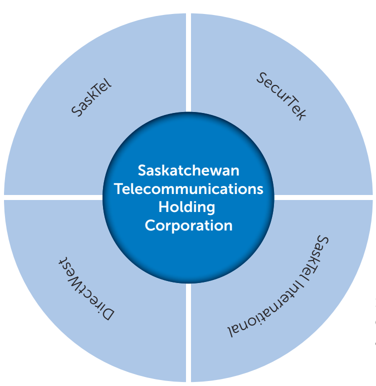
OUR BUSINESS

AT SASKTEL, OUR BUSINESS IS ABOUT MORE THAN JUST TECHNOLOGY AND WORLD-CLASS INFRASTRUCTURE. OUR BUSINESS IS ABOUT COMMUNITY, EMPLOYEES WHO MAKE A DIFFERENCE, OUTSTANDING CUSTOMER EXPERIENCES, AND CONNECTING OUR SHAREHOLDERS—THE PEOPLE OF SASKATCHEWAN—TO THEIR WORLD.

Saskatchewan Telecommunications Holding Corporation

SaskTel Holding Corporation

Saskatchewan Telecommunications Holding Corporation (SaskTel) is a Saskatchewan Crown corporation. SaskTel's wholly owned subsidiaries offer a wide array of products, services and solutions to customers in Saskatchewan as well as around the world. The subsidiaries include Saskatchewan Telecommunications, Saskatchewan Telecommunications International, Inc., DirectWest Corporation, and SecurTek Monitoring Solutions Inc. These subsidiaries have a combined workforce of approximately 4,000 Full Time Equivalents (FTEs), making SaskTel one of the largest employers in Saskatchewan.



SaskTel's subsidiaries serve customers in Saskatchewan and around the world.

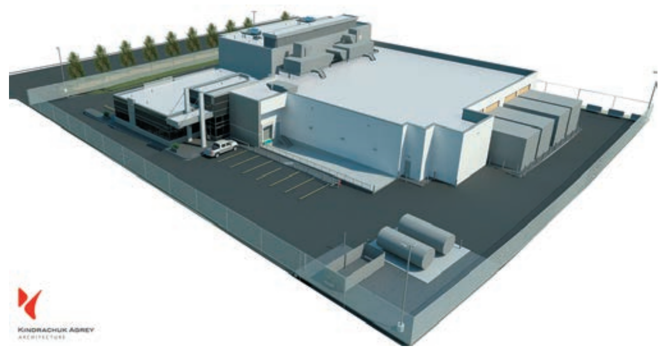
Saskatchewan Telecommunications (Telco)

SaskTel

www.sasktel.com

Telco is the largest subsidiary business within SaskTel. It is the leading Information and Communications Technology (ICT) provider in Saskatchewan, with over $1.2 billion in annual revenue and approximately 1.4 million customer connections including over 614,000 wireless accesses, 404,000 wireline network accesses, 266,000 Internet accesses and over 107,000 *maxTV*™ subscribers. Telco offers a wide range of products and services including competitive

- voice, data and Internet services,
- wireless data services,
- *maxTV* entertainment services,
- data centre services, and
- cloud-based services.



Architect's rendering of SaskTel's new Tier III Data Centre in Saskatoon, currently under construction.

Telco is the largest and most comprehensive provider of communications networks within the province of Saskatchewan. These leading-edge networks include the following:

- world-class Fourth Generation (4G) and Long Term Evolution (LTE) wireless networks
- Long Term Evolution-Time Division Duplex (LTE-TDD) fixed wireless for rural broadband access (High Speed Fusion Internet service)
- Wi-Fi in select locations (SaskTel Select Wi-Fi service)
- advanced Fibre to the Premises (FTTP) *infiNET*™ network
- extensive Internet Protocol Television (IPTV) footprint in major centres across the province (*maxTV*)
- ubiquitous local access network throughout both urban and rural Saskatchewan

Telco is one of the province's largest employers with approximately 3,700 FTEs. Its head office is located in Regina, Saskatchewan.

Saskatchewan Telecommunications International, Inc. (SI)

www.sasktelinternational.com

SI is a wholly owned subsidiary of SaskTel. It was established in 1986, and since then has completed projects in forty countries and six continents. Through its unique relationship with Telco, SI has direct access to Telco knowledge, experience and resources. This gives SI a competitive advantage in the market as it brings an actual operational perspective to the products and services it sells.

The SI product portfolio has software solutions for service and resource inventory management, service and resource activation, and incident and problem management. This product suite focuses on enabling and automating the core operations of any communications service provider. SI's service and resource order management solution manages over 12 million lines across multiple service providers while the service and resource activation solution processes over 1.5 million requests per week. SI's customer base ranges from Tier I to Tier III service providers across North America. SI is a key supplier to CenturyLink, one of the largest communications companies in North America.

In addition to these core products, SI offers a services portfolio that includes communications consulting, operational effectiveness consulting, design and deployment services, managed services, and SaskTel ICT services geared toward communications services providers around the globe. SI possesses a significant differentiator to many of its competitors in this space given its ability to consult from the perspective of an operator with hands-on experience and history.

SaskTel International's head office is located in Regina, Saskatchewan, and the company employs approximately 49 FTEs.

DirectWest Corporation (DirectWest)

www.directwest.com

DirectWest is a wholly owned subsidiary of SaskTel. It is a local search and marketing services company and the exclusive provider of mysask411, Saskatchewan's best source for local information. mysask411 enables consumers and businesses to search, find and connect with local businesses, people and communities through a multiplatform approach that includes print; online; mobile and other digital mediums, including search engine optimization; *maxTV* services; and social media marketing. Through this network of local media/platform assets that are familiar to and used by Saskatchewan consumers regularly, DirectWest helps businesses connect to consumers by placing optimized content on multiple platforms available everywhere people search.

DirectWest's head office is located in Regina, Saskatchewan, and the company employs approximately 116 FTEs.

SecurTek Monitoring Solutions Inc. (SecurTek)

www.securtek.com

SecurTek is a wholly owned subsidiary of SaskTel. Founded in 1999, it provides commercial and residential video monitoring, access control, medical alert, lone worker, and interactive services. SecurTek provides monitoring services to almost 77,000 customers across Canada. Through their dealer program, SecurTek partners with over 100 independently owned firms including retail, wholesale, and servicing dealers who provide security sales and service expertise to their customers.

SecurTek is an Underwriters Laboratories Canada (ULC)-rated monitoring station and is certified at the 5-diamond level by the Central Station Alarm Association (CSAA). This makes all of SecurTek's monitoring stations comparable to best-in-class stations across North America.

SecurTek's head office and central monitoring station are located in Yorkton, Saskatchewan, with additional monitoring stations in Winnipeg, Manitoba and Aurora, Ontario. The company employs approximately 126 FTEs.

STRATEGIC DIRECTION

WE ARE ACHIEVING OUR VISION OF BEING THE BEST AT CONNECTING PEOPLE TO THEIR WORLD THROUGH OUR DEDICATION TO EXECUTING ON FIVE CORE STRATEGIES. PERSISTENT PROGRESS ON SASKTEL'S TRANSFORMATION IN OUR RAPIDLY CHANGING INDUSTRY IS KEY TO OUR LONG-TERM SUCCESS.

Alignment to our Shareholder

SaskTel is a Crown corporation of the Province of Saskatchewan. In addition to the needs of the marketplace, the company's overall strategic direction is guided by the priorities of the provincial government.

In September 2012, the Government released the *Saskatchewan Plan for Growth: Vision 2020 and Beyond*. This multi-year plan serves as the governing framework for the future development of the province. Six core growth-oriented priorities were outlined in the plan, to which all Saskatchewan Crown corporations are expected to contribute:

1. Investing in infrastructure
2. Developing a skilled workforce
3. Ensuring competitiveness
4. Increasing export trade
5. Advancing the province's natural resource strengths through innovation
6. Maintaining sound fiscal management

The Government has re-affirmed its commitment to the priorities outlined in the Saskatchewan Plan for Growth. SaskTel continues to align itself to these priorities through prudent investments in infrastructure, the development of a skilled workforce, ensuring competitiveness, and maintaining sound fiscal management (through greater efficiencies and collaboration with other Crown corporations).

SaskTel's vision, mission, core themes, and core strategies were developed by the Board of Directors and Management with this direction from the shareholder in mind.

Our Vision, Mission, and Values

VISION: To be the best at connecting people to their world.

MISSION: To provide the best customer experience through our superior networks, exceptional service, advanced solutions and applications.

VALUES: Honesty, Integrity, and Respect.

SaskTel's Future State

As changes to customer demands, technology, competition, data traffic, and regulations continue their rapid advance, SaskTel is progressing in the transformation of its business. Investments in customer service, new network technologies, systems, processes, and workforce skills are ensuring that this transformation becomes a reality. While staying true to our roots and our loyal customer base, SaskTel will continue to be the premier provider of next-generation information and communications technology services within Saskatchewan and beyond.

The experience that customers are demanding from SaskTel is changing and we must change along with our customers. Ultimately, we seek to enable consumers' digital lives and help businesses thrive through technology. In order to achieve this, SaskTel focuses on improvements through our Customer Experience (CX) First program. We are also investing significantly in our customer self-serve capabilities, providing customers a greater number of options for interacting with SaskTel.

Implementing state-of-the-art converged, intelligent networks is the foundation of SaskTel's future success. SaskTel has always been known, and will continue to be known, for its unrivalled network capabilities and coverage. As we move to Internet Protocol (IP)-based networks, this will continue to be the case. The development of our converged, intelligent broadband network will result in a ubiquitous, seamless customer experience across networks and devices. Customers will have one broadband access that will be served via mobile, fixed, and Wi-Fi networks.

The intelligent broadband network will facilitate the delivery of new converged services for both consumers and businesses. Consumers will benefit from network access, packaged with communication, television, and security services. Businesses will be offered network access, data centre, and information technology (IT) services, providing end-to-end solutions for our business customers. Professional services, managed IT services, and managed cloud services will form the nucleus of our newest offerings.

Supporting the transformation of customer experience, along with the development of converged networks and services, will be an equally important transformation of SaskTel's information technology infrastructure. End-to-end business processes and systems will be improved, leading to enhanced capabilities in our sales, fulfillment, assurance, and billing activities. These new capabilities will better facilitate how customers do business with SaskTel, improve our speed to market, and make it easier for employees to do their work.

These investments in our future state will contribute to SaskTel continuing to differentiate itself by

- delivering a superior network and infrastructure,
- offering the best solutions, and
- remaining local and committed.

Core Themes

TRANSFORM

To transform services, people, processes, systems and technology to be successful in the long term.

OPTIMIZE

To operate our existing network to the benefit of the people of Saskatchewan.

Achieving SaskTel's vision, mission, and future state, requires that we continue to focus on two themes that frame and guide the company's overall strategic direction—**Transform** and **Optimize**. SaskTel will aggressively develop new services and markets that will keep the company successful over the long term (Transform) while continuing to operate our existing network to the benefit of the people of Saskatchewan (Optimize). Taken together, these themes continue to provide the overarching framework for SaskTel's five Core Strategies.

2015/16 Core Strategies

SaskTel's five Core Strategies for 2015/16 were:

Customer: Deliver an outstanding customer experience.

Processes/Systems: Transform our processes and systems to enhance the delivery of products and services.

Infrastructure: Continue to build a converged intelligent broadband network.

Workforce: Evolve and align our workforce to achieve our business goals.

Financial: Maintain financial sustainability through profitable revenue growth and continuous improvement.

The following sections outline each of these strategies and the achievements that were made toward realizing them during 2015/16.

CORE STRATEGY: CUSTOMER
DELIVER AN OUTSTANDING CUSTOMER EXPERIENCE

The customer comes first and foremost at SaskTel. Consistently delivering an outstanding customer experience is a key factor in differentiating SaskTel from our competitors. To achieve this, SaskTel will design and deliver a positive customer experience every time. A balance between customer needs and SaskTel's profitability will be consistently maintained. We will:

- Do it right the first time.
- Own it and fix it quickly, if things go wrong.
- Make it easy for our customers.
- Set clear expectations and live up to our commitments.
- Respond quickly to the unexpected.

To differentiate ourselves, we will focus on three areas of customer experience:

- We have a superior network and infrastructure.
- We deliver the best solutions.
- We are local and committed.

2015/16 ACHIEVEMENTS

- Achieved the highest ranking in customer care across Canada among wireless carriers from J.D. Power in their 2015 Canadian Wireless Customer Care Study.
- Won the J.D. Power award for highest television and Internet customer satisfaction in the West Region for a third consecutive year.
- Continued implementation of the industry best practices CX First program.
- Launched our Integrated Business Communications (IBC) solution, a feature-rich, customizable, hosted communication and collaboration service for business customers.
- Launched SaskTel Wavelength service providing customers up to 10 gigabits (Gb) per second of dedicated bandwidth to support latency-sensitive networking applications.
- Launched the new eCommerce wireless buy platform, adding enhanced self-serve capabilities and convenience for our customers.
- Began offering "Roam and Relax" travel rates, providing significant rate reductions for wireless roaming beyond Canada.
- Launched Machine-to-Machine (M2M) Management Centre, an online portal that provides valuable information to business customers on data from their M2M enabled devices.
- Launched a new Interactive Voice Response (IVR) system with fewer menu options making it easier for customers to get to the right person and receive quicker service.

CORE STRATEGY: PROCESSES AND SYSTEMS

TRANSFORM OUR PROCESSES AND SYSTEMS TO ENHANCE THE DELIVERY OF PRODUCTS AND SERVICES

SaskTel continues to operate at the cutting edge of technology, including advanced networks and services. We also continue to operate a number of legacy technologies and systems that support our core infrastructure. Rapidly evolving technologies and process innovations are creating opportunities to streamline and enhance SaskTel's ability to support and deliver our services.

End-to-end business processes and systems will be transformed to improve our sales, fulfillment, assurance and billing capabilities. These are critical building blocks of a market leader. Streamlined processes supported by simplified systems will enable the timely introduction of new services and the optimization of existing services. These new processes will make it easier for our customers to do business with SaskTel. While achieving this transformation, we will remain competitive, maintaining market share and profitability.

2015/16 ACHIEVEMENTS

- Completed the third phase of SaskTel's Customer Relationship Management (CRM) program. This system enhancement helped to simplify processes between customer service orders and service delivery.
- Introduced online purchasing and self-management capabilities for wireless customers.
- Completed development of, and successfully converted over 600,000 wireless customers to, a new and enhanced billing system.
- Implemented Information Technology Infrastructure Library (ITIL) standards as foundational service management practices for new Managed and Emerging services.

CORE STRATEGY: INFRASTRUCTURE

CONTINUE TO BUILD A CONVERGED INTELLIGENT BROADBAND NETWORK

SaskTel is continuing to expand our world-class network infrastructure. The Infrastructure Strategy has provided the focus required to deliver Saskatchewan's premier converged broadband network.

Using a combination of fibre and wireless technology, SaskTel will deliver converged broadband connectivity to Saskatchewan that is critical to being a market leader. We intend to use fibre in the major centres and some rural areas, complemented with a combination of fixed LTE and copper. Externally, this infrastructure will support customer expectations of being available anytime, anywhere, on any device, combined with a quality customer experience. Internally, the infrastructure will result in more efficient and cost effective service development, deployment and network maintenance.

Expansion of our data centre capabilities will provide SaskTel with the required infrastructure for growth opportunities inside and outside Saskatchewan.

2015/16 ACHIEVEMENTS

- Expanded our Tier II data centre in Regina.
- Commenced construction on the new Tier III data centre in Saskatoon.
- In partnership with Huawei, added new cell towers to serve the communities of Stony Rapids, Black Lake, Wollaston Lake and Fond Du Lac First Nation.
- Through our community participation model, added 4G service to Canoe Lake Cree First Nation, and Jans Bay and surrounding area.
- Added 4G capacity to 72 rural and 17 resort communities.
- Deployed AWS-1 spectrum purchased from WIND Mobile, significantly increasing capacity and speed on the wireless network in nine major centres across the province.
- Enhanced LTE capacity in Regina and Saskatoon to meet increasing customer demand.
- Completed rollout of High Speed Internet to six communities along with download speed upgrades to 10 Mbps in 16 existing communities.
- Expanded our Select Wi-Fi network bringing the total number of access points to over 1,350.
- Continued work on the Regional Ethernet Transport Program, replacing rural linear transport systems with fibre rings connected to major centres.

CORE STRATEGY: WORKFORCE
EVOLVE AND ALIGN OUR WORKFORCE TO ACHIEVE OUR BUSINESS GOALS

At the centre of SaskTel's capability to deliver an outstanding customer experience and implement new advanced technologies while transforming and optimizing the business is SaskTel's world-class workforce. This workforce is key to advancing the direction outlined in the corporation's strategies.

It is critical to have the right people with the right skills properly aligned to enable delivery of the corporate priorities.

We are committed to continuously developing our employees and to remaining the employer of choice in order to attract and retain a highly engaged, world-class workforce. Our people are our strength; we are SaskTel, we are a team and we are representative of the province we serve. We provide a positive customer experience that meets our customer expectations, while maintaining profitability.

Each of us is accountable for our company's future.

2015/16 ACHIEVEMENTS

- Improved our performance on the annual Hay Group employee engagement survey by 4%.
- Won numerous MediaCorp awards including the following:
  - » Named one of Canada's Best Diversity Employers for the sixth consecutive year
  - » Named one of Saskatchewan's top employers for the tenth straight year
  - » Recognized as one of Canada's Top Employers for Canadians over 40 for the sixth time
  - » Named one of Canada's Greenest Employers for the seventh consecutive year
  - » Recognized as one of Canada's top Employers for Young People for the fourth time
- Enhanced corporate culture through promotion of the following cultural principles:
  - » Our people are our strength
  - » We deliver outstanding customer experience
  - » We are accountable and responsible
- Introduced new ICT training courses.
- Continued evolution of sales incentive programs.

CORE STRATEGY: FINANCIAL

MAINTAIN FINANCIAL SUSTAINABILITY THROUGH PROFITABLE REVENUE GROWTH AND CONTINUOUS IMPROVEMENT

Strong financial management continues to be a critical component of SaskTel's strategic direction as the changing industry environment requires us to preserve profit margins on legacy services while we make significant investments in new infrastructure along with the development of new growth services.

To ensure our long-term financial viability, SaskTel will increase focus on financial management of both costs and revenues. Profitability for new and classic services will be supported through enhancements to management reporting. Operational excellence will continue to be a central focus throughout all areas of the organization. Capital costs will be managed through a selective approach to capital investments in order to maximize hard benefits received.

Through this balanced approach, SaskTel will provide long-term, industry-comparable returns to the Province of Saskatchewan.

2015/16 ACHIEVEMENTS

- Achieved revenue growth from the launch of new managed and emerging services.
- Through cost management efforts throughout the Corporation, we reduced costs year over year.
- Continuous improvements were pursued in a number of areas:
  - » Crown collaboration initiatives
  - » System and process enhancements
  - » Promotion of customer self-management
  - » Potential cost sharing with external partners
- Capital spending on strategic areas:
  - » Fibre network deployments
  - » Customer self-serve
  - » Wireless network capacity
  - » Data centre expansions
  - » Product development
  - » Business and support system enhancements

2016/17 Strategic Direction

SaskTel continually reviews and assesses its overall strategic direction and performance toward achieving its Vision and Mission. Heading into the 2016/17 fiscal year, SaskTel will focus on the following five Strategic Goals.

These goals will focus SaskTel's initiatives and activities throughout 2016/17. Bold movement toward these goals will position SaskTel for future success in our constantly changing industry.

Strategic Goal	Focus Areas
Deliver an outstanding customer experience: Customer experience (CX) is a critical differentiator for SaskTel across our various market segments. We will develop specific approaches in each of these segments that will deliver a positive customer experience every time.	• Continued improvements to customer experience through our CX First program. • Increased use of business intelligence techniques. • Continued investments in customer self-management capabilities for wireline products. • Achievement of customer satisfaction targets in both the consumer and business markets. • Provision of a stable, secure, and reliable wireless network.
Increase broadband penetration: Broadband access is SaskTel's core service of the future. Customers have become more reliant on their broadband connections for accessing their world. SaskTel will remain the leader in providing superior broadband access services in Saskatchewan.	• Continued deployment of fibre access network bringing *infiNET* to customers in major centres across the province, including Weyburn and Estevan. • Continued expansion of our SaskTel Select Wi-Fi network. • Expansion of our Rural Ethernet Transport (RET) network.
Capitalize on breadth of services: SaskTel and its subsidiaries offer the widest breadth of information and communications services in Saskatchewan. We will continue to bundle these services together, creating simple, complete solutions for our customers.	• Delivery of services that work seamlessly over all devices and networks (ex: Consumer Unified Communications, Go Apps, Connected Home). • Preparation for Voice over LTE (VoLTE).
Accelerate transformation to an ICT company: The market for IT-based managed and emerging services provides opportunities for growth within our industry. Capturing these opportunities will require a more vigorous transformation of our organization in line with the rapid pace of industry change.	• Timely development of new managed and emerging services for the business market. • Completion of the Tier III data centre in Saskatoon. • Creation of enhancements to sales, fulfillment, assurance, and billing processes for new managed and emerging services.
Grow revenue and profit from the business market: As products within the consumer market become more commoditized, greater opportunities for growth exist within the business market. A strong focus on selling new managed and emerging services within Saskatchewan and select markets outside the province will position SaskTel to make inroads in the business market.	• Expansion and enrichment of business sales channels in Saskatchewan. • Generation of new business outside Saskatchewan. • Refocus of sales efforts onto new managed and emerging services.

PERFORMANCE MANAGEMENT

SASKTEL'S FUNDAMENTAL RESPONSIBILITY IS TO PROVIDE WORLD-CLASS COMMUNICATIONS INFRASTRUCTURE AND SERVICES TO THE CITIZENS AND BUSINESSES OF SASKATCHEWAN WHILE ALSO PROVIDING REQUIRED FINANCIAL RETURNS TO OUR SHAREHOLDER. FULFILLING THIS RESPONSIBILITY IS THE RESULT OF PROVIDING AN EXCELLENT CUSTOMER EXPERIENCE, CONTINUOUS IMPROVEMENTS TO OUR OPERATIONS, AND THE ENGAGEMENT OF OUR EXCEPTIONAL WORKFORCE. ADAPTING TO CONSTANT CHANGES IN OUR INDUSTRY IS KEY TO SASKTEL'S FUTURE SUCCESS.

Balanced Scorecard

SaskTel utilizes a balanced scorecard to monitor and measure performance in four areas critical to the company's long-term success: **Customer, People, Operational Excellence,** and **Financial**. The Key Success Measures (KSMs) found within the scorecard are strategic and ultimately define success. They enable Management to track progress toward our strategic goals and make adjustments as required. Targets for each balanced scorecard measure were developed by Management and approved by the Board of Directors.

It is important to note that in 2015, the Government of Saskatchewan changed the fiscal year-end dates for all Crown Corporations from December 31 to March 31 in order to better align Crown sector reporting with the rest of the government. As a result, the 2015/16 fiscal period comprises 12 months with an additional three months of outcomes to the end of March 31, 2016. The targets and results in the tables below show the actuals at both December 31, 2015, and March 31, 2016. Results are assessed as "achieved," "partially achieved," or "not met" according to the targets to the end of December 31, 2015.

The Year in Review: 2015/16 Targets and Results

CUSTOMER PERSPECTIVE

2015/16 Customer measures focused strongly on customer satisfaction, which is still one of the most important differentiators for services within our industry. The customer perception measures found within the Customer Perspective of the balanced scorecard provide insight into the effectiveness of our customer service activities and how we are performing on our overall strategy of delivering an outstanding customer experience. In some cases, factors beyond SaskTel's control (such as regulatory decisions) have an impact on customer perception. Such factors are taken into account when assessing our performance on these measures.

Measure	2013 Actual	2014 Actual	Dec. 31, 2015 Actual	Dec. 31, 2015 Target	Mar. 31, 2016 Actual	Result
Customer Satisfaction						
Customer perception – consumer	Maintained 2012 Actual	Maintained 2013 Actual	1 point below 2014	Maintain 2014 Actual	1 point below 2014 Actual	○
Customer perception – business	1 point over 2012 Actual	Maintained 2013 Actual	Improved by 2 points over 2014	Improve by 1 point over 2014 Actual	Improved by 2 points over 2014 Actual	●
2015 Performance						
Customer satisfaction results, as measured by customer perception, were mixed in 2015. We were unable to meet our target for perception in the consumer market, coming in 1 point short. A significant contributing factor to this result was likely the negative publicity created by the federal government toward the overall communications industry throughout 2015. We outperformed on the customer perception metric within the business market by exceeding our target by 1 point. This increase in our business market perception represents an improvement over our 2014 performance where we simply met the target. Throughout 2015, we increased our focus on the business market considerably and this certainly contributed to the improvement in customer perception. SaskTel continues to be committed to achieving an outstanding customer experience. Programs focused on delivering this commitment, such as Customer Experience (CX) First, will advance our progress on achieving, and preferably exceeding, both of our customer perception targets in 2016/17.						

● achieved ◉ Partially Achieved ○ not met

PEOPLE PERSPECTIVE

The 2015/16 People measures once again focused on two measures: employee engagement and learning and growth. Employee engagement is a critical measure with respect to our workforce because engaged and motivated employees ensure the implementation and long-term success of SaskTel's strategic initiatives. In 2015, a new metric was introduced for learning and growth that measures employees' and their managers' confidence that they have the skill sets to successfully perform their jobs in alignment with SaskTel's changing business requirements. This is key to ensuring that the workforce is ready for new ICT technologies and business models. The previous learning and growth measure around "ICT learning and development" was achieved by early 2015 and has therefore been removed as a metric.

Measure	2013 Actual	2014 Actual	Dec. 31, 2015 Actual	Dec. 31, 2015 Target	Mar. 31, 2016 Actual	Result
Employee Engagement						
Hay survey result for employee engagement	4% above 2012 Actual	3% above 2013 Actual	4% above 2014 Actual	2% above 2014 Actual	4% above 2014 Actual	●
Learning and Growth						
Hay survey result for skill evolution	N/A	N/A	85%	83%	85%	●

2015 Performance

Employee engagement results improved once again in 2015, coming in at 2% above our target and 4% above the 2014 results. According to Hay Group, significant increases in the engagement score are difficult to achieve. The large increase over 2014 is thus a very positive achievement given that a high level of employee engagement is a significant contributor to a productive workforce. SaskTel is now at Hay's North American norm with respect to engagement. Key engagement improvements from 2014 show employees:

- continue to be optimistic about the future,
- continue to like SaskTel as a place to work and are proud to work here, and
- would recommend SaskTel as a place to work.

The learning and growth measure around the Hay survey result for skill evolution is a new indicator introduced for 2015. This indicator measures the confidence that employees and managers have in their skill sets. The target of 83% was exceeded by 2%, coming in at 85%. Employees and managers expressed high levels of confidence in the following areas:

- Having the knowledge and skills required to successfully perform their current jobs
- Skill sets are evolving to meet the demands of the business

● achieved ◉ Partially Achieved ○ not met

OPERATIONAL EXCELLENCE PERSPECTIVE

Operational Excellence measures focused on the continuing execution of the Fibre to the Premises (FTTP) program and SaskTel's overall operational efficiency as measured by earnings before interest, taxes, depreciation, and amortization (EBITDA) margin. The FTTP program and ongoing improvements are key factors in delivering on our Infrastructure Strategy and maintaining competitive positioning and profitability.

Measure	2013 Actual	2014 Actual	Dec. 31, 2015 Actual	Dec. 31, 2015 Target	Mar. 31, 2016 Actual	Result
FTTP Execution						
# of homes passed	41,809	24,204	38,210	27,200	38,986	●
# of homes connected	16,166	19,023	24,249	18,000	28,895	●
Efficiency						
EBITDA margin	24.6%	24.8%	26.6%	25.1%	26.8%	●
2015 Performance						
Execution on our FTTP program exceeded expectations in 2015. We surpassed our targets for both number of homes passed and number of homes connected by wide margins. This represents a significant improvement over 2014 results where we did not achieve our homes passed target. Due to favourable weather conditions and resolution of capacity problems that facilitated increased construction activity in our Fibre Serving Areas (FSAs) throughout 2015, we were able to not only clear the backlog of work left over from 2014 but also exceeded our 2015 target. Likewise, homes connected surpassed expectations as strong demand for *infiNET* service showed no signs of slowing down in 2015. EBITDA margin is a key proxy for our overall operational efficiency. We exceeded both our 2015 target and our 2014 results. This continued improvement in EBITDA margin performance is a result of a combination of continuous improvement activities including Crown collaboration, business simplification, and a strong focus on controlled spending in the midst of increased competition throughout 2015.						

● achieved ◉ Partially Achieved ○ not met

FINANCIAL

The 2015 Financial measures focused on shareholder value, revenue growth, net income, and the intensity of capital investment. Consistent with our Financial Strategy, these measures concentrate on ensuring insight into the continuous improvement of SaskTel's long-term financial performance.

Measure	2013 Actual	2014 Actual	Dec. 31, 2015 Actual	Dec. 31, 2015 Target	Mar. 31, 2016 Actual	Result
Shareholder Value						
ROE	14.0%	10.5%	12.7%	10.2%	16.8%	●
Debt ratio	49.1%	52.8%	51.3%	53.2%	51.9%	●
Revenue Growth						
Total revenues	$1,205.7M	$1,231.0M	$1,257.7M	$1,304.6M	$1,574.4M	◉
Managed and emerging services revenues	N/A	N/A	$10.1M	$28.1M	$13.1M	○
Net Income						
Net income	$90.7M	$76.4M	$97.7M	$76.8M	$126.7M	●
Network & IT Spend						
Capital intensity	28.6%	21.2%	21.7%	23.0%	21.8%	●

2015 Performance

In 2015, we were once again able to deliver a higher-than-expected Return on Equity. As in 2014, this was largely due to exceeding our targeted net income for the year.

Our debt ratio came in below the 2015 target and below 2014 results. This was largely due to increased equity because of strong earnings.

Total revenues came in slightly below target due largely to a combination of increasing competition, slower than anticipated market traction for new managed and emerging services, and lower than anticipated wholesale revenues from other communications providers.

Managed and emerging services revenues came in below target due largely to delays in key product launches that reduced the level of new revenue that was expected from these services in 2015. Product development and launch activities continue and will contribute to the targets for new revenue streams going forward.

Net income greatly exceeded expectations. Given the lower-than-expected revenue growth that occurred, a strong focus on the management of expenses was once again a critical factor in generating this healthy net income result.

Capital intensity came in lower than targeted. This result is once again due to prudent management of capital spending within our overall capital program.

● achieved ◉ Partially Achieved ○ not met

Looking Forward: 2016/17 Measures and Targets

SaskTel's balanced scorecard measures are reviewed and updated on an annual basis to reflect changes in the business and industry environment. An annual review is conducted to ensure that SaskTel is focusing on measuring those key success factors that are most relevant to the company within the new plan's time horizon. Heading into 2016/17, the balanced scorecard measures have seen some changes, with some new metrics added and others retired. The 2016/17 balanced scorecard measures and targets are outlined below:

CUSTOMER PERSPECTIVE

One of SaskTel's key strategic goals in 2016/17 is to **deliver an outstanding customer experience**. For the past several years, measuring our performance in the vitally important area of customer satisfaction was focused on improvements to customer perception indicators within both the consumer and business markets. SaskTel will continue to use customer perception as a key indicator in 2016/17. In some instances, customer perception is impacted by circumstances beyond SaskTel's control (such as regulatory decisions) that can negatively affect a customer's view of SaskTel regardless of the quality of service they may have received. As a result, new measures are under development for 2017/18 that will focus on customer experience. Ultimately, this will give us a more accurate indication of how well we are serving customers through insights into the experience our services provide in both the consumer and business markets. Measures based on customer experience are consistent with the investment we have made in our Customer Experience (CX) First program.

