Connecting Your World

2016/17 ANNUAL REPORT

SaskTel

Letter of Transmittal

Regina, Saskatchewan
June 30, 2017

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 year ending March 31, 2017, 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 Dustin Duncan
Minister Responsible for Saskatchewan Telecommunications

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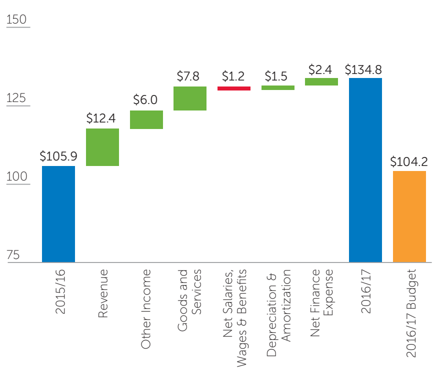
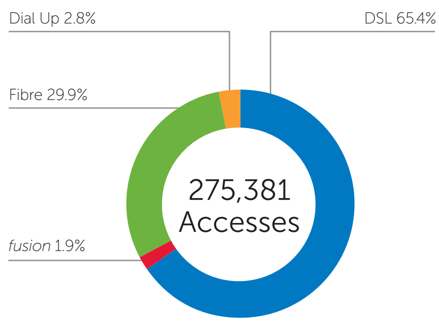
FINANCIALS

Net Income ($ Millions)



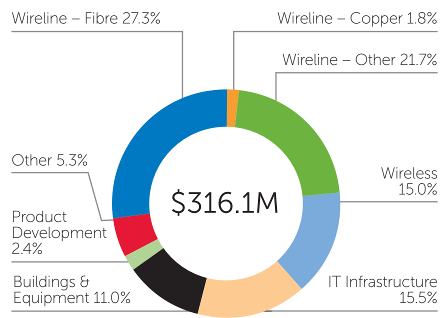
CUSTOMER

2016/17 Internet Accesses

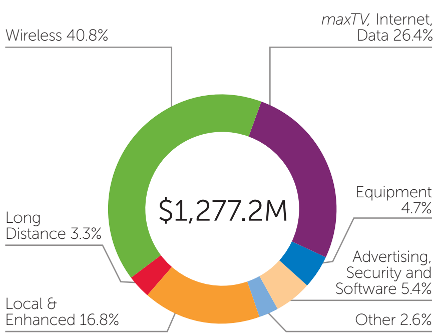


NETWORK

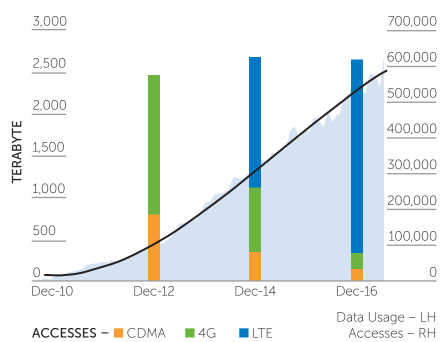
2016/17 Capital Expenditures ($ Millions)



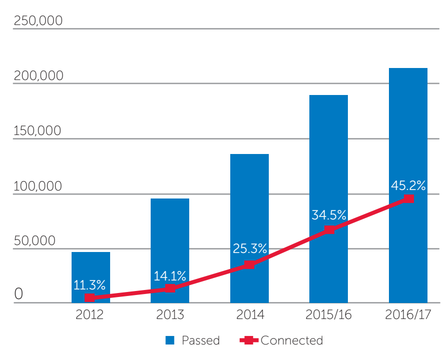
Revenues ($ Millions)



Data Usage & Network Technology Accesses



Fibre to the Premises (Homes)



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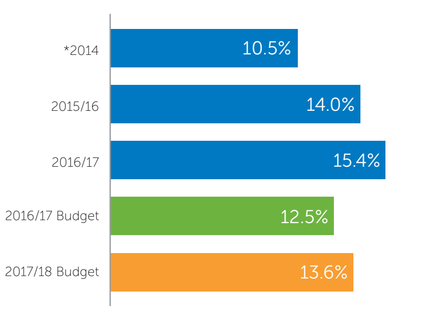
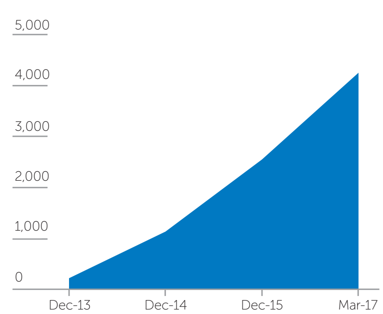
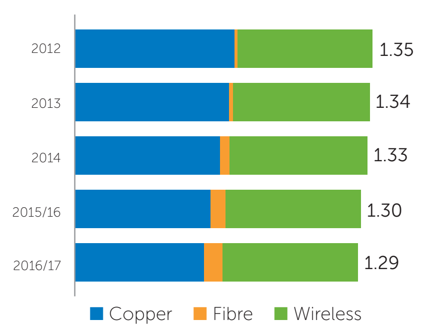


*12 month fiscal year ending December 31.

SaskTel *selectWI-FI* Access Points



Accesses by Technology (Millions)



President's Message

With any business, the vision that drives the company tends to also define the company's success. This makes setting a vision critical to not only a company's success, but also to building the organization and culture that are its foundation.

I am proud to say that what defines all of us at SaskTel is our vision of being the best ICT company when it comes to connecting people to their world. Although we first established this goal a few years ago, we've incorporated it into everything we do. And, over the past year, we've seen this philosophy reap both financial and cultural rewards.

There have certainly been challenges in 2016/17. Communications technologies continue to rapidly evolve, and this evolution is driving changes in the way consumers choose to interact with the world.

However, despite these challenges, 2016/17 has been an extremely successful year. The path we set out on transforming our business has allowed us to rise to the test. Our industry remains highly competitive, but we are more focused then ever on taking this company where we need to go to guarantee its continued success.

NETWORKING YOU TO YOUR WORLD

Over the past year, SaskTel has kept its promise to invest over $300 million in capital spending here in Saskatchewan.

The investment that made the largest impact in 2016/17, was the completion of our *4G LTE* upgrade program. Between June 2016 and March 2017, SaskTel spent $11.8 million expanding the reach of our LTE service to cover 99% of Saskatchewan residents, giving SaskTel the largest owner-operated LTE network in the province. While LTE was already well established in Saskatchewan's major cities, the expansion brought LTE service to more than 400 additional towers in rural areas.

Rural high speed Internet coverage also received a boost through the expansion of our *fusion interNET* service with nine additional towers coming onstream in 2016. *fusion* is now available on 68 towers across the province and serves 714 communities. Along with expanded coverage, SaskTel deployed upgrades to our wireless network that doubled the download and upload speeds available through the service. Our customers continued to demand faster wireless and we are committed to that objective.

In the cities, SaskTel continued the deployment of our *infiNET*™ fibre optic network. Over the past five years, we have passed 213,351 homes and businesses with fibre and connected 96,387 to our network. We completed our $30.0 million investment to bring *infiNET* to all Moose Jaw residences, making it the largest fibre-connected community in Western Canada.

BUILDING BETTER TOOLS FOR BUSINESS

As we continue our transformation into a full-service ICT company, 2016/17 saw us focus on the emerging needs of businesses to have their data hosted locally. In January 2017, we began operations at our new Saskatoon Tier III data centre. The 24,000-square-foot facility features 9,650 square feet of data hall space that is expandable to 30,000 square feet.

In February 2017, we announced the purchase of an existing Tier III data centre east of Regina. The 10,000-square-foot facility has significantly expanded the data centre space we have available in the Regina area.

With 51,000 square feet of data centre space spread across eight locations in Saskatchewan, we have positioned ourselves to be a leader in data centre hosting for businesses in the province and across the world.

CONNECTING IN THE COMMUNITY

For SaskTel, connecting people to their world goes beyond just building and maintaining the networks that keep us all connected. It also means connecting with our customers in their world.

This can take many forms; however, we like to focus our efforts on supporting youth, rural life, diversity, and technology. Much of our support is provided through financial and in-kind donations to charitable and non-profit organizations across Saskatchewan.

One of our most successful initiatives during 2016/17 was the growing success of our I Am Stronger campaign. Seeking to raise awareness and provide solutions to the bullying and cyberbullying taking place in our communities, the program has partnered with the Ministry of Education to provide small grants of up to $1,000 to youth-led initiatives that will help address the bullying problem. I am pleased to say that $24,650 was provided to 29 initiatives in 2016/17.

However, we aren't just active in the community via donations and sponsorships. At SaskTel, we have our own employee-driven volunteer organization in the form of the SaskTel Pioneers. Many employees happily give their own time to a wide range of causes as individuals; still, the Pioneers continue to lead the way, donating over 60,000 volunteer hours and more than $200,000 in money, goods and services that were put toward a wide range of causes including the donation of video conferencing equipment to the Foster Families Association of Saskatchewan to assist the training of new foster parents.

LAYING THE FOUNDATION FOR YOUR TRUST

Ultimately, understanding how to connect people to their world also means being reflective of it. Diversity is embedded in our culture at SaskTel and we pride ourselves on building a workforce as diverse as the communities we serve. In November 2016, SaskTel was thrilled that MediaCorp once again named us one of Canada's Best Diversity Employers and one of the Top Employers for Young People.

Our people stand at the heart of what we do. They are the reason we have earned the trust of our customers, suppliers, and business partners, and I'd like to thank all the staff at SaskTel for their great work.