2016/17 Measures and Targets

Measure	2016/17 Target
Employee Engagement	
Customer perception – consumer	+1 above 2015/16 Actual
Customer perception – business	+1 above 2015/16 Actual
Customer experience – consumer	N/A
Customer experience – business	N/A

PEOPLE PERSPECTIVE

To deliver an outstanding customer experience and further our 2016/17 strategic goal of **accelerating the transformation of SaskTel to an ICT company**, the continued engagement and skill evolution of our outstanding employees is of vital importance. Employee engagement is measured through our annual Hay survey and is demonstrated through our employees' dedication to SaskTel and their willingness to go above and beyond in their work. Given the large amount of change facing SaskTel and the industry, maintaining high levels of employee engagement is a key factor in successfully navigating this transformation through the creation of a positive environment and work experience. Despite SaskTel's extraordinary results on this metric in 2015/16, we are still seeking to see an improvement of 1% above our existing engagement score heading into 2016/17

Another factor vital to preparing the workforce to meet the challenges ahead is to ensure that employee skills and abilities stay aligned to the changes in the business environment. As a result, we are continuing to measure learning and growth through the Hay survey by assessing employees' and managers' confidence that they have the skill sets for success in their jobs heading into the future. This metric provides some indication of the degree to which the workforce is ready for a more rapid transformation of SaskTel to an ICT company.

2016/17 Measures and Targets

Measure	2016/17 Target
Employee Engagement	
Hay survey result for employee engagement	1% above 2015/16 Actual
Learning and Growth	
Hay survey result for skill evolution	Maintain 2015/16 Actual

OPERATIONAL EXCELLENCE PERSPECTIVE

2016/17 will see a continued focus on measuring the ongoing execution of our Fibre to the Premises (FTTP) program. FTTP is a critical component of delivering higher bandwidth to customers throughout Saskatchewan's nine major centres and is therefore important to the realization of our 2016/17 strategic goal of **increasing broadband penetration**. This program is also important to successfully positioning our Internet access services vis-à-vis key competitors and increasing operational efficiency over the long run. Overall, operational efficiency will continue to be measured via EBITDA margin.

2016/17 Measures and Targets

Measure	2016/17 Target
FTTP Execution	
# of homes passed	16,319
# of homes connected	15,466
Efficiency	
EBITDA margin	26.8%

FINANCIAL PERSPECTIVE

The ongoing transformation of the ICT industry due to changing customer demands, rapidly evolving technology, increasing competition, and regulatory instability is contributing to pressures on SaskTel's revenues, costs, and profit margins. Significant investments in capital programs that are transforming our networks, operations, and service offerings are continuing in order to keep SaskTel competitive. In order to offset declining revenues in traditional lines of business, SaskTel will continue to seek new revenue sources from managed and emerging services that will help to move us toward our 2016/17 strategic goal of **growing revenue and profit from the business market**. We will also focus on continuous improvement and operational cost management. Together, these efforts will result in consistent increases in net income as we work toward our long-term ROE goal of 12%.

2016/17 Measures and Targets

Measure	2016/17 Target
Shareholder Value	
ROE	11.8%
Debt ratio	50.8%
Revenue/Gross Margin	
Total revenues	$1,287.4M
Revenues from Telco business market	$372.0M
Gross margin from managed and emerging services	$21.7M
Net Income	
Net income	$104.2M
Capital	
Capital intensity	25.7%

INDUSTRY OUTLOOK

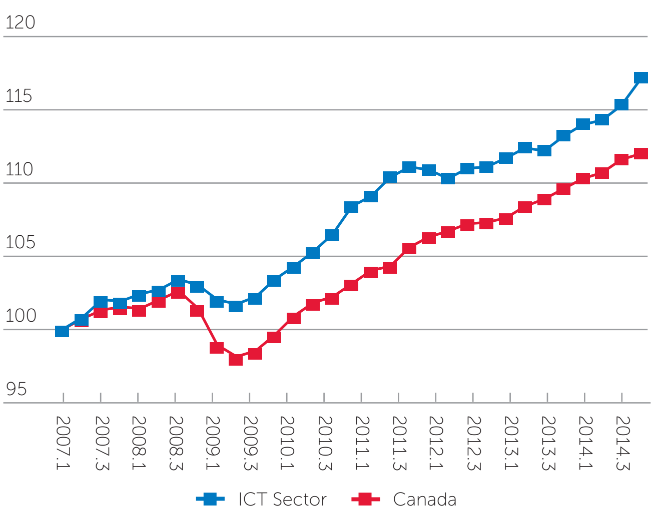
Information and Communications Technology (ICT) Industry

Industry Canada has identified the ICT Industry as one of the most important growth industries in Canada.[1] They define the industry as being made up of four distinct sectors:

- Communications Services
- Software and Computer Services
- ICT Manufacturing
- ICT Wholesaling

Approximately 37,000 companies operate within the industry in Canada, the vast majority (88%) within the software and computer services sector. The communications services sector is federally regulated and much more concentrated, constituting only 4% of all firms within the overall industry. Output within the Canadian ICT industry has continued to grow. On a GDP basis, the industry has outgrown the Canadian economy as a whole over the past decade, as illustrated in the following graph.[2]

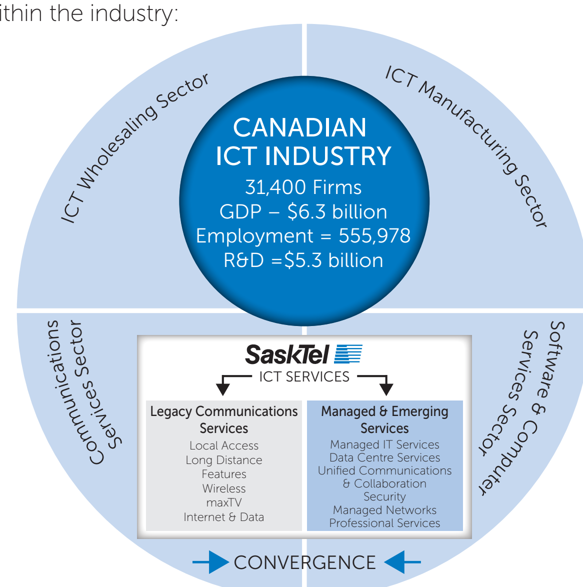
Real GDP: ICT Sector and Canadian Economy
(Indexed Growth, 2007Q1 – 100)



SaskTel has traditionally focused within the communications services sector but changes in technology are driving convergence between the communications services and software and computer services sectors. This convergence is resulting in innovation and disruption within these two sectors as new technologies are introduced, barriers to entry fall, and global competitors enter new markets. A number of significant trends related to these innovations are driving transformation pressures for incumbent firms within the communications services sector:

- Increasing customer expectations, including the desire for customer self-serve applications and faster time to market for new services.[3]
- Technology evolution and innovation with advances in network virtualization, 5G wireless networks, the development of the Internet of Things (IoT), 4K/UHD TV, Web Real Time Communications (WebRTC), and the utilization of Big Data.
- More complex and intense competition from non-traditional competitors, including over-the-top (OTT) application providers.
- Consolidation pressures as margins on legacy services decline, infrastructure costs increase, and global competitors enter new markets.[4]
- Evolving communications services with a greater number of OTT offerings and ensuing exponential increases in data traffic (in particular, wireless data).
- Growth in information technology (IT) services opportunities (i.e. managed, cloud, and professional services).
- Persistent and disruptive regulatory change.

The following diagram illustrates SaskTel's overall position within the industry:



1 Industry Canada ICT Branch: Quarterly Monitor of the Canadian ICT Sector. Q3, 2014.

2 Industry Canada ICT Branch: Quarterly Monitor of the Canadian ICT Sector. Q3, 2014.

3 Source: IBM CXO survey, presented at IBM Compass session.

4 Capgemini: Communications Industry: *On the Verge of Massive Consolidation*, 2014, pg. 3.

Communications Services Sector Outlook

The following table summarizes the top companies (by revenue) within the Canadian communications services sector.

Top Companies, 2015	
	Revenue ($ millions)
BCE	21,514
Rogers Communications	13,414
Telus	12,502
Shaw Communications	5,488
Videotron	2,998
COGECO	2,043
SaskTel	1,258
MTS	1,010

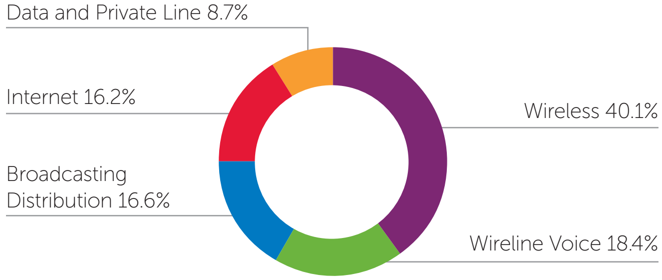
Sources: Published corporate annual financial reports.

From a GDP perspective, the pace of growth within the communications services sector has slowed considerably over the past several years. In 2010, the rate of growth was over 4% while in 2015 the forecast was a mere 0.4%.[5] Several key factors have contributed to this slow level of growth[6]:

- The negative impact of the decline in wireline phone (and associated services) usage across Canada as a result of "cord cutting" and "cord shaving."
- Significant disruption to paid-TV services as the viewing habits of Canadians shifts toward online content.
- The maturing of the wireless segment resulting in slower growth going forward causing difficulty for wireless carriers to grow their customer bases.
- Canadian households' record-high indebtedness and financial strain is weighing on their ability to spend more on communications services.

Despite the challenges in other segments, broadband Internet access services will continue to drive new growth. No matter how consumers shuffle their communications services spending, it will be difficult for them to reduce spending on broadband.[7] As consumers increase their consumption of online content, the importance of fast, reliable broadband will be reinforced.

Sector Breakdown, 2014



Source: CRTC, *Communications Monitoring Report*, 2015.

The table below summarizes past performance and the Conference Board of Canada's forecast on key indicators for the communications services sector. As can be seen, growth in this sector out to 2020 is predicted to be flat at approximately 1.7% per annum. Despite the weak predicted output growth, there are positive signs in the forecast[8]:

- Overall profitability for the sector should improve during 2018 and remain healthy through 2020.

Communications Services Sector – Key Indicators (2012 to 2020f)									
	2012	2013	2014	2015f	2016f	2017f	2018f	2019f	2020f
Real GDP (2007 $ millions)	31,453 *1.4*	31,721 *0.9*	31,927 *0.7*	32,061 *0.4*	32,496 *1.4*	33,061 *1.7*	33,656 *1.8*	34,243 *1.7*	34,842 *1.8*
Employment (000s)	163 *4.1*	144 *-11.9*	145 *1.0*	138 *-4.6*	143 *3.5*	144 *0.4*	145 *1.1*	147 *1.1*	149 *1.1*
Price index (2007 – 100)	102 *0.7*	105 *2.7*	110 *4.9*	114 *3.9*	116 *1.7*	118 *1.8*	120 *1.8*	122 *1.7*	124 *1.7*
Revenues ($ millions)	59,732 *4.2*	60,972 *2.1*	63,510 *4.2*	65,130 *2.6*	67,837 *4.2*	70,108 *3.3*	72,639 *3.6*	75,177 *3.5*	77,787 *3.5*
Costs ($ millions)	51,326 *3.0*	53,416 *4.1*	55,544 *4.0*	57,280 *3.1*	59,907 *4.6*	62,038 *3.6*	64,253 *3.6*	66,428 *3.4*	68,740 *3.5*
Profits ($ millions)	8,407 *12.6*	7,556 *-10.1*	7,966 *5.4*	7,850 *-1.5*	7,931 *1.0*	8,070 *1.8*	8,386 *3.9*	8,748 *4.3*	9,047 *3.4*
Profit margin (per cent)	14	12	13	12	12	12	12	12	12

f = forecast; *Italics indicate percentage change.*

Sources: The Conference Board of Canada; Statistics Canada.

5 Conference Board of Canada: Canada's Telecommunications Industry, Canadian Industrial Outlook, Autumn 2015, pg. 2.

6 Conference Board of Canada: Canada's Telecommunications Industry, Canadian Industrial Outlook, Autumn 2015, pg. 2.

7 Conference Board of Canada: Canada's Telecommunications Industry, Canadian Industrial Outlook, Autumn 2015, pg. 2.

8 Conference Board of Canada: Canada's Telecommunications Industry, Canadian Industrial Outlook, Autumn 2015, pg. 1.

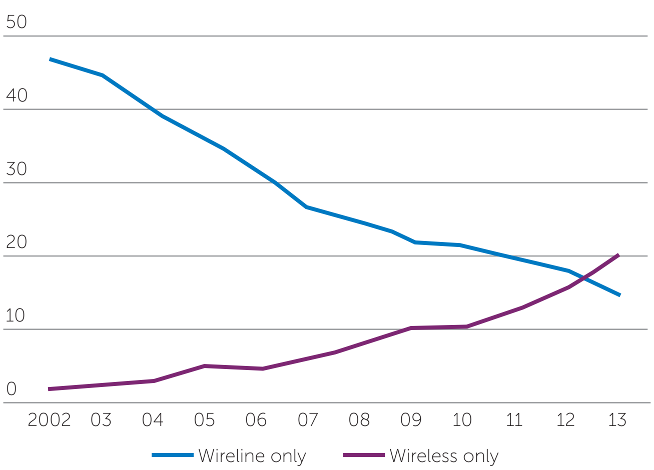
- Profit margin is expected to remain healthy at 12% out to 2020, well above the overall Canadian industry average of 10%.

WIRELESS

While wireless continues to be the largest segment within the communications services sector (40.1%), it is no longer the growth engine that it once was. Wireless services are maturing, resulting in slowing revenue growth due to market saturation. An estimated 82% market penetration rate in Canada is resulting in the bulk of carriers' activity being focused on winning back subscribers. Average Revenue Per Unit (ARPU) growth is also decelerating but is expected to remain positive through 2016.

Postpaid subscriber growth has entered what is being referred to as a "new normal" phase of lower growth. Rate increases from most carriers has exacerbated this slowdown. It should be noted though that these rate increases have not been equitably applied across all markets, with lower regional pricing still being utilized by the Big Three (Rogers, Bell, Telus) in Saskatchewan, Manitoba, and Quebec. Despite the overall slowdown in subscriber growth, there continues to be a shift to wireless-only households as consumers continue to rationalize their spending on communications services through cord cutting. The following graph demonstrates the inflection point that occurred in 2013 when wireless-only households surpassed wireline-only households[9]:

Wireless-Only Households Surpassed Wireline-Only Households
(Wireline and Mobile Wireless Subscribers per 100 Households)

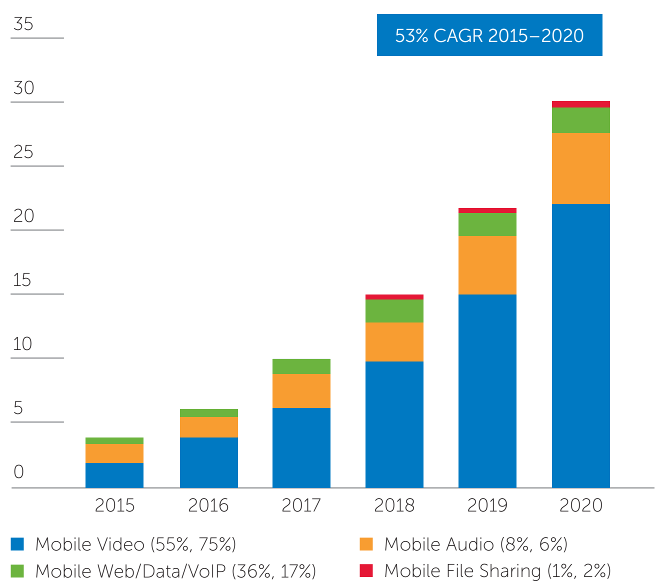


Source: CRTC, *Communications Monitoring Report 2015.*

9 Conference Board of Canada: Canada's Telecommunications Industry, Canadian Industrial Outlook, Autumn, 2015, pg. 6.

Demand for wireless data continues to grow at a steady rate. In 2015, global mobile data traffic grew 74% to 3.7 exabytes (1 EB = 1 billion Gb) per month, up from 2.1 EB at the end of 2014. North American traffic grew by 55% in 2015. It is expected that global traffic will reach 30.6 EB by 2020. This astronomical growth is being driven largely by video content. Mobile video traffic accounted for 55% of total mobile data traffic in 2015. Cisco estimates that three-fourths of the world's mobile data traffic will be video by 2020.[10] Rapid adoption of Internet of Things (IoT) technologies will also contribute to increased wireless data growth as sensors become more embedded in everyday objects from wearables to cars to smart homes.

Growth in Mobile Video (Exabytes per month)

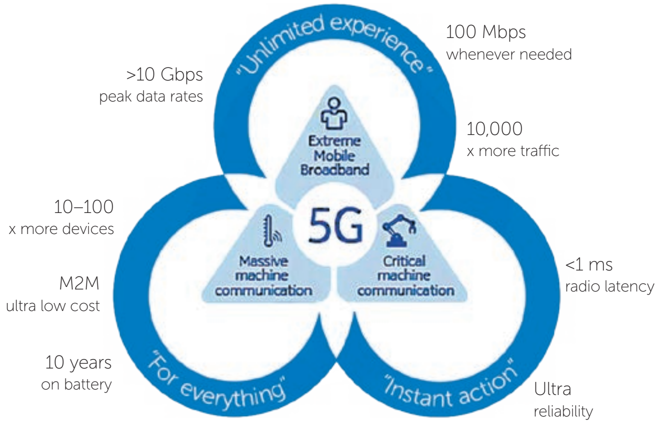


Figures in parentheses refer to 2015 and 2020 traffic share.
Source: Cisco VNI Mobile 2016.

Over the next four years, it is expected that the majority of mobile devices will be connected to 3G and 4G networks globally. This will come at the expense of legacy 2G technologies as carriers and customers transition to faster HSPA and LTE technology. This will start setting the stage for a longer-term transition to new 5G technologies.

10 Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update, 2015–2020, Feb. 16, 2016, pg. 26.

Advantages of 5G



Source: Nokia

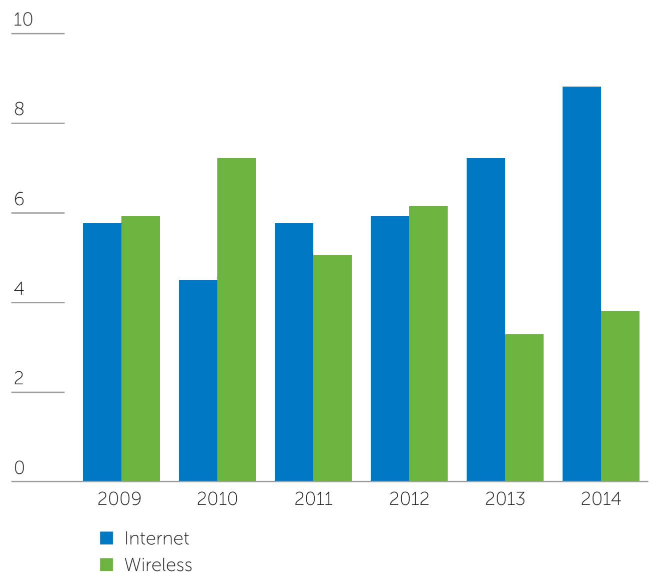
The Asia-Pacific region is expected to lead the early deployment of 5G by showcasing its capabilities at the upcoming 2018 Winter and 2020 Summer Olympics in Korea and Japan respectively. SaskTel is at the beginning stages of its 5G journey with assessments and long-term plans currently under development.

WIRELINE

Although traditional wireline services continue to provide positive margins to most carriers, changes to how consumers use communications services continue to contribute to the decline of this segment. Cord cutters, cord shavers, and cord nevers have shifted their consumption to wireless and over-the-top (OTT) services. Wireline voice services now only represent 18.4% of the communications services sector in Canada. Revenues from wireline services have fallen almost 40% in the past 10 years, from $15 billion to $9.2 billion.

It should be noted that, although wireline will continue to decline in overall importance, it does not just represent doom and gloom. Wireline still accounts for a significant share of revenues within the communications services sector at close to 20%.[11] In addition, Internet services are a significant growth area that consumers are becoming more and more reliant on. Broadband Internet is now nearly as indispensable as the telephone once was. In both 2013 and 2014, a turning point occurred where Internet services revenues grew more strongly than revenues from wireless services.[12] At 16% of communications services sector revenues, fixed Internet services still have a long way to go before they overtake wireless services but the trend has been established. It is expected that Internet services revenues will eventually overtake those from traditional wireline voice services and broadcasting distribution services.[13] This growth in demand for faster broadband Internet access is one of the key drivers behind the continued implementation of SaskTel's Fibre to the Premises (FTTP) program.

Growth in Internet Revenues Now Outpacing Wireless Revenues (year-over-year change in revenues, per cent)



Source: CRTC, *Communications Monitoring Report 2015*

Younger consumers continue to prefer fast and reliable broadband Internet to traditional paid-TV services in order to access online content (i.e. Netflix, YouTube, Apple TV, etc...). Because of this, along with the introduction of new technologies (such as 4KTV) and an unstable regulatory framework, the landscape for Canadian paid-TV services will continue to evolve rapidly. The increasing penetration of TV substitutes is changing not only consumer purchasing patterns but also reducing the available household entertainment dollars that would normally be spent on traditional paid-TV services.

Despite the growth in popularity of IPTV (Internet Protocol Television) services offered by telecom firms (largely at the expense of cableco services), paid-TV subscription rates have

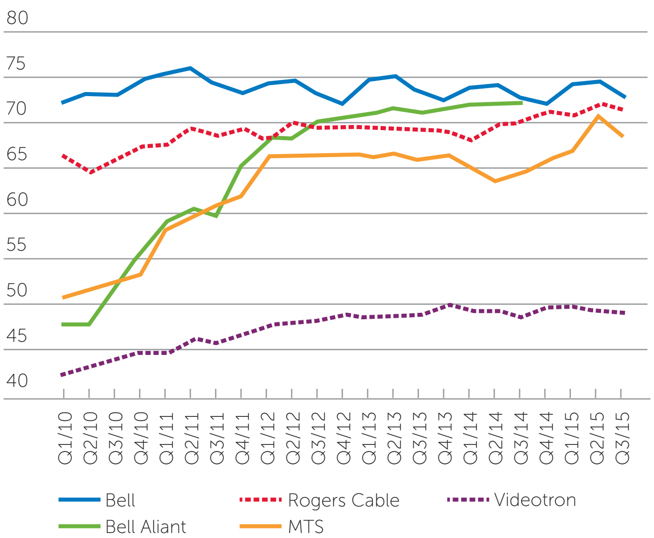
11 Conference Board of Canada: Canada's Telecommunications Industry, Canadian Industrial Outlook, Autumn 2015, pg. 6.

12 Conference Board of Canada: Canada's Telecommunications Industry, Canadian Industrial Outlook, Autumn 2015, pg. 8.

13 Conference Board of Canada: Canada's Telecommunications Industry, Canadian Industrial Outlook, Autumn 2015, pg. 8.

been declining since 2012. This trend will continue, with Canadians spending more time viewing content online at the expense of traditional TV.[14] With the growing number of households cutting the cord or never actually signing up for paid-TV services, there is very little growth to be expected in the overall TV customer base.

TV ARPU (Q1/10 – Q3/15, $)



Source: Canaccord Genuity estimates, company records.

MANAGED & EMERGING SERVICES

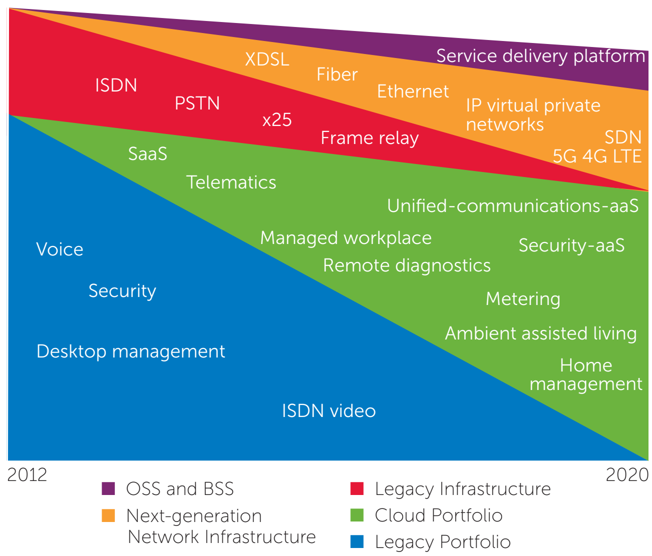
An area of growth that has the potential to offset declining revenues and margins in legacy communications services is in managed and emerging services targeted at business customers. Convergence between traditional communications technology and information technology due to technological changes is resulting in the development and adoption of innovative new services that are starting to gain acceptance in the market.

Increasing demand from businesses for managed networks, data centres, cloud services, unified communications and collaboration, managed security, and professional services has created opportunities for incumbent carriers like SaskTel to develop new product offerings that complement our intelligent broadband network. This is being reinforced through developments in Software Defined Networks (SDN) and Network Function Virtualization (NFV) that increase the importance of software in network design and operation.

14 Conference Board of Canada: Canada's Telecommunications Industry: Industrial Outlook, Autumn 2015, pg. 1.

SDN is one of the most disruptive evolutions to networking in decades.[15] This combination of new technologies and product offerings is an area where incumbent firms can add value given that they can deliver both sophisticated networks and IT-based services. This will result in a major shift in the technologies deployed and revenues earned.[16]

The Telco Revenue and Technology Mix will Shift Fast



Source: Forrester report "Telcos As Cloud Rainmakers."

This opportunity for growth is tempered, though, by the extensive amount of competition within this space coupled with the fact that it is an unregulated part of the industry. Competitors include not just other incumbent carriers but also non-traditional rivals such as IT consultants (IBM, ISM, Fujitsu), equipment vendors and partners (Cisco, Avaya), and OTT application providers. All of these players are seeking new revenues and market share and the resulting competition is intense. This intensifying competition is one of the primary drivers behind the need for business model, operational, and product-line transformation among traditional carriers such as SaskTel. Achieving this transformation and successfully delivering managed and emerging services is therefore vital to traditional carriers in order to avoid being marginalized as little more than network infrastructure providers.[17]

15 Forrester: Emerging Customer Demand for Networking and Communications, Feb. 2016, pg. 62.

16 Forrester: Emerging Customer Demand for Networking and Communications, Feb. 2016, pg. 27.

17 IDC: IDC Predictions 2015: Accelerating Innovation—and Growth—on the 3rd Platform, Dec. 2014.

Regulatory Environment

In 2015, the CRTC announced several significant regulatory decisions that have an impact on SaskTel:

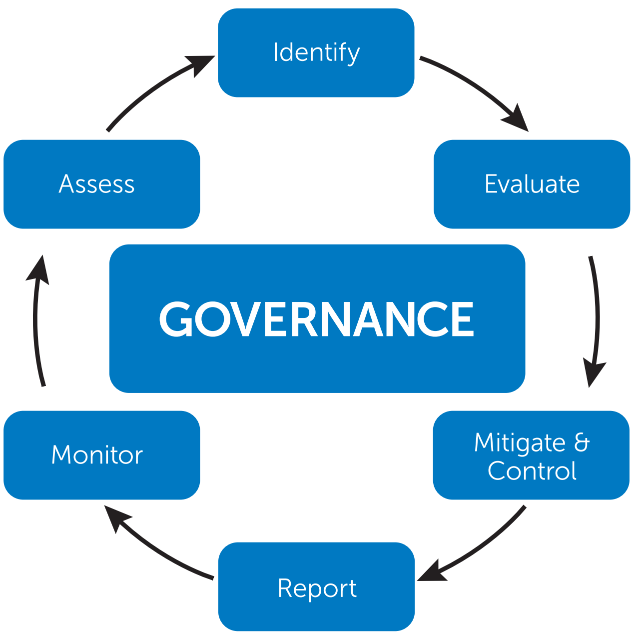
- Following a comprehensive review of the wholesale wireless market, the CRTC determined that wholesale roaming provided by Bell Mobility, Rogers, and TELUS are essential and directed only those three carriers to provide wholesale roaming to Canadian wireless carriers at a regulated, incremental cost-based price. At the recommendation of the CRTC, the Governor in Council repealed sections in the *Telecommunications Act* that capped the amount SaskTel and other wireless service providers could charge competitors to roam on their networks, and permitted SaskTel and wireless service providers to return to market forces in the offering and provision of all other wholesale roaming. This meant SaskTel no longer had to follow mandated rates. We were pleased that the CRTC understood the unique market position of the regional carriers as opposed to the Big Three and did not impose additional roaming regulations on the regional carriers.
- The *Let's Talk TV* decisions focused on offering consumers more choice and flexibility by requiring TV distributors to offer a smaller entry-level basic TV package capped at $25, and other discretionary channels on a pick-and-pay (standalone) basis. SaskTel already offers many channels on its *maxTV* service on a standalone basis and is in the process of making other changes to comply with the CRTC's decisions. The CRTC also introduced a *Wholesale Code*, which prohibits certain commercially unreasonable terms and rates in content agreements. We viewed the Wholesale Code as a positive regulatory tool in providing some level of assistance in TV content negotiations with large media companies and U.S.-based services.
- The CRTC completed its review on the framework for wholesale access to wireline services and associated policies, including Fibre to the Premises (FTTP). One of the major determinations was that ILECs begin implementing *disaggregated* wholesale high-speed access services (i.e. competitor self-supply the transport to get to each service central office where they have customers) over both fibre and copper. This must be implemented in phases, most immediately in Ontario and Quebec, and in other areas only when/if demand appears. While SaskTel was pleased that the CRTC's decision did not require us to provide wholesale high-speed access services over our FTTP facilities on an *aggregated* basis, in principle we were disappointed with a mandated requirement to provide competitors access to our fibre facilities. SaskTel has supported Bell Canada's appeal to the federal government to overturn the CRTC's decision.

In 2016, SaskTel will continue to participate in the CRTC's proceeding on the Basic Service Objective and review of which services (e.g. voice, broadband) are required by all Canadians to fully participate in the digital economy. The CRTC is also reviewing whether there should be any changes to the current voice subsidy regime that provides a subsidy to ILECs when the Commission-approved rate charged for local voice service in high-cost serving areas does not recover the associated costs of providing that service. We remain very active in this proceeding to present our position, as the voice subsidy regime is a valuable source of funding to SaskTel for providing voice service to customers in many rural locations.

RISK MANAGEMENT

All businesses are subject to uncertainty and risk that may affect their success in achieving strategic objectives. SaskTel strives to balance risk exposures with ensuring alignment to business strategies, objectives and risk tolerance. The ability to identify and respond to key risks resides in SaskTel's Governance, Risk and Compliance (GRC) Framework, which takes an enterprise-wide approach and ensures alignment between Strategic Planning, Risk Management, Operations and Internal Audit.

While SaskTel believes all employees are risk managers, SaskTel's Board of Directors, together with senior management, is ultimately responsible for risk management at SaskTel. The process used to manage risk is depicted in the framework below.



Governance is provided by SaskTel's Board of Directors, Audit and Risk Committee, and Executive. SaskTel's risk appetite is determined through definition and approval of SaskTel's Corporate Risk Matrix.

SaskTel's Risk Management Group, under the direction of the Chief Financial Officer, manages the process of identifying, evaluating and reporting both key strategic risks and core business risks. The group works in concert with executive members, director primes (subject-matter experts), and other key personnel as required to conduct corporate risk assessments. Once SaskTel's key risks are identified, they are evaluated using the Corporate Risk Matrix, looking at likelihood and consequence of both inherent and residual risk.

Complementing these assessments are the ongoing activities and plans throughout SaskTel to mitigate and control risks, as well as the corporate insurance program and other methods to transfer risk where appropriate. All reported risks include a risk statement, inherent and residual risk ratings based on likelihood and consequence, key mitigation and control activities that are either in place or planned with primes and timing assigned, and an assessment of mitigation and control effectiveness. Results are reviewed by SaskTel's Executive and Board of Directors. Crown Investments Corporation of Saskatchewan receives a copy of these reviews.

Internal Audit uses an industry standard approach to audit the effectiveness of governance, risk management and control processes. They provide assurances as to the appropriateness and operating effectiveness of the risk mitigation process.

Key strategic and core business risks that could have a material effect on SaskTel's business are listed below, including the mitigation activities to address these risks. Additional risks and uncertainties deemed to be lower risk, or risks not known at this time, may also have a material effect on SaskTel's business.

Strategic Risks

Strategic risks are those that may impact SaskTel's ability to achieve the goals and targets outlined in its Strategic Plan. Realization of one or more of these risks may require SaskTel to modify its strategic direction.

CUSTOMER

SaskTel will differentiate itself from the competition by delivering an outstanding customer experience. This will be achieved while maintaining a balance between customer needs and SaskTel's profitability. Risks associated with achieving this strategy include the following:

Systems	
Risk	*Mitigation activities*
Continuous product transformation drives the need for greater speed and agility throughout our industry. System transformation can be a lengthy and costly process to integrate and support legacy systems. Rapid implementation is required to maintain a competitive market position.	• Development of a future-state systems architecture roadmap outlining required systems projects. • Implementation of a new wireless billing system with plans to further leverage its functionality. • Initiatives are underway or planned to support network infrastructure builds and enhance customer self-management. • Interim processes will provide mitigation until more permanent solutions can be implemented.

Business Intelligence	
Risk	*Mitigation activities*
Business Intelligence (BI) presents opportunities to utilize data analysis for improved forecasting, revenue generation, customer retention and operational cost management. Improvements to SaskTel's BI capabilities are critical to achieving competitive advantage by proactively offering customer-targeted services, providing personalized service, and making more informed business decisions.	• Interim solutions are being utilized to access existing information. • SaskTel is building master data management foundational elements and a sequence of initiatives that will populate our data warehouse.

BROADBAND

Broadband is quickly becoming the customer's primary access service in the home and business. SaskTel's ability to increase broadband penetration is reliant on having a superior infrastructure to be used for the delivery of new services across networks and devices. Risks associated with achieving this strategy include the following:

Broadband Access Services	
Risk	*Mitigation activities*
Competitive broadband service offerings for both wireline and wireless networks provide customers with required speed and availability. Without a successful broadband product offering, opportunities for complementary service offerings may be limited.	• SaskTel maintains competitiveness in the broadband market through a strong commitment to customer service as well as continuous monitoring of competitive pricing and products, making timely adjustments to SaskTel's offerings when required. • Further mitigation plans are in place to evolve service offerings, increase fibre subscriptions and improve self-serve capabilities and network infrastructure.

Wireless Data Consumption	
Risk	*Mitigation activities*
Customer wireless data usage continues to grow rapidly. Proactively managing potential network congestion problems is critical to avoiding a compromised customer data experience.	• SaskTel monitors the network to resolve issues and manage congestion, adding more capacity as needed. • To manage growth in data consumption, new price plans have been introduced, customers have access to their data usage information, and network policy controls are in place. • Wi-Fi hot spots (SaskTel Select Wi-Fi) assist to offload traffic to the wireline network. • Additional spectrum was purchased and SaskTel will continue deployment of LTE technology.

ICT TRANSFORMATION

The ICT industry continues to grow and evolve with the convergence of communications technology and information technology. SaskTel is looking to accelerate its transformation to an ICT company in order to take advantage of market opportunities to replace declining revenues from legacy voice services. Risks associated with achieving this strategy include the following:

New Products and Services	
Risk	*Mitigation activities*
Continual technological changes within the ICT industry are disrupting our traditional lines of business. This makes it important for SaskTel to expand beyond legacy communications services. Diversification into new managed and emerging services focused on business customers is a means to achieve this. Developing and launching these new services in an agile and timely manner using the most appropriate business models is critical to success.	• Creation of a division focused exclusively on business solutions, along with increased corporate focus and strong governance, helps to mitigate this risk. • Development of a product and service roadmap coupled with the launch of new key foundational services. • Creation of a partnership approach that opens new channels to market and supports service offerings.

Operating Environment	
Risk	*Mitigation activities*
New approaches to sales, fulfillment, assurance and billing (SFAB) systems and processes are required for new managed and emerging services. Improving the operating and delivery model for these new services (such as data centres, managed IT and cloud services) is essential to achieving customer satisfaction and competitive advantage.	• Development of interim processes for new managed and emerging services. • Implementation of a business optimization model for all business services (including managed and emerging) in order to enhance the operating environment.

Workforce	
Risk	*Mitigation activities*
Sustained technological and business model changes require accompanying changes to workforce skills and knowledge. The workforce must continually evolve to address technological transformation, aggressive competition and increasing customer demands. Software, wireless, and data analytics skillsets present recruitment and retention challenges given that they are in high demand and short supply.	• Corporate restructuring has better aligned our workforce to provide more focus on the specific needs of the business and consumer markets. • Workforce development includes targeted planning for each division, identification of corporate skill and training priorities and “at risk” positions, succession management, and creation of a pipeline for internal and external talent for key positions.

LONG-TERM PROFITABILITY

SaskTel requires a stronger focus around managing long-term profitability in the face of numerous competitive, regulatory, and technological challenges. As with any business, SaskTel must provide its shareholder with an appropriate return and, as such, there will be initiatives deployed throughout the company to improve operational excellence. Risks associated with achieving an appropriate financial return include many of the strategic risks identified previously as well as the following:

Regulatory	
Risk	*Mitigation activities*
The Federal Government and its agencies continue to engage in regulatory reforms that are disadvantageous to incumbents, in particular regional operators such as SaskTel. These reforms often result in increased costs and complexity of our business. Of particular concern is the CRTC’s review of the Basic Service Obligation (BSO) which has the potential to reduce the subsidy we receive for provision of services in higher-cost rural areas. The BSO may also be expanded to include broadband as a basic service.	• SaskTel proactively participates in current CRTC processes using a multifaceted approach to work with the regulator. We engage with the CRTC in order to obtain the best possible result for SaskTel’s customers and shareholder.

Core Business Risks

The Core Business risks focus on SaskTel's risks associated with the execution of SaskTel's business functions. This includes Operational, Financial, Legal and Compliance risks.

OPERATIONAL RISKS

The Operational risk review focuses on SaskTel's risks associated with the execution of SaskTel's business functions, such as business interruption, security, infrastructure, supply chain, change enablers, fulfillment and assurance. Key operational risks are discussed below:

Systems and Information Security	
Risk	*Mitigation activities*
Systems security involves the protection systems and networks that are used to process, manage and store customer, employee, operational and competitive information. A strong security framework is necessary to maintain customer trust that their data is safe. Securing information systems today is complex due to the rate of change in technology, the growth of Internet Protocol (IP) services, the regulatory environment, and the continued risks associated with conducting business in such a rapidly changing environment.	• Completion of a business-level security threat and risk assessment. • Development of a roadmap for our information security program and architecture that facilitates the management of these risks while enabling SaskTel to achieve its objectives. • Implementation of a multiyear Information Security Program that enhances security controls and addresses the risks identified via the risk assessment.

Business Interruption	
Risk	*Mitigation activities*
SaskTel has a substantial investment in physical assets (property, plant and equipment) throughout the province. All of these assets are subject to damage or destruction from natural hazards, vandalism and other forms of accidental loss that could result in reduced revenues, increased expenses and impairment of asset values.	• A stringent preventative maintenance program, regular inspections by independent loss prevention engineers, strict procedures on housekeeping practices, and appropriate physical security controls reduce and prevent losses. • Major switching centres are designed to limit loss exposures by utilizing departmentalization, zoned environmental systems, smoke barriers, automatic sprinklers, and very early warning fire detection systems. • A comprehensive insurance program is in place to transfer risk of physical loss and any resultant business interruption experienced. • Business continuity and disaster recovery plans are in place, which evolve through our Business Continuity Management (BCM) program.

Technology	
Risk	*Mitigation activities*
SaskTel's extensive communications network and information systems architecture has evolved to provide a variety of services ranging from traditional to cutting edge. Our confidence level in our network and systems is high. Given the complexity of the infrastructure, the possibility of a hardware or software failure impairing our ability to provide service cannot be ruled out.	• High levels of redundancy and other tactics are used to mitigate these risks, including regular operational reviews, business continuity plans, stringent testing procedures for new software, preventative maintenance programs and site hardening of critical locations.

FINANCIAL RISKS

Risks reviewed in this category include interest, foreign exchange, credit, financial misstatement, pension plan, investments, public reporting, revenue assurance, fraud and cash flow. No significant core business financial risks are reported at this time. The Notes to Consolidated Financial Statements, *Note 21 – Financial instruments and related risk management*, highlights some financial exposures and mitigations.

COMPLIANCE AND LEGAL RISKS

The Compliance and Legal risk category focuses on SaskTel's risks associated with our need to comply with laws and regulations. Risks reviewed in this category include contractual, professional, third party, statutory, environmental, governance, intellectual property, litigation, regulatory, and privacy. Litigation is SaskTel's key compliance and legal risk and are described in more detail in Notes to Consolidated Financial Statements, *Note 23 – Commitments and contingencies*.

Litigation	
Risk	*Mitigation activities*
SaskTel, like all businesses, faces the risk of legal action. Employees interact with thousands of people daily and our assets are numerous and visible. Various aspects of legal risk exposure include contractual, professional, statutory, and third-party liability, which could negatively impact SaskTel's results and reputation.	• SaskTel's legal risk environment is reasonably stable and we ensure that legal exposures are minimized. • Central to SaskTel's legal risk mitigation is the expertise and active business involvement of the Corporate Counsel division, a corporate structure that uses separate legal entities (subsidiaries) to limit liability, a focus on contractual assignment of risk or limitation of liability, and sound operating procedures at the core of SaskTel's business. • Our corporate insurance program provides a degree of financial protection from specific third-party legal liabilities. • At March 31, 2016, SaskTel is named in several major lawsuits. We believe we have strong defences in all cases.

OPERATING RESULTS

FINANCIAL SUMMARY

CHANGE IN FISCAL YEAR END

During the twelve months ended December 31, 2015, SaskTel's Board of Directors approved a change in SaskTel's year end from December 31 to March 31. SaskTel's transition period is the fifteen months ended March 31, 2016. The comparative period is the twelve months ended December 31, 2014. The new financial year will align the Corporation with its sister Crown Corporations and with the Government of Saskatchewan. The explanations found within this MD&A will be comparing the twelve-month period ending December 31, 2015, with the twelve-month period ending December 31, 2014, unless otherwise stated.

Consolidated Net Income

($ millions)	12 months ended December 31, 2015	2014	Change	%	3 months ended March 31, 2016	15 months ended March 31, 2016
Revenue	$ 1,257.7	$ 1,231.0	$ 26.7	2.2	$ 316.7	$ 1,574.4
Other income	3.1	1.7	1.4	82.4	1.4	4.5
	1,260.8	1,232.7	28.1	2.3	318.1	1,578.9
Expenses						
Goods and services purchased	571.3	574.7	(3.4)	(0.6)	133.6	704.9
Salaries, wages and benefits	374.0	374.4	(0.4)	(0.1)	100.8	474.8
Depreciation	169.2	166.2	3.0	1.8	42.2	211.4
Amortization	33.9	41.5	(7.6)	(18.3)	9.7	43.6
Internal labour capitalized	(21.8)	(23.1)	1.3	(5.6)	(5.5)	(27.3)
	1,126.6	1,133.7	(7.1)	(0.6)	280.8	1,407.4
Results from operating activities	134.2	99.0	35.2	35.6	37.3	171.5
Net finance expense	36.5	22.6	13.9	61.5	8.3	44.8
Net income	$ 97.7	$ 76.4	$ 21.3	27.9	$ 29.0	$ 126.7
Other comprehensive income (loss)	47.3	(57.3)	104.6	*nmf*[1]	(53.2)	(5.9)
Total comprehensive income	$ 145.0	$ 19.1	$ 125.9	*nmf*[1]	$ (24.2)	$ 120.8

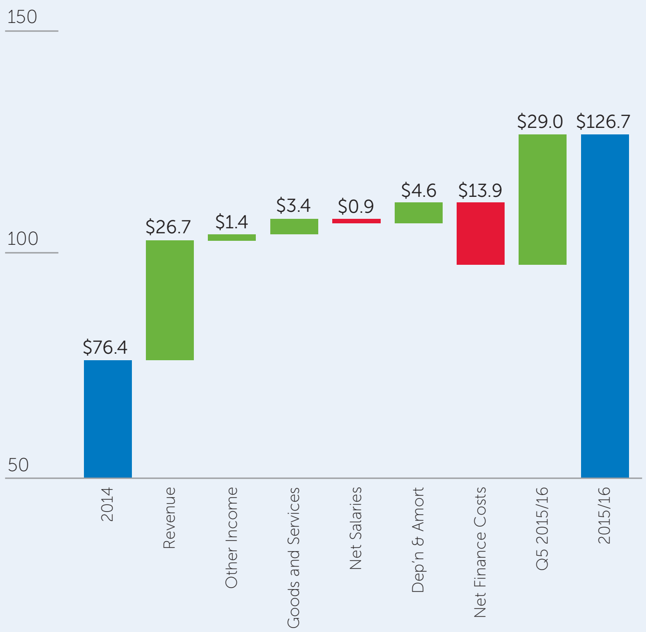
[1] *nmf – no meaningful figure*

Consolidated Revenues

($ millions)	12 months ended December 31, 2015	2014	Change	%	3 months ended March 31, 2016	15 months ended March 31, 2016
Wireless services	$ 492.4	$ 482.3	$ 10.1	2.1	$ 125.8	$ 618.2
maxTV, Internet and data services	323.6	305.2	18.4	6.0	82.4	406.0
Local and enhanced services	234.2	242.7	(8.5)	(3.5)	56.0	290.2
Long distance services	47.8	53.2	(5.4)	(10.2)	11.1	58.9
Equipment	65.8	54.9	10.9	19.9	15.5	81.3
Advertising services	40.5	41.9	(1.4)	(3.3)	9.8	50.3
Security monitoring services	22.8	22.9	(0.1)	(0.4)	5.7	28.5
International software and consulting services	7.4	6.2	1.2	19.4	1.6	9.0
Other services	23.2	21.7	1.5	6.9	8.8	32.0
	$ 1,257.7	$ 1,231.0	$ 26.7	2.2	$ 316.7	$ 1,574.4

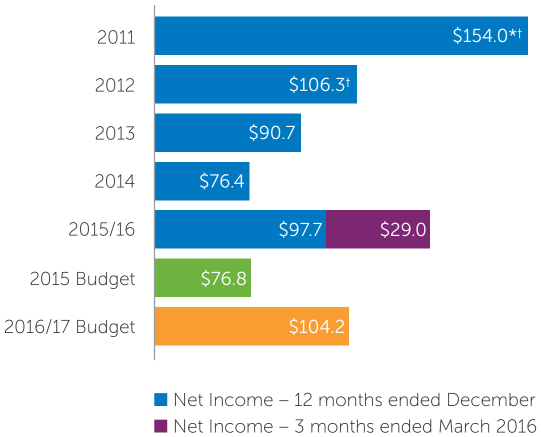
NET INCOME

Net Income ($ Millions)



- ▲ Net income for the twelve months ending December 31, 2015, was $97.7 million, up $21.3 million from the same period in 2014. Net income increased through revenue growth of 2.2% and a total expense reduction of 0.6%.
- ▲ Revenues grew $26.7 million (2.2%) mainly due to increases in *maxTV*, Internet and data revenues; increased equipment sales, and continued wireless growth. Revenue growth is being offset by further decreases to legacy services such as local access, enhanced services and long distance.
- ▲ Goods and services purchased decreased $3.4 million (0.6%) largely due to management's focus on controlled spending, offset by increased direct costs incurred to generate revenue increases.
- ▼ Net salaries, wages, and benefits increased by $0.9 million primarily due to economic increases and a reduction in the amount of internal labour capitalized to SaskTel projects.
- ▲ Depreciation and amortization decreased by $4.6 million as a result of increasing the useful lives of certain software assets while reducing the useful lives of select network assets.
- ▼ Net finance expenses increased $13.9 million primarily from sinking fund market fluctuations and increased interest costs on financial and pension liabilities.
- ▲ Net income for the three months ending March 31, 2016, was $29.0 million resulting in a fifteen-month net income of $126.7 million.

Net Income ($ Millions)



* Amounts do not represent retrospective adoption of IAS 19 defined benefits.

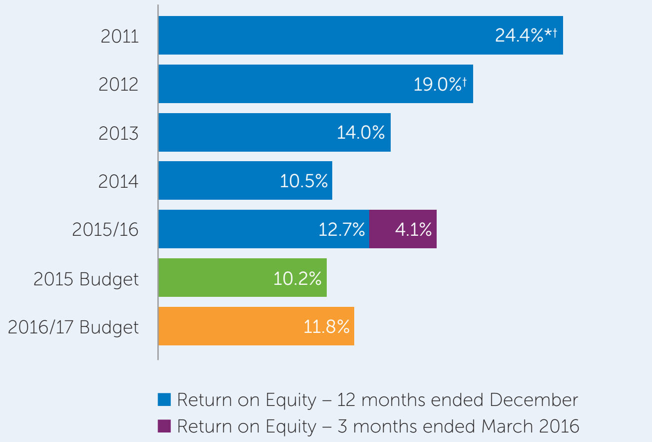
† Amounts do not represent retrospective adoption of change in accounting policy for directory revenue recognition.

Net income was declining over the past few years due to a number of factors in the industry outside the control of the Corporation. In fiscal 2015/16, SaskTel responded to these challenges by continuing with its cost containment strategy, optimizing on its legacy services, and introducing new competitive services into the market. Strong cost management coupled with continued revenue growth in key business segments, including wireless, *maxTV*, Internet, data, equipment, and new and emerging products and services, resulted in SaskTel exceeding its budget by $20.9 million. SaskTel continues to invest heavily in infrastructure in order to position itself as the leading facilities-based digital service provider and enabler to the people and businesses of Saskatchewan. This investment is being completed to both facilitate the increased demand for data consumption, and realize cost savings through operational efficiencies. SaskTel is beginning to see these efficiencies in its 2015/16 net income.

Return on equity for fiscal 2015/16 is based on fifteen months of net income and therefore is not comparable to prior periods. Factors impacting the comparable twelve-month return on equity are discussed below.

RETURN ON EQUITY

Return on Equity (Percentage)



▲ Return on equity increased to 12.7% in 2015, up 2.2% from 2014.

▲ Net income increased $21.3 million.

▼ Dividends declared decreased $23.3 million.

▲ Average accumulated other comprehensive losses increased by $5.0 million as a result of net actuarial losses on SaskTel's defined benefit pension plan.

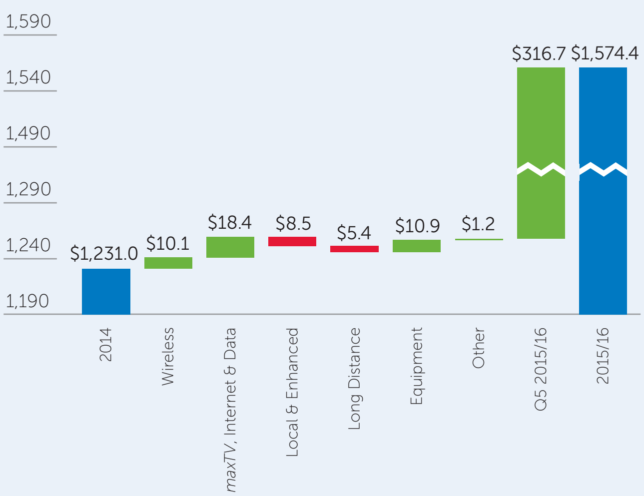
Equity for the purpose of calculating return on equity is defined as the sum of equity advances, retained earnings, and average accumulated other comprehensive income (loss).

* Amounts do not represent retrospective adoption of IAS 19 defined benefits.

† Amounts do not represent retrospective adoption of change in accounting policy for directory revenue recognition.

REVENUES

Revenues ($ Millions)



▲ Revenues for the twelve months ending December 31, 2015, were $1,257.7 million, up $26.7 million (2.2%) from the same period in 2014. SaskTel's revenue growth has been relatively flat over the past couple of years as regulatory intervention, regional pricing, wireless market saturation, and increasing competition are impacting SaskTel's opportunities to offset revenue declines from legacy wireline services.

▲ Wireless revenues increased by $10.1 million (2.1%), however, the wireless market is becoming saturated and as a result wireless growth is no longer a result of an exponential increase in access, but instead primarily due to increased ARPU.

▲ *maxTV*, Internet, and data posted strong revenue growth of $18.4 million (6.0%) year over year. There has been a resurgence of access growth and increased ARPU as customers are beginning to take advantage of improved Internet and data speeds via SaskTel's world-class, fibre-based network.

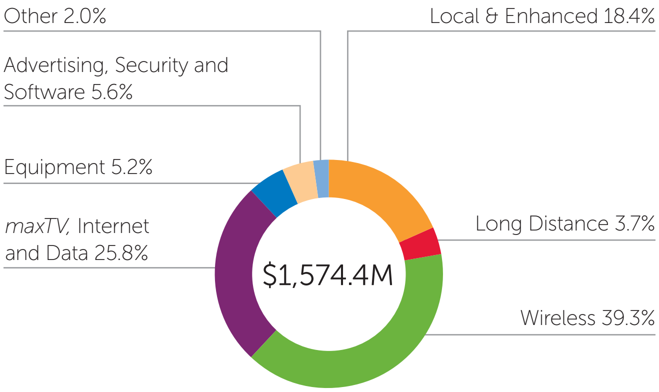
▲ In 2015, SaskTel realized a $10.9 million (19.9%) growth in equipment sales of both business grade communication systems and consumer wireless devices.

▼ Legacy wireline services such as local access, enhanced services, and long distance saw revenue declines of $13.9 million (4.7%). These decreases are primarily due to continuation of wireless substitution, OTT replacement service trends, and little to no organic growth as a result of "cord nevers."

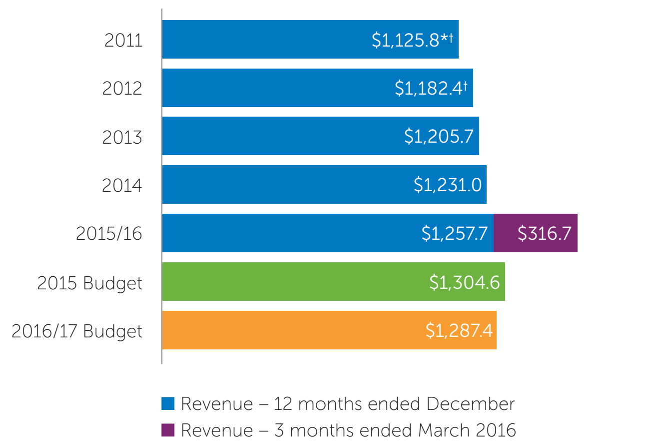
▲ Revenues for the three months ending March 31, 2016, was $316.7 million resulting in fifteen-month total revenue of $1,574.4 million.

SaskTel's revenues are composed primarily of wireless (39.3%); *maxTV*, Internet, and data (25.8%); and local access, enhanced services, and long distance (22.1%). Legacy revenues continue to decline and there are indications that wireless accesses are approaching saturation. SaskTel is set to capture new revenue opportunities by increasing Internet bandwidth to customers through improvements to its network infrastructure including FTTP and LTE-TDD; and further expansion of wireline and wireless broadband to rural communities. In addition, SaskTel is poised to deliver IT-based managed and emerging services to the business market, including managed cloud and Tier III data centre services.

2015/16 Revenue Profile



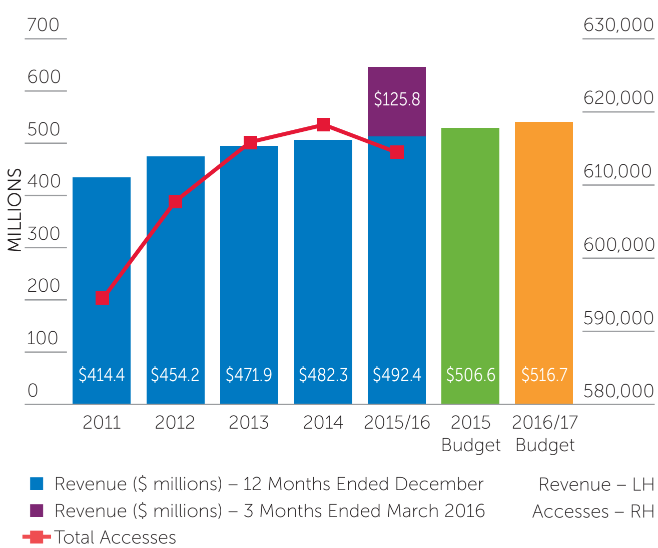
Revenue ($ Millions)



* Amounts do not represent retrospective adoption of IAS 19 defined benefits.

† Amounts do not represent retrospective adoption of change in accounting policy for directory revenue recognition.

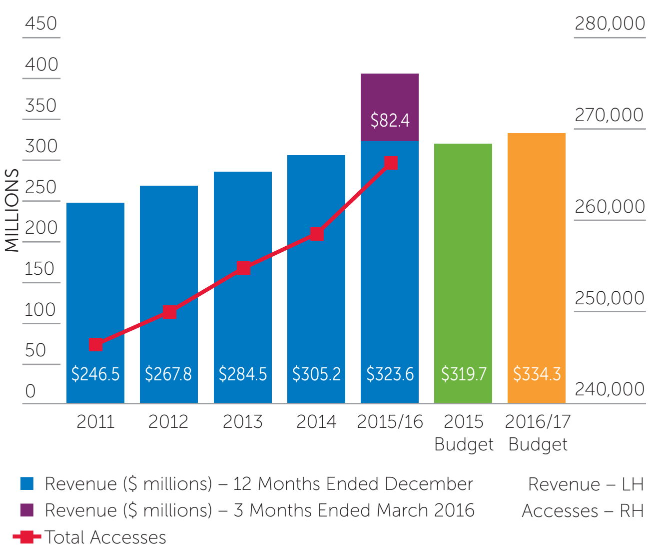
Wireless – Revenue & Accesses



WIRELESS SERVICES

Wireless revenues increased by $10.1 million (2.1%) from 2014. Steady growth in wireless has typically been a result of increased accesses and ARPU. In 2015, the wireless market is showing signs of saturation and, as a result, increases in ARPU are driving wireless revenue growth. ARPU increases are due to customers migrating to price plans that offer more data and features that enable customers to use their device to its full potential on SaskTel's LTE network. In addition, further postpaid penetration of smart phones to 80% (2014 – 76%) has contributed to wireless revenue growth.

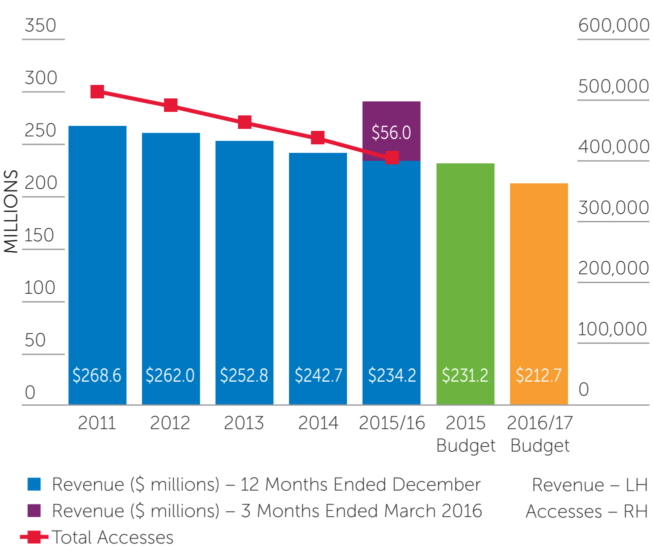
maxTV, Internet and Data – Revenue & Accesses



maxTV, INTERNET, AND DATA SERVICES

maxTV, Internet, and data services revenues increased by $18.4 million, mainly due to continued growth in average revenue per customer and accesses in all three lines of business. In addition SaskTel rolled out SaskTel's Digital Subscriber Line service to an additional six communities and Advanced high speed to an additional twelve communities in 2015/16 which also pushed ARPU's higher. Internet ARPU's are increasing as customers are continuing to select faster Internet and enhanced TV service packages over SaskTel's fibre-based service, *infiNET*, now with over 60,000 connections, as it is rolled out to their communities.

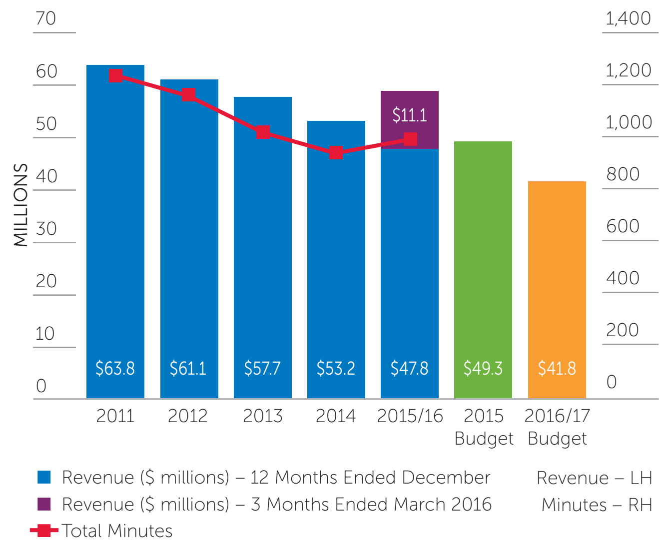
Local & Enhanced – Revenue & Accesses



LOCAL ACCESS AND ENHANCED SERVICES

Local access and enhanced services decreased to $234.2 million in 2015, down $8.5 million (3.5%) from 2014. The decline is due to a 7.4% reduction in network accesses (2014 – 5.8%) that occurred during the year as customers continued to replace their existing wireline and wireless services solely with a wireless alternative, a trend that has continued over the past five years.

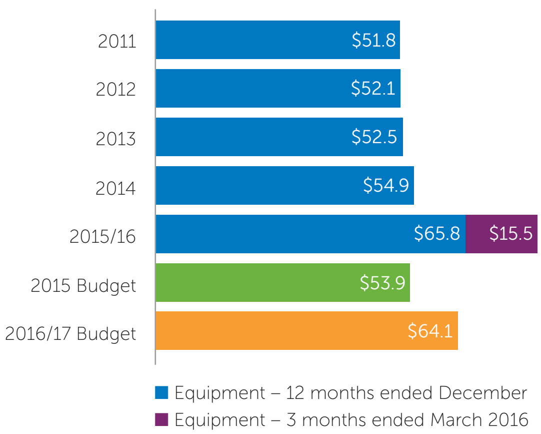
LD – Revenue & Minutes



LONG DISTANCE SERVICES

Long distance revenues have decreased $5.4 million (10.2%) from 2014. The decrease is primarily due to loss of customers to substitute services such as social media, wireless and VoIP, as well as customers moving to less expensive bundle plans.

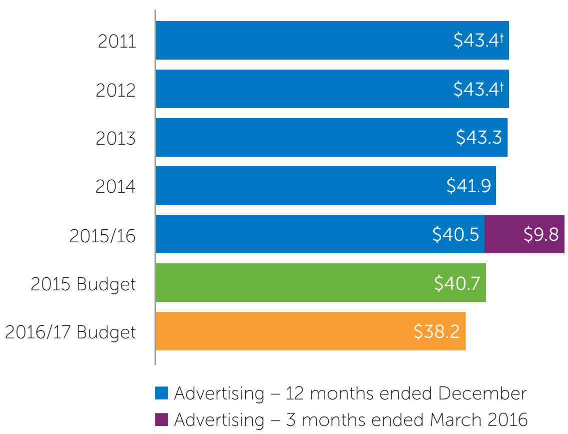
Equipment Revenue ($ Millions)



EQUIPMENT

Equipment revenues have increased by $10.9 million from 2014, due to increases in customer-premises equipment, professional services, and wireless device sales. SaskTel continues to offer its customers consultation, design, training, and implementation services to ensure the right solution for their business.

Advertising Revenue ($ Millions)

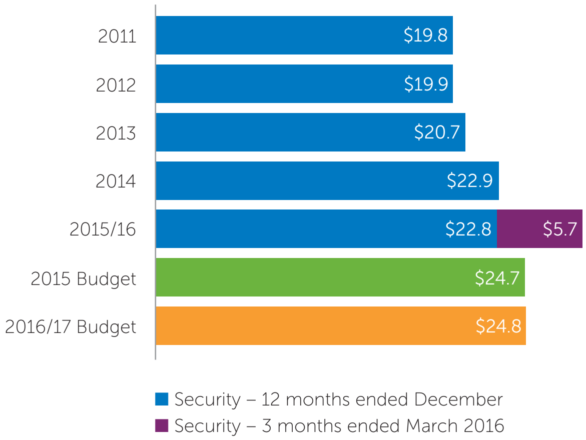


ADVERTISING SERVICES

Advertising services revenues decreased to $40.5 million in 2015, from $41.9 million in 2014, a decrease of $1.4 million (3.3%). These results continue to exceed the traditional directory industry that has experienced significant financial pressures and ongoing revenue declines since its peak in 2008. SaskTel's strategy is to maintain its industry-leading print directory revenue retention through its mysask411 solutions (bundling of print and digital products) and ability to prove total leads and ROI to its customers, while continuing to diversify with ongoing product and service development including the launch of marketing services in 2015.