Together, we will continue striving to be worthy of the trust placed in us by the people of Saskatchewan.

Sincerely,
Ron Styles, SaskTel President and CEO

Connections You Can Count On

SaskTel is proud of its history of connecting people to the world, but what keeps those connections safe? When you send your data out into the cloud, what guarantee is there that it's being stored somewhere reliable, safe and secure?

That's where SaskTel Data Centres come in. Prior to 2016/17, SaskTel hosted a combined total of 31,088 square feet in six different data centre locations, four in Regina and two in Saskatoon. A new data centre—opened January 26, 2017, in Saskatoon—added 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.

The Uptime Institute certified the new facility for meeting all Tier III requirements, making it a first for SaskTel. The Tier classification system consistently evaluates various data centre facilities in terms of potential site infrastructure performance, also known as uptime.

"The critical functions of all our data centres are to provide secure power, cooling and network connectivity," said Todd Blahitka, Operations Manager for all the SaskTel Data Centres. "The new Tier III Data Centre runs concurrently maintainable electrical and mechanical components, so there are two of each component to ensure the vital equipment housed by the centre will not have any downtime, and can be maintained without impacting customers."

On February 6, 2017, SaskTel announced it received approval to proceed with purchasing a Tier III Data Centre east of Regina for $10.7 million. The addition of the facility will significantly increase SaskTel Data Centre capacity and add 10,000 square feet of data hall space to house crucial files from a wide range of clients—including government, corporate and private parties in municipalities all over the continent.

An increasing number of customers are searching for superior ways to protect themselves against losing essential information. SaskTel's world-class data centres have the cutting-edge technology to deliver services with the security, availability and assurance that business customers are demanding from their technology partners.

51,000 SQ/FT

OF DATA CENTRE SPACE

Connecting the Atlantic, Pacific and Arctic Oceans

On June 25, 2016, 38 staff and family members volunteered in four Saskatchewan locations to help the Trans Canada Trail reach their goal of connecting The Great Trail from one side of Canada to the other. The volunteers were led by the SaskTel EnviroCare Committee, a group of environmentally conscious SaskTel employees with the mission to create a greener community and promote environmental awareness and initiatives through collaboration and engagement.

With the volunteers attending the various events across the province, EnviroCare logged 76 hours of volunteer effort towards connecting and beautifying the trails in a single day. "On behalf of EnviroCare, I would like to extend an enormous thank you to all of our members and hard-working volunteers," said Tony Showchuck, Chairperson of SaskTel's EnviroCare Employee Network. "Accomplishments such as these would simply not be possible without their generous time and dedication."

In its entirety, the trail leads through land and water routes in urban, rural, and wilderness landscapes, linking 15,000 communities along 24,000 kilometres. It is considered one of the longest networks of multi-use recreational trails in the world, and is used by walkers and hikers, cyclists, paddlers, horseback riders, cross-country skiers and snowmobilers.

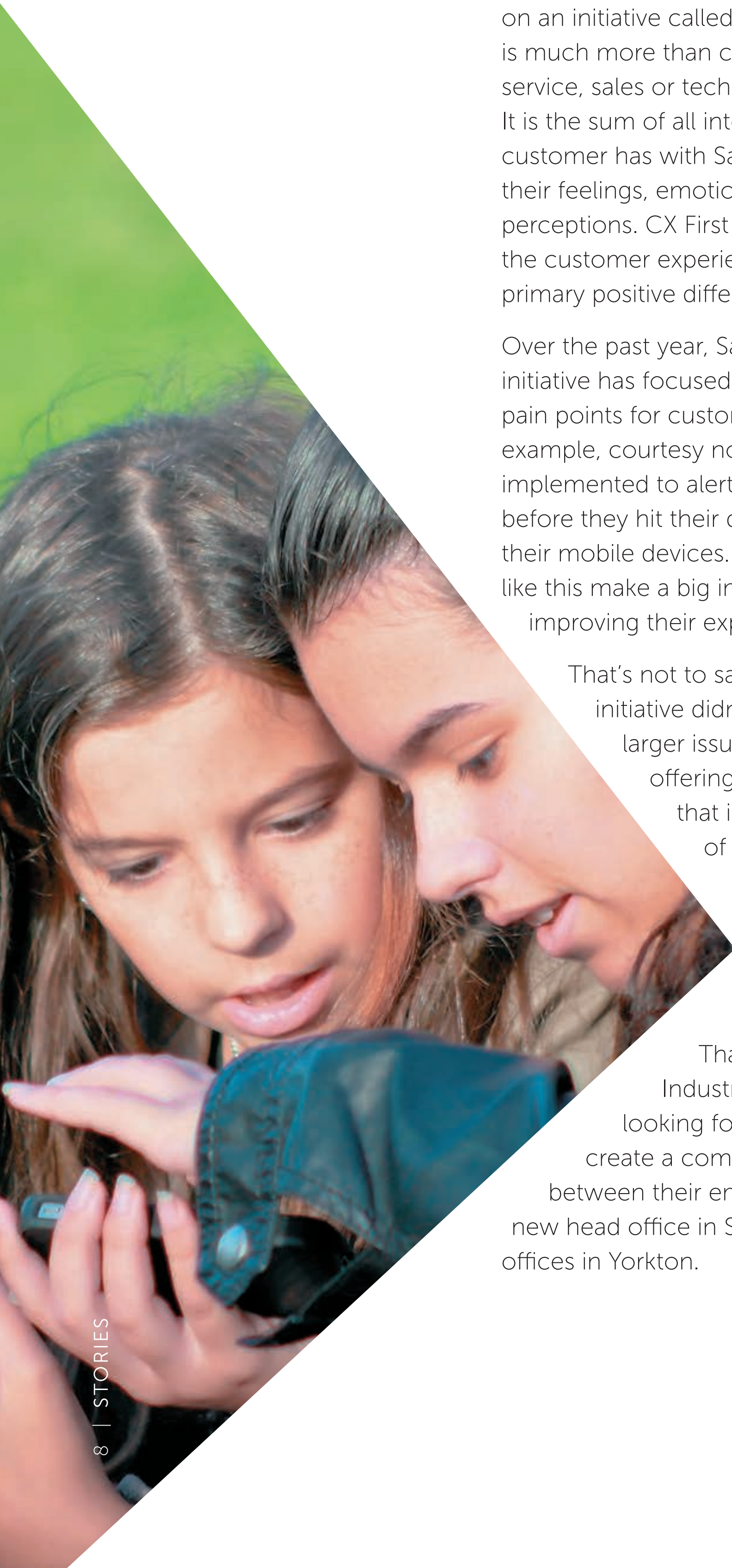
Once fully connected, The Great Trail will span the country, from the Atlantic to the Pacific and Arctic oceans, and will pass through every province and territory. To date, just over 21,500 kilometres of the trail are operational, which is 91 percent of the proposed route. The goal is to connect all the branches of the trail this year, which is especially significant because it's Canada's 150th anniversary of Confederation and 25 years since construction of the trail began.

"The trails are a national treasure that will be cherished for generations to come," said Showchuck. "They are a tremendous example of the benefit and value that commitment to environmental stewardship can achieve."

$350,000

SaskTel is providing over 5 years towards the connection of the trail in Saskatchewan.

Connecting With Our Customers



Customer experience is paramount to SaskTel, so much so that in 2014 the corporation embarked on an initiative called CX First. It is much more than customer service, sales or technical support. It is the sum of all interactions a customer has with SaskTel, including their feelings, emotions and perceptions. CX First ensures that the customer experience is a primary positive differentiator.

Over the past year, SaskTel's CX First initiative has focused on alleviating pain points for customers. For example, courtesy notifications were implemented to alert customers before they hit their data limit on their mobile devices. Small changes like this make a big impact in improving their experience.

That's not to say the CX First initiative didn't address larger issues as well, like offering a product that is capable of connecting employees across multiple office locations. That's what EMW Industrial Ltd was looking for when trying to create a communications link between their employees at their new head office in Saltcoats and offices in Yorkton.

With EMW's large mobile workforce and an annual growth rate of 20%, the company required a way to communicate with their employees across multiple locations, share information and hold conference calls on demand. Ideally, it would also provide them with enough flexibility to allow for business expansion.

SaskTel worked with EMW and found the perfect answer with the Integrated Business Communications (IBC) service. IBC is a cloud-based communication and collaboration solution with features that work as one to seamlessly integrate communications over multiple networks. It combines all the features EMW needed to meet its management goals.

"We challenged SaskTel to find a solution that would take the phone system headache out of our business and allow us to focus on what we're good at," said Dustin Brears from EMW Industrial. "IBC was the natural winner as it is completely hosted and we don't have to do anything but keep the power on in the building."

SaskTel has made it a business best practice to put the customer experience first—CX First—whether it's by alleviating small, day-to-day annoyances with a little extra effort, or customizing products and services to meet large corporate challenges.

Making a Big Connection in Moose Jaw

It's the biggest, it's the fastest, and it's more connected than any other city in Western Canada.

In September of 2016, SaskTel completed the residential build for its fibre network in Moose Jaw, making it the largest fibre community in Western Canada. Now every home and the majority of businesses in Moose Jaw have access to *infiNET*™ Fibre Optic Network, the fastest Internet in Saskatchewan with speeds of up to 260 Mbps.