† Amounts do not represent retrospective adoption of change in accounting policy for directory revenue recognition.

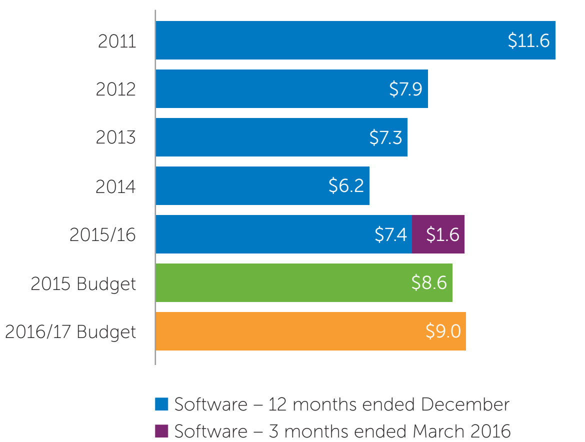
Security Monitoring Revenue ($ Millions)



SECURITY MONITORING SERVICES

Security monitoring revenues stayed flat at $22.8 million in 2015. SaskTel continues to actively seek out business growth both organically through existing customers and externally through customer account acquisitions.

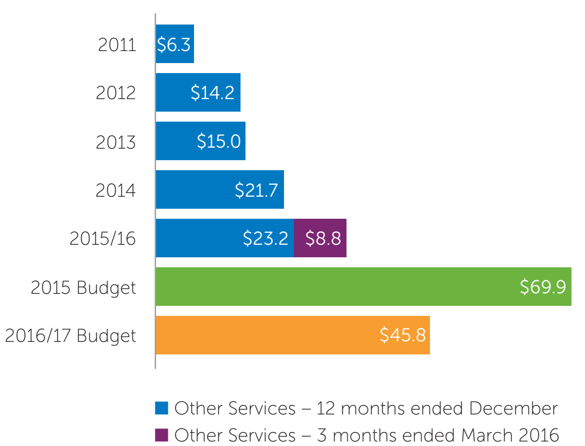
International Software Solutions & Consulting Revenue ($ Millions)



INTERNATIONAL SOFTWARE AND CONSULTING SERVICES

Software and consulting service revenues increased to $7.4 million in 2015, up $1.2 million from 2014, primarily due to higher sales of customized software and consulting services.

Other Revenue ($ Millions)

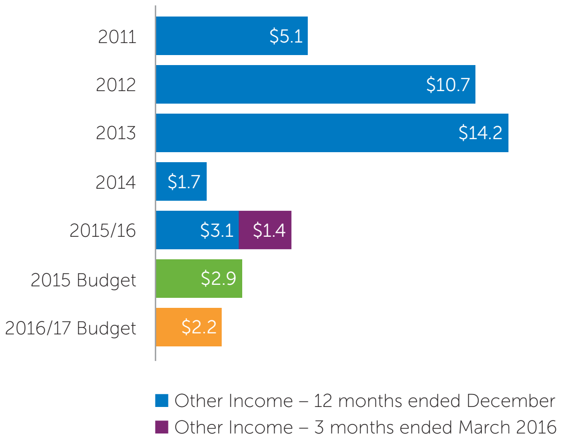


OTHER SERVICES

Other services revenues increased to $23.2 million in 2015, up $1.5 million (6.9%) from 2014. The ICT industry continues to change quickly and SaskTel has managed to stay at the forefront of this change by launching new products and services and deploying them primarily through its state-of-the-art data centres and partnerships with external parties.

OTHER INCOME

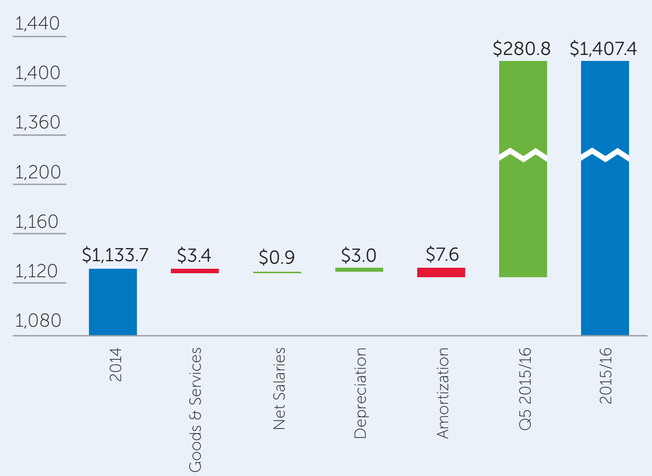
Other Income ($ Millions)



Other income increased to $3.1 million for the twelve months ending December 31, 2015, up $1.4 million from the same period in 2014. SaskTel continues to manage government partnerships to assist in ensuring all Canadians have access to broadband services. The majority of existing government-funded programs have been completed, and the majority of the income recognized in 2015 is related to amortization of the fixed assets generated from program funding.

EXPENSES

Expenses ($ Millions)



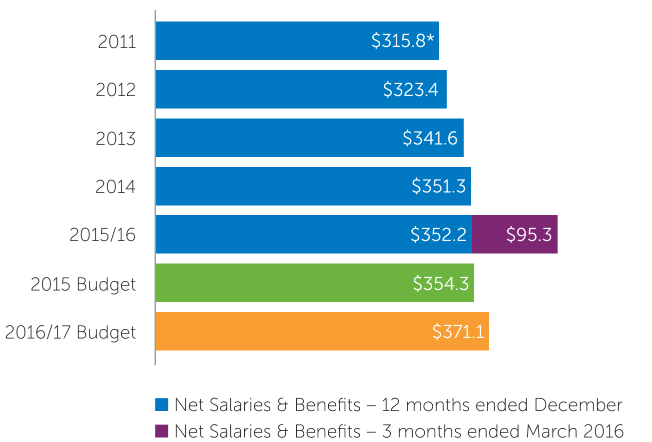
- ▼ Expenses for the twelve months ending December 31, 2015, fell $7.1 million (0.6%) to $1,126.6 million.
- ▼ Goods and services purchased decreased $3.4 million (0.6%), largely due to management's focus on controlled spending, offset by increased direct costs incurred to generate revenue increases.
- ▲ Net salaries, wages, and benefits increased $0.9 million (0.3%), largely due to a reduction in the amount of internal labour capitalized to SaskTel projects.
- ▼ Depreciation and amortization decreased by $4.6 million as a result of increasing the useful lives of certain software assets while reducing the useful lives of select network assets.
- ▲ Expenses for the three months ending March 31, 2016, were $280.8 million, resulting in fifteen-month expenses totalling $1,407.4 million.

Goods & Services Purchased ($ Millions)

GOODS AND SERVICES PURCHASED

Goods and services purchased decreased to $571.3 million for the twelve-month period ending December 31, 2015, down $3.4 million (0.6%) from the same period in 2014. The decrease was largely due to SaskTel's continued focus on cost management and further cost savings as a result of the mandatory roaming rate cap established by the CRTC on June 19, 2014. These savings were partially offset by increased direct costs attributable to growth in business-grade communication equipment sales and consumer wireless devices. The average number of devices sold and the cost per wireless device continues to increase despite signs of wireless market saturation since customers frequently adopt and upgrade to the latest devices.

Net Salaries & Benefits ($ Millions)

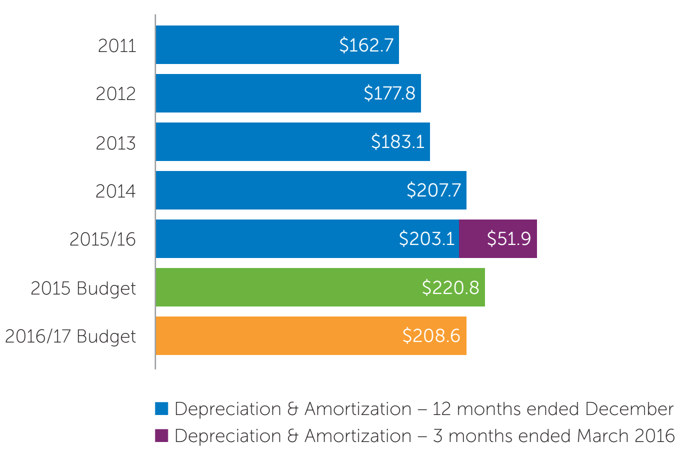


* Amounts do not represent retrospective adoption of IAS 19 defined benefits.

SALARIES, WAGES, AND BENEFITS (NET OF INTERNALLY CAPITALIZED LABOUR)

Net salaries, wages and benefits increased to $352.2 million, up $0.9 (0.3%) million from 2014. Economic increases, and a reduction in the amount of internal labour capitalized to SaskTel projects, were the leading causes.

Depreciation & Amortization ($ Millions)



DEPRECIATION AND AMORTIZATION

Depreciation and amortization expenses decreased to $203.1 million in 2015, down $4.6 million from 2014, primarily due to extending the useful lives of certain software assets, partially offset by increased plant in service related to FTTP and wireless network projects.

NET FINANCE EXPENSE

Net finance expense increased $13.9 million (61.5%) to $36.5 million during 2015. In 2015, the sinking funds incurred market losses of $3.9 million compared to gains of $8.6 million in 2014. The remaining increases were due to increased interest costs on the defined benefit liability (see *Note 18*) and long-term debt. For more information see the Notes to the Consolidated Financial Statements – *Note 4 – Net finance expense*.

	12 months ended December 31,				3 months ended March 31,	15 months ended March 31,
($ millions)	**2015**	2014	Change	%	2016	**2016**
Net Finance Expense	**$ 36.5**	$ 22.6	$ 13.9	61.5	$ 8.3	**$ 44.8**

OTHER COMPREHENSIVE LOSS

Other comprehensive income increased to $47.3 million, up $104.6 million from the loss recognized in 2014. The income resulted from changes in actuarial assumptions related to the liabilities of the defined benefit pension plan and the service recognition defined benefit plan (i.e. the discount rate used to calculate the liabilities of the plans). The assumptions are disclosed in Notes to the Consolidated Financial Statements – *Note 18 – Employee benefits*.

	12 months ended December 31,				3 months ended March 31,	15 months ended March 31,
($ millions)	**2015**	2014	Change	%	2016	**2016**
Other comprehensive income (loss)	**$ 47.3**	$ (57.3)	$ 104.6	*nmf*[1]	$ (53.2)	**$ (5.9)**

[1] *nmf – no meaningful figure*

LIQUIDITY AND CAPITAL RESOURCES

CASH PROVIDED BY OPERATING ACTIVITIES

($ millions)	12 months ended December 31, 2015	2014	Change	%	3 months ended March 31, 2016	15 months ended March 31, 2016
Operating activities	$ 250.0	$ 271.0	$ (21.0)	(7.7)	$ 83.6	$ 333.6

Cash provided by operating activities for the twelve months ended December 31, 2015, was $250.0 million, down $21.0 million from the same period in 2014, primarily due to decreased working capital requirements, partially offset by increased income from operations adjusted for non-cash impact of sinking fund market fluctuations. In addition, cash provided by operating activities increased $83.6 million as a result of the additional three months in the current fiscal period.

CASH USED IN INVESTING ACTIVITIES

($ millions)	12 months ended December 31, 2015	2014	Change	%	3 months ended March 31, 2016	15 months ended March 31, 2016
Investing activities	$ 304.8	$ 279.1	$ 25.7	9.2	$ 65.6	$ 370.4

Cash used in investing activities was $304.8 million for the twelve months ended December 31, 2015, up $25.7 million from the same period in 2014, primarily due to the acquisition of additional spectrum licences. Total cash invested in property plant and equipment was $236.3 million, up $7.3 million from 2014. Spending on intangible assets increased $17.0 million to $69.6 million. Government funding decreased $1.4 million in 2014 to $1.1 million. In addition, cash used in investing activities for the three months ended March 31, 2016, was $65.6 million, bringing the total cash used in investing activities for the fifteen months ended March 31, 2016, to $370.4 million. Spending on property plant and equipment for the three-month period was $60.7 million, spending on intangible assets was $8.4 million and government funding was $3.5 million. Additional details of the 2016/17 capital program are included in the Capital Expenditures section.

CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

($ millions)	12 months ended December 31, 2015	2014	Change	%	3 months ended March 31, 2016	15 months ended March 31, 2016
Financing activities	$ 59.4	$ (7.4)	$ 66.8	*nmf*[1]	$ (15.4)	$ 44.0

[1] *nmf – no meaningful figure*

Cash provided by financing activities was $59.4 million for the twelve months ended December 31, 2015, compared to cash used in financing activities of $7.4 million in 2014. This is primarily due to increased short-term borrowing and reduced dividend payments partially offset by reduced long-term borrowing compared to 2014. Financing activities for the three months ended March 31, 2016, resulted in a use of cash of $15.4 million consisting of net repayment of short-term borrowing of $5.3 million, sinking fund instalments of $2.6 million, and dividend payments of $7.5 million. SaskTel paid dividends of $30.0 million to CIC during the fifteen months ending March 31, 2016, a decrease of $53.7 million from the year ended December 31, 2014. During the last five fiscal years, SaskTel paid a total of $403.4 million in dividends while maintaining a debt ratio within industry standards.

CAPITAL MANAGEMENT

Debt ratio

($ millions)	March 31, 2016	December 31, 2014	Change	%	December 31, 2015
Long-term debt	$ 777.3	$ 776.8	$ 0.5	0.1	$ 777.2
Short-term debt	229.2	143.3	85.9	59.9	235.1
Less: Sinking funds	129.5	112.6	16.9	15.0	125.0
Cash and short-term investments	16.1	8.9	7.2	80.9	13.6
Net Debt	860.9	798.6	62.3	7.8	873.7
Equity[1]	796.3	713.0	83.3	11.7	828.0
Capitalization	$ 1,657.2	$ 1,511.6	$ 145.6	9.6	$ 1701.7
Debt Ratio	51.9%	52.8%	(0.9)	(1.7)	51.3%

[1] Equity for the purposes of calculating the debt ratio is defined as equity advances, accumulated other comprehensive income (loss) and retained earnings at the end of the period.

SaskTel's debt ratio decreased to 51.9% at March 31, 2016, down from 52.8% at December 31, 2014. The overall level of net debt increased $62.3 million, primarily to fund continued investment in property, plant and equipment as well as intangible assets. Equity increased $83.3 million after recording net income of $126.7 million, other comprehensive loss of $5.9 million, and declaring dividends of $37.5 million.

Debt Instruments

SaskTel's debt portfolio consists of short-term and long-term debt. Both are issued through, and guaranteed by, the Province of Saskatchewan. Short-term debt is issued at market rates in effect on the issue date. Long-term debt is at fixed interest rates.

The weighted average interest rate on SaskTel's fixed-rate debt was approximately 5.02% at March 31, 2016, and December 31, 2014. The weighted average interest rate of the short-term debt outstanding at March 31, 2016, was 0.63% and 1.02% at December 31, 2014.

The interest rate on SaskTel's debt depends on the credit rating of the Province of Saskatchewan, which issues debt on SaskTel's behalf. The following table lists the credit ratings of the Province at March 31, 2016:

	S&P	DBRS	Moody's
Long-term debt	AAA (negative outlook)	AA+	Aaa
Short-term liabilities	A-1+	R-1 (high)	Not Rated

Access to Capital

The primary uses of cash in 2016/17 will be property, plant and equipment and intangible asset expenditures, growth initiatives, and dividend payments.

The 2016/17 plan assumes that funding of capital expenditures, growth initiatives and dividend payments will be initially from operations. Additional funding will be accessed through short-term notes and long-term debt issued through the Province of Saskatchewan.

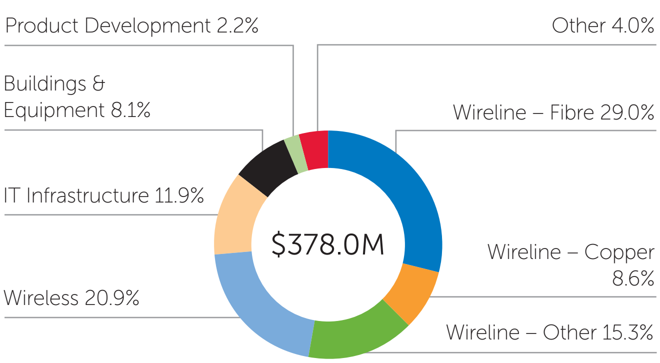
Credit facilities consist of up to $500 million in combined lines of credit with financial institutions and advances from the Province of Saskatchewan. At March 31, 2016, SaskTel had accessed $229.2 million of these facilities.

Besides this credit facility, SaskTel has authority to issue up to $1.3 billion in combined short-term and long-term debt. At March 31, 2016, total outstanding debt was $1.0 billion compared to $0.9 billion at December 31, 2014.

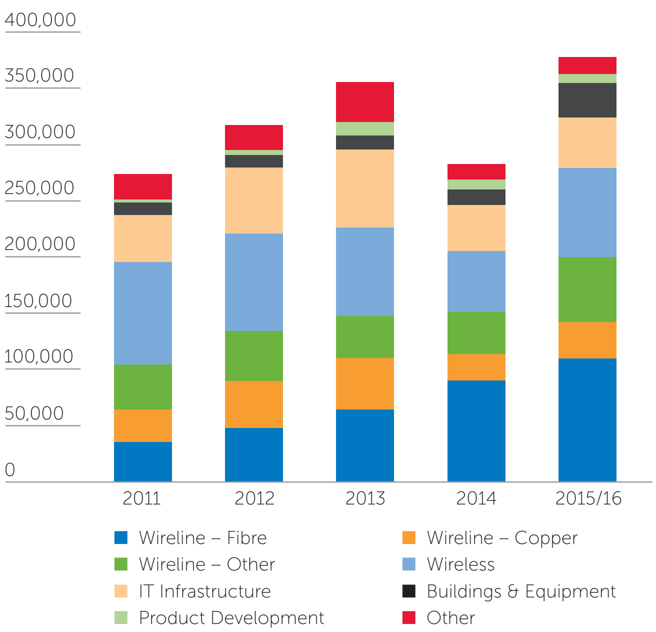
CAPITAL EXPENDITURES

SaskTel operates the largest ICT network in Saskatchewan, the result of investing in Saskatchewan for over 100 years. SaskTel invested an additional $378.0 million in capital expenditures during 2015/16 (2014 – $282.7 million) to improve our customer's experience today and create opportunities to provide additional network enhancements and capabilities in the future. Of the $378.0 million, $301.2 million (2014 – $230.0 million) was spent on property, plant and equipment, including Fibre to the Premises (FTTP), wireless networks (4G, LTE & LTE-TDD), and Access Demand, while the remaining $76.8 million (2014 – $52.6 million) was spent on intangible assets such as customer support systems and spectrum.

Capital Expenditures



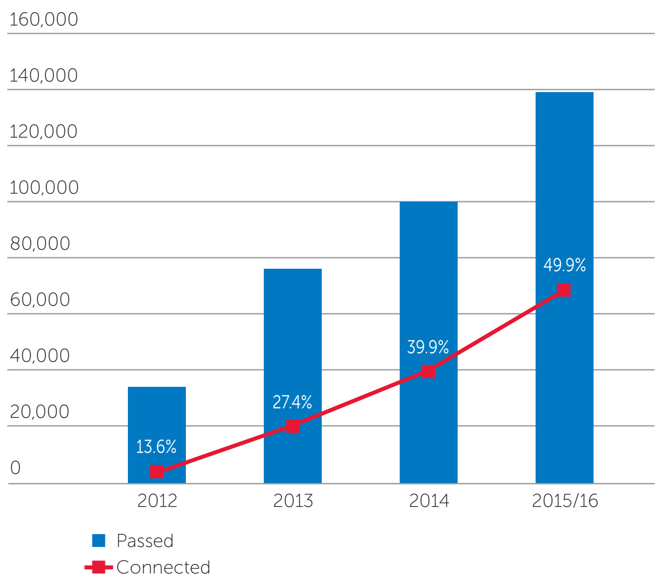
Capital Expenditures ($ Millions)



Fibre to the Premises (2015/16 – $69.9 million)

Fibre to the Premises is a twelve-year program to upgrade broadband facilities and bring *infiNET™*, SaskTel's new Fibre Optic Network, right to our customers' doors in Saskatchewan's nine major centres: Saskatoon, Regina, Moose Jaw, Prince Albert, Weyburn, Estevan, Swift Current, Yorkton, and North Battleford. By turning down existing DSL infrastructure and replacing broadband facilities in these cities, the fibre network will be capable of delivering speeds of up to 260Mbps, high definition, and feature-rich media services to seven televisions simultaneously while reducing SaskTel's need to visit the customer's premises to activate or change services.

Fibre to the Premises (Homes)



Access Demand (2015/16 – $49.3 million)

Access Demand is an on-going program to add infrastructure to new neighbourhoods and increase capacity in existing neighbourhoods so customers can access all the services that SaskTel has to offer. Economic growth in Saskatchewan has been strong for several years, and, as such, there has been a continuous demand for new land developments in many centres across the province.

4G, LTE & LTE-TDD (2015/16 – $36.6 million)

The 4G, LTE and LTE-TDD wireless networks require ongoing investment as customers abandon older wireless technologies. SaskTel 4G LTE customers can reach download speeds of up to 150 Mbps. SaskTel's LTE network currently covers 59% of Saskatchewan's population, while SaskTel's 4G network currently covers 98% of Saskatchewan's population. These ongoing investments result in increased data speeds and improved coverage that positively impact customer experience and provide the speeds and capabilities to travel the Internet, watch and listen to multi-media content, and access cloud-based services on their smartphone devices without delay.

Other Network Improvements (2015/16 – $85.1 million)

SaskTel has invested in other areas of its network to increase capacity and modernize key components so that it can meet the needs of Saskatchewan residents and businesses and continue to support the growing economy. These improvements include capacity improvements to our wireline and wireless networks; improvements to our rural transport infrastructure to accommodate rural growth of fixed and mobile voice, video and data services; and expansion of northern fibre facilities that will bring high-speed bandwidth services to northern residents and businesses.

AWS-1 Spectrum (2015/16 – $35.2 million)

During July 2015, Industry Canada approved the spectrum licence transfer of 2 blocks of prime AWS-1 spectrum from WIND Mobile to SaskTel. SaskTel successfully deployed the prime AWS-1 spectrum and significantly increased the capacity and speed of its 4G LTE network in Regina, Saskatoon, Prince Albert, Moose Jaw, Yorkton, Swift Current, North Battleford, Estevan, and Weyburn. The new spectrum deployed will allow for an increase of 4G LTE speeds from the current maximum speed of up to 110 Mbps to 150 Mbps. Going from SaskTel's previous 15 MHz wide LTE carrier to the current 20 MHz represents the maximum bandwidth possible on a LTE carrier. SaskTel continues to bid for and acquire wireless spectrum to ensure that it can meet the quality, capacity and speed of service required by our customers.

SIGNIFICANT ACCOUNTING POLICIES

This section discusses key estimates and assumptions that management has made and how they affect the amounts reported in the financial statements and notes.

SaskTel's consolidated financial statements are prepared according to International Financial Reporting Standards (IFRS). Other significant accounting policies, not involving the same level of measurement uncertainty as those discussed in this section, are nevertheless important to an understanding of our financial statements. See *Note 2* to the consolidated financial statements for accounting policies applicable to the financial statements as a whole, as well as specific notes for more information about the accounting principles SaskTel uses for each applicable account in preparing its financial statements. These notes also describe key changes in accounting standards, and how they affect our financial statements.

Key Accounting Estimates and Assumptions

In preparing the consolidated financial statements, management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and is required to constantly evaluate the judgments, estimates and assumptions used. Management bases these estimates and assumptions on past experience and other factors considered reasonable under the circumstances. Because of the judgment and measurement uncertainty, actual results could differ.

Employee defined benefit plans

SaskTel maintains defined benefit plans that provide pension, other retirement and post-employment benefits for employees. Reported financial statement amounts relating to these benefits are determined using actuarial calculations that are based on several assumptions.

SaskTel's actuary performs an actuarial valuation at least every three years to determine the actuarial present value of the accrued pension and other retirement benefits. The actuarial valuation uses management's assumptions for the discount rate, expected long-term rate of return on plan assets, rate of compensation increase and expected average remaining lives of employees. Management believes these assumptions are appropriate; however, differences in actual results or changes in assumptions could affect employee benefit obligations and future net post-employment benefit plan costs. SaskTel accounts for differences between actual and assumed results by recognizing differences in benefit obligations and plan performance in other comprehensive income in the period the differences arise.

The most significant assumption used to calculate the net employee benefit plan's obligation is the discount rate.

Discount rate

The discount rate is the interest rate used to determine the present value of the future cash flows that SaskTel expects will be required to settle employee benefit obligations. It is usually based on the yield of long-term, high-quality, corporate fixed income investments with terms reflecting the profile of the plan members.

SaskTel determines the appropriate discount rate at the end of every year. SaskTel's discount rate was 3.6% at March 31, 2016, down 0.2 percentage points from 3.8% used in 2014. Changes in the discount rate could have an effect on SaskTel's cash flows through an effect on the projected benefit obligation. A lower discount rate results in a higher obligation, which could at some point require additional contributions to the plan.

Allowances for Doubtful Accounts

SaskTel and its subsidiaries maintain allowances for losses expected to result from customers who do not make their required payments. Estimates of the allowances are based on the likelihood of collecting accounts receivable based on past experience, taking into account current and expected collection trends. If economic conditions or specific industry trends become worse than anticipated, the allowances for doubtful accounts will be increased by recording an additional expense.

Depreciation and Amortization

Depreciation and amortization are estimates to allocate the cost of an asset over its estimated useful life on a systematic and rational basis. Estimating the appropriate useful lives of assets requires significant judgment and is generally based on past experience with similar assets, taking into account expected technological or other changes. If technological changes happen more quickly or in a different way than anticipated, management may have to modify an asset's estimated useful life. This could result in a change to depreciation or amortization expense in future periods, an impairment charge to reflect a write down in value of an asset, or reversal of a previously recorded impairment charge.

Property, plant and equipment

Property, plant and equipment are amortized over their estimated useful lives. These estimated useful lives are reviewed annually. In addition, SaskTel reviews these assets for impairment as part of the relevant cash-generating unit (CGU) whenever events or changes in circumstances indicate that the carrying amount of the CGU may not be recoverable. An impairment loss is recognized on an asset or CGU to be held and used when the carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Estimating the cash flows to determine estimated recoverable amounts requires significant judgment and is generally based on current and anticipated asset potential, including future technological trends. Declines in future cash flow potential or significant unanticipated technology changes could impact the carrying value and potential impairment. In addition, SaskTel cannot predict whether an event that could trigger an impairment will occur, when it will occur, or how it will affect the asset values reported.

Goodwill

SaskTel management does not amortize goodwill but tests it for impairment as part of the relevant CGU annually, or more frequently if events or changes in circumstances indicate that the CGU might be impaired. When the recoverable amount of a CGU exceeds its carrying amount, goodwill of the CGU is considered not to be impaired. When the carrying amount of a CGU exceeds its recoverable amount, an impairment loss is first applied to reduce the carrying amount of goodwill allocated to the CGU. Again, estimating the cash flows to determine the recoverable amount of the relevant CGU requires significant judgment and is generally based on current and anticipated asset potential, including future technological trends, but they include uncertainties that cannot be controlled. As a result, the amounts reported for these items could change if assumptions are different or if conditions vary in the future. SaskTel cannot predict whether an event that triggers impairment will occur, when it will occur, or how it will affect the asset values reported.

Intangible Assets

SaskTel records intangible assets at the most appropriate value depending on the method of acquisition, cost for purchased and internally developed intangible assets, and fair value for intangible assets acquired in business combinations. Intangible assets are tested for impairment as part of the relevant CGU when events or changes in circumstances indicate that their carrying value may not be recoverable. Similar to impairment testing for property, plant and equipment, an impairment loss is recognized on an asset or CGU to be held and used when the carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Estimating the cash flows to determine estimated recoverable amounts requires significant judgment and is generally based on current and anticipated asset potential, including future technological trends. Declines in future cash flow potential or significant unanticipated technology changes could impact the carrying value and potential impairment. In addition, SaskTel cannot predict whether an event that triggers an impairment will occur, when it will occur or how it will affect the asset values reported.

Fair Value of Financial Instruments

Certain financial instruments, such as sinking funds and certain elements of borrowings, are carried in the statements of financial position at fair value, with changes in fair value reflected in the income statement and the statement of comprehensive income. Fair values are estimated by reference to published price quotations or by using other valuation techniques that may include inputs that are not based on observable market data, such as discounted cash flows.

Contingencies

SaskTel becomes involved in various litigation and regulatory matters as a regular part of its business. Pending litigation, regulatory initiatives or regulatory proceedings represent potential financial loss to SaskTel. SaskTel will accrue a potential loss if it is probable and it can reasonably be estimated. This decision is based on information available at the time.

FIVE YEAR RECORD OF SERVICE

Consolidated Statement of Income and Other Comprehensive Income

($ millions)	15 months ended March 31, 2016	12 months ended December 31, 2014	2013	2012†	2011*†
Revenue	$ 1,574.4	$ 1,231.0	$ 1,205.7	$ 1,182.4	$ 1,125.8
Other income	4.5	1.7	14.2	10.7	5.1
	1,578.9	1,232.7	1,219.9	1,193.1	1,130.9
Expenses					
Goods and services purchased	704.9	574.7	567.3	553.1	519.0
Salaries, wages and benefits	474.8	374.4	364.4	344.0	331.9
Depreciation	211.4	166.2	155.5	153.6	142.3
Amortization	43.6	41.5	27.6	24.2	20.4
Internal labour capitalized	(27.3)	(23.1)	(22.8)	(20.6)	(16.1)
	1,407.4	1,133.7	1,092.0	1,054.3	997.5
Results from operating activities	171.5	99.0	127.9	138.8	133.4
Net finance expense	(44.8)	(22.6)	(37.2)	(32.5)	(10.2)
Income from continuing operations	126.7	76.4	90.7	106.3	123.2
Net income from discontinued operations	–	–	–	–	30.8
Net income	$ 126.7	$ 76.4	$ 90.7	$ 106.3	$ 154.0
Other comprehensive income (loss)	(5.9)	(57.3)	190.6	(21.6)	(135.9)
Total comprehensive income	$ 120.8	$ 19.1	$ 281.3	$ 84.7	$ 18.1

Consolidated Statement of Financial Position

As at ($ millions)	March 31, 2016	December 31, 2014	2013	2012†	2011*†
Current assets	$ 218.9	$ 167.2	$ 181.2	$ 148.6	$ 145.6
Property, plant and equipment	1,594.3	1,511.6	1,451.5	1,335.2	1,232.0
Other long-term assets	439.9	390.1	361.0	309.9	257.6
Total assets	$ 2,253.1	$ 2,068.9	$ 1,993.7	$ 1,793.7	$ 1,635.2
Current liabilities	$ 463.1	$ 375.3	$ 518.1	$ 333.3	$ 337.5
Long-term debt	777.3	776.8	581.2	580.9	433.0
Other long-term liabilities	216.4	203.8	147.2	332.5	292.8
Province of Sask equity	796.3	713.0	747.2	547.0	571.9
Total liabilities & Province of Saskatchewan's equity	$ 2,253.1	$ 2,068.9	$ 1,993.7	$ 1,793.7	$ 1,635.2

* Amounts do not represent retrospective adoption of IAS 19 defined benefits.

† Amounts do not represent retrospective adoption of change in accounting policy for directory revenue recognition.

Consolidated Statement of Cash Flows

($ millions)	15 months ended March 31, 2016	12 months ended December 31, 2014	2013	2012†	2011*†
Cash and cash equivalents, beginning of year	$ 8.9	$ 24.4	$ 3.5	$ 8.0	$ 18.9
Cash provided by operating activities	333.6	271.0	275.2	287.5	250.3
Cash used in investing activities	(370.4)	(279.1)	(341.1)	(308.4)	(254.9)
Cash provided by (used in) financing activities	44.0	(7.4)	86.8	16.4	(70.7)
Increase (decrease) in cash from continuing ops	7.2	(15.5)	20.9	(4.5)	(75.3)
Increase in cash from discontinued ops	–	–	–	–	64.4
Cash and cash equivalents, end of year	$ 16.1	$ 8.9	$ 24.4	$ 3.5	$ 8.0

Financial Indicators

($ millions)	15 months ended March 31, 2016	12 months ended December 31, 2014	2013	2012†	2011*†
Return on equity	16.8%	10.5%	14.0%	19.0%	24.4%
Debt ratio	51.9%	52.8%	49.1%	51.3%	44.1%
Dividends declared	$ 37.5	$ 53.3	$ 81.1	$ 84.3	$ 138.6
Dividends paid	$ 30.0	$ 83.7	$ 73.6	$ 106.2	$ 109.9
Capital Expenditures	$ 378.0	$ 282.7	$ 355.8	$ 329.9	$ 268.3

Consolidated Statement of Income

($ millions)	Q5 2015/16	Q4 2015/16	Q3 2015/16	Q2 2015/16	Q1 2015/16	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Revenue	$ 316.7	$ 318.6	$ 315.2	$ 318.0	$ 305.9	$ 311.9	$ 306.4	$ 308.6	$ 304.1
Other income	1.4	(0.6)	1.8	1.4	0.5	(1.0)	1.2	0.8	0.7
	318.1	318.0	317.0	319.4	306.4	310.9	307.6	309.4	304.8
Expenses									
Goods and services purchased	133.6	162.5	137.1	136.4	135.3	159.4	141.4	143.9	130.0
Salaries, wages and benefits	100.8	92.3	89.4	93.5	98.8	92.7	89.8	93.4	98.5
Depreciation	42.2	39.7	41.7	44.0	43.8	44.7	40.4	40.4	40.7
Amortization	9.7	9.1	6.7	9.8	8.3	10.9	12.0	10.0	8.6
Internal labour capitalized	(5.5)	(6.6)	(5.1)	(5.3)	(4.8)	(6.1)	(5.6)	(5.8)	(5.6)
	280.8	297.0	269.8	278.4	281.4	301.6	278.0	281.9	272.2
Results from operating activities	37.3	21.0	47.2	41.0	25.0	9.3	29.6	27.5	32.6
Net finance expense	(8.3)	(8.4)	(10.9)	(13.1)	(4.1)	(4.7)	(7.0)	(5.7)	(5.2)
Net income	$ 29.0	$ 12.6	$ 36.3	$ 27.9	$ 20.9	$ 4.6	$ 22.6	$ 21.8	$ 27.4
Other comprehensive income (loss)	(53.2)	30.4	(10.8)	33.5	(5.8)	(6.5)	(16.5)	(9.1)	(25.2)
Total comprehensive income (loss)	$ (24.2)	$ 43.0	$ 25.5	$ 61.4	$ 15.1	$ (1.9)	$ 6.1	$ 12.7	$ 2.2

Annual Operating Statistics

As at	March 31, 2016	December 31,			
($ millions)		2014	2013	2012	2011
Customer Accesses					
Wireless*	614,221	618,083	615,694	607,659	594,405
Wireline*	404,928	437,486	464,204	490,263	513,637
Internet (includes Max)	266,237	258,547	254,873	250,068	246,472
Max subscribers	107,321	103,716	101,147	97,262	93,960
Total accesses	1,392,707	1,417,832	1,435,918	1,445,252	1,448,474

($ millions)	15 months ended March 31, 2016	12 months ended December 31, 2014	2013	2012	2011
Employees and payroll					
Total employees	3,956	3,999	4,079	4,031	4,053
Salaries earned (000's)	$ 361,265	$ 322,173	$ 314,390	$ 295,714	$ 296,025

* Does not include SaskTel internal use

GLOSSARY

4G (fourth generation): The generation of wireless technologies that includes HSPA+, LTE and LTE advanced, as defined by the International Telecommunications Union.

ADSL (asymmetric digital subscriber line): An IP technology that allows existing copper telephone lines to carry voice, data and video, and enables three simultaneous video streams into a home.

AWS (advanced wireless services) spectrum: Spectrum in the 1.7 and 2.1 GHz frequency ranges that is used in North America for 4G services. It is commonly used in urban and suburban areas.

Broadband: Telecommunications services that allow the simultaneous high-speed transmission of voice, data and video at speeds of 1.5 Mbps and above.

CDMA (code division multiple access): A wireless technology that spreads a signal over a frequency band that is larger than the signal in order to enable the use of a common band by many users and achieve signal security and privacy.

Cloud computing: A system in which software, data and services reside in data centres accessed over the Internet from any connected device.

CRTC (Canadian Radio-television and Telecommunications Commission): The federal regulator for radio and television broadcasters and cable-TV and telecommunications companies in Canada.

Data centre: A facility for hosted applications and data storage and management.

EVDO (evolution data optimized): A wireless radio broadband protocol that delivers data download speeds of up to 2.4 Mbps. It is part of the CDMA family of standards. EVDO Revision A delivers data download speeds of up to 3.1 Mbps.

Fibre network: Hair-thin glass fibres along which light pulses are transmitted. Optical fibre networks are used to transmit large amounts of data between locations.

FTTx (fibre to the x): A collective term for any broadband network architecture using optical fibre to replace all or part of the existing copper local loops. FTTH denotes fibre to the home, FTTP denotes premises and FTTN denotes node or neighbourhood.

Hosting: The management of data, which involves securely storing, serving and maintaining IT services and applications for customers.

HSPA+ (high-speed packet access plus): A 4G technology capable of delivering manufacturer-rated wireless data download speeds of up to 21 Mbps (typical speeds of 4 to 6 Mbps expected). HSPA+ dual-cell technology can double those download speeds.

Internet of Things (IoT): A network of uniquely identifiable end points (or things) that interact without human intervention, most commonly over a wireless network. These systems collect, analyze and act on information in real time and can be deployed to enable the creation of smart connected businesses, homes, cars and cities.

IP (Internet protocol): A packet-based protocol for delivering data across networks.

IP-based network: A network designed using IP and QoS (quality of service) technology to reliably and efficiently support all types of customer traffic, including voice, data and video. An IP-based network allows a variety of IP devices and advanced applications to communicate over a single common network.

IP TV (Internet protocol television): A television service that uses a two-way digital broadcast signal sent through a network by way of a streamed broadband connection to a dedicated set-top box.

LTE (long-term evolution): A 4G mobile telecommunications technology that is the leading global wireless industry standard.

M2M (machine-to-machine): Technologies and networked devices that are able to exchange information and perform actions without any human assistance.

Mbps (megabits per second): A measurement of data transmission speed, defined as the amount of data transferred in a second between two telecommunications points or within a network. Mbps is millions of bits per second and Gbps (gigabits per second) is billions of bits per second.

Over-the-top (OTT): Content, services and applications in a video environment where the delivery occurs through a medium other than the established video delivery infrastructure.

PCS (personal communications services): Digital wireless voice, data and text messaging services in the 1.9 GHz frequency range.

Postpaid: A conventional method of payment for services where a subscriber is billed and pays for a significant portion of services and usage in arrears, after consuming the services.

Prepaid: A method of payment for wireless services that allows a customer to prepay for a set amount of airtime and/or data in advance of actual usage.

Roaming: A service offered by wireless network operators that allows subscribers to use their mobile phones while in the service area of another operator.

Spectrum: The range of electromagnetic radio frequencies used in the transmission of voice, data and video. The capacity of a wireless network is in part a function of the amount of spectrum licensed and used by the carrier.

Video on demand (VOD): An interactive TV technology that enables customers to access content at their convenience, allowing them to view programming in real time or download and view it later.

VoIP (voice over Internet protocol): The transmission of voice signals over the Internet or IP network.

Wave 3 solutions: Next-generation wireless offerings that use Internet of Things technology to provide solutions to businesses and consumers.

Wi-Fi (wireless fidelity): Networking technology that allows any user with a Wi-Fi-enabled device to connect to a wireless access point or hotspot in high-traffic public locations.

NON-GAAP AND OTHER FINANCIAL MEASURES

ARPU (average revenue per unit): ARPU is defined as the revenue attributed to certain services divided by the average number of related units in the period.

Capital intensity: This measure provides a basis for comparing the level of capital expenditures to those of other companies of varying size within the same industry.

This measure is calculated as capital expenditures (excluding spectrum licences and non-monetary transactions) divided by total operating revenues.

Debt ratio: The debt ratio measures the capitalization of the Corporation. This measure allows for capital structure comparison with other companies in the same industry.

It is defined as net debt divided by total capitalization. Net debt is defined as long-term and short-term debt minus cash and sinking funds. Total capitalization is defined as net debt plus period-end equity.

EBITDA (earnings before interest, income taxes, depreciation and amortization): EBITDA is used as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric.

EBITDA is defined as operating revenue minus operating expenses. Operating revenue is defined as total revenue exclusive of other income. Operating expenses are defined as the sum of goods and services purchased, salaries, wages and benefits less internal labour capitalized.

EBITDA margin: EBITDA margin is the percentage of operating revenue available for debt coverage, capital investment and return to the shareholder.

EBITDA margin is defined as EBITDA divided by operating revenue.

ROE (return on equity): ROE measures the return to the shareholders based on the equity retained by the Corporation.

The calculation is defined as net income divided by average equity for the fiscal period.

Consolidated Financial Statements

Consolidated Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements, included in the annual report of Saskatchewan Telecommunications Holding Corporation for the fifteen months ended March 31, 2016, are the responsibility of management and have been approved by the Board of Directors. Management has prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board. The policies set out have been consistently applied to all the periods presented unless otherwise noted. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

To ensure the integrity and objectivity of the financial data, management maintains a comprehensive system of internal controls including written policies and procedures, an organizational structure that segregates duties and a comprehensive internal audit program. These measures provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, assets are properly safeguarded and reliable financial records are maintained.

The Board of Directors fulfills its responsibility with regard to the financial statements principally through its Audit Committee, consisting of outside directors, which meets periodically with management as well as with the internal and external auditors. The Audit Committee is responsible for engaging or re-appointing the services of the external auditor. Both the internal and external auditors have free access to this committee to discuss their audit work, their opinion on the adequacy of internal controls and the quality of financial reporting. The Audit Committee has met with management and the external auditor to review the Corporation's annual consolidated financial statements prior to submission to the Board of Directors for final approval.

The consolidated financial statements have been audited by the independent firm of KPMG LLP Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan.

Ron Styles
President and
Chief Executive Officer
May 31, 2016

Charlene Gavel
Chief Financial Officer

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

I, Ron Styles, the Chief Executive Officer of Saskatchewan Telecommunications Holding Corporation (SaskTel), and I, Charlene Gavel, the Chief Financial Officer of SaskTel, certify the following:

a. That we have reviewed the financial statements included in the annual report of SaskTel. Based on our knowledge, having exercised reasonable diligence, the financial statements included in the annual report, fairly present, in all material respects the financial condition, results of operations, and cash flows, as of March 31, 2016, and for the periods presented in the financial statements.

b. That based on our knowledge, having exercised reasonable diligence, the financial statements included in the annual report of SaskTel do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.

c. That SaskTel is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and SaskTel has designed internal controls over financial reporting that are appropriate to the circumstances of SaskTel.

d. That SaskTel conducted its assessment of the effectiveness of the corporation’s internal controls over financial reporting and, based on the results of this assessment, SaskTel can provide reasonable assurance that internal controls over financial reporting as of March 31, 2016, were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

Ron Styles
President and
Chief Executive Officer
May 31, 2016

Charlene Gavel
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To The Members of the Legislative Assembly, Province of Saskatchewan

We have audited the accompanying consolidated financial statements of Saskatchewan Telecommunications Holding Corporation which comprise the consolidated statement of financial position as at March 31, 2016, the consolidated statements of income and other comprehensive loss, changes in equity and cash flows for the fifteen month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saskatchewan Telecommunications Holding Corporation as at March 31, 2016, and its consolidated financial performance and its consolidated cash flows for the fifteen month period then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants
May 31, 2016
Regina, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

Consolidated Statement of Income and Other Comprehensive Loss

Thousands of dollars	Note	For the fifteen months ended March 31, 2016	For the twelve months ended December 31, 2014
Revenue	3	$1,574,394	$ 1,231,001
Other income	3	4,540	1,689
		1,578,934	1,232,690
Expenses			
Goods and services purchased		704,928	574,645
Salaries, wages and benefits		474,779	374,402
Depreciation	9	211,410	166,239
Amortization	10	43,594	41,485
Internal labour capitalized		(27,311)	(23,093)
		1,407,400	1,133,678
Results from operating activities		171,534	99,012
Net finance expense	4	44,826	22,605
Net income		126,708	76,407
Other comprehensive loss			
Items that will never be reclassified to net income			
Actuarial losses on employee benefit plans	18	(5,886)	(57,308)
Total comprehensive income		$ 120,822	$ 19,099

All net income and total comprehensive income are attributable to Crown Investments Corporation of Saskatchewan.

See Accompanying Notes

Consolidated Statement of Changes in Equity

Thousands of dollars	Note	Equity advances	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
Balance at January 1, 2015		$ 250,000	$ (49,149)	$ 512,171	$ 713,022
Net income		–	–	126,708	126,708
Other comprehensive loss	18	–	(5,886)	–	(5,886)
Total comprehensive income (loss) for the fiscal period		–	(5,886)	126,708	120,822
Dividends declared		–	–	37,500	37,500
Balance March 31, 2016		$ 250,000	$ (55,035)	$ 601,379	$ 796,344
Balance at January 1, 2014		$ 250,000	$ 8,159	$ 489,056	$ 747,215
Net income		–	–	76,407	76,407
Other comprehensive loss	18	–	(57,308)	–	(57,308)
Total comprehensive income (loss) for the year		–	(57,308)	76,407	19,099
Dividends declared		–	–	53,292	53,292
Balance December 31, 2014		$ 250,000	$ (49,149)	$ 512,171	$ 713,022

See Accompanying Notes

Consolidated Statement of Financial Position

As at Thousands of dollars	Note	March 31, 2016	December 31, 2014
Assets			
Current assets			
Cash	5	$ 16,099	$ 8,948
Trade and other receivables	6	132,788	116,932
Inventories	7	24,627	15,796
Prepaid expenses	8	45,336	25,550
		218,850	167,226
Property, plant and equipment	9	1,594,338	1,511,600
Intangible assets	10	301,054	269,302
Sinking funds	11	129,497	112,571
Other assets	12	9,322	8,188
		$2,253,061	$ 2,068,887
Liabilities and Province's equity			
Current liabilities			
Trade and other payables	13	$ 158,190	$ 165,397
Dividend payable		7,500	-
Notes payable	14	229,231	143,298
Other liabilities	15	68,126	66,643
		463,047	375,338
Deferred revenue		10,417	7,526
Deferred income – government funding	16	38,117	40,050
Long-term debt	17	777,256	776,780
Employee benefit obligations	18	167,880	156,171
		1,456,717	1,355,865
Commitments and contingencies	23		
Province of Saskatchewan's equity			
Equity advance	19	250,000	250,000
Accumulated other comprehensive loss		(55,035)	(49,149)
Retained earnings		601,379	512,171
		796,344	713,022
		$2,253,061	$ 2,068,887

See Accompanying Notes

On behalf of the Board

Grant Kook
May 31, 2016

Glenys Sylvestre

Consolidated Statement of Cash Flows

Thousands of dollars	Note	For the fifteen months ended March 31, 2016	For the twelve months ended December 31, 2014
Operating activities			
Net income		$ 126,708	$ 76,407
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	9, 10	255,004	207,724
Net finance expense	4	44,826	22,605
Interest paid		(49,775)	(39,288)
Interest received		1,966	1,630
Amortization of government funding	16	(6,459)	(6,242)
Other		9,533	13,357
Net change in non-cash working capital	20	(48,178)	(5,162)
		333,625	271,031
Investing activities			
Property, plant and equipment expenditures		(296,952)	(228,993)
Intangible asset expenditures		(78,054)	(52,630)
Government funding	16	4,565	2,538
		(370,441)	(279,085)
Financing activities			
Proceeds from long-term debt		–	195,240
Net proceeds (repayment) of notes payable		85,933	(110,043)
Sinking fund installments	11	(11,966)	(8,866)
Dividends paid		(30,000)	(83,694)
		43,967	(7,363)
Increase (decrease) in cash		7,151	(15,417)
Cash, beginning of fiscal period		8,948	24,365
Cash, end of fiscal period		$ 16,099	$ 8,948

See Accompanying Notes

Note 1 – General information

Saskatchewan Telecommunications Holding Corporation (the Corporation) is a corporation located in Canada. The address of the Corporation's registered office is 2121 Saskatchewan Drive, Regina, SK, S4P 3Y2. The Corporation is a Saskatchewan Provincial Crown corporation operating under the authority of *The Saskatchewan Telecommunications Holding Corporation Act* and, as such, the Corporation and its wholly owned subsidiaries are not subject to Federal or Provincial income taxes in Canada.

By virtue of *The Crown Corporations Act, 1993*, the Corporation has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC). Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC, a Provincial Crown corporation.

One of the Corporation's subsidiaries, Saskatchewan Telecommunications (SaskTel) is regulated by the Canadian Radio-television and Telecommunications Commission (CRTC) under the *Telecommunications Act* (Canada).

The Corporation markets and supplies a range of wireless, voice, entertainment, Internet, data, equipment, print and online advertising, security, software and consulting products and services.

Note 2 – Basis of presentation

Certain of the Corporation's accounting policies that relate to the consolidated financial statements as a whole are incorporated in this section. Where an accounting policy is applicable to a specific note to the accounts, the policy is described within that note. This note also describes new standards, amendments or interpretations that were either effective and applied by the Corporation during the current fiscal period or that were not yet effective.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

Change of year end

The Corporation has been directed by the provincial government to change its fiscal year end to March 31 to coincide with that of the Province of Saskatchewan. The first complete fiscal period will consist of the fifteen (15) months ending March 31, 2016. Information included in the following discussion focuses on the 15 months of the current fiscal period as compared to the twelve (12) month fiscal period ending December 31, 2014. As a result, information contained in these consolidated financial statements may not be comparable with previously reported information.

Functional currency

The consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Fair value through profit and loss financial instruments are measured at fair value, and
- The employee benefit obligation is recognized as the fair value of the plan assets less the present value of the accrued benefit obligation.

Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Note 2 – Basis of presentation, continued

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements includes the following:

- Use of the straight-line basis of depreciation and amortization (*Note 9 – Property, plant and equipment* and *Note 10 – Intangible assets*),
- Classification of intangible assets – indefinite life (*Note 10 – Intangible assets*), and
- Accounting for government funding (*Note 16 – Deferred income – government funding*).

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year include:

- Useful lives and depreciation rates for property, plant and equipment (*Note 9 – Property, plant and equipment*),
- Useful lives and amortization rates for intangible assets (*Note 10 – Intangible assets*),
- Use of estimates when calculating the recoverable amounts of intangible assets (*Note 10 – Intangible assets*), and
- Measurement of the employee benefit obligations (*Note 18 – Employee benefits*).

Significant accounting policies

The accounting policies that relate to the consolidated financial statements as a whole are set out below. Additional significant accounting policies are disclosed throughout the notes to the financial statements with the related disclosures. Accounting policies have been applied consistently by the Corporation and its subsidiaries throughout all periods presented unless otherwise indicated.

Basis of consolidation

Business combinations

For acquisitions, the Corporation measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in net income.

The Corporation elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

Subsidiaries

The financial statements include the financial statements of the Corporation and its subsidiaries.

A subsidiary is an entity that is controlled by another entity, known as the parent. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Note 2 – Basis of presentation, continued

Separate audited financial statements for each of the undernoted wholly owned corporations, which are consolidated in these financial statements, are prepared and released publicly:

Subsidiary	Principal Activity
Saskatchewan Telecommunications (SaskTel)	Telecommunications
Saskatchewan Telecommunications International, Inc. (SaskTel International)	Telecommunications software solutions & consulting
DirectWest Corporation (DirectWest)	Print and on-line advertising
SecurTek Monitoring Solutions Inc. (SecurTek)	Security monitoring

Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

Impairment testing

Assets that have an indefinite useful life (i.e. spectrum licences and goodwill) or intangible assets that are not yet ready for use are not subject to amortization and are tested at least annually for impairment (typically in the second quarter), or more frequently if events or circumstances indicate there may be an impairment. At the end of each reporting period, the Corporation reviews the carrying amounts of its assets in use, including property, plant and equipment and identifiable intangible assets with finite lives, to determine whether there is any indication that they have suffered an impairment loss.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit or the CGU). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs. The Corporation's fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value.

Note 2 – Basis of presentation, continued

The three levels of the fair value hierarchy are:

Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Corporation at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Comparative figures

Certain of the 2014 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current fiscal period.

Additional accounting policies

Additional significant accounting policies are disclosed throughout the following notes with the related financial disclosures.

Note	Topic	Accounting Policies	Page
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5	Cash	X	88
6	Trade and other receivables	X	88
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8	Prepaid expenses		89
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10	Intangible assets	X	92
11	Sinking funds	X	94
12	Other assets		95
13	Trade and other payables	X	95
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Application of revised International Financial Reporting Standards

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) did not issue any standards, amendments or interpretations to existing standards during the current fiscal period that were applied by the Corporation.

Note 2 – Basis of presentation, continued

New standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards were issued by the IASB or IFRIC that are mandatory for fiscal periods beginning after March 31, 2016. These include:

Standard	Description	Impact	Effective Date
Amendments to IAS 1, Presentation of financial statements	Issued to improve the effectiveness of presentation and disclosure in financial reports, with the objective of reducing immaterial disclosures.	The Corporation is currently evaluating the impact of these amendments on the financial statements, but does not anticipate a significant impact on operations from adoption.	Fiscal years beginning on or after January 1, 2016, applied prospectively.
Amendments to IAS 16, Property, plant and equipment and IAS 38, Intangible assets	Issued to clarify acceptable methods of depreciation and amortization.	The Corporation is currently evaluating the impact of these amendments on the financial statements, but does not anticipate a significant impact on operations from adoption.	Fiscal years beginning on or after January 1, 2016, applied prospectively.
Amendments to IFRS 11, Joint arrangements	Issued to provide additional guidance on accounting for the acquisition of an interest in a joint operation.	The Corporation is currently evaluating the impact of these amendments on the financial statements, but does not anticipate a significant impact on operations from adoption.	Fiscal years beginning on or after January 1, 2016, applied prospectively.
Amendments to IAS 7, Statement of cash flows	Issued to require a reconciliation of the opening and closing liabilities that form part of an entity's financing activities, including both changes arising from cash flows and non-cash changes.	The Corporation is currently evaluating the impact of these amendments on the financial statements, but does not anticipate a significant impact on operations from adoption.	Fiscal years beginning on or after January 1, 2017, applied prospectively.
IFRS 9, Financial instruments	The standard sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. It also has modified the hedge accounting model to better link the economics of risk management with the accounting treatment of hedges.	IFRS 9 may affect the classification, measurement and valuation of certain assets and liabilities. The Corporation is currently evaluating the impact of IFRS 9 on the financial statements.	Fiscal years beginning on or after January 1, 2018, applied retrospectively with certain exceptions. Early adoption is permitted.
IFRS 15, Revenue from contracts with customers	This standard establishes principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of other IFRSs. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps: 1. Identify the contract with a customer 2. Identify the performance obligations in the contract 3. Determine the transaction price 4. Allocate the transaction price to the performance obligations in the contract 5. Recognize revenue when (or as) the entity satisfies a performance obligation The new standard also provides guidance relating to contract costs and for the measurement and recognition of gains and losses on the sale of certain non-financial assets such as property and equipment. Additional disclosures will also be required under the new standard.	IFRS 15 will affect how the Corporation accounts for revenues from contracts with customers and the related contract costs for wireless operations and other segments. The Corporation is currently evaluating the impact of IFRS 15 on the financial statements.	Fiscal years beginning on or after January 1, 2018, applied retrospectively with certain practical expedients available. Early adoption is permitted.
IFRS 16, Leases	Under the new standard all leases will be brought onto companies' balance sheets. IFRS 16 also removes the classification of leases as either operating leases or finance leases (for the lessee—the lease customer), treating all leases as finance leases.	IFRS 16 may affect the classification, measurement and valuation of leases. The Corporation is currently evaluating the impact of IFRS 16 on the financial statements.	Fiscal years beginning on or after January 1, 2019, applied retrospectively with certain practical expedients available. Early adoption is permitted.

Note 3 – Revenue and other income

Accounting policies

Revenue represents the fair value of the consideration received or receivable for the services provided and equipment sales, net of discounts, volume rebates and sales taxes. Revenue from the rendering of services and sale of equipment is recognized in the period the services are provided or the equipment is sold, when there is persuasive evidence that an arrangement exists, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Corporation and, in the case of equipment sales, when the significant risks and rewards of ownership of the goods are transferred to the buyer. Where the Corporation acts as an agent in a transaction, amounts collected on behalf of the principal are excluded from revenue.

Revenues from local telecommunications, data, Internet, entertainment and security services are recognized based on access to the Corporation's network and facilities at the rate plans in effect during the period the service is provided. Certain service connection charges and activation fees, along with corresponding costs are deferred and recognized over the average expected term of the customer relationship. Revenues from long distance and wireless airtime are recognized based on the usage or rate plans in the period service is provided. Revenues from equipment sales are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, typically when the equipment is delivered to and accepted by the customer. Revenues for longer term contracts are recognized in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. Payments received in advance are recorded as deferred revenue until the product or service is delivered.

Customer solutions may involve the delivery of multiple services and products that occur at different points and over different periods of time. The multiple services are separated into their respective accounting units and consideration is allocated among the accounting units. The relevant revenue recognition policies are applied to each accounting unit. When an amount allocated to a delivered item is contingent upon the delivery of additional items or meeting specified performance conditions, the amount allocated to that delivered item is limited to the non-contingent amount.

When the Corporation receives no identifiable, separable benefit for consideration given to a customer (e.g. discounts and rebates), the consideration is recorded as a reduction of revenue rather than as an expense.

Revenues are earned through the sale of print and on-line advertising. Advertising revenues are generally recognized, in accordance with the contractual terms with the advertisers, on a monthly basis over the life of the advertising, commencing with the display date. Amounts billed in advance for advertising are deferred and recognized over the life of the contract.

Revenues for perpetual licences are recognized on delivery or according to the terms of the licence agreement. Where the arrangement includes multiple elements, perpetual licence revenues are recognized on delivery, provided the undelivered elements are not essential to the functionality of the licence, the Corporation has evidence of fair value for all the undelivered items and completion costs are reliably measurable. Fees for professional services, other than in the context of multiple element arrangements are recognized as services are rendered. Support and maintenance fees are recognized over the term of the contract. Revenues for customized software projects and consulting services are recognized using the percentage-of-completion method. Amounts billed or paid in advance of services provided are recorded as deferred revenue.

Note 3 – Revenue and other income, continued

The Canadian Radio-television and Telecommunications Commission (CRTC) has established a National Subsidy Fund to subsidize Local Exchange Carriers (LECs), like the Corporation, that provide service to residential customers located in high cost service areas (HCSAs). The CRTC has set the rate per line and band for all LECs. The Corporation recognizes the revenue on an accrual basis by applying the rate to the number of residential network access lines served during the period in HCSAs.

Customer contributions specifically related to access to the Corporation's network, based on standard terms and conditions, are recognized as revenue when the customer is connected to the network. Other contributions, either related to access to the Corporation's network based on non-standard terms or conditions, or based on specifically contracted products or services, are assessed to determine the appropriate revenue recognition for the products or services provided, based on the Corporation's revenue recognition policies.

Supporting information

Thousands of dollars	Note	For the fifteen months ended March 31, 2016	For the twelve months ended December 31, 2014
Services revenue			
Wireless services		$ 618,145	$ 482,252
maxTV, Internet and data services		406,042	305,162
Local and enhanced services		290,198	242,662
Long distance services		58,883	53,179
Equipment		81,325	54,948
Advertising services		50,315	41,898
Security monitoring services		28,511	22,914
International software and consulting services		8,962	6,202
Other services		32,013	21,784
		1,574,394	1,231,001
Other income			
Net loss on retirement or disposal of property, plant and equipment		(5,590)	(3,198)
Amortization of government funding	16	6,459	6,242
Other		3,671	(1,355)
		4,540	1,689
		$1,578,934	$ 1,232,690

Note 4 – Net finance expense

Accounting policies

Finance income is comprised of interest income on funds invested, changes in fair value of financial assets at fair value through profit or loss and net interest income on the net defined benefit asset.

Finance expenses are comprised of interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and the net interest expense on the net defined benefit liability. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense.

Supporting information

Thousands of dollars	Note	For the fifteen months ended March 31, 2016	For the twelve months ended December 31, 2014
Recognized in consolidated net income			
Interest expense on financial liabilities measured at amortized cost		$ 51,807	$ 40,377
Interest capitalized		(7,290)	(7,316)
Net interest expense		44,517	33,061
Net change in fair value of unimpaired financial assets at fair value through profit or loss	11	3,082	–
Net interest on defined benefit liability	18	7,235	4,202
Finance expense		54,834	37,263
Net change in fair value of unimpaired financial assets at fair value through profit or loss	11	–	(8,576)
Interest income on unimpaired financial assets at fair value through profit or loss	11	(8,042)	(4,452)
Interest income on loans and receivables		(1,966)	(1,630)
Finance income		(10,008)	(14,658)
Net finance expense		$ 44,826	$ 22,605
Interest capitalization rate		4.30%	4.67%

Note 5 – Cash

Accounting policies

The Corporation classifies cash and cash equivalents, including amounts with a maturity of 90 days or less, as financial instruments through profit and loss. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with revaluation gains and losses included in net income in the period in which the gains and losses arise.

Note 6 – Trade and other receivables

Accounting policies

The Corporation initially recognizes trade and other receivables at fair value on the date that they are originated. Subsequent to initial recognition trade and other receivables are measured at amortized cost using the effective interest method, less any provision for impairment losses of trade accounts receivable.

The Corporation considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

Note 6 – Trade and other receivables, continued

In assessing collective impairment, the Corporation uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Supporting information

As at Thousands of dollars	Note	March 31, 2016	December 31, 2014
Accounts receivables			
Customer accounts receivable	21	$ 86,279	$ 81,390
Accrued receivables – customer		2,215	4,434
Allowance for doubtful accounts	21	(2,227)	(1,716)
		86,267	84,108
High cost serving area subsidy		2,708	2,784
Other		43,813	30,040
		$ 132,788	$ 116,932

Note 7 – Inventories

Accounting policies

Inventories for resale are valued at the lower of weighted average cost and net realizable value. Other supplies inventories are valued at the lower of average cost and replacement cost.

In establishing the appropriate provision for supplies inventory obsolescence, management estimates the likelihood that supplies inventory on hand will become obsolete due to changes in technology. Other supplies are charged to inventory when purchased and expensed or capitalized when used.

Supporting information

As at Thousands of dollars	March 31, 2016	December 31, 2014
Inventories for resale	$ 21,822	$ 12,590
Materials and supplies	2,805	3,206
	$ 24,627	$ 15,796

The cost of inventories recognized as an expense during the fiscal period was $98.3 million (2014 – $63.8 million).

For the fiscal period ended March 31, 2016, write-downs of inventory to net realizable value amounted to $0.9 million (2014 – $0.4 million).

Note 8 – Prepaid expenses

As at Thousands of dollars	March 31, 2016	December 31, 2014
Prepaid expenses	$ 37,913	$ 19,346
Deferred service connection charges	3,940	4,239
Short-term customer incentives	3,483	1,965
	$ 45,336	$ 25,550

Note 9 – Property, plant and equipment

Accounting policies

Property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to bringing the assets to a working condition for their intended use. The cost of self-constructed assets includes materials, services, direct labour and directly attributable overheads. Borrowing costs associated with major capital and development projects are capitalized during the construction period. Assets under construction are recorded as in progress until they are operational and available for use, at which time they are transferred to property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in net income as incurred.

When property, plant and equipment is disposed of or retired, the related cost and accumulated depreciation is eliminated from the accounts. Any resulting gain or loss, determined as the difference between the sale proceeds and the carrying amount of the asset, is reflected in net income for the fiscal period.

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in net income on the straight-line basis over the estimated useful life of each part of an item of property, plant and equipment as follows:

Asset	Estimated useful life
Buildings and improvements	20–75 years
Plant and equipment	3–50 years
Office furniture and equipment	3–17 years

Depreciation methods, useful lives and residual values are reviewed at each financial reporting date and adjusted if appropriate.