Not only do customers who have made the switch to *infiNET* now have increased bandwidth and the fastest Internet speeds in Saskatchewan, they also get more *maxTV*™ service options, such as more set-top boxes and whole-home PVR. With the SaskTel *infiNET* service, they can download movies and music in a fraction of the time, watch HD TV on up to seven TVs, and record four programs at the same time. Even their SaskTel home phone service is on the new network, so, in the future, *infiNET* service will enable a whole range of new and enhanced possibilities for their *maxTV*, High Speed Internet, and voice services.

Since beginning construction of the fibre network in Moose Jaw in 2013, SaskTel invested approximately $30.0 million to convert the city to SaskTel's *infiNET* network. It's part of a larger program called Fibre to the Premises (FTTP), a $670.0 million investment to deploy fibre optics directly to homes and upgrade the broadband network in the nine largest urban centres in the province: Saskatoon, Regina, Moose Jaw, Weyburn, Estevan, Swift Current, Yorkton, North Battleford and Prince Albert.

FTTP is the ultimate technology for delivering super-fast broadband directly into people's homes and businesses. Signals are delivered over fibre via pulses of light that literally travel at the speed of light through glass.

"Our *infiNET* network is one of the most advanced anywhere in the world today," said Ron Styles, SaskTel President and CEO. "And we are extremely proud that Moose Jaw is now the largest fibre community in Western Canada."

SPEEDS UP TO

260 MBPS

The Prairie Connection

Whether you live in a city, in a town, or on a farm, having access to the latest technology means more today than ever before. That's why investments in world-class communications services are all-important when it comes to keeping every one of the 1.4 million SaskTel customer connections. SaskTel invested over $300 million in capital over the past year, a number that will grow to $1.4 billion by the end of 2021.

The year's first achievement was the expansion of LTE coverage to more than 400 towers serving rural Saskatchewan. The new wireless LTE network is the largest of its kind in the province and reaches 99% of the population. With LTE, SaskTel customers have the freedom to watch HD movies, stream music, share pictures and videos, and play games, all at speeds up to 10 times faster than on 4G.

SaskTel also completed upgrading High Speed Internet service in nearly 2,700 homes across 26 communities in northern Saskatchewan. Residents now have access to the SaskTel interNET Connected 5 plan, with download and upload speeds up to three times faster than the service they had previously.

To provide even more rural customers access to a faster and more reliable online network, SaskTel added new High Speed *fusion* Internet equipment to towers that serve rural areas around Baildon, Buffalo Pound, Cochin, Edenwold, Estevan, Lanigan, and Melville. SaskTel is also expanding its High Speed *fusion* Internet service to the rural areas around Greenstreet and Witchekan.

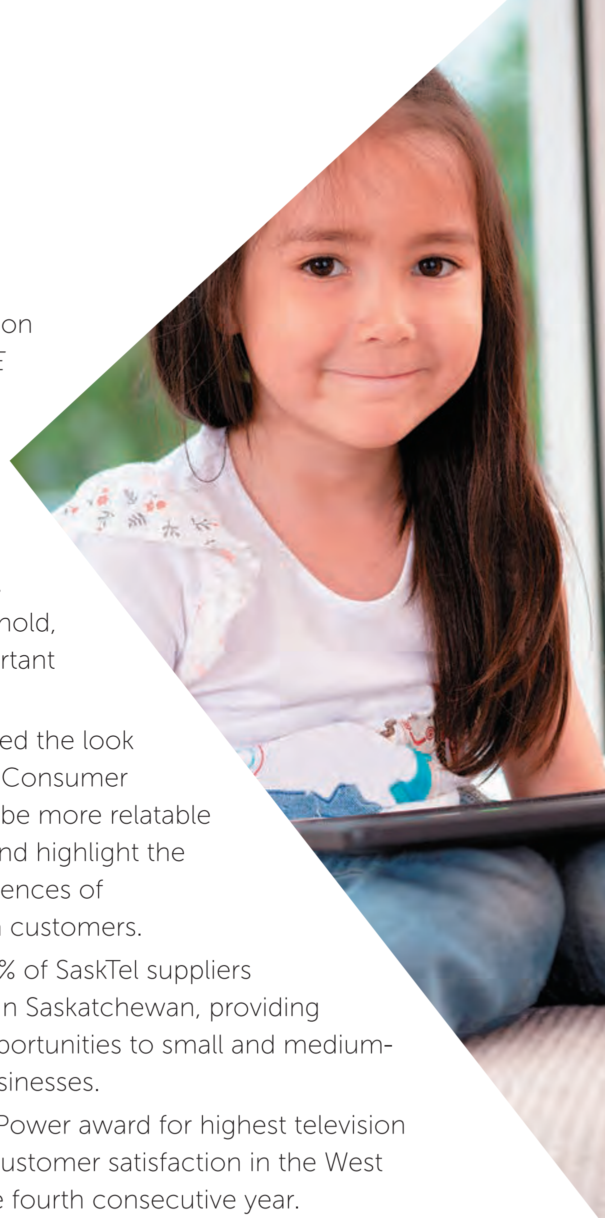
Construction began early this year on a pilot project to upgrade the rural community of Rosthern to *infiNET*™ service. Rosthern was selected as the optimal location for its proximity to expertise and resources in both Prince Albert and Saskatoon. As rural communities gain access to Western Canada's fastest fibre optics network, it will enhance lives, create new opportunities for business, and help attract new residents.

Future network enhancements for rural Saskatchewan will include the evolution to Voice over LTE (VoLTE), the delivery of High Speed Internet to an additional 15 rural communities, and the introduction of IPTV service to nearly 100,000 new households spread across more than 300 communities. For SaskTel, connecting people in rural Saskatchewan is not an isolated project; it's an ongoing commitment.

LTE network is the largest of its kind in the province and reaches

99% OF THE POPULATION

Corporate Social Responsibility Highlights



In 2016/17, we continued our pursuit of connecting your world through focusing on exceptional customer service, engaging our employees, investing in our provincial community, reducing our environmental footprint and expanding our services to better serve the people of Saskatchewan. 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 for many years, and continues to help us deliver on revenue growth, operational efficiency, risk management and strategic alignment. As a leading Information and Communications Technology (ICT) provider in Saskatchewan, we attained annual revenue of over $1.2 billion in 2016/17, and had approximately 1.4 million customer connections including over 615,000 wireless accesses, 388,000 wireline network accesses, 275,000 Internet accesses and 110,000 *maxTV* subscribers.

CUSTOMERS AND SUPPLIERS

As SaskTel continues to grow and evolve in order to deliver innovative solutions to all customers, we keep their needs top of mind. Our customers always come first, and we aim to provide the best experience possible through our superior networks, exceptional service, and advanced solutions and applications.

- Besides a new look and feel to sasktel.com, SaskTel made online improvements that include a customized browsing experience so users can see the products, promotions, and prices available to them, as well as the ability to purchase wireless products and services.
- Improvements were made to technology, policies, and customer communication and education with regard to the In-home Wi-Fi experience.
- SaskTel began sending out courtesy notifications to customers warning them that they are nearing their data limit, allowing them to better manage their data use.
- The introduction of *shareMORE* wireless plans allows customers to share data across all the devices in their household, which is important to them.
- SaskTel changed the look and feel of its Consumer advertising to be more relatable and human, and highlight the real-life experiences of Saskatchewan customers.
- In 2016/17, 72% of SaskTel suppliers were located in Saskatchewan, providing economic opportunities to small and medium-sized local businesses.
- Won the J.D. Power award for highest television and Internet customer satisfaction in the West Region for the fourth consecutive year.
- Tied for the first place ranking by J.D. Power & Associates for overall network quality for the West for the second consecutive year.
- Ranked first by J.D. Power & Associates for Canadian Wireless Purchase Experience Satisfaction.
- Ranked third by J.D. Power & Associates for Canadian Wireless Customer Care.
- Opened SaskTel's new Tier III Data Centre in Saskatoon and acquired a Tier III Data Centre east of Regina.
- SaskTel expanded to more than 400 towers in rural Saskatchewan, since announcing the project in June 2016, making our LTE network the largest in the province by a wide margin.

EMPLOYEE EXPERIENCE

Our employees are engrained in our province. They represent the diversity and culture of Saskatchewan, and can be found all around our province, working, raising their families and volunteering. Without their strength and commitment, we wouldn't be able to deliver the outstanding customer experience that we do today.

- SaskTel saw an increase in disability representation to 10.4% at the end of March 2017, up from 5.7% in 2004.
- Since 2004, SaskTel has seen total Indigenous representation rise within our organization, to 9.4% at the end of March 2017, up from 5.5%.
- SaskTel saw an increase in visible minority employee representation, sitting at 9.9% of the total workforce at the end of March 2017.
- Named one of Canada's Best Diversity Employers by MediaCorp Canada Inc. for the seventh consecutive year.
- Named one of Saskatchewan's Top Employers by MediaCorp Canada Inc. for the 11th straight year.
- Named one of Canada's Greenest Employers by MediaCorp Canada Inc. for the eighth consecutive year.
- Recognized as one of Canada's Top Employers for Young People by MediaCorp Canada Inc. for the fifth time.
- Recognized as one of Canada's 10 Most Admired Corporate Cultures in the broader public sector category by Waterstone Human Capital.
- SaskTel employees completed almost 70,500 hours of training from April 1, 2016, to March 31, 2017.

COMMUNITY INVESTMENT

SaskTel is proud to remain an integral part of our community for over 100 years. Through longstanding partnerships, we are committed to making a positive difference in the lives of Saskatchewan people.