Change in accounting estimate

During the fiscal period, the Corporation adjusted the useful lives of certain assets to coincide with the revised exit dates for the related technologies. The impacts are as follows:

	Fiscal period ending March 31,					
Millions of dollars	2016	2017	2018	2019	2020	2021 and beyond
Depreciation expense increase (decrease)	$ 1.0	$ (2.4)	$ (8.0)	$ (2.7)	$ 10.1	$ 2.0

Note 9 – Property, plant and equipment, continued

Supporting information

Thousands of dollars	Plant and equipment	Buildings and improvements	Office furniture and equipment	Plant under construction	Land	Total
Cost						
Balance at January 1, 2015	$ 3,178,774	$ 453,387	$ 155,872	$ 139,989	$ 36,054	$ 3,964,076
Additions	59,001	301	22,420	219,487	–	301,209
Transfers	182,345	19,675	7,280	(210,769)	1,469	–
Retirements and disposals	(35,680)	(2,455)	(27,621)	–	(16)	(65,772)
Balance at March 31, 2016	$ 3,384,440	$ 470,908	$ 157,951	$ 148,707	$ 37,507	$ 4,199,513
Balance at January 1, 2014	$ 3,014,983	$ 442,137	$ 133,872	$ 148,046	$ 35,725	$ 3,774,763
Additions	38,322	104	13,909	176,684	1,014	230,033
Transfers	163,663	12,372	8,345	(184,741)	361	–
Retirements and disposals	(38,194)	(1,226)	(254)	–	(1,046)	(40,720)
Balance at December 31, 2014	$ 3,178,774	$ 453,387	$ 155,872	$ 139,989	$ 36,054	$ 3,964,076
Accumulated depreciation						
Balance at January 1, 2015	$ 2,217,911	$ 135,014	$ 99,551	$ –	$ –	$ 2,452,476
Depreciation for the fiscal period	171,303	13,311	26,796	–	–	211,410
Retirements and disposals	(29,962)	(1,609)	(27,140)	–	–	(58,711)
Balance at March 31, 2016	$ 2,359,252	$ 146,716	$ 99,207	$ –	$ –	$ 2,605,175
Balance at January 1, 2014	$ 2,118,628	$ 125,084	$ 79,586	$ –	$ –	$ 2,323,298
Depreciation for the year	135,624	10,310	20,305	–	–	166,239
Retirements and disposals	(36,341)	(380)	(340)	–	–	(37,061)
Balance at December 31, 2014	$ 2,217,911	$ 135,014	$ 99,551	$ –	$ –	$ 2,452,476
Carrying amounts						
At January 1, 2015	$ 960,863	$ 318,373	$ 56,321	$ 139,989	$ 36,054	$ 1,511,600
At March 31, 2016	$ 1,025,188	$ 324,192	$ 58,744	$ 148,707	$ 37,507	$ 1,594,338
At January 1, 2014	$ 896,355	$ 317,053	$ 54,286	$ 148,046	$ 35,725	$ 1,451,465
At December 31, 2014	$ 960,863	$ 318,373	$ 56,321	$ 139,989	$ 36,054	$ 1,511,600

Note 10 – Intangible assets

Accounting policies

Intangible assets are defined as being identifiable, able to bring future economic benefits to the Corporation and controlled by it. An asset meets the identifiability criterion when it is separable or arises from contractual rights.

Intangible assets are recorded initially at cost of acquisition or development and relate primarily to software, customer accounts, spectrum licences and goodwill. Internally generated intangible assets relate primarily to software. An intangible asset is recognized when it is probable that the expected future economic benefits attributable to the asset will flow to the company and the cost of the asset can be measured reliably.

Software development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Corporation intends to and has sufficient resources to complete development and to use or sell the asset. The expenditures capitalized include the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are capitalized. Other development expenditures are recognized in net income as incurred.

Capitalized software is measured at cost less accumulated amortization and accumulated impairment losses.

Costs associated with maintaining software as well as expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized as an expense as incurred.

Customer accounts, acquired individually, with a group of other assets, or through the Corporation's authorized dealers are measured at cost less accumulated amortization and any accumulated impairment losses.

Spectrum licences have been classified as indefinite-life intangible assets due to the current licencing terms, the most significant of which are minimal renewal fees and no regulatory precedent of material licence revocation. Should these factors change, the classification of indefinite-life will be reassessed. Spectrum licences have been recorded at cost less any accumulated impairment losses.

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For measurement of goodwill at initial recognition, see *Note 2 - Basis of consolidation*. Subsequently goodwill is measured at cost less any accumulated impairment losses. Goodwill is no longer amortized.

Amortization is recognized in net income on a straight-line basis over the estimated useful lives of the assets as follows:

Asset	Estimated useful life
Software	1–10 years
Customer accounts	5–10 years

Change in accounting estimate

During the fiscal period, intangible assets that had been assessed as impaired were sold resulting in an impairment loss reversal of $2.0 million, which has been recorded in amortization expense.

During the fiscal period the Corporation adjusted the useful lives of certain assets to coincide with the revised expected useful lives. The impacts are as follows:

	Fiscal period ending March 31,					
Millions of dollars	2016	2017	2018	2019	2020	2021 and beyond
Amortization expense increase (decrease)	$ (11.9)	$ (10.6)	$ (7.1)	$ (3.6)	$ 4.3	$ 28.9

Note 10 – Intangible assets, continued

Supporting information

Thousands of dollars	Goodwill	Software	Customer accounts	Spectrum licences	Under development	Total
Cost						
Balance at January 1, 2015	$ 5,976	$ 244,282	$ 85,865	$ 73,538	$ 55,933	$ 465,594
Acquisitions	–	7,861	6,170	35,200	11,230	60,461
Acquisitions – internally developed	–	2,226	–	–	14,098	16,324
Transfers	–	74,081	–	–	(74,081)	–
Disposals	–	(3,713)	–	–	–	(3,713)
Balance at March 31, 2016	$ 5,976	$ 324,737	$ 92,035	$ 108,738	$ 7,180	$ 538,666
Balance at January 1, 2014	$ 5,976	$ 189,508	$ 81,024	$ 65,981	$ 76,795	$ 419,284
Acquisitions	–	5,610	4,841	7,557	23,945	41,953
Acquisitions – internally developed	–	1,325	–	–	9,360	10,685
Transfers	–	52,167	–	–	(52,167)	–
Retirements and disposals	–	(4,328)	–	–	(2,000)	(6,328)
Balance at December 31, 2014	$ 5,976	$ 244,282	$ 85,865	$ 73,538	$ 55,933	$ 465,594
Accumulated amortization						
Balance at January 1, 2015	$ –	$ 143,461	$ 52,831	$ –	$ –	$ 196,292
Amortization for the fiscal period	–	38,194	7,400	–	–	45,594
Reversal of impairment losses	–	(2,000)	–	–	–	(2,000)
Disposals	–	(2,274)	–	–	–	(2,274)
Balance at March 31, 2016	$ –	$ 177,381	$ 60,231	$ –	$ –	$ 237,612
Balance at January 1, 2014	$ –	$ 111,633	$ 47,450	$ –	$ –	$ 159,083
Amortization for the year	–	33,482	5,381	–	–	38,863
Impairment losses	–	2,622	–	–	–	2,622
Retirements and disposals	–	(4,276)	–	–	–	(4,276)
Balance at December 31, 2014	$ –	$ 143,461	$ 52,831	$ –	$ –	$ 196,292
Carrying amounts						
At January 1, 2015	$ 5,976	$ 100,821	$ 33,034	$ 73,538	$ 55,933	$ 269,302
At March 31, 2016	$ 5,976	$ 147,356	$ 31,804	$ 108,738	$ 7,180	$ 301,054
At January 1, 2014	$ 5,976	$ 77,875	$ 33,574	$ 65,981	$ 76,795	$ 260,201
At December 31, 2014	$ 5,976	$ 100,821	$ 33,034	$ 73,538	$ 55,933	$ 269,302

Impairment testing for the cash-generating unit containing goodwill and recoverability testing of finite-life intangible assets under development

For the purpose of impairment testing, goodwill and a portion of finite-life assets under development are allocated to one CGU: DirectWest. This is the lowest level within the Corporation at which goodwill is monitored for internal management purposes, which is not higher than the Corporation's operating segments.

Note 10 – Intangible assets, continued

Management has determined that changes to the core business have made the use of the fair value less cost to sell method inappropriate for determination of the recoverable amount. This resulted in a change to value in use as the primary valuation methodology for the CGU. The value in use methodology used the 2015-2019 financial plan as well as a terminal value capitalization. The expected cash flows and terminal value were then discounted at a rate to reflect the expected return and risk for the CGU.

The key material assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the assumptions represent management's assessment of future trends in the industry and have been based on historical data from both external and internal sources.

Discount rate	17%
Terminal value capitalization	22%
Growth rate	-2%

Impairment testing indicated no impairment at March 31, 2016.

Impairment testing for cash-generating units containing indefinite-life intangible assets and recoverability testing of finite-life intangible assets under development

For the purpose of impairment testing, indefinite-life intangible assets (spectrum licences) and finite-life intangible assets under development are allocated to SaskTel. These are the lowest level within the Corporation at which indefinite-life intangible assets and finite-life intangible assets under development are monitored for internal management purposes, which is not higher than the Corporation's operating segments.

The Corporation's CGU impairment tests were based on fair value less costs to sell using comparable companies that are listed on exchanges and are actively traded. Share prices for these companies were used to derive an EV to EBITDA ratio that was applied to the EBITDA of the unit to determine the recoverable amount. The Corporation applied an industry average EV to EBITDA ratio adjusted for minority discounts associated with publicly traded shares to the EBITDA of the unit to estimate the recoverable amount of the unit. Impairment testing indicated no impairment at March 31, 2016.

Note 11 – Sinking funds

Accounting policies

Sinking funds have been designated as fair value through profit or loss because the Corporation manages these investments through the Saskatchewan Ministry of Finance who makes purchase and sale decisions based on their fair value in accordance with the Corporation's documented risk management and investment strategy. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with revaluation gains and losses included in net income in the period in which the gains and losses arise.

Supporting information

Under conditions attached to the long-term debt, the Corporation is required to pay annually into sinking funds, administered by the Saskatchewan Ministry of Finance, amounts representing 1% to 2% of the debt outstanding. The fund includes the Corporation's required contributions, its proportional share of earnings and its proportional share of revaluation gains or losses.

Note 11 – Sinking funds, continued

The changes in the carrying amount of sinking funds are as follows:

As at Thousands of dollars	March 31, 2016	December 31, 2014
Sinking funds, beginning of fiscal period	$ 112,571	$ 90,677
Installments	11,966	8,866
Earnings	8,042	4,452
Valuation adjustment	(3,082)	8,576
	$ 129,497	$ 112,571

Sinking fund installments due in each of the next five fiscal years ending March 31 are as follows:

	Thousands of dollars
2017	$ 9,366
2018	9,366
2019	9,366
2020	9,366
2021	9,366

Note 12 – Other assets

As at Thousands of dollars	March 31, 2016	December 31, 2014
Deferred service connection charges	$ 4,952	$ 5,366
Long-term customer incentives	1,300	201
Financing leases	3,056	2,394
Other	14	227
	$ 9,322	$ 8,188

Note 13 – Trade and other payables

Accounting policies

The Corporation initially recognizes trade and other payables on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Supporting information

As at Thousands of dollars	March 31, 2016	December 31, 2014
Trade payables and accrued liabilities	$ 116,237	$ 122,415
Payroll and other employee-related liabilities	31,490	36,149
Other	10,463	6,833
	$ 158,190	$ 165,397

Note 14 – Notes payable

Accounting policies

The Corporation initially recognizes debt securities issued on the date that they are originated. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Supporting information

Notes payable are due to the Province of Saskatchewan's General Revenue Fund (GRF). These notes have varying maturities from April 1, 2016, to June 1, 2016, and have a weighted average effective interest rate of 0.63% (2014 – 1.02%).

Note 15 – Other liabilities

As at Thousands of dollars	Note	March 31, 2016	December 31, 2014
Advance billings		$ 53,538	$ 49,375
Deferred customer activation and connection fees		4,892	5,206
Current portion of deferred income – government funding	16	5,069	5,030
Customer deposits		4,627	7,032
		$ 68,126	$ 66,643

Note 16 – Deferred income - government funding

Accounting policies

Government grants are recognized initially as deferred income when there is reasonable assurance that they will be received and the Corporation will comply with the conditions associated with the grant. Grants that compensate the Corporation for expenses incurred are recognized in the consolidated statement of income and other comprehensive income on a systematic basis in the same period in which the expenses are recognized. Grants that compensate the Corporation for the cost of an asset are recognized in the consolidated statement of income and other comprehensive income on a systematic basis over the useful life of the asset.

Supporting information

The Corporation received $55.0 million in funding from the Province of Saskatchewan through CIC as partial funding of the Rural Infrastructure Program (RIP), $49.2 million has been applied to capital expenditures and $5.8 million to operating expenditures.

As part of the transfer of the satellite distribution and communication assets of Saskatchewan Communications Network Corporation (SCN) to the Corporation, the Province of Saskatchewan through the Ministry of Education has provided $1.3 million in funding for distance education hardware upgrades. To date $0.5 million has been applied to capital expenditures and $0.4 million to operating expenditures. Future funded expenditures will be based on system maintenance, upgrade and expansion requirements.

In conjunction with the Aboriginal Affairs and Northern Development Canada (AANDC) funding agreement, the Corporation has received funding of $17.1 million for Internet service to selected First Nations schools and health facilities in Saskatchewan as well as $8.8 million in conjunction with the First Nations Service Improvement Project (FNSIP).

Through the Connecting Canadians program (CCDN) sponsored by Innovation, Science and Economic Development Canada, the Corporation receives partial funding to provide access to high speed Internet in rural and remote parts of Saskatchewan. To date, $3.5 million has been accrued. This amount will be recognized as income in accordance with the Corporation's accounting policy.

Note 16 – Deferred income - government funding, continued

As at Thousands of dollars	March 31, 2016 RIP	SCN	FNSIP	AANDC	CCDN	Total	December 31, 2014 Total
Balance, beginning	$ 31,727	$ 769	$ 6,974	$ 5,610	$ –	$ 45,080	$ 48,784
Funding	–	–	48	1,067	3,450	4,565	2,538
	31,727	769	7,022	6,677	3,450	49,645	51,322
Amortization	5,356	61	627	415	–	6,459	6,242
	26,371	708	6,395	6,262	3,450	43,186	45,080
Current portion	4,285	45	500	239	–	5,069	5,030
	$ 22,086	$ 663	$ 5,895	$ 6,023	$ 3,450	$ 38,117	$ 40,050

Note 17 – Long-term debt

Accounting policies

The Corporation initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. These financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Supporting information

As at Thousands of dollars	March 31, 2016 Principal outstanding	Effective interest rate (%)	December 31, 2014 Principal outstanding	Effective interest rate (%)
Unsecured advances from the Province of Saskatchewan				
3.90% due July 2020	$ 149,359	4.01	$ 149,194	4.01
10.08% due December 2020	126,141	10.18	126,052	10.18
3.20% due June 2024	50,313	3.11	50,354	3.11
4.15% due December 2025	50,000	4.15	50,000	4.15
5.75% due March 2029	73,545	5.97	73,455	5.97
5.60% due March 2029	35,000	5.18	35,000	5.18
3.40% due February 2042	147,841	3.49	147,777	3.49
3.90% due June 2045	145,057	4.09	144,948	4.09
Total due to Province of Saskatchewan	$ 777,256		$ 776,780	

The Corporation's long-term debt is unsecured. As at March 31, 2016, principal repayments due in each of the next five fiscal years were as follows:

Millions of dollars	Fiscal period ending March 31, 2017	2018	2019	2020	2021
Principal repayments	$ –	$ –	$ –	$ –	$ 276.6

There is a requirement attached to above advances to make annual payments into sinking funds in amounts representing 1% to 2% of the original issue. The cumulative annual payments plus interest earned are used for the retirement of debt issues upon maturity, on a net basis (see *Note 11 – Sinking funds*).

Note 18 – Employee benefits

The Corporation has: a defined benefit pension plan (Plan A), a service recognition defined benefit plan (Plan B), and a defined contribution pension plan (Plan C).

Accounting policies

Defined benefit plans (Plans A & B)
The Corporation's net obligation in respect of Plan A is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; discounting that amount and deducting the fair value of plan assets.

The calculation of the net defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Corporation, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income (OCI). The Corporation determines the net interest expense (income) on the net defined liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in net income.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in net income. The Corporation recognizes gains and losses on the settlement of the defined benefit plan when the settlement occurs.

The Corporation's net obligation in respect of Plan B is calculated by estimating the amount of future benefit that employees have earned in return for their service in prior periods and discounting that amount. The calculation of the defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method.

Defined contribution plans (Plan C)
A defined contribution plan is a post-employment benefit under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are recognized as an employee benefit expense in the consolidated statement of income and other comprehensive income in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Short-term benefits and termination benefits
Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligations can be estimated.

Termination benefits are expensed at the earlier of when the Corporation can no longer withdraw the offer of those benefits and when the Corporation recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting period, then they are discounted to their present value.

Note 18 – Employee benefits, continued

Supporting information

Defined benefit plans (Plans A & B)

Plan A, the defined benefit pension plan is governed by SaskTel and has been closed to new membership since 1977. The SaskTel defined benefit pension plan is registered under *The Pension and Benefit Act, 1992*, Saskatchewan, the *Income Tax Act*, Canada and regulated by the Financial and Consumer Affairs Authority of Saskatchewan – Pensions Division. Separate audited financial statements for the defined benefit plan are prepared and released publicly.

The SaskTel defined benefit pension plan provides a full pension at age 65, at age 60 with at least 20 years of service or upon completion of 35 years of service. The pension is calculated to be 2% times the average of the highest three years of pensionable earnings times the number of years of service up to a maximum of 35 years of service. A reduced pension may be opted for if certain age and years of service criteria are met.

For employees who retire before the age of 65, but meet other age plus service requirements, either a reduced or unreduced pension may be payable. Pensions are subject to annual indexing with the Consumer Price Index (CPI) up to a maximum of 2% per year.

The defined benefit pension plan is administered by a five member board (SaskTel Pension Board), consisting of two employer representatives, two union representatives and an independent chair. The SaskTel Pension Board is required by law to act in the best interests of the defined benefit pension plan participants and is responsible for setting certain policies (e.g. investment, contribution and indexation policies) of the defined benefit pension plan.

Plan B, the service recognition defined benefit plan provided a retiring allowance of two days salary per year of service which is payable on retirement. Based on the Collective Agreement between the Corporation and Unifor, ratified April 22, 2005, the service recognition defined benefit program was curtailed effective March 19, 2005.

Funding

The Corporation is responsible for adequately funding Plan A. Contributions are determined by actuarial valuations. The contributions reflect actuarial assumptions about future investment returns, salary projections and future service benefits. An actuarial valuation for accounting purposes was performed at December 31, 2013. The latest valuation for funding purposes was performed as of December 31, 2013.

All plan members have reached the maximum years of pensionable service and are no longer required to contribute to the plan. As a result employer current service contributions have also ceased. A valuation is performed at least every 3 years to determine the actuarial present value of the accrued pension benefit.

During 2013, provisions of *The Pension Benefits Regulations, 1993* were amended to allow the pension plan to determine funding requirements based on the going concern actuarial valuation versus the former requirement to use the solvency funding actuarial valuation. Under the going concern actuarial valuation, the plan is in a surplus and therefore contributions are not required.

Plan B is unfunded. The Corporation expects to pay $1.9 million in the next fiscal year related to Plan B.

Note 18 – Employee benefits, continued

Defined benefit obligation

Actuarial assumptions

The accounting actuarial valuation includes a provision for uncommitted and ad hoc benefit increases, and uses management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate. The major assumptions used in the valuations are as follows:

As at	March 31, 2016		December 31, 2014	
	Plan A	Plan B	Plan A	Plan B
Discount rate – end of period	3.60%	3.20%	3.80%	3.20%
Inflation rate	2.50%	–	2.50%	–
Expected salary increase	–	3.00%	–	3.00%
Post-retirement index	100% of CPI to a maximum of 2%	–	100% of CPI to a maximum of 2%	–
Future mortality	Canadian Pensioner 2014 – Private Sector Mortality Table at 100% for males and 110% for females projected generationally with CPM improvement Scale B		Canadian Pensioner 2014 – Private Sector Mortality Table at 100% for males and 110% for females projected generationally with CPM improvement Scale B	
Estimated average remaining employee service life	–	10.1 years	–	8.2 years

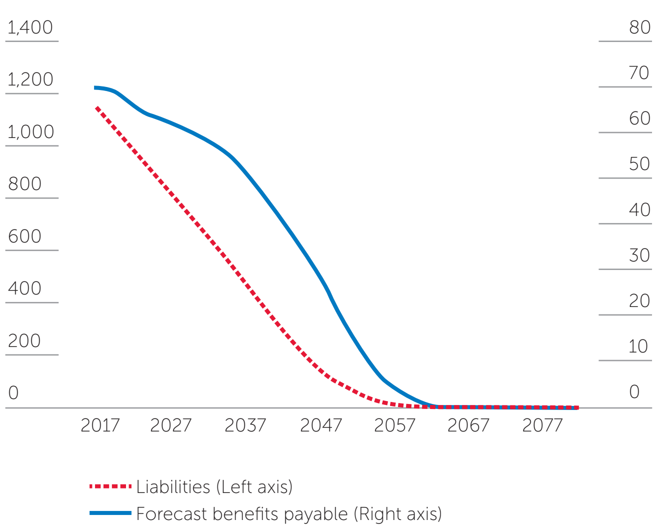
At March 31, 2016, the weighted average duration of the defined benefit obligation was 11.8 years (2014 – 11.9 years).

The actuarial assumptions are based on management's expectations, independent actuarial advice and guidance provided by IFRS. The most significant assumption is the discount rate, which is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the obligations.

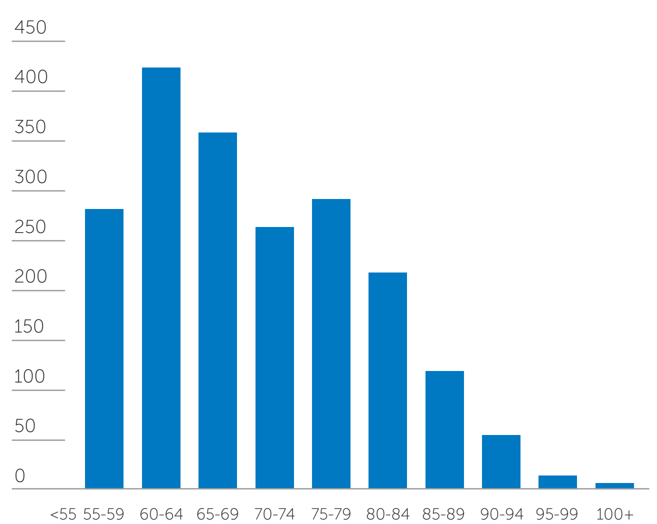
Based on the actuarial assumptions, the following graph illustrates that, while the duration of the plan liabilities is approximately 12 years, benefit payments are expected to continue over the next 70 years. Consistent with the nature of the plan, benefit payments are expected to decline and the value of the liability is expected to be reduced over the next 70 years.

In addition, the following chart illustrates that a significant portion of the plan members are below 70 years of age.

Forecast Benefits Payable by the Pension Plan ($ Millions)
(at March 31, 2016)



Average Age of Pension Plan Members
(at March 31, 2016)



Note 18 – Employee benefits, continued

Sensitivity analysis

The following illustrates the effect on the obligations of the plans of changing certain actuarial assumptions while holding other assumptions constant:

As at March 31, 2016 Thousands of dollars	Defined benefit obligation Increase	 Decrease
Discount rate (1% movement)	$ (122,184)	$ 148,460
Inflation (1% movement)	(123,410)	59,257
Future indexing (1% movement)	–	(144,665)

Movement in the present value of the defined benefit obligation

The following table shows a reconciliation from the opening balances to the closing balances for the defined benefit liability (asset) and its components.

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
As at Thousands of dollars	**March 31, 2016**	December 31, 2014	**March 31, 2016**	December 31, 2014	**March 31, 2016**	December 31, 2014
Balance, beginning of fiscal period	**$ 1,173,570**	$ 1,078,003	**$(1,017,399)**	$ (982,434)	**$ 156,171**	$ $95,569
Included in net income						
Current service cost	**–**	–	**430**	377	**430**	377
Interest cost (income)	**53,523**	47,835	**(46,288)**	(43,633)	**7,235**	4,202
	53,523	47,835	**(45,858)**	(43,256)	**7,665**	4,579
Included in OCI						
Remeasurement loss (gain):						
- Actuarial loss arising from financial assumptions	**25,790**	116,858	**–**	–	**25,790**	116,858
- Return on plan assets excluding interest income	**–**	–	**(19,904)**	(59,550)	**(19,904)**	(59,550)
	25,790	116,858	**(19,904)**	(59,550)	**5,886**	57,308
Other						
Benefits paid	**(87,683)**	(69,126)	**85,841**	67,841	**(1,842)**	(1,285)
Balance, end of fiscal period	**$ 1,165,200**	$ 1,173,570	**$ (997,320)**	$(1,017,399)	**$ 167,880**	$ 156,171
Represented by:						
Net defined benefit liability (Plan A)					**$ 148,558**	$ 135,272
Net defined benefit liability (Plan B)					**19,322**	20,899
					$ 167,880	$ 156,171

Note 18 – Employee benefits, continued

Plan assets

The asset allocation of the defined benefit pension plan is as follows:

As at Thousands of dollars	March 31, 2016	December 31, 2014
Asset Category		
Short-term investments	$ 9,737	$ 10,062
Pooled real estate	141,327	137,066
Canadian equities	82,004	111,493
Canadian pooled equity funds	7,129	8,466
US equities	19,353	30,617
US pooled equity fund	116,737	115,565
Non-North American pooled equity funds	202,653	208,440
Bonds	752	369
Pooled bond funds	367,981	369,230
	947,673	991,308
Investments under securities lending program		
Short-term investments	3,536	1,423
Canadian equities	38,706	24,564
US equities	7,568	541
	49,810	26,528
Total investments	$ 997,483	$ 1,017,836

The defined benefit pension plan's permissible investments include Canadian equities (including rights, warrants, installment receipts and capital shares), U.S. and international equities, bonds of Canadian issuers, short term securities, mortgages, real estate and pooled funds. Any other type of investment is not permitted without prior approval of the SaskTel Pension Board.

Taking into consideration the investment and risk philosophy of the defined benefit pension plan, the following range and target asset mix has been established:

Asset category	Range	Target
Equities	40–50%	45%
Real estate	10–20%	15%
Fixed income	30–50%	40%

The defined benefit pension plan's investment policy provides a framework for the prudent investment and administration of the Pension Fund for the purpose of managing capital assets. The policy provides the investment managers with a written statement of specific quality, quantity and rate of return standards. The policy is re-visited annually to ensure it is meeting the objectives of the defined benefit pension plan's capital management to ultimately meet all pension obligations.

The SaskTel Pension Board employs a pension risk management strategy which addresses continued capital market volatility and the overall demographic trends for the plan. This approach strives to ensure the assets of the defined benefit pension plan evolve to match the liabilities of the plan.

Note 18 – Employee benefits, continued

Defined contribution plans (Plan C)

Plan C, the defined contribution pension plan requires the Corporation to contribute 7.45% of employees' pensionable earnings and employees to contribute a minimum of 4.45% of pensionable earnings. The total cost for the defined contribution plan is equal to the Corporation's required contribution. The Corporation's pension cost and employer contributions for the Public Employees Pension Plan are $27.1 million for the fiscal period ended March 31, 2016 (2014 – $21.0 million).

Note 19 – Equity advance and capital disclosures

Accounting policies

The Corporation periodically receives funding from its parent and sole equity holder, CIC. Funding is first analyzed to determine whether the funding is a transaction with the equity holder in their capacity as an equity holder e.g. equity injection, or whether the funding would be available to other parties for a specific purpose. If there is no requirement to comply with certain conditions relating to the operating activities of the entity, the funding is recorded as an equity advance. If the Corporation must comply with certain past or future conditions relating to the operating activities of the Corporation, and the funding could be available to other parties for a specific purpose, the funding is recorded as a government grant (see *Note 16 – Deferred income - government funding*).

Supporting information

The Corporation has received advances from CIC to form its equity capitalization. The advances are an equity investment in the Corporation by CIC.

Due to its ownership structure, the Corporation has no access to capital markets for internal equity. Equity advances in the Corporation are determined by the shareholder on an annual basis. Dividends to CIC are determined through the Saskatchewan Provincial budget process on an annual basis.

The Corporation closely monitors its debt level utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in a corporation's capital structure. The Corporation uses this measure in assessing the extent of financial leverage and in turn, its financial flexibility.

Too high a ratio relative to target indicates an excessive debt burden that may impair the Corporation's ability to withstand downturns in revenues and still meet fixed payment obligations. The ratio is calculated as net debt divided by capitalization at the end of the fiscal period.

The Corporation reviews the debt ratio targets of all its subsidiaries on an annual basis to ensure consistency with industry standards. This review includes subsidiary corporations' plans for capital spending. The target debt ratios for subsidiaries are approved by the Board. The Corporation uses targeted debt ratios to compile a weighted average debt to equity ratio for the consolidated entity. The target ratio for 2016 was 53.2%.

The Corporation raises most of its capital requirements through internal operating activities and long-term debt through the Saskatchewan Ministry of Finance. This type of borrowing allows the Corporation to take advantage of the Province of Saskatchewan's strong credit rating and receive financing at attractive interest rates.

The Corporation made no changes to its approach to capital management during the fiscal period.

Note 19 – Equity advance and capital disclosures, continued

The debt ratio is as follows:

As at Thousands of dollars	Note	March 31, 2016	December 31, 2014
Long-term debt	17	$ 777,256	$ 776,780
Notes payable		229,231	143,298
Less: Sinking funds	11	129,497	112,571
Cash and short-term investments		16,099	8,948
Net debt		860,891	798,559
Equity (a)		796,344	713,022
Capitalization		$1,657,235	$ 1,511,581
Debt ratio		51.9%	52.8%

a) Equity includes equity advances, accumulated other comprehensive income (loss) and retained earnings at the end of the period.

Note 20 – Consolidated statement of cash flows

Thousands of dollars	For the fifteen months ended March 31, 2016	For the twelve months ended December 31, 2014
Net change in non-cash working capital balances related to operations		
Trade and other receivables	$ (15,856)	$ (406)
Inventories	(8,831)	654
Prepaid expenses	(19,786)	(1,733)
Trade and other payables	(7,207)	(3,341)
Other liabilities	1,483	1,034
Deferred revenues	2,891	(334)
Other	(872)	(1,036)
	$ (48,178)	$ (5,162)

Note 21 – Financial instruments and related risk management

Accounting policies

The Corporation initially recognizes financial assets and financial liabilities in the consolidated financial statements at fair value (normally the transaction price) adjusted for transaction costs. Transaction costs related to financial assets or financial liabilities at fair value through profit or loss are recognized immediately in net income. Regular way purchases and sales of financial assets are accounted for on the trade date. Financial instruments recorded at fair value on an ongoing basis are remeasured at each reporting date and changes in the fair value are recorded in either net income or OCI.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Note 21 – Financial instruments and related risk management, continued

Derivatives may be embedded in other host instruments and are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, when the embedded derivative has the same terms as those of a stand-alone derivative, and the combined contract is not held-for-trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in net income.

See *Note 2 – Basis of presentation* for discussion of the policies related to fair value measurements.

Supporting information

The Corporation is exposed to fluctuations in foreign exchange rates and interest rates. The Corporation utilizes a number of financial instruments to manage these exposures. The Corporation mitigates the risk associated with these financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board. The Corporation's financial risks have not changed significantly from the prior period.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices.

Interest rate risk

Interest rate risk represents the potential for loss from changes in the value of financial instruments related to interest rate movements. Interest rate risk primarily impacts the value of sinking fund investments and debt refinancing.

The Corporation has on deposit with the Province of Saskatchewan, under the administration of the Ministry of Finance, $129.5 million (2014 – $112.6 million) in sinking funds, which is required for certain long-term debt issues. At March 31, 2016, the GRF has invested these funds primarily in Provincial and Federal government bonds with varying maturities to coincide with related debt maturities and they are managed based on this maturity profile and market conditions. The Corporation may be exposed to interest rate risk on the sinking funds. Assuming all other variables remain constant at March 31, 2016, a yield curve shift in excess of 1.0% could have a material impact on net income. Specifically, a 1.0% weakening in interest rates (or bond yields) could have a 13.4% ($12.0 million) favourable effect on net income while a 1.0% strengthening would have a 13.4% ($12.0 million) unfavourable effect on net income.

The Corporation may be exposed to interest rate risk on the maturity of its long-term debt. However, in the current interest rate environment, these risks are considered low. As a result, the Corporation has no financial contracts in place to offset interest rate risk as of March 31, 2016. The Corporation has not provided a sensitivity analysis of the impact of interest rate changes on net income as substantially all of the Corporation's debt is at fixed rates at March 31, 2016, with maturities of 2020 and beyond.

Foreign currency risk

The Corporation is exposed to currency risk, primarily U.S. dollars, through transactions with foreign suppliers and short-term foreign commitments. Assuming all other variables remain constant at March 31, 2016, currency fluctuations in excess of 15% would have a material impact on the cash flow of the Corporation. Specifically, a 15% weakening in the Canadian dollar versus the US dollar exchange rate could have a $14.2 million unfavourable effect on cash flow while a 15% strengthening could have a $14.2 million favourable effect on cash flow. The Corporation uses a combination of derivative financial instruments to manage these exposures when deemed appropriate. The Corporation does not actively trade derivative financial instruments.

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Corporation does not have material concentrations of credit risk. Current credit risk relates to trade and other receivables and unbilled revenue, sinking funds and interest receivable.

Note 21 – Financial instruments and related risk management, continued

Sinking funds are invested in Provincial and Federal government bonds. As such, the related credit risk associated with these investments is considered low.

Trade and other receivables and unbilled revenue are diversified among many residential, farm and commercial customers primarily throughout Saskatchewan.

In addition, the Corporation maintains credit policies and limits in respect to short-term investments and counterparties to financial transactions. The carrying amount of financial assets represents the maximum credit exposure as follows:

As at Thousands of dollars	Note	March 31, 2016	December 31, 2014
Cash		$ 16,099	$ 8,948
Trade and other receivables	6	132,788	116,932
Sinking funds	11	129,497	112,571
		$ 278,384	$ 238,451

The allowance for doubtful accounts, which provides an indication of potential impairment losses, is reviewed regularly based on an analysis of the aging of customer accounts receivable and an estimate of outstanding amounts that are considered to be uncollectible. Historically, the Corporation has not written off a significant portion of its customer accounts receivable balances.

The allowance for doubtful accounts and the aging of customer accounts receivable are detailed as follows:

Allowance for doubtful accounts

As at Thousands of dollars	March 31, 2016	December 31, 2014
Opening balance	$ 1,716	$ 2,082
Less: accounts written off	(13,304)	(9,216)
Recoveries	6,144	4,858
Provisions for losses	7,671	3,992
Ending balance	$ 2,227	$ 1,716

Customer accounts receivable

As at Thousands of dollars	Note	March 31, 2016	December 31, 2014
Current		$ 70,876	$ 65,619
30–60 days		11,274	11,963
61–90 days		2,509	2,547
Greater than 90 days		1,620	1,261
Gross customer accounts receivable	6	86,279	81,390
Allowance for doubtful accounts	6	(2,227)	(1,716)
Net customer accounts receivable		$ 84,052	$ 79,674

Note 21 – Financial instruments and related risk management, continued

Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. The Corporation is a Provincial Crown corporation and as such has access to capital markets through the Saskatchewan Ministry of Finance.

Sufficient operating cash flows are expected to be generated to fund the short term contractual obligations and the Corporation anticipates it will be able to refinance long-term debt upon maturity.

The following summarizes the contractual maturities of the Corporation's financial liabilities:

Thousands of dollars			Contractual Cash Flows				
March 31, 2016	Carrying amount	Total	0–6 months	7–12 months	1–2 years	3–5 years	More than 5 years
Long-term debt (a)	$ 777,256	$1,290,096	$ 19,754	$ 19,754	$ 39,509	$ 388,036	$ 823,043
Notes payable	229,231	229,378	229,378	–	–	–	–
Trade and other payables	158,190	158,190	158,190	–	–	–	–
	$1,164,677	$1,677,664	$ 407,322	$ 19,754	$ 39,509	$ 388,036	$ 823,043
December 31, 2014							
Long-term debt (a)	$ 776,780	$1,339,142	$ 19,754	$ 19,754	$ 39,509	$ 118,526	$1,141,599
Notes payable	143,298	143,758	143,758	–	–	–	–
Trade and other payables	165,397	165,397	165,397	–	–	–	–
	$1,085,475	$1,648,297	$ 328,909	$ 19,754	$ 39,509	$ 118,526	$1,141,599

(a) Contractual cash flows for long-term debt include principal and interest payments but exclude sinking fund installments.

Fair value

Fair values are approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques that are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

Fair value of financial assets and liabilities

As at			March 31, 2016		December 31, 2014	
Thousands of dollars	Classification (a)	Note	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Cash	FVTPL		$ 16,099	$ 16,099	$ 8,948	$ 8,948
Trade and other receivables	LAR	6	132,788	132,788	116,932	116,932
Investments - sinking funds	FVTPL	11	129,497	129,497	112,571	112,571
Financial liabilities						
Trade and other payables	OL	13	158,190	158,190	165,397	165,397
Notes payable	OL	14	229,231	229,231	143,298	143,298
Long-term debt	OL	17	777,256	923,203	776,780	934,704

(a) Classification details are:
FVTPL – fair value through profit or loss   LAR – loans and receivables   OL – other liabilities

Note 21 – Financial instruments and related risk management, continued

Financial instruments measured at fair value

Cash

The carrying values of cash is assumed to approximate fair value.

Investments carried at fair value through profit or loss

Sinking Funds

The fair value of sinking funds, classified as fair value through profit and loss, is determined by the Saskatchewan Ministry of Finance using information provided by investment dealers. To the extent possible, valuations reflect secondary pricing for these securities.

Financial instruments measured at amortized cost

Trade and other receivables, trade and other payables and notes payable

The carrying values of trade and other receivables, trade and other payables and notes payable approximate their fair values due to the short-term maturity of these financial instruments.

Long-term debt

The fair value of long-term debt is determined by the present value of future cash flows, discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

Fair value hierarchy

As at	March 31, 2016			December 31, 2014		
Thousands of dollars	Level 1	Level 2	Total	Level 1	Level 2	Total
Sinking funds	$ –	$ 129,497	$ 129,497	$ –	$ 112,571	$ 112,571
Long-term debt	$ –	$ 923,203	$ 923,203	$ –	$ 934,704	$ 934,704

There were no items measured at fair value using level 3 inputs in 2014 or 2016, and no items transferred between levels in 2014 or 2016.

Embedded derivatives

The Corporation had no contracts with embedded derivatives as at December 31, 2014, and March 31, 2016.

Note 22 – Related party transactions

The Corporation is indirectly controlled by the Government of Saskatchewan through its ownership of the Corporation's parent, CIC. Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "government-related entities"). The Corporation has elected to take a partial exemption under IAS 24 Related Party Disclosures, which allows government-related entities to limit the extent of disclosures about related party transactions with government or other government-related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. For the fiscal period ended March 31, 2016, the aggregate amount of the Corporation's transactions with other government-related entities are approximately 7.4% of revenues (2014 – 6.8%), 10.3% of operating expenses (2014 – 10.4%) and 1.1% of property, plant and equipment expenditures (2014 – 5.8%).

Note 22 – Related party transactions, continued

Key management personnel compensation

In addition to their remuneration, the Corporation also provides non-cash benefits to directors and executive officers, either a defined benefit pension or a defined contribution pension, and a service recognition defined benefit pension.

Key management personnel compensation is composed of:

Thousands of dollars	For the fifteen months ended March 31, 2016	For the twelve months ended December 31, 2014
Short-term employee benefits	$ 6,321	$ 4,912
Post-employment benefits		
Defined contribution	462	256
	$ 6,783	$ 5,168

Note 23 – Commitments and contingencies

Commitments

As at March 31, 2016, the Corporation has committed to spend $40.3 million (2014 – $14.6 million) on property, plant and equipment, $0.1 million (2014 – $6.2 million) on intangible assets and $171.0 million (2014 – $255.2 million) related to operations.

Contingencies

On August 9, 2004, a proceeding under *The Class Actions Act* (Saskatchewan) was brought against several Canadian wireless and cellular service providers, including Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications. The Plaintiffs seek unquantified damages from the defendant wireless communications service providers. Similar proceedings have been filed by, or on behalf of, Plaintiffs' counsel in other provincial jurisdictions. On September 17, 2007, the Saskatchewan court certified the Plaintiff's proceeding as a class action with respect to an allegation of unjust enrichment only for wireless customers during the period of April 1, 1987, and the date of the certification order being February 13, 2008. The class action period was then extended to March 31, 2014. The matter will now proceed in the usual fashion of finalized pleadings, document and oral discovery to trial. The Corporation continues to believe that it has strong defenses to the allegations as certified in the 2004 action.

On July 24, 2009, a second proceeding under *The Class Actions Act* (Saskatchewan) was issued against several Canadian wireless and cellular service providers, including Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications. The Corporation believes this second claim involves substantially the same allegations as the 2004 claim. This second action has been conditionally stayed as an abuse of process without prejudice to the plaintiff to pursue their claims in the future if circumstances change. The Corporation believes that it has strong defenses to the allegations contained in the 2009 claim.

On June 26, 2008, a proceeding under *The Class Actions Act* (Saskatchewan) was brought against several Canadian wireline, wireless and cellular service providers, including Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications. The proceeding involves allegations by wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning fees and charges paid for 9-1-1 service. The Plaintiffs seek unquantified damages from the defendant communications service providers. The Corporation believes that it has strong defenses to the claim and will be defending it. External legal counsel has been retained by the Corporation to handle this matter. A date has yet to be finalized for a hearing of a motion to determine if this claim should be certified as a class action. The Corporation is waiting for a decision of the Court on its application for the Plaintiff to provide particulars (details) of the allegations in its claims.

Note 23 – Commitments and contingencies, continued

In September 2011, the Corporation was served with a second 9-1-1 Class Actions claim substantially the same as the 2008 Saskatchewan action noted above. This second claim was issued in Alberta in August 2008, but not served on Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications until more than three years later. The Corporation believes that it has strong defenses to the claim and will be defending it. External legal counsel has been retained. The Corporation is not aware of any further proceedings being taken in this second action beyond service of the claim.

In November 2011, the Corporation was served with two proposed class action claims, one issued in Saskatchewan and one issued in Alberta. The claims substantially overlap and name the major wireless carriers in Canada, including the Corporation, and Research in Motion as defendants. The proposed claims seek compensation related to Blackberry service issues alleged to have occurred in October 2011. The Corporation believes that it has strong defenses to the claim and will be defending it. The Corporation is not aware of any further proceedings being taken in this action beyond service of the claim.

On February 6, 2013, the Corporation was served with a claim out of the Supreme Court of British Columbia. The Plaintiffs seek unquantified damages from the defendant wireless communications service providers and most known wireless device manufacturers. The claim is primarily one of product liability involving allegations by wireless customers who have had cancer or other afflictions allegedly caused by cell phone use. This claim is being defended by external legal counsel retained by the Corporation's liability insurer. The Corporation believes there is no merit to the claim and is defending it.

In the normal course of operations, the Corporation becomes involved in various claims and litigation. While the final outcome with respect to claims and litigation pending at March 31, 2016, cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the Corporation's consolidated financial position or results of operations.

Note 24 – Operating leases

Non-cancellable operating lease rentals are payable as follows:

As at Thousands of dollars	**March 31, 2016**	December 31, 2014
Less than 1 year	**$ 8,429**	$ 6,573
Between 1 and 5 years	**19,644**	17,666
Greater than 5 years	**10,075**	12,997
	$ 38,148	$ 37,236

During the fiscal period ended March 31, 2016, the Corporation recognized $17.6 million (2014 – $13.9 million) as rent expense related to operating leases.

Corporate Information

Board of Directors

Grant Kook

Chair of the Board

Grant J. Kook is founder, president, chief executive officer and chair of Westcap Management Ltd., a leading venture capital and private equity fund manager with over half a billion in assets under management. Founded over 25 years ago, Westcap has an uncompromising vision to build long-term value for retail and institutional investors in a broad range of investment funds, including Saskatchewan's first Retail Venture Capital Fund, Golden Opportunities Fund Inc. Westcap is also the fund manager to HeadStart on a Home, First Nations and Métis Fund, First Nations Business Development Fund and a high net worth Management Buyout Fund. Mr. Kook is also president and chief executive officer of Cheung On Investments Group Ltd., an international investor syndicated Fund, and has been the president and chief executive officer of the Ramada Hotels (Regina and Saskatoon) since 1992.

Mr. Kook serves on the boards of numerous private and publicly traded companies, including Saskatchewan Blue Cross and 3sHealth Shared Services Saskatchewan. He is the vice president of the Canadian Venture Capital and Private Equity Association (CVCA), past member of the World Entrepreneurs Association, and was the co-chair of the Saskatchewan-Asia Advisory Council. He is active in many community organizations including, voluntary past chair of the Children's Hospital Foundation of Saskatchewan, executive committee member of the Mike Weir Miracle Golf Drive for Kids, sponsorship chair for the 2006 PotashCorp Vanier Cup and 2004 Canadian Nokia Brier, vice president of sponsorship for 2010 Canadian World Junior Hockey Championship, director of 2012 Tim Hortons Brier, chair of 2013 and 2014 CIS University Cup, and past board member of the new Saskatchewan Hockey Hall of Fame.

Mr. Kook is a recipient of the 2013 Saskatchewan Order of Merit, 2012 Queen Elizabeth II Diamond Jubilee Commemorative Medal, and Commemorative Medal for the Centennial of Saskatchewan. He is the recipient of the 2014 Saskatoon Tourism Leadership award, the 2008 B'nai Brith – We are Proud of You Award, Ernst & Young nominee for Entrepreneur of the Year in 1998 and 2003, and was recognized in 2008 as one of the Province's Most Influential Men by *Saskatchewan Business magazine*.

Pat Friesen

Board Member

Pat Friesen resides in Swift Current and operates her own consulting business—Success Business Consulting—specializing in marketing and communications. Prior to retirement, she was executive vice president of marketing at Innovation Credit Union. She is currently a Swift Current City Councilor and second vice-president of the CAA Saskatchewan Board of Directors.

Ms. Friesen is the past chair of the Saskatchewan Chamber of Commerce and was a board member of the Canadian Chamber of Commerce in 2012. She has been part of the Saskatchewan Chamber since 2004 and has served that organization in many capacities. She also worked with the Swift Current Chamber of Commerce for many years, and was president of that organization in 1993.

She was the co-chair of the 2014 City of Swift Current Centennial Committee and has participated on the boards of the Swift Current Agricultural and Exhibition Association, Southwest Victim Services, Rotary Club of Swift Current, the Swift Current 2005 Provincial Centennial Committee and the 2010 World Ladies Curling Championship.

Ms. Friesen was honoured as a 2008 Southwest Citizen of the Year by the Swift Current Chamber of Commerce and a 2011 Provincial Woman of Influence by *Saskatchewan Business Magazine*.

Rachel Heidecker
Board Member

Rachel Heidecker is currently manager of Academic and Web Services, at the University of Saskatchewan, and a sessional lecturer in Management & Marketing at the Edwards School of Business. Previously, she held positions as project manager at the University Library, business analyst in the Facilities Management Division at the University of Saskatchewan, and senior programmer / analyst with Interactive Tracking Systems Inc.

Ms. Heidecker has a Master of Business Administration degree in Management & Strategy from the University of Saskatchewan, a post graduate diploma in Object Oriented Software Technology from the University of Calgary, and a Bachelor of Science degree from the University of Saskatchewan.

She is active in community fundraising for the Saskatoon Dragon Boat Festival, and has raised thousands of dollars for the Heart & Stroke Foundation of Saskatchewan.

Jerri Hoback
Board Member

Since receiving her Bachelor of Commerce degree from the University of Saskatchewan, Jerri Hoback has earned several designations including the Certified Management Accountant designation from the CMA society of Alberta and the Chartered Director designation from McMaster University.

Ms. Hoback has worked as an accountant in a wide variety of industry sectors including assurance services for a large public accounting firm, oil and gas, electronics manufacturing, and financial services.

She is currently a University of Saskatchewan Senator, as well as a board member for the Prince Albert Electoral District Association.

Reg Howard
Board Member

Reg Howard is currently business development manager for Brandt Developments Ltd. He formerly held positions as vice president of construction for Century West Homes (commercial and residential), vice president of human resources and marketing for the Walker Group of Companies, and 19 years as regional manager for Saskatchewan and Manitoba for The Co-operators Insurance Company.

A well-known community leader, Mr. Howard has a long history of community involvement serving a wide range of volunteer agencies over the past several decades. He currently serves on the board of the Conexus Arts Centre. He previously served as the president of the Regina Crime Stoppers and the Chris Knox Foundation, on the boards of the Regina Exhibition Association and the George Reed Foundation, and as co-chair of the 1966 Grey Cup Anniversary Celebration for the Saskatchewan Roughriders.

Randy Kachur

Board Member

Randy Kachur has worked in private practice in Yorkton since his graduation from the University of Saskatchewan with a Bachelor of Law degree in 1978. He is a partner with the law firm of Rusnak Balacko Kachur Rusnak, and has appeared as counsel in all levels of court including Provincial Court, the Court of Queen's Bench, the Saskatchewan Court of Appeal, and the Supreme Court of Canada.

In 2010, Mr. Kachur received the Queen's Counsel designation. He has served as director on boards for various corporations involved with residential and commercial property holdings.

Mr. Kachur is the past executive member of Yorkton and District Chamber of Commerce, Yorkton Curling Club, Yorkton Sunrise Lions Club, Yorkton Minor Sports Association and Yorkton Cardinals Baseball Club. He is the current chair of the mental health review panel for the Sunrise Health Region.

Darrell Kennedy

Board Member

Darrell Kennedy is the owner of Timberstone Distribution, a wholesale masonry, stucco, siding, landscaping and flooring distribution company with locations across Western Canada. He also owns Discovery Marketing, a corporate ad and apparel company. Prior to that, he worked as the territory sales and marketing manager for TaylorMade – Adidas Golf.

Mr. Kennedy is a board member of the Saskatchewan Masonry Institute and the Regina and Region Home Builders Association. He is a long-time board member of the Royal Regina Golf Club and has chaired many golf tournaments, including the inaugural Shooting Stars Foundation Golf Tournament hosted by Jamie Heward and Mike Sillinger.

Mr. Kennedy has a Professional Business Management certificate and Business Administration diploma from Lethbridge Community College.

Pamela Lothian

Board Member

Pamela Lothian is a graduate of the University of Saskatchewan, obtaining a Bachelor of Arts (Political Science) degree in 1982, and a law degree in 1985. She articled with, and then joined, the law firm of McDougall Ready (now McDougall Gauley LLP). She became the first woman to achieve partnership with McDougall Ready in the firm's 100-plus-year history. Pamela practised with the firm for 13 years before electing to concentrate on her second "career" as a homemaker raising two daughters.

Ms. Lothian is a past president of the Regina Bar Association and a director of Regina Community Basketball Association and the Arthritis Society of Saskatchewan. She is currently a director of Lex Capital Corp., a private equity management company, and served as co-chair for the Volunteer Committee for the CIS Women's National Basketball Championships hosted by the University of Regina in 2009.

Gayle MacDonald

Board Member

Gayle MacDonald is the president, co-owner & co-founder of G-Mac's AgTeam Inc., based out of Kindersley with eight locations throughout west central Saskatchewan. She has been involved in many aspects of the many communities in the area.

Ms. MacDonald was born and raised in Plenty, Saskatchewan. She attended the University of Saskatchewan and graduated with a diploma in Orthoptics from the University Hospital Department of Ophthalmology. She went on to open the Orthoptic Clinic at the Pasqua Hospital in Regina. She is also a graduate of Quantum Shift Ivy School of Business at Western University and Certified Director Graduate of 'The Director's College' c/o The Conference Board of Canada.

Ms. MacDonald has served as a community representative on the board of Sun West School, and as a former director of Canterra Seeds Ltd. She is mother of three adult children and a very proud grandmother of two little boys. She has been an active member in the community, coaching and participating in various sports as well as entertaining with musical contributions and supporting many events promoting community programs and fund-raising events.

Garry Reichert

Board Member

Garry Reichert retired from SaskTel in 2005 after 38 years of service, in which he held progressively senior positions, including general manager Technology Performance and Operations.

He worked with SaskTel International on projects, including being manager for the Jilin Power Microwave and Fiber Project in northern China and Director of Engineering for the Leicester Communications Limited Project in the United Kingdom.

He is a graduate in Electronic Technologies from SIAST.

John Ritchie

Board Member

John Ritchie retired as first vice president, branch manager and investment advisor for CIBC Wood Gundy after 41 years of service.

He is vice chair of Skate Canada, Regina, and co-founder and chair of the Saskatchewan Open Squash Championships. Previously, he has chaired the Investment Dealers Association of Saskatchewan and the Regina United Way (Division) and he served as a board member for Potash Corporation of Saskatchewan.

Glenys Sylvestre

Board Member

Glenys Sylvestre is executive lead, University Governance at the University of Regina. She has also been an Instructor with the Paul J. Hill School of Business at the U of R for over 15 years. Prior to her employment with the University, she was an audit and assurance manager at Deloitte & Touche.

Ms. Sylvestre is a Chartered Professional Accountant, and was awarded Fellowship in 2007. She served for six years as a councillor with the Institute of Chartered Accountants of Saskatchewan, including service as president and chair. She also obtained the Chartered Director designation in 2011.

Ms. Sylvestre facilitates board and executive training and development sessions for numerous organizations on topics such as fundamentals of accounting, risk management, interpretation of financial information and monitoring financial performance. She has served on several Regina community boards including Regina Piranhas Summer Swim Club, Queen City Kinsmen Gymnastics Club and Arcola East Community Association. She currently serves on the board of the Regina Exhibition Association Limited (Evraz Place).

Board Committees

Audit Committee

Glenys Sylvestre, Chair
Terry Dennis
Gayle MacDonald
John Ritchie
Pat Friesen
Jerri Hoback
Darrell Kennedy

Corporate Growth and Technology Committee

John Ritchie, Chair
Rachel Heidecker
Reg Howard
Garry Reichert
Pat Friesen
Jerri Hoback

Environment and Human Resources Committee

Reg Howard, Chair
Glenys Sylvestre
Randy Kachur
Pam Lothian
Garry Reichert

Governance Committee

Pam Lothian, Chair
Darrell Kennedy
Gayle MacDonald
Randy Kachur
Rachel Heidecker

SaskTel Executive

Ron Styles

President and Chief Executive Officer

Ron Styles assumed the role of SaskTel president and chief executive officer in August 2010.

Immediately prior to joining SaskTel, Mr. Styles served as president and chief executive officer of Crown Investments Corporation of Saskatchewan. His previous roles include Deputy Minister of Finance and of Highways and Transportation, president of SaskWater and SaskHousing, as well as Associate Deputy Minister at Municipal Government and at Community Services. In 2014, the Institute of Public Administration of Canada Saskatchewan (IPAC) recognized Ron for his exceptional leadership and contribution in public administration with the prestigious Lieutenant Governor's Gold Medal.

He has a Master of Arts degree (Economics) from the University of Regina, and has held positions on a number of boards and associations, including Phenomenome Discoveries Inc., SaskFerco and Ag West Bio. Ron currently serves as a board member for The Conference Board of Canada and is a member of the CEO's Advisory Circle for the University of Regina's Paul Hill School of Business.

Doug Burnett

Vice President, Human Resources & Corporate Services

Doug Burnett is responsible for SaskTel's Corporate Services, Human Resources, Industrial Relations as well as its Health, Safety, Environment and Diversity areas.

Mr. Burnett has also served as acting president of SaskTel International for several years and as the executive sponsor for the Saskatoon Square investment.

Doug began his career at SaskTel in 1990 as corporate counsel providing legal advice and services to the corporation in every facet of business. During this time, he worked on several international projects as well as provided advice to Human Resources & Industrial Relations.

Prior to joining SaskTel, Doug practiced law in Regina from 1983 to 1989.

He holds a Bachelor of Arts degree from the University of Regina, a Bachelor of Laws degree from the University of Saskatchewan, and a Certified Human Resources Professional (CHRP) designation. He is also a member of the Law Society of Saskatchewan. Doug also serves as a board member for the Wicihitowin Foundation, SecurTek, DirectWest, SaskTel International, Junior Achievement and WestWind Aviation.

Doug was born and raised in Regina. He is active in his community and supports a variety of activities involving his two children, Jessica and Alexander. He enjoys sports of any kind, particularly water and snow skiing, and enjoys coaching alpine skiing.

Sean Devin

President, SaskTel International & Vice President, ICT Business Solutions

In 2013, Sean Devin was appointed president and chief executive officer of SaskTel International (SI). SI markets leading-edge software solutions and professional consulting services, and leverages a unique relationship as a wholly owned subsidiary of SaskTel to enable businesses around the globe to achieve strategic communications initiatives and projects. With the completion of over 60 projects spanning 40 countries and six continents, SI is a local organization with a global reach. Sean is also responsible for SaskTel's Information and Communications Technology (ICT) Business Solutions, overseeing the company's efforts to facilitate ICT service delivery both within the company and externally.

Prior to joining the SaskTel team, Sean held high-level positions such as director of Business Process & Applications and director, Infrastructure & Shared Services with Cameco Corporation, director of Information Technology with Innovation Place, and director of Security with Riptown.com Media. Sean was also president & chief executive officer for Excellerate Consulting, a management and technology consulting firm focused on business and technology transformation.

Sean attended William Woods University in Missouri and earned a bachelor's degree in computer information sciences. Born and raised in Saskatchewan, Sean enjoys volunteering for a variety of causes.

Jim Dundas

Chief Information Officer

Prior to joining SaskTel in November 2013, Jim Dundas was regional vice president for CGI, where he had overall executive responsibility for operations in Saskatchewan. Jim received the prestigious CGI Builder Award for exceptional leadership achievements, having grown the Saskatchewan operation four-fold and delivering excellent financial performance.

Throughout his 30-year career in the information technology industry, Jim has also held positions with Saskatchewan Government Insurance, Saskatchewan Workers Compensation Board, and Co-operators Data Services Limited.

Jim currently serves on the SaskTel International Board of Directors.

Jim was born, raised and educated in Saskatchewan, loves cottage life and remains active in the family farm.

Charlene Gavel

Chief Financial Officer

Charlene Gavel is responsible for the corporation's financial activities and provides leadership in the development of financial strategies. She is also responsible for corporate security.

Ms. Gavel has extensive experience and has held a variety of positions throughout her career. Most recently she has held the position of vice president and chief financial officer at SaskTel International. Prior to that, Charlene held positions with the Regina Qu'Appelle Health Region as chief financial officer and vice president of Financial Services, and with Information Services Corporation (ISC) as chief financial officer and vice president of Finance and Administration. Charlene currently serves on the boards of SaskTel International, SecurTek, DirectWest and the Regina Downtown Business Improvement District Board.

Daryl Godfrey

Chief Technology Officer

As chief technology officer, Daryl Godfrey's 33-year career with SaskTel includes senior positions in Network Planning and Provisioning, SaskTel International, Business Development and Stentor.

His SaskTel International assignments included Network Services Director in Leicester, UK, and chief technology officer for Tanzania Telecommunications Company.

Daryl has held past positions in the Regina Engineering Society and on the board of TR Labs. He is currently a member of the Advisory Board for the University of Regina Faculty of Engineering and Applied Science.

He has a Bachelor of Science, Mechanical Engineering degree, P. Eng, from the University of Saskatchewan and is a member of the Association of Professional Engineers and Geoscientists of Saskatchewan (APEGS).

Ken Keesey

Vice President, Customer Services – Operations

Since beginning his career at SaskTel in 1981, Ken Keesey has held a variety of positions in both SaskTel Sales and Operations and has had the privilege of living in numerous locations throughout the great province of Saskatchewan. He was vice president of Customer Services – Sales from 2001 to 2015, and was recently appointed to the position of vice president of Customer Services – Operations in August 2015.

Ken was born, raised, and educated in Saskatchewan, and has always been involved in the community. He is a governor for Junior Achievement of Northern Saskatchewan and serves on the Canadian Telecom Pioneer Advisory Boards. Ken previously served as a board member for Saskatchewan Crime Stoppers and the Saskatoon City Hospital Foundation. Additionally, he was one of the founding members of the SaskTel Helping Our Own People (HOOP) organization, in which he is still actively involved.

Ken and his wife Marcia reside in Saskatoon.

Darcee MacFarlane

Vice President, Corporate and Government Relations

As vice president of Corporate Communications and Government Relations for SaskTel, Darcee MacFarlane is accountable for media relations, internal communications, customer relations and community relations for the corporation.

Ms. MacFarlane has over 25 years with SaskTel, and has held a variety of positions in Marketing Communications, Media Relations, Customer Relations, Community Relations, Internal Communications and Government Relations.

Darcee was born and raised in Saskatchewan. She has a Bachelor of Arts degree and a Public Relations certificate from the University of Regina, as well as a Corporate Social Responsibility certificate from the University of Toronto. In addition, she is a member of the IABC (International Association of Business Communicators) and serves on the Board of Directors for Computers for Schools.

Greg Meister

Vice President, Business Sales and Solutions

Greg Meister leads the SaskTel team responsible for Business Sales – Marketing, along with Delivery & Assurance of the advanced suite of security, network, hosted and premise-based infrastructure services for SaskTel's business customers. These services are delivered and assured by Greg's team of experienced certified IT and communications professionals over Saskatchewan's most advanced networks and hosted in advanced data centres; designed, built and operated by SaskTel.

Prior to his appointment as vice president, Business Sales & Solutions, Greg was vice president of SaskTel's Customer Services – Operations, where he was responsible for the corporation's advanced networks, delivery of installation and repair services, and the construction of facilities. Beginning his career with SaskTel in 1993, he has held positions in marketing, sales, and operations, allowing Greg and his family to live and participate in the communities of Regina, Prince Albert, North Battleford and Saskatoon.

Greg holds a Bachelor of Commerce degree from the University of Saskatchewan where he focused in the areas of finance and marketing. Greg has received certificates for extension programs from the University of British Columbia and Queen's University. As a dedicated volunteer, Greg has held director positions with the Battlefords United Way and the Prince Albert Pistol and Rifle Club. He is currently vice president of Saskatchewan Crimestoppers, vice president of the Saskatoon Gun Club, and director with Saskatchewan Skeet Shooting Corp.

Born, raised, and educated in Saskatchewan, Greg enjoys living in the growing community of Warman with his wife Nadine and daughter Cassidy.

John Meldrum

Vice President, Corporate Counsel and Regulatory Affairs & Chief Privacy Officer

As vice president, Corporate Counsel and Regulatory Affairs, John Meldrum's portfolio includes the provision of legal guidance, advice, and services to the corporation. He is also responsible for the areas of carrier relations, carrier services, land and easements, and regulatory affairs, including regulatory policy matters, as well as SaskTel's legal department.

John worked five summers with the corporation while attending University and, in 1977 after receiving his law degree (LLB) from the University of Saskatchewan, joined SaskTel as a solicitor in the legal department. In May of 1984, John became general counsel and corporate secretary; in September 1986 he became vice president, Corporate Counsel and held that position until he was appointed to his current position.

In December 2000, he received the Queen's Counsel (QC) designation. John is a member of the Canadian Bar Association and the Law Society of Saskatchewan. He serves on the boards of DirectWest, SecurTek, SaskTel International, and the University of Regina Rams Football Club.

Stacey Sandison

Chief Strategy Officer

Stacey Sandison has had an extensive career at SaskTel, with successful leadership responsibilities in marketing, sales and operations divisions. Currently, the chief strategy officer, Ms. Sandison is accountable for corporate strategic planning, corporate marketing strategy, service development, corporate program prioritization and brand management.

Stacey holds a Bachelor of Business Administration degree from the University of Regina and a Masters in Business Administration degree from Ellis College, New York.

Stacey is a past member of the SecurTek, the Canadian Wireless Telecom Association and SaskTel Superannuation boards. She is currently a board member of Women in Communication and Technology, the RCMP Foundation, and DirectWest.

Katrine White

Vice President, Consumer Sales and Solutions

As vice president of Consumer Sales and Solutions, Katrine White leads the team responsible for all marketing and operations for SaskTel's consumer market. This includes the development and management of SaskTel's wireless, voice and data services; *maxTV*; Internet products and wireline phone service. She is also accountable for the industry-leading sales, customer service and support channels.