- Invested more than $2.7 million in 888 non-profit and charitable organizations, community associations, venues, events and partnerships in 217 communities throughout the province.
- Between April 2016 and March 2017, 29 grant applications were approved with $24,650 given to the youth of this province to implement their own SaskTel I Am Stronger kindness and anti-bullying initiatives.
- Between January 2016 and March 2017, under the SaskTel Phones for a Fresh Start program, 12,990 devices were recycled, enabling SaskTel to invest just over $22,300 in pre-paid phone cards to donate to the Provincial Association of Transition Houses and Services of Saskatchewan.
- 2016 marked the 18th year that SaskTel and the Wicihitowin Foundation have partnered to host the annual Indigenous Youth Awards of Excellence.
- With more than 4,200 members across the province, the SaskTel Pioneers contributed more than $159,000 in charitable donations and completed more than 45,000 hours of volunteer time to support worthwhile community initiatives.
- Across the province, the SaskTel TelCare program contributed more than $194,285 to 69 organizations. Matched by a 50% allocation from SaskTel, the total funds made available equalled over $291,425.

ENVIRONMENTAL SUSTAINABILITY

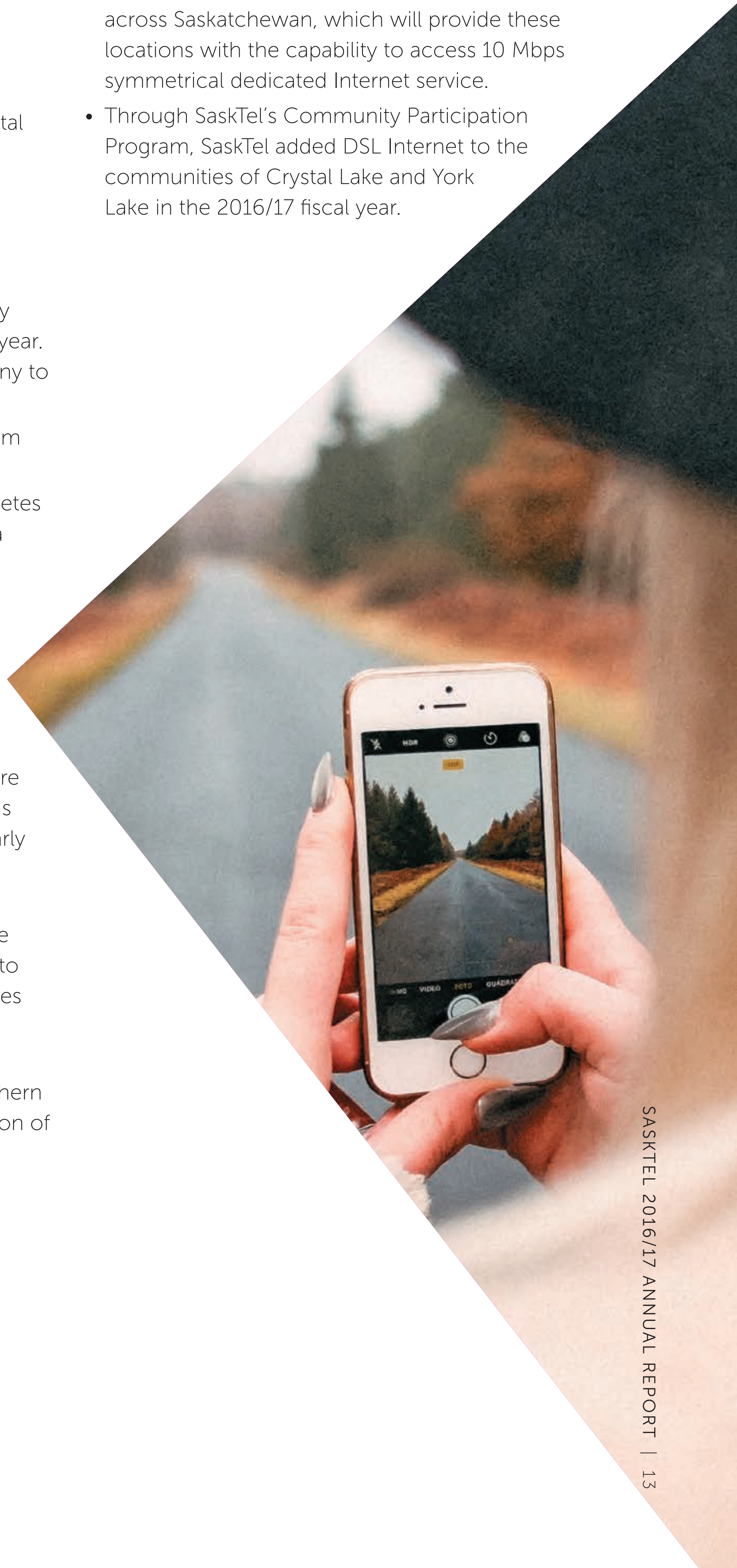
As a good corporate citizen, SaskTel works to balance our business priorities with protecting the environment. We are well positioned to take the next step in environmental sustainability and stewardship, with a solid foundation that has organizational practices aligned with environmental policies. SaskTel's Environmental Management System 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 for the eighth consecutive year. SaskTel is the only Saskatchewan-based company to win this award since its inception.
- Since 2009, the Phones for a Fresh Start program has recycled 94,289 devices.
- Internal employee-led group EnviroCare completes "greening initiatives" in the province, including a partnership with The Great Trail in the summer of 2016.

ECONOMY AND SOCIETY

SaskTel continues to invest in capital expansion and upgrades that help 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.

- During the 2016/17 period, SaskTel invested $316.1 million in capital expenditures to improve customer experience and create opportunities to provide additional enhancements and capabilities in the future.
- Through the Connecting Canadians program, SaskTel provided broadband Internet to 26 northern communities at a cost of $9.9 million, $7.5 million of which will be reimbursed through the program.
- SaskTel entered into an agreement with Indigenous and Northern Affairs Canada to provide fibre to First Nation Band Offices and Tribal Council Offices across Saskatchewan, which will provide these locations with the capability to access 10 Mbps symmetrical dedicated Internet service.
- Through SaskTel's Community Participation Program, SaskTel added DSL Internet to the communities of Crystal Lake and York Lake in the 2016/17 fiscal year.



Management's Discussion and Analysis

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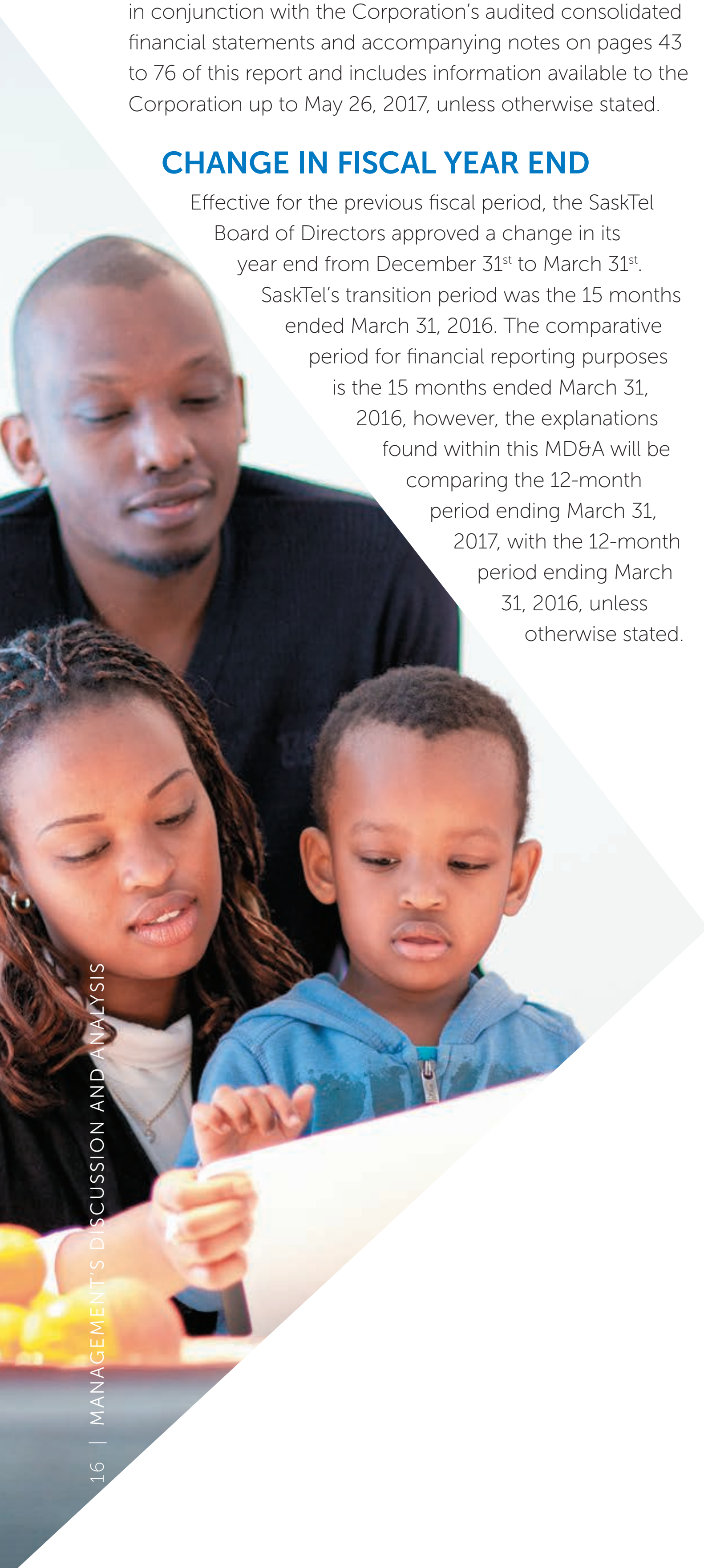
INTRODUCTION

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 43 to 76 of this report and includes information available to the Corporation up to May 26, 2017, unless otherwise stated.

CHANGE IN FISCAL YEAR END

Effective for the previous fiscal period, the SaskTel Board of Directors approved a change in its year end from December 31st to March 31st. SaskTel's transition period was the 15 months ended March 31, 2016. The comparative period for financial reporting purposes is the 15 months ended March 31, 2016, however, the explanations found within this MD&A will be comparing the 12-month period ending March 31, 2017, with the 12-month period ending March 31, 2016, 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 2017/18 cash requirements, and our network deployment plans. A statement is forward-looking when it uses information known today to make an assertion about the future. Forward-looking statements may include words such as anticipate, believe, could, expect, intend, may, should, will and similar expressions. Since these forward-looking statements reflect expectations and intentions at the time of writing, actual results could differ materially from those anticipated if known or unknown risks and uncertainties impact the business, or if estimates or assumptions turn out to be inaccurate. As a result, SaskTel cannot guarantee that any of the predictions forecasted by forward-looking statements will occur. As well, forward-looking statements do not take into consideration the effect of transactions or non-recurring items announced or occurring subsequently.

Readers should not place undue reliance on forward-looking statements, as a number of factors could cause actual results to differ materially from estimates, predictions and assumptions. Factors that can influence performance include, but are not limited to: general economic and political conditions, interest and exchange rates, performance, competition and regulatory environment. Given these uncertainties, assumptions contained in the forward-looking statements may or may not occur.

OUR BUSINESS

WE'RE SASKATCHEWAN'S LEADING INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT) PROVIDER. YOU COME TO US WHEN YOU NEED A NEW PHONE, LIGHTNING FAST INTERNET, OR TV. YOU COME TO US WHEN YOUR BUSINESS NEEDS COMMUNICATION SOLUTIONS, TO REACH MORE CUSTOMERS AND HELP YOUR EMPLOYEES BE MORE EFFICIENT. FOR SASKTEL, COMMUNICATION IS ABOUT COMMUNITY, CAREERS THAT MATTER, AND PEOPLE WHO MAKE A DIFFERENCE. IT'S ABOUT US CONNECTING WITH YOU— AND THEN CONNECTING YOU WITH YOUR WORLD.

Saskatchewan Telecommunications Holding Corporation

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

SaskTel and its subsidiaries offer the widest breadth of ICT products and services in Saskatchewan, including:

- A world-class Fourth Generation (4G) network and the largest geographically continuous Long Term Evolution (LTE) wireless network in Canada
- Long Term Evolution-Time Division Duplex (LTE-TDD) fixed wireless for rural broadband access (High Speed *fusion* Internet service)
- Wi-Fi in 4,200 access points in over 2,000 locations throughout the province (SaskTel *selectWI-FI* service)
- Advanced Fibre-to-the-Premises (FTTP) *infiNET*™ network in Regina, Saskatoon, Moose Jaw, Prince Albert, Weyburn, Estevan, and Swift Current
- Extensive Internet Protocol Television (IPTV) footprint throughout the province (*maxTV*™ service)
- Ubiquitous local access network throughout both urban and rural Saskatchewan
- A growing data centre footprint and services
- A developing portfolio of cloud-based services
- Marketing Services (DirectWest)
- Commercial and residential video monitoring, access control, medical alert, lone worker, smart home, and interactive services (SecurTek)
- Software and consulting solutions for communications service providers worldwide (SaskTel International)

SaskTel is highly competitive, achieving over $1.2 billion in annual revenue and approximately 1.4 million customer connections including over 615,000 wireless accesses, 388,000 wireline network accesses, 275,000 Internet accesses, and over 110,000 *maxTV* subscribers.

The Business Environment

SaskTel operates within the Information and Communications Technology (ICT) industry. This industry continues to be characterized by a significant amount of change, as evidenced by:

- Rapid evolution of technology, competition, and customer needs
- "Cord cutting," "cord shaving," and "cord nevers"
- Broadband becoming a basic service
- Increasing size and scale of competitors
- The need for agile and innovative organizations
- Accelerating adoption of over-the-top (OTT) and cloud-based services
- Changes to television consumption habits
- Software and digitalization penetrating all aspects of service providers' business (e.g. software-defined networks, network function virtualization, and big data)
- The growing importance of cyber security
- The Internet of Things (IoT) continuing to gain momentum
- Growth in data consumption and network utilization that is driving the development of 5G wireless networks and the expansion of fibre-based wireline services
- Persistent and disruptive regulatory change

SaskTel is fully aware of these changes and proactively plans for how the company will successfully adapt to and create opportunities within the industry.

Communications Services Sector

Communications Services is a major sector within the Canadian ICT industry. The sector was undergoing healthy expansion until 2012. Since then, growth has slowed with output increasing by a mere 0.3%. Growth rates are expected to remain sluggish out to 2020, ranging no higher than 1.7%. Revenue growth is also expected to be relatively flat over this same period at around 3.4%. The sector's profitability is forecast to increase out to 2020.

The regulatory environment also continues to evolve. In addition to the approval of recent acquisitions, the CRTC announced in late 2016 that it is phasing out the subsidies for traditional telephone services and increasing the focus on broadband Internet access services. This will be accomplished through the creation of a $750.0-million fund that will be funded by Communications Service Providers. As part of this new regime, the regulator has set targets of 50 Mbps download and 10 Mbps upload as the new universal objective for fixed broadband Internet access across Canada—10 times the country's existing speed targets. This change is of concern in regions such as Saskatchewan where there are large high-cost serving areas and customers still rely on the traditional local voice subsidy regime to keep wireline voice service affordable.

The market for paid TV services continues to be disrupted. The huge popularity of Netflix service and other over-the-top (OTT) services in Canada is having an impact on all carriers due to:

- Downward pressure on their paid TV subscriber bases
- Significant additions to the amount of traffic carried on their Internet infrastructure
- Pressure on new streaming services

Software & Computer Services Sector

An area of growth within the ICT industry that has the potential to offset declining revenues and margins in legacy communications services is the Software & Computer Services sector through the development of new IT-based services targeted at business customers. Convergence between traditional communications technology and information technology is resulting in the development and adoption of 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 is creating opportunities for incumbent carriers to develop new product offerings that complement the evolution of their networks. 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.

STRATEGIC DIRECTION

WE CONTINUE TO ACHIEVE OUR VISION OF BEING THE BEST AT CONNECTING PEOPLE TO THEIR WORLD. WE ARE ENABLING THE CONSUMER'S DIGITAL LIFE AND WE ARE EMPOWERING BUSINESSES TO THRIVE THROUGH TECHNOLOGY. AS THE TRUE "HOME TEAM," WE HAVE A STRONG UNDERSTANDING OF SASKATCHEWAN AND ITS PEOPLE. THIS INFORMS ALL OF THE INVESTMENTS WE MAKE THROUGHOUT THE PROVINCE AND OUR DRIVE TO GIVE BACK TO SASKATCHEWAN.

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 continues to be committed to the priorities outlined in the Plan for Growth. As a result, SaskTel aligns itself to these priorities through prudent investments in infrastructure, the development of a skilled workforce, ensuring competitiveness, and maintaining sound fiscal management. Given the financial challenges that Saskatchewan is currently facing due to reduced natural resource revenues, the importance of sound fiscal management has been brought into full focus and SaskTel will make contributions to the provincial government's *Meeting the Challenge* program over the next several years.

SaskTel's vision, mission, core themes and strategic goals 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 requirements, technology, competition, data traffic, and regulations continue to occur, SaskTel is progressing toward transformation of our business. Investments in customer service, new network technologies, systems, processes, and workforce skills are ensuring that the company is well positioned for the future. While staying true to our history and our loyal customer base, SaskTel will continue to change so that we can remain the premier provider of next-generation information and communications technology services within the province of Saskatchewan.

The experience that customers are demanding from SaskTel is evolving and we must change along with our customers. In order to achieve this, SaskTel is focusing on improvements through our Customer Experience (CX) First program. We are investing heavily in customer self-serve capabilities, providing customers with a greater number of options for interacting with SaskTel.

Implementing state-of-the-art converged, intelligent communications networks is the foundation of SaskTel's future success. We will continue to provide unrivalled network capabilities and coverage throughout Saskatchewan. The development of this 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.

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 updated, leading to enhanced capabilities in our service management 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 outstanding connectivity, providing a unified experience, 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.

The achievement of SaskTel's vision, mission, and future state requires that we focus on two well-established themes that guide our overall strategic direction—**Transform** and **Optimize**. SaskTel will aggressively develop services and markets that will keep the company successful over the long-term (Transform) while continuing to harvest the benefits from its existing network and services to the benefit of the people of Saskatchewan (Optimize). Taken together, these two themes provide the overarching framework for SaskTel's five Strategic Goals.

Strategic Goals

SaskTel's Management and Board of Directors have identified five distinct, yet interrelated Strategic Goals to guide the company:

1. Deliver an outstanding customer experience
2. Increase broadband penetration
3. Capitalize on breadth of services
4. Accelerate transformation to an ICT provider
5. Grow revenue and profit from the business market

The following sections outline each of these Strategic Goals and the achievements that were made toward realizing them throughout 2016/17.

DELIVER AN OUTSTANDING CUSTOMER EXPERIENCE

An important competitive differentiator continues to be the delivery of an outstanding customer experience. Providers that do not live up to increasing customer expectations for speed, reliability, simplicity, and service will find themselves at a significant disadvantage.

As a local company that is close to its customers, SaskTel takes great pride in knowing what is important to our customers and delivering an excellent experience. Our customers feel valued and receive a positive experience when we:

- Do it right the first time
- If it goes wrong, own it and fix it quickly
- Make it easy for our customers
- Set clear expectations and live up to our commitments
- Respond quickly to the unexpected

Our employees take accountability for delivering this experience while balancing customer needs with SaskTel's profitability.

2016/17 ACHIEVEMENTS

- Received the J.D. Power award for first in the Wireline Customer Satisfaction Study for TV and Internet in the West Region for the fourth year in a row.
- Came first in the J.D. Power 2016 Canadian Wireless Purchase Experience Satisfaction Study.
- Tied for first in the J.D. Power ranking for overall network quality in the West.
- Came third in the J.D. Power Wireless Customer Care Study.
- Further implemented our industry best practices Customer Experience (CX) First program.
- Progressed on business intelligence initiatives aimed at improving insights into customer needs.
- Completed our LTE wireless network expansion across Saskatchewan—the LTE network now covers 99% of the population.
- Rolled out various Integrated Business Communications (IBC) service automated provisioning capabilities, improving customer experience and reducing manual effort.
- Signed an extension of the Network Reciprocity Agreement with Bell Canada and TELUS, ensuring customers receive seamless access to services at a national level.

INCREASE BROADBAND PENETRATION

As customers' consumption of online content continues to increase, fixed and mobile broadband access services have become indispensable to their lives. Fast and reliable broadband access has become as important to customers as local landline service once was.

Secure, intelligent broadband is envisioned as SaskTel's core service of the future, characterized by:

- Multiple networks that work together seamlessly.
- Automatic use of the best network for customers' needs and location.
- Built-in quality, controls and security.

A large part of our future success relies on SaskTel remaining a market leader in the delivery of broadband access services to customers throughout Saskatchewan and wherever they may travel or have locations outside the province. Future growth will come from increasing our broadband customer base while ensuring that customers have access to higher speeds and capacity in order to meet their growing needs. We will achieve this by increasing our broadband coverage, the quality and speed of our networks, and by growing the sales of our broadband services.

2016/17 ACHIEVEMENTS

- LTE wireless network expansion across Saskatchewan was completed. SaskTel's LTE network now covers 99% of the population, making it the largest LTE network in the province and the largest geographically continuous network in Canada.
- LTE coverage was expanded to over 400 towers that serve rural areas, ensuring that our rural customers enjoy the same LTE experience as urban customers.
- Continued build-out of Fibre to the Premises (FTTP) infrastructure in major centres along with expansion to Estevan and Weyburn with plans to start in Yorkton in 2017.
- Moose Jaw became the largest fully fibre community in Western Canada.
- Broadband penetration in fibre neighbourhoods increased 14% year over year.
- Expanded the availability of Digital Subscriber Line (DSL) service in rural Saskatchewan to 13 new communities and upgraded the Internet service in 38 communities.
- Added nine new *fusion* Internet towers, bringing the total number of towers to 68, serving 714 rural communities across the province.
- The SaskTel *selectWI-FI* network became the largest wi-fi network in the province, with over 4,200 access points in over 2,000 locations.
- Through the Connecting Canadians Program, provided approximately 2,700 customers in Northern Saskatchewan access to 5 Mbps download and 1 Mbps upload speeds in 26 communities.
- Reached agreements with eight communities to bring enhanced access services to them through the Community Participation Model.

CAPITALIZE ON BREADTH OF SERVICES

SaskTel, together with its subsidiaries and business partners, offers the widest breadth of services of any ICT provider in Saskatchewan. SaskTel will continue to bundle together services that provide total solutions for select segments in both consumer and business markets.

We will deliver greater value to customers through our breadth of services by employing our multiple networks, delivering over-the-top (OTT) services that will work seamlessly across all devices and networks, and developing increasing capabilities around the Internet of Things (IoT).

2016/17 ACHIEVEMENTS

- Completed consumer home automation trials in Regina.
- *maxTV* Go Apps were launched including, WWE Network, History, Movie Network, FX/FXX, Hollywood Suite, and Treehouse.
- Consumer Unified Communications was trialed with customers.
- Expanded data centre footprint in both Saskatoon and Regina.

ACCELERATE TRANSFORMATION TO AN ICT PROVIDER

Convergence between traditional communications technology and information technology continues to accelerate, resulting in technological disruption, increased consumer choice and competition, and financial pressures on legacy products and services. These disruptions show no signs of slowing and represent a significant threat to, and, more importantly, an opportunity for SaskTel's long-term success.

SaskTel must continue to adapt its business model and accelerate its transformation from a traditional communications provider. This requires changes to:

- Our reputation and brand in the marketplace.
- Our skills and culture.
- The way we provision and support services.
- The channels we use to get products to market.
- Our utilization of partnerships within the industry ecosystem.

In the future, SaskTel will be more flexible and agile in order to successfully compete and stay relevant with the evolving needs of our customers. While the central motivation of this transformation is to secure new revenue opportunities, SaskTel must also maintain a strong focus on cost management in order to ensure long-term profitability and survival within a rapidly changing industry.

2016/17 ACHIEVEMENTS

- A new Tier III data centre was opened in Saskatoon and an existing Tier III data centre was acquired east of Regina, significantly expanding our advanced data centre capacity and capabilities.
- Our Integrated Business Communications (IBC) service showed growth.
- Professional Services engagements continued to grow, highlighting SaskTel's proven capabilities in this space.
- Broadband Line Gateway technology was implemented in Moose Jaw—all voice lines in this city are now operating on advanced platforms.
- Expanded our greenfield partnership to include special projects including the FTTP program, business service installations, and infrastructure renewal projects.
- Partnered with Netflix to offer their popular service to *infiNET*-enabled *maxTV* customers.
- Partnered with Ericsson to adopt their MediaFirst platform to enhance *maxTV* with next generation IPTV and media enhancements.
- Continued implementation of enhancements to internal systems and processes aimed at achieving greater operational flexibility, agility, and speed.

GROW REVENUE AND PROFIT FROM THE BUSINESS MARKET

Successfully increasing traction and sales in the business market is critical to SaskTel's future given the ongoing commoditization of consumer services and the greater opportunities for growth predicted within the business market.

SaskTel will continue to focus efforts on the introduction of new managed and emerging services along with evolving our existing portfolio of business services, providing total solutions for customers. We will focus primarily on our business customers within the province (including their operations outside the province), as well as select markets beyond Saskatchewan.

2016/17 ACHIEVEMENTS

- Launch of our Tier III data centres in both Saskatoon and east of Regina has attracted business from across the province.
- Experienced a significant increase in Professional Services engagements.
- Three value-added resellers (VARs) were signed to sell our Hosted Collaboration Solution outside Saskatchewan.
- New business services were launched including:
  - Managed Infrastructure Service focused on providing monitoring and management of customers' network equipment
  - Cloud Disaster Recovery, delivering a cloud-based 'pay as you go' service for business continuity and disaster recovery
  - Managed Hosting service evolved to provide improved hardware, operating system management and support
  - Integrated Business Communications (IBC) enhancements delivering new features including improved voice mail and billing capabilities, account code reporting, and the ability to use iOS and Android tablets
  - Introduced Business Fibre Services over Gigabit Passive Optical Networks (GPON), including Managed Virtual Private Network (VPN) and two Dedicated Internet services
  - Provided a web content filtering solution for CommunityNet
  - Launched 1Gb Virtual Private LAN Service (VPLS) and improved speeds for both LANspan IP and Dedicated Internet in both Regina and Saskatoon
  - Launched Voice Grade Access for IP Trunking on DSL
  - Completed the installation of world-class communications infrastructure in Regina's new Mosaic Stadium

PERFORMANCE MANAGEMENT

SASKTEL EXISTS TO PROVIDE WORLD-CLASS INFORMATION AND COMMUNICATIONS INFRASTRUCTURE AND SERVICES, WHILE ALSO DELIVERING VALUABLE FINANCIAL RETURNS TO OUR SHAREHOLDERS—THE PEOPLE OF SASKATCHEWAN. AS SUCH, SASKTEL IS COMMITTED TO EXCELLENCE IN OUR CUSTOMER SERVICE, WORKFORCE, OPERATIONS, AND FINANCIAL PERFORMANCE. WE CONSTANTLY MONITOR OUR KEY PERFORMANCE INDICATORS, PROACTIVELY MANAGING THE COMPANY TOWARD THE ACHIEVEMENT OF EXCELLENCE IN ALL OF THESE AREAS.

Balanced Scorecard

SaskTel uses 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 quantitatively describe what the company's success looks like. The KSMs 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. All Balanced Scorecard measures represent the 12-month fiscal year ending March 31, 2017.

Balanced Scorecard Targets and Results

CUSTOMER PERSPECTIVE

2016/17 customer measures are once again strongly focused on customer satisfaction, given its importance as a differentiator for SaskTel. The customer perception indicators found within the Customer Perspective of the balanced scorecard provide insight into the effectiveness of our customer service activities and how well we are performing on our overall strategy of **delivering an outstanding customer experience**. Heading into 2017/18, the customer perception measures will be discontinued in favour of two new measures focused on customer experience. 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. The move to the new experience-based measures 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. These measures will also be more consistent with the investment we have made in our Customer Experience (CX) First program.

Measure	2015/16 Actual	2016/17 Actual	2016/17 Target	Result	2017/18 Target
Customer Satisfaction					
Customer perception – consumer	1 point below 2014	1 point above 2015/16 actual	1 point above 2015/16 actual	●	N/A
Customer perception – business	Improved by 2 points over 2014	Maintained 2015/16 actual	1 point above 2015/16 actual	◉	N/A
Customer experience – consumer	New indicator for 2017/18				Establish baseline
Customer experience – business	New indicator for 2017/18				Establish baseline
2016/17 Performance					
Customer satisfaction results in both the consumer and business markets were mixed in 2016/17. We met our target for customer perception within the consumer market. The improvement in perception within the consumer market over the past year is an outcome of SaskTel investments and strong focus on customer experience throughout 2016/17. Within the business market, we maintained our customer perception results achieved in 2015/16. Given the state of intense competition found within the business market in Saskatchewan (particularly with respect to wireless services where large competitors have essentially been buying market share) coupled with current challenges in Saskatchewan's economy, maintaining our business market perception is a considerable accomplishment. We will increase our focus on the business market in 2017/18 in order to improve our performance going forward. Through our ongoing commitment to delivering an outstanding customer experience, we expect to perform well in 2017/18 while we establish the baseline for performance on our new customer experience indicators.					

● Achieved ◉ Partially achieved ○ Not met

PEOPLE PERSPECTIVE

The people measures for 2016/17 were once again focused on two specific measures: employee engagement, and learning and growth. The results for both of these measures are provided by data collected through the annual Hay Employee Survey. Due to provincial budget challenges in 2016/17, SaskTel did not undertake the survey this year. As a result, no data is available at year-end for these two indicators. SaskTel will resume its measurement of these indicators through a resumption of the employee survey next year. Progress in both employee engagement and skill development is crucial to SaskTel's success in a very competitive industry.

Measure	2015/16 Actual	2016/17 Actual	2016/17 Target	Result	2017/18 Target
Employee Engagement					
Hay survey result for employee engagement	4% above 2014 actual	N/A	1% above 2015/16 actual	N/A	1% above 2015/16 actual
Hay survey result for skill evolution	85%	N/A	85%	N/A	85%
2016/17 Performance					
Results were not measured in 2016/17.					

OPERATIONAL EXCELLENCE PERSPECTIVE

Operational excellence measures focus on the execution of our 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 is critical to improvements to our broadband access network, successful positioning versus our competitors, improvements to operational efficiency, and the ultimate delivery on our **increase broadband penetration** strategic goal.

Measure	2015/16 Actual	2016/17 Actual	2016/17 Target	Result	2017/18 Target
*FTTP Execution**					
Number of homes passed	34,468	15,542	16,319	◉	13,959
Number of homes connected	24,306	21,989	15,466	●	15,965
Efficiency					
EBITDA margin	27.0%	28.2%	26.8%	●	27.9%
2016/17 Performance					
Overall, we are very pleased with the results of our Fibre to the Premises (FTTP) program in 2016/17. We surpassed our target for Homes Connected by 42%. This was due in large part to a concerted effort to acquire new broadband customers as Fibre Serving Areas (FSAs) were completed, coupled with extremely high demand for our *infiNET* service. We achieved 95% of our Homes Passed target. Results were just below our objective due to unfavourable winter weather conditions that resulted in construction delays in some FSAs. We expect to catch up on these construction delays in early 2017/18, helping the FTTP program to increase its broadband penetration throughout the province. EBITDA margin is a key proxy for our overall operational efficiency. Once again, we have exceeded both our 2016/17 target and our 2015/16 actual. Improvements in EBITDA margin performance continue to be a result of continuous improvement activities such as Crown collaboration, business simplification and operational improvements (including improved space utilization and fleet efficiency), and controlled spending throughout the year. * Only reflects results of SaskTel's Fibre to the Premises program.					

● Achieved ◉ Partially achieved ○ Not met

FINANCIAL PERSPECTIVE

2016/17 financial measures focused on shareholder value, revenue and gross margin growth, net income, and the intensity of capital investment. All of our key financial measures are concentrated on ensuring insight into the continuous improvement of SaskTel's long-term financial performance. This focus is important given financial pressures that the Province of Saskatchewan is experiencing; industry changes that are placing pressure on SaskTel's revenues, costs, and profit margins; and the need to make significant investments in capital programs that are transforming our networks, operations, and service offerings. SaskTel will seek new revenue sources from managed and emerging services and the business market as we move toward our strategic goal of **growing revenue and profit from the business market**. There will be a focus on continuous improvement of operational cost management.

Measure	2015/16 Actual	2016/17 Actual	2016/17 Target	Result	2017/18 Target
Shareholder Value					
ROE	14.0%	15.4%	12.5%*	●	13.6%
Debt Ratio	51.9%	47.9%	50.8%	●	51.2%
Revenue / Gross Margin					
Total revenues	$1,264.8M	$1,277.2M	$1,287.4M	◉	$1,320.5M
Telco Business Market Revenues	New indicator for 2016/17	$340.2M	$372.0M	◉	$373.9M
Net Income					
Net Income	$105.9M	$134.8M	$104.2M	●	$122.1M
Capital					
Capital intensity	23.2%	24.8%	25.7%	●	22.9%

2016/17 Performance

In 2016/17, we were able to deliver a higher-than-expected Return on Equity, largely due to exceeding our targeted net income for the year.

Our debt ratio came in below the 2016/17 target and below 2015/16 results. This was largely due to increased equity as a result of strong earnings, and changes in accumulated other comprehensive income (AOCI).

Total revenues came in slightly below target due largely to a combination of increasing competition, slower than anticipated market traction due to current economic challenges and public sector fiscal restraint. Year-over-year revenues have increased as a result of wireless wholesale contract renegotiations with other carriers and increased revenue from consumer Internet and *maxTV* services due to the continued expansion of DSL and Fibre networks across rural and urban Saskatchewan.

Net income greatly exceeded expectations as a result of revenue growth, described above, and a strong focus on the management of expenses.

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

*Revised approved official target.

● Achieved ◉ Partially achieved ○ Not met

RISK MANAGEMENT

All businesses are subject to uncertainty and risk that may affect their ability to achieve strategic goals and operational objectives. SaskTel actively manages risk exposures in relation to business priorities, 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 integrates with Strategic Planning, Risk Management, Operations and Internal Audit.

All employees are considered risk managers, with SaskTel's Board of Directors, together with senior management, having ultimate responsibility 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 an approved Corporate Risk Matrix.

Key strategic and core business risks that could have a material effect on SaskTel's business are listed below. Additional risks and uncertainties deemed to be lower risk, or risks that are currently unknown, may also have a material effect on SaskTel's business.

Strategic Risks

SaskTel uses an integrated approach within the strategic planning process to identify strategic risks. The risks are determined based on the ability to achieve goals and targets outlined in the Strategic Plan. Realization of one or more of these risks may require SaskTel to modify its strategic direction.

DELIVER AN OUTSTANDING CUSTOMER EXPERIENCE

As a local company that is close to its customers, SaskTel takes great pride in knowing what is important to customers and differentiating itself from the competition by delivering an outstanding customer experience. The risk associated with delivering an outstanding customer experience is as follows:

Competitive Capabilities
Continuous technological advancements and product transformation drive the need for greater speed and agility as an organization. System transformation, including the development of increased Business Intelligence capabilities, is critical to maintaining a competitive market position. It can be a lengthy and costly process to integrate and support new and legacy systems.

INCREASE BROADBAND PENETRATION

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 for the delivery of new services across networks and devices. The risk associated with increasing broadband penetration is as follows:

Broadband Access Services
Competitive broadband service offerings for both wireline and wireless networks need to provide customers with required speed and availability. Without successful broadband product offerings, opportunities for complementary service offerings may be limited.

ACCELERATE TRANSFORMATION TO AN ICT PROVIDER

The ICT industry continues to grow and evolve with the convergence of communication technology and information technology. While SaskTel transforms to an ICT provider to take advantage of new revenue opportunities, it must also maintain a strong focus on cost management to ensure long-term profitability. Risks associated with transforming to an ICT provider include the following:

Operating Environment
New approaches to systems and processes are required for managed and emerging services. Improving the operating and delivery model for these new services is essential to achieve customer satisfaction and competitive advantage.
Workforce
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.
Regulatory
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, add complexity to our business and impact profitability. Of particular concern is the CRTC's Basic Service Obligation (BSO) decision that will phase out the subsidy we receive for provision of local voice service in high-cost serving areas.

GROW REVENUE AND PROFIT FROM THE BUSINESS MARKET

SaskTel is introducing new managed and emerging services while evolving its existing portfolio, providing total solutions to customers. The risk associated with growing revenue and profit from the business market is as follows:

New Products and Services
Continual technological changes within the ICT industry are disrupting traditional lines of business. This makes it important for SaskTel to expand beyond legacy communications services and diversify into new managed and emerging services focused on business customers. Developing and launching these new services in an agile and timely manner is important for continued success.

Core Business Risks

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

OPERATIONAL RISKS

Operational risks focus 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.

System and Information Security
Systems security involves the protection of 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.
Business Interruption
SaskTel has a substantial investment in physical assets throughout the province. 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.
Technology
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.

FINANCIAL RISKS

Risks reviewed in this category include interest rate, 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.

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 is discussed below. More detail is available in the Notes to Consolidated Financial Statements, *Note 23 – Commitments and contingencies*.

Litigation
SaskTel, like all businesses, faces the risk of legal action due to various activities undertaken. 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.

OPERATING RESULTS

FINANCIAL SUMMARY

This MD&A will be comparing the 12-month period ending March 31, 2017, with the 12-month period ending March 31, 2016, unless otherwise stated.

Consolidated Net Income

($ millions)	12 months ended March 31, 2017	12 months ended March 31, 2016	Change	%	15 months ended March 31, 2016
Revenue	$ 1,277.2	$ 1,264.8	$ 12.4	1.0	$ 1,569.6
Other income	10.1	4.1	6.0	nmf[1]	4.6
	1,287.3	1,268.9	18.4	1.5	1,574.2
Expenses					
Goods and services purchased	561.8	569.6	(7.8)	(1.4)	704.9
Salaries, wages and benefits	380.6	376.0	4.6	1.2	474.8
Depreciation	163.0	167.6	(4.6)	(2.7)	211.4
Amortization	38.4	35.3	3.1	8.8	43.6
Internal labour capitalized	(25.9)	(22.5)	(3.4)	15.1	(27.3)
	1,117.9	1,126.0	(8.1)	(0.7)	1,407.4
Results from operating activities	169.4	142.9	26.5	18.5	166.8
Net finance expense	34.6	37.0	(2.4)	(6.5)	40.1
Net income	$ 134.8	$ 105.9	$ 28.9	27.3	$ 126.7
Other comprehensive income (loss)	53.5	(0.1)	53.6	*nmf*[1]	(5.9)
Total comprehensive income	$ 188.3	$ 105.8	$ 82.5	*nmf*[1]	$ 120.8

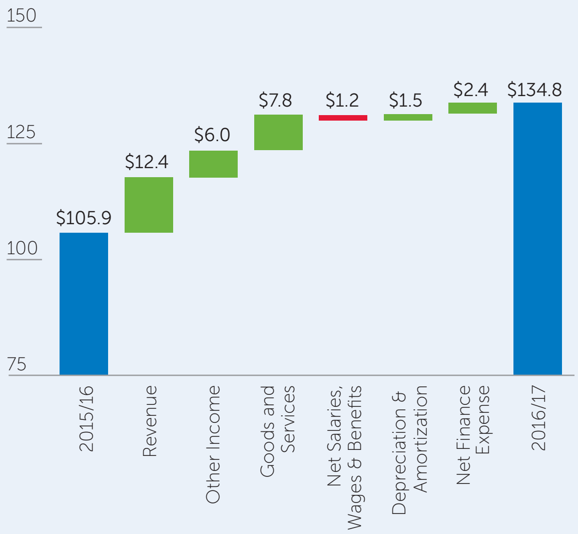
[1] *nmf – no meaningful figure*

Consolidated Revenues

($ millions)	12 months ended March 31, 2017	12 months ended March 31, 2016	Change	%	15 months ended March 31, 2016
Wireless services	$ 520.9	$ 496.2	$ 24.7	5.0	$ 616.5
maxTV, Internet and data services	337.5	326.5	11.0	3.4	406.0
Local and enhanced services	214.5	231.3	(16.8)	(7.3)	290.2
Equipment	60.2	69.2	(9.0)	(13.0)	81.3
Long distance services	42.0	46.6	(4.6)	(9.9)	58.9
Advertising services	37.1	40.0	(2.9)	(7.3)	50.3
Security monitoring services	24.5	22.8	1.7	7.5	28.5
International software and consulting services	7.9	7.4	0.5	6.8	9.0
Other services	32.6	24.8	7.8	31.5	28.9
	$ 1,277.2	$ 1,264.8	$ 12.4	1.0	$ 1,569.6

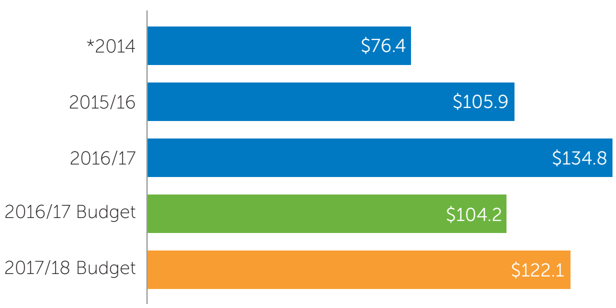
NET INCOME

Net Income ($ Millions)



- ▲ Net Income for the 12 months ending March 31, 2017, was $134.8 million, up $28.9 million from the same period in 2015/16. Net income increased through revenue growth of 1.0% and a total expense reduction of 0.7%.
- ▲ Revenues grew $12.4 million (1.0%), mainly due to increases in wireless, *maxTV*, Internet, data and managed and emerging revenues. Revenue growth is being offset by decreases to legacy services such as local access, enhanced services and long distance.
- ▲ Goods and services purchased decreased $7.8 million (1.4%), largely due to management's focus on controlled spending, offset by increased direct costs incurred to generate revenue.
- ▼ Net salaries, wages and benefits increased by $1.2 million, primarily due to economic increases, offset by an increased amount of internal labour capitalized to projects.
- ▲ Depreciation and amortization decreased by $1.5 million as a result of increasing the useful lives of network assets.
- ▲ Net finance expense decreased $2.4 million, primarily due to fewer sinking fund market values losses than in previous fiscal years.

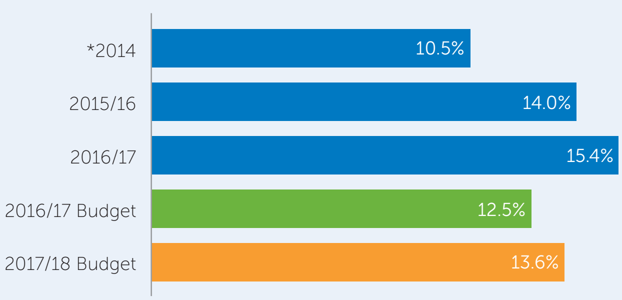
Net Income ($ Millions)



SaskTel provides strong returns to the Province of Saskatchewan by managing its cost structures, optimizing its legacy services, and introducing new competitive services into the market. Strong cost management coupled with revenue growth in key business segments, including wireless, *maxTV*, Internet, data, and new and emerging products and services, resulted in SaskTel exceeding its budget by $30.6 million.

RETURN ON EQUITY

Return on Equity (Percentage)

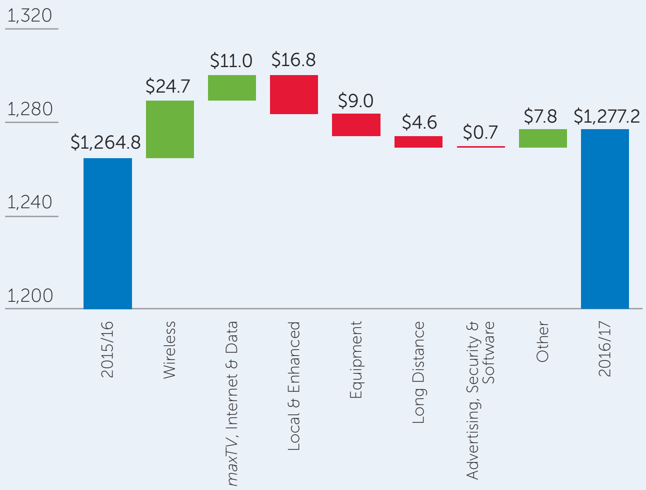


- ▲ Return on equity increased to 15.4% in fiscal 2016/17, up 1.4 percentage points from fiscal 2015/16.
- ▲ Net income increased $28.9 million.
- ▼ Accumulated other comprehensive income increased by $53.6 million as a result of net actuarial gains on SaskTel's defined benefit pension plan.

*12-month fiscal year ending December 31.

REVENUES

Revenues ($ Millions)



▲ Revenues for the 12 months ending March 31, 2017, were $1,277.2 million, up $12.4 million (1.0%) from the same period in 2015/16. Regulatory intervention, regional wireless pricing, market saturation and increasing competition are impacting SaskTel's opportunities to offset revenue declines from legacy wireline services. These challenges are being met through continued wireless adoption, a resurgence in Internet growth as customers opt for services delivered over SaskTel's fibre network, and strong growth in our managed and emerging services portfolio.

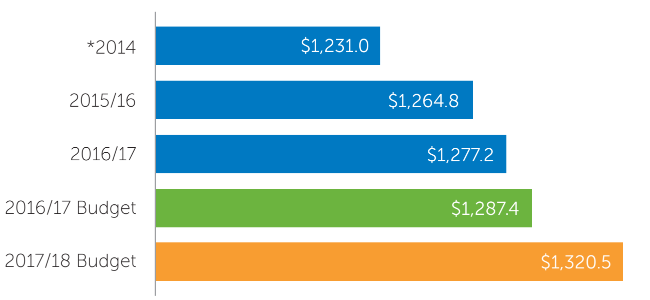
▲ Wireless revenues increased by $24.7 million (5.0%) from 2015/16. A large portion of this increase relates to the renegotiation of a wholesale contract with other carriers. Wireless