Prior to this, Ms. White held a number of positions with increasing accountability at SaskTel and SaskTel Mobility in the areas of consumer and business product management, advertising and communications, customer loyalty and strategic planning.

Katrine earned a Bachelor of Commerce degree from the University of Saskatchewan and a certificate from Queen's University Marketing Program. She is married with three children, and loves to travel and spend time at the lake.

Corporate Directory

SaskTel Subsidiaries Executive Officers

Gord Farmer	President and Chief Executive Officer, DirectWest
Darrell Jones	President and Chief Executive Officer, SecurTek

SaskTel International Senior Operating Managers

Sean Devin	President and Chief Executive Officer
Mike Anderson	Chief Financial Officer

Corporate Governance Statement

AUTHORITY

SaskTel is a Crown corporation governed by *The Saskatchewan Telecommunications Holding Corporation Act*, and subject to the provisions of *The Crown Corporation Act, 1993*. The Crown Investments Corporation of Saskatchewan (CIC), as the holding company for Saskatchewan's commercial Crown corporations, has authority to establish direction for SaskTel related to certain matters set out in legislation.

Through the Chair, who is an independent director, the Board of Directors is accountable to the Minister Responsible for SaskTel. The Minister Responsible is a key communications link among the Corporation, CIC, Cabinet, the Legislature and the public.

BOARD APPOINTMENTS

The Lieutenant Governor in Council appoints members of the Board, and designates the Chair and Vice Chair. Subject to applicable legislation, directors are appointed for a fixed term and their appointments can be renewed at expiry. There are twelve (12) members on the Board.

KEY ACCOUNTABILITIES

The Board of Directors is responsible for supervising the management and affairs of the Corporation. While focusing on the strategic leadership of the Corporation, the Board delegates day-to-day operations to management and holds them accountable for the Corporation's performance.

The Board discharges its responsibilities directly, by delegation to management and through Committees of the Board, of which there are four: the Audit and Risk Committee, the Corporate Growth and Technology Committee, the Environment & Human Resources Committee, and the Governance Committee.

CORPORATE GOVERNANCE PRACTICES

The SaskTel Board has implemented a comprehensive set of governance practices and is committed to clear disclosure of its governance practices in accordance with current best practice disclosure standards.

On June 30, 2005, the Canadian Securities Administrators (CSA) National Policy 58-201 on Corporate Governance Guidelines, and National Instrument 58-101 on Governance Disclosure Rules, came into effect. The CSA standards supersede the Toronto Stock Exchange Corporate Governance Guidelines, which the Board used previously to assess its practices. The Governance Committee has reviewed the Guidelines with a view of adapting the Board's governance practices to the guidelines, where effective and beneficial. Although SaskTel is not required to comply with the CSA governance guidelines, the Corporation has used them to benchmark its corporate governance practices in the following section.

On October 15, 2014, the CSA announced amendments to National Instrument 58-101 Disclosure of Corporate Governance Practices effective December 31, 2014. The amendments implement a "comply or explain" disclosure model regarding the representation of women on boards and in executive officer positions and the director selection process. The amendments do not introduce any mandatory quotas or targets. They are intended to increase transparency regarding the representation of women on boards and in senior management. There are no sanctions for non-compliance.

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
COMPOSITION OF THE BOARD **NP 58-201, section 3.1** 3.1 The board should have a majority of independent directors.	The majority of directors on the SaskTel Board (11 out of 12) are independent.	Yes
NI 58-101F1, sections 1(a) to (d) 1(a) Disclose the identity of directors who are independent; (b) Disclose the identity of directors who are not independent and the basis for that determination; (c) Disclose whether the majority of directors are independent; and (d) Disclose whether a director is a director of any other issuer that is a reporting issuer.	**Grant Kook**, Chair: *INDEPENDENT* – President and CEO, Westcap Mgt. Ltd. **Terry Dennis**: *INDEPENDENT** – Entrepreneur – Business Owner **Pat Friesen**: *INDEPENDENT* – Consultant - Success Business Consulting **Rachel Heidecker**: *INDEPENDENT* – ICT Manager, University of Saskatchewan **Reg Howard**: *INDEPENDENT* – COO - Canadian Digital Network **Jerri Hoback**: *INDEPENDENT* – Accountant **Randy Kachur**: *INDEPENDENT* – Partner in Rusnak Balacko Kachur Law Firm **Darrell Kennedy**: *INDEPENDENT*** – Entrepreneur – Business Owner **Pam Lothian**: *INDEPENDENT* – Lawyer **Gayle MacDonald**: *INDEPENDENT* – Owner & Operator of G-Mac's AgTeam Inc. **Garry Reichert**: *NOT INDEPENDENT**** – Retired, former SaskTel employee **John Ritchie**: *INDEPENDENT* – Retired **Glenys Sylvestre**: *INDEPENDENT* – Associate Dean (Undergraduate Programs) for the Paul J. Hill School of Business Administration at the University of Regina The determination of independence is made by the Governance Committee and is based on an assessment of the requirements in Multilateral Instrument 52-110, Audit Committees. * Mr. Dennis was a Board member until March 12, 2015 ** Mr. Kennedy was appointed to the Board May 27, 2015. *** Mr. Reichert is a retired senior manager of SaskTel, and, is currently a member of the SaskTel superannuation plan. Section 1(d) does not apply to SaskTel as SaskTel does not have share capital, and is not an issuer.	Substantial compliance

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NP 58-201, section 3.2 3.2 The chair of the board should be an independent director who is the effective leader of the board and who ensures that the board's agenda will enable it to successfully carry out its duties.	The Chair of the Board is an independent director who provides leadership in Board organization, processes, effectiveness and renewal, serves as liaison between the Board and the shareholder and ensures Board agendas reflect an effective balance between the role of the Board and that of management.	Yes
NI 58-101F1, sections 1(f) 1(f) Disclose whether the chair of the board is an independent director; disclose the identity of the chair and describe the role of the chair	Grant Kook is the Chair of the Board and he is an independent director. The Chair reports to the Board and ultimately to the shareholder and is responsible for presiding over meetings of the Board and ensuring that the Board discharges its fiduciary and legal responsibilities. The Chair's primary duties include the following: • chairing meetings of the Board and ensuring meetings are properly convened and business is conducted legally • working with the CEO and the Corporate Secretary to set Board meeting schedules and establish agendas • monitoring meeting attendance and encouraging full participation by directors at meetings • communicating with directors between meetings • taking a lead role in assessing and addressing any concerns related to Board, committee or director performance • assisting directors to achieve full utilization of individual abilities • promoting an open and constructive working relationship between senior management and the Board • working with committee chairs to maintain effective communications and division of responsibilities • providing advice and counsel to the CEO and senior management • representing the shareholder's interests and perspective to management, and representing management's views to the shareholder • in conjunction with the CEO, developing productive relationships and representing the Corporation with the shareholder and key stakeholders	Yes
MEETINGS OF INDEPENDENT DIRECTORS **NP 58-201, section 3.3** 3.3 The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not present.	As a Standing Agenda item, the Board holds an in camera session without management present at each regular meeting of the Board. All directors participate in the sessions, except where a director has a conflict with an item under discussion.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NI 58-101F1, sections 1(e) 1(e) Disclose whether the independent directors hold regularly scheduled meetings at which members of management are not present; disclose the number of such meetings held in the previous 12 months; if such meetings are not held, disclose what the board does to facilitate open and candid discussion among independent directors.	There were twelve (12) Board meetings held in 2015, and during eleven regular meetings, in camera sessions without management present but including all directors were held. Board practices that facilitate open and candid discussion among and independent judgment by directors include: • holding in camera sessions of no fixed duration where directors are encouraged to raise any issues of concern • having an independent director as Chair of the Board • clearly delineating the division of responsibilities between Board and management • providing for the Board/directors to access external advice The Board is satisfied that its governance practices foster full and open discussion and debate and that it retains the independence of mind to make decisions in the best interests of the Corporation and the shareholder.	Yes
NI 58-101F1, sections 1(g) 1(g) Disclose the attendance record of each director for board meetings held in the most recently completed financial year.	The Board held twelve (12) meetings in 2015. The number of Board meetings attended by each director in 2015 is set out below.	Yes

Director	Meetings Attended*
Grant Kook, Chair	12 (12)**
Terry Dennis***	1 (1)
Pat Friesen	11 (12)
Rachel Heidecker	12 (12)
Jerri Hoback	12 (12)
Reg Howard	9 (12)
Randy Kachur	12 (12)
Darrell Kennedy****	7 (7)
Pam Lothian	11 (12)
Gayle MacDonald	11 (12)
Garry Reichert	12 (12)
John Ritchie	12 (12)
Glenys Sylvestre	12 (12)

* For the purposes of this report, members who attended meetings in part were considered to be present.

** Figures in brackets represent the maximum number of meetings for the period in which the individual was a Board member.

*** Mr. Dennis was a Board member until March 12, 2015.

**** Mr. Kennedy was appointed to the Board May 27, 2015.

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
BOARD MANDATE		
NP 58-201, section 3.4 3.4 The board should adopt a written mandate which explicitly acknowledges responsibility for the stewardship of the corporation and responsibility for: (a) to the extent possible, satisfying itself as to the integrity of the CEO and executive and that they have created a culture of integrity throughout the organization; (b) adopting a strategic planning process and approving at least annually a strategic plan which takes into account, among other things, the opportunities and risks of the business; (c) identification of the principal risks of the corporation's business and ensuring the implementation of appropriate systems to manage these risks; (d) succession planning, including appointing, training and monitoring senior management; (e) adopting a communications policy for the Corporation; (f) the integrity of the corporation's internal control and management information systems; and (g) developing the Corporation's approach to corporate governance, including a set of principles and guidelines specific to the Corporation. The written mandate should also address measures for receiving feedback from stakeholders (for example, a process for stakeholders to contact independent directors); and the expectations and responsibilities of directors, including basic duties to attend meetings and review materials in advance.	The Board has written Terms of Reference that contain the majority of the elements required by the Policy. The Terms of Reference outline the Board's principal duties and responsibilities, including responsibility to function as stewards of the Corporation and to: • provide leadership in setting the Corporation's long-range strategic direction and annually approve the Corporation's overall strategic plan • participate in identifying the principal risks of the business in which the Corporation is engaged and oversee the implementation of appropriate systems to manage the risks • appoint the CEO, evaluate the performance of senior management and ensure effective succession planning processes • adopt policies and processes to enable effective communication with the shareholder, stakeholders and the public • monitor the integrity of the Corporation's internal control and management information systems The Board has approved Terms of Reference for Directors where the expectations and responsibilities of individual directors are delineated. SaskTel regularly surveys internal and external stakeholders to obtain feedback about Corporate activities. The Chair of the Board participates in a forum established by CIC, which is composed of the chairs of all subsidiary Crown boards and senior CIC officials, where issues of mutual interest and concern are shared. Elements of the Policy not specifically identified in the Terms of Reference for the Board include (a) and (g). Respecting (a), the Board has established practices that promote a culture of ethical business conduct (see discussion under section 3.8 of NP 58-201). With respect to (g) the Board has delegated responsibility to the Governance Committee to oversee the Corporation's approach to corporate governance.	Substantial compliance
NI 58-101F1, section 2 2 Disclose the text of the board's written mandate.	The Board's principal responsibilities are described above. The text of the Board's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
POSITION DESCRIPTIONS		
NP 58-201, section 3.5 3.5 The board should: develop clear position descriptions for the chair of the board and the chair of each board committee; together with the CEO, develop a position description for the CEO delineating management's responsibilities; develop or approve corporate goals and objectives that the CEO is responsible to meet.	The Board has approved Terms of Reference for the Board, the Chair of the Board, the Chair of each Committee, each Committee and individual directors and has adopted a Position Description for the CEO. The CEO's Position Description sets out the CEO's primary accountabilities and responsibilities. The Terms of Reference for the Board address management duties, and a Final Authorization Policy, applicable to monetary and non-monetary matters, sets out those matters that require Board approval and delegates other matters to management. The Environment & Human Resources Committee annually recommends performance indicators for the Corporation and personal goals for the CEO that are approved by the Board. The Board annually approves a business plan that includes Corporate objectives, priorities and performance indicators. The CEO is responsible to see that the Corporation achieves the business plan and to meet any other targets assigned by the Board.	Yes
NI 58-101F1, sections 3(a) and (b) 3(a) Disclose whether the board has developed written position descriptions for the chair of the board and the chair of each board committee and, if not, describe how the board delineates the role and responsibilities of each such position. (b) Disclose whether the board and CEO have developed a written position description for the CEO.	The Board has developed written position descriptions for the Chair of the Board, the Chair of each Committee and the CEO.	Yes
ORIENTATION & CONTINUING EDUCATION		
NP 58-201, sections 3.6 and 3.7 3.6 The board should ensure new directors receive comprehensive orientation and fully understand the role of the board and committees, the contribution individual directors are expected to make and the nature and operation of the business. 3.7 The board should provide continuing education opportunities for all directors to enhance their skills and abilities and ensure their knowledge of the Corporation's business is current.	The Corporation provides all members appointed to the Board with a comprehensive *Directors' Reference Manual*, and new directors receive an orientation session delivered by management. The orientation session addresses key industry trends, critical business risks and challenges, the strategic plan, organizational structure and responsibilities of senior staff. New directors are able to meet informally with senior managers to learn about the business. Prior to some regular Board meetings, outside experts in various aspects of the telecommunications industry are invited to speak to the Board and senior management. Management has also delivered educational sessions to directors to explain technical aspects of the business. Each year, CIC sponsors a comprehensive education program for directors of CIC subsidiary Crown boards. The program has focused on the key roles and responsibilities of boards, committees and directors, the skills directors need to effectively discharge their responsibilities and best practices and new developments in corporate governance. Directors can participate in external development opportunities related to their duties as directors where authorized by the Corporation or the Board.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
CODE OF BUSINESS CONDUCT AND ETHICS		
NP 58-201, section 3.8 3.8 The board should adopt a written code of business conduct and ethics applicable to directors, officers and employees of the corporation designed to promote integrity and deter wrongdoing. The code should address: (a) conflicts of interest, including transactions and agreements where a director or officer has a material interest; (b) protection and proper use of corporate assets and opportunities; (c) confidentiality of corporate information; (d) fair dealing with the Corporation's security holders, customers, suppliers, competitors and employees; (e) compliance with laws, rules and regulations; and (f) reporting of illegal or unethical behavior.	Board members must comply with the Directors' Code of Conduct, which was developed by CIC and applies to the directors of all its subsidiary Crown boards. Officers and employees of the Corporation and its subsidiaries must comply with SaskTel's Business Code of Conduct, which includes a whistle-blowing policy. Both Codes are designed to promote integrity and deter wrongdoing, address the elements of the Policy as they apply to a Crown corporation and provide a mechanism to report illegal or unethical behavior.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NI 58-101F1, sections 5(a) 5(a) Disclose whether the board has adopted a written code of ethical business conduct for the directors, officers and employees of the corporation; how to obtain a copy of the Code; how the board monitors compliance with the Code; and reference any material change report in the most recent financial year relating to any conduct of a director or officer that constitutes a departure form the Code.	A copy of the *Directors' Code of Conduct* can be obtained by contacting CIC. A copy of the Business Code of Conduct can be obtained by contacting SaskTel. Committees of the Board monitor compliance with the Directors' Code and the Business Code. The Governance Committee monitors compliance with Corporate donation and sponsorship policies and is responsible to administer, monitor and enforce the Directors' Code. The Chair of the Committee reports to the Board at each regular meeting any such issues addressed by the Committee, and submits an annual report to the Board regarding compliance with the Directors' Code. The Audit and Risk Committee monitors the financial performance of the Corporation and assists the Board to meet its responsibilities respecting accounting and financial reporting, risk management, internal controls and accountability. The Committee interacts directly with the internal and external auditors, who report to the Committee concerning, among other things, any instances of illegal or improper treatment of Corporate assets. The Audit Committee receives quarterly risk management reports, including reports related to legal risks. The Chair of the Committee reports to the Board at each regular meeting any such issues addressed by the Committee, and all directors receive summaries of risk management reports. The Environment & Human Resources Committee monitors compliance with environmental, health and safety and human resource programs, including compliance with the Business Code. The Committee receives reports from management that address, among other things, compliance with related policies, legislation and regulations. The Chair of the Committee reports any issues raised at the Committee level to the Board at each regular meeting of the Board. SaskTel does not have share capital and is not an issuer. Therefore, no material change reports have been filed.	Yes
NP 58-201, section 3.9 3.9 The board should monitor compliance with the code and any waivers granted for the benefit of directors and executive officers should be granted by the board or a board committee. Any waivers for a material departure from the code for any directors or officers should disclose full details of the material change.	The Board has delegated to its Committees the responsibility to monitor compliance with the Codes of Conduct. The Committees report any issues dealt with pursuant to the Codes to the full Board. No waivers from either Code have been granted to any director or officer in 2015.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NI 58-101F1, sections 5(b) 5(b) Describe steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements where a director or officer has a material interest.	Where a director has, or may be perceived to have, a personal interest in a transaction being considered by the Corporation, the director is responsible to declare any such interest at the meeting where the matter is considered and not to participate in discussions about or vote on the matter. In 2005, the Board adopted a disclosure form to enable directors to declare their directorships on and material interests in businesses other than SaskTel, their knowledge of the business their associates have or may transact with SaskTel and any material contracts they may have entered into with SaskTel or its subsidiaries. The required information excludes the acquisition of services available to the general public. The completed form is provided to the Governance Committee, the Corporate Secretary and their advisors to assist them in proactively addressing potential conflict of interests. Management monitors agenda items to identify any issues where a director may have a material interest and such items are not distributed to the director.	Yes
NI 58-101F1, sections 5(c) 5(c) Describe other steps the board takes to encourage and promote a culture of ethical business conduct.	The Board encourages and promotes a culture of ethical business conduct by following current best practices in corporate governance. These practices are reinforced by open and honest discussion about business issues at Board meetings and at informal gatherings between the Board and senior management. The Board expects management to act ethically in its business dealings, in accordance with all applicable legislation, the Business Code of Conduct and any directives or policies of the Board or the shareholder. In 2005, the Business Code of Conduct was revised to incorporate a whistle-blowing mechanism to facilitate reporting by employees of issues of concern. Issues arising under the Business Code of Conduct are reported to and monitored by the Environment & Human Resources Committee and management reports to the Governance Committee respecting significant issues that have arisen pursuant to the whistle-blowing policy. Whistle-blowing reports may also be made directly to the Chair of the Governance Committee.	Yes
NOMINATION OF DIRECTORS		
NP 58-201, section 3.10 3.10 The board should appoint a nominating committee composed of entirely independent directors.	The Governance Committee functions as the nominating committee. All five (5) members of the Governance Committee, including the Committee Chair, are independent directors.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NI 58-101F1, sections 6(a) and (b) 6(a) Describe the process by which the board identifies new candidates for board nomination. (b) Disclose whether the board has a nominating committee composed entirely of independent directors and, if not, describe the steps the board takes to encourage an objective nomination process.	The Board, through the Governance Committee, reviews the composition and skill sets of directors annually with a view to maintaining an appropriate mix of expertise, experience and diversity on the Board to support the strategic direction and operating needs of the Corporation. The Governance Committee is responsible for identifying the skill sets needed on the Board, developing and maintaining a skills profile that delineates the competencies of current directors and identifies any skill gaps, and seeking and recommending to the Board nominees who have the required competencies to fill any identified gaps. In addition to competencies and skills, the appointment practices encourage diversity in the composition of the Board. In seeking candidates, the Committee receives recommendations from the directors, senior management and the shareholder. Potential candidates are interviewed to determine their overall fit with the needs of the Board, any conflicts that would preclude their effective participation and whether they have the time to devote to board work. The Committee recommends a list of candidates for each vacant position to the Board, which in turn recommends a list of recommended candidates to the shareholder for approval. The shareholder has the legislative authority to make Board appointments. The Committee believes that following best practices related to Board appointments, maintaining a skills matrix and recruiting candidates who possess the required combination of skills, background and diversity to add value to Corporate decision-making supports an objective nomination process.	Yes
NP 58-201, section 3.11 3.11 The nominating committee should have a written charter establishing the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual directors or subcommittees) and manner of reporting to the board. In addition, the nominating committee should be given authority to engage and compensate outside advisors necessary to permit it to carry out its work. Where a third party has a legal right to nominate directors, the selection and nomination of those directors need not involve the approval of an independent nominating committee.	The Governance Committee has written Terms of Reference setting out its purpose and principal responsibilities, which address the Committee's responsibility to lead the process of recruiting and nominating candidates for appointment to the Board, as well as the other elements of the Policy except member qualifications and the ability to delegate tasks. The Committee has authority to engage outside advisors to assist it in performing its duties, subject to the approval of the Board. The shareholder has the right to nominate candidates for appointment to the Board, and the candidates are assessed by the Governance Committee in the same way as other candidates.	Substantial compliance

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NI 58-101F1, sections 6(c) 6(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the committee.	The Governance Committee performs the functions of a nominating committee, and its Terms of Reference describe the responsibilities, powers and operation of the Committee. The Committee is appointed by the Board, serves in an advisory capacity and makes recommendations to the Board within its area of responsibility. A copy of the Committee's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.	Yes
NP 58-201, section 3.12 3.12 The board should adopt a nomination process which considers the competencies and skills of the board as a whole; assesses the competencies and skills possessed by each existing director; and considers the personality and other qualities of each director. The board should also consider the appropriate size of the board, with a view to effective decision-making, and should consider the advice and input of the nominating committee.	The Board's nomination process is described above, and it meets the guidelines of the Instrument. By legislation, the Board is comprised of a maximum of 12 directors. As the Committee responsible for the Board's approach to corporate governance, the Committee makes recommendations to promote timely and effective decision-making.	Yes
NP 58-201, section 3.13 3.13 The nominating committee should be responsible for identifying individuals qualified to become new board members and recommending to the board the new director nominees.	The Governance Committee, serving as the nominating committee, is responsible for leading the process to identify, recruit and recommend qualified candidates for appointment to the Board.	Yes
NP 58-201, section 3.14 3.14 In making its recommendations the nominating committee should consider: the competencies and skills that the board considers necessary for the board as a whole to possess; the competencies and skills of existing directors; the competencies and skills of each nominee; and whether each new nominee can devote sufficient time and resources to board work.	The process followed by the Governance Committee complies with that set out in the Policy and is described above.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
COMPENSATION		
NP 58-201, section 3.15 3.15 The board should appoint a compensation committee composed entirely of independent directors.	The Environment & Human Resources (EHR) Committee performs the functions of a compensation committee. Four (4) of the five (5) members of the EHR Committee, including the Committee Chair, are independent directors. One (1) Committee member, as a retired employee of SaskTel, is not independent.	Substantial compliance
NI 58-101F1, sections 7(a) and (b) 7(a) Describe the process by which the board determines compensation for the directors and officers of the Corporation. (b) Disclose whether the board has a compensation committee composed entirely of independent directors and, if not, describe the steps the board takes to ensure an objective process for determining such compensation.	The majority of members of the Environment & Human Resources Committee, which serves as the compensation committee, are independent directors. CIC has the legislative authority to fix remuneration levels and set expense guidelines for directors. The Governance Committee has authority to recommend to the Board (and the Board to CIC) adjustments to directors' compensation. The Committee receives quarterly reports respecting the remuneration received by members of the Board, and reports any anomalies to the Board. Each director receives an annual retainer for acting as a Board member. The remuneration levels established by CIC for members of the Board are set out below.	Yes

Director Remuneration Schedule	
Board Chair retainer	$ 40,000.00
Board member retainer	$ 25,000.00
Audit & Risk Committee Chair retainer	$ 3,500.00
Other Committee Chair retainer	$ 2,500.00
Committee member meeting fee	$ 750.00

A copy of CIC's remuneration and expense guidelines for directors can be obtained by contacting the Corporate Secretary to the Board.

CIC has established a framework for executive compensation, and the Board can approve compensation packages within that framework. The Board has delegated responsibility for addressing and making recommendations concerning management compensation issues to the Environment & Human Resources Committee.

The Environment & Human Resources Committee reviews and recommends the following to the Board: changes to the design of the Corporation's overall compensation and benefits plans; management compensation packages that reflect industry standards; performance compensation programs; and annual Corporate indicators, including a sub-set used to determine performance compensation for senior management. In discharging this function, the Committee has the ability to retain external advisors, subject to approval by the Board.

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NP 58-201, section 3.16 3.16 The compensation committee should have a written charter establishing the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure, operations (including any authority to delegate to individual directors or subcommittees) and manner of reporting to the board. In addition, the compensation committee should be given authority to engage and compensate outside advisors necessary to permit it to carry out its work.	The Board has approved Terms of Reference for the EHR Committee, which addresses the Committee's responsibilities with respect to compensation, as well as the other elements of the Policy except member qualifications and the ability to delegate tasks. The Committee has authority to engage outside advisors to assist it in performing its duties, subject to the approval of the Board.	Substantial compliance
NI 58-101F1, sections 7(c) (c) If the board has a compensation committee, describe the responsibilities, powers and operation of the committee.	The Environment & Human Resources Committee serves as the compensation committee, and its Terms of Reference describe the Committee's responsibilities respecting compensation issues, as well as the powers and operation of the Committee. The Committee is appointed by the Board, serves in an advisory capacity and makes recommendations to the Board within its area of responsibility. A copy of the Committee's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.	Yes
NP 58-201, section 3.17 3.17 The compensation committee should be responsible for: reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining the CEO's compensation level based on the evaluation; making recommendations to the board respecting non-CEO officer and director compensation, incentive-compensation plans and equity-based plans; and reviewing executive compensation prior to public disclosure.	The Environment & Human Resources Committee annually recommends to the Board the CEO's performance targets, and leads the annual performance evaluation process for the CEO. The CEO's performance is assessed against the established Corporate objectives and the CEO's individual targets. The results of the CEO's performance are approved by the full Board, and are used in determining compensation. Respecting non-CEO officer compensation, the Committee is responsible for recommending to the Board management compensation packages, performance compensation programs and annual performance targets. The Board reviews and approves the achievement of Corporate targets annually and the extent to which the targets are achieved determines management's eligibility for performance compensation. Executive compensation decisions are subject to any guidelines established by CIC. As a Crown corporation, SaskTel does not have equity-based plans. Director compensation is determined by CIC. Executive compensation information is available to the public through publication of Crown payee reports. The Committee does not review executive compensation reports prior to public disclosure.	Substantial compliance

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
OTHER BOARD COMMITTEES		
NI 58-101F1, section 8 8 If the board has standing committees of the board, other than audit, compensation and nominating committees, identify the committees and describe their function.	In addition to the Audit and Risk, Governance, and Environment & Human Resources Committees, the Board also has a Corporate Growth & Technology (CGT) Committee. The CGT Committee: works with management to develop a growth strategy and related policies; reviews and recommends investments and divestitures; monitors and reports to the Board respecting the performance of investments; and reviews and makes recommendations concerning the evolution of technology in the Corporation, long-term technology strategies and technology investments. A copy of the Committee's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.	Yes
BOARD ASSESSMENTS		
NP 58-201, section 3.18 3.18 The board, its committees and each individual director should be regularly assessed. An assessment should consider: with respect to the board or committees, its mandate or charter; with respect to an individual director, the applicable position description(s), as well as the competencies and skills each individual director brings to the board.	Board, Board Chair, Committee Chair and Committee evaluations as well as director peer assessments are performed annually on a 2 year cycle, with comprehensive board and board chair evaluations being conducted one year, and director peer, committee chair and committee evaluations being conducted the following year. The evaluations take into consideration the elements of the Policy. In 2015, Committee Chair and Committee evaluations as well as director peer assessments were conducted.	Yes
NI 58-101F1, section 9 9 Disclose whether the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution and, if yes, describe the process used.	The Governance Committee oversees the implementation of the above evaluation processes. The evaluations are survey-based, using an instrument developed by CIC in consultation with an outside consultant and with Crown board members. Board, Chair, Committee and director performance is measured against the duties and expectations set out in their respective Terms of Reference and the specific standards outlined in the evaluation instruments. The purpose of the evaluations is to identify areas where the Board, Committee, Chair or director is managing well and to highlight areas that may benefit by additional focus and attention. Directors complete surveys to provide feedback in writing on the effectiveness and contribution of the Board, Committees, Chairs and individual directors. The Board Chair or a third party may follow up the written responses with interviews of directors to elicit additional concerns or suggestions for improvement. The Governance Committee prepares reports outlining the evaluation results, which are submitted to the Board for review and approval. The Committee recommends follow-up action required as a result of recommendations made in the evaluation reports, and tracks implementation of any action items.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
CSA National Policy 58-101 Disclosure of Corporate Governance Practices		
10 Disclose whether or not the issuer has adopted term limits for the directors on its board or other mechanisms of board renewal and, if so, include a description of those director term limits or other mechanisms of board renewal. If the issuer has not adopted director term limits or other mechanisms of board renewal, disclose why it has not done so.	The appointment and removal of directors is the prerogative of the Lieutenant Governor in Council pursuant to *The Saskatchewan Telecommunications Act*. Director appointments are not subject to term limits.	No
11(a) Disclose whether the issuer has adopted a written policy relating to the identification and nomination of women directors. If the issuer has not adopted such a policy, disclose why it has not done so.	CIC has a written "Board of Directors' Appointment Policy." While the policy does not specifically refer to the identification and nomination of women Directors, it requires Crown Boards to include "diversity candidates." The term "diversity candidates" is not defined but it is interpreted as including women, Aboriginal persons, and visible minorities.	Partial Compliance
(b) If an issuer has adopted a policy referred to in (a), disclose the following in respect of the policy: (i) a short summary of its objectives and key provisions, (ii) the measures taken to ensure that the policy has been effectively implemented, (iii) annual and cumulative progress by the issuer in achieving the objectives of the policy, and (iv) whether and, if so, how the board or its nominating committee measures the effectiveness of the policy.	CIC maintains statistics regarding diversity of each Crown board, including progress made in the percentage of women serving on Crown boards. Annually, CIC forwards information to the shareholder to be considered when Board appointment decisions are made. The information includes the skill sets required for the Board and diversity statistics. As of December 31, 2014, the Board was composed of six (6) women out of a total of twelve (12) members (50%). As of December 31, 2015, the Board was composed of six (6) women out of a total of twelve (12) members (50%).	Partial Compliance
12 Disclose whether and, if so, how the board or nominating committee considers the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board. If the issuer does not consider the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board, disclose the issuer's reasons for not doing so.	It is the responsibility of Executive Council to consider the level of representation of women on the Board.	Partial Compliance

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
13 Disclose whether and, if so, how the issuer considers the level of representation of women in executive officer positions when making executive officer appointments. If the issuer does not consider the level of representation of women in executive officer positions when making executive officer appointments, disclose the issuer's reasons for not doing so.	Executive Officer appointments are made by the CEO in consultation with the Board. The CEO gives consideration to the level of representation of women in Executive Officer positions, along with other relevant factors, when making Executive Officer appointments.	Yes
14(a) For purposes of this Item, a "target" means a number or percentage, or a range of numbers or percentages, adopted by the issuer of women on the issuer's board or in executive officer positions of the issuer by a specific date. (b) Disclose whether the issuer has adopted a target regarding women on the issuer's board. If the issuer has not adopted a target, disclose why it has not done so.	Although the CIC policy requires Crown boards to include "diversity candidates", the CIC policy does not adopt a specific target for representation of women on the Board.	No
14(c) Disclose whether the issuer has adopted a target regarding women in executive officer positions of the issuer. If the issuer has not adopted a target, disclose why it has not done so. (d) If the issuer has adopted a target referred to in either (b) or (c), disclose: (i) the target, and (ii) the annual and cumulative progress of the issuer in achieving the target.	On August 13, 2015, SaskTel adopted a policy to provide a target regarding women in Executive Officer positions. The current target is to have at least 40% women in Executive positions by 2020.	Yes
15(a) Disclose the number and proportion (in percentage terms) of directors on the issuer's board who are women.	The Board is currently comprised of twelve (12) members, six (6) of whom are women. (50%)	Yes
(b) Disclose the number and proportion (in percentage terms) of executive officers of the issuer, including all major subsidiaries of the issuer, who are women.	Currently, four (4) of the 12 (twelve) Executive Officers are women.	Yes

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For more information about SaskTel, our initiatives and operations, please contact Corporate Communications at http://www.sasktel.com/about-us/news/

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SaskTel

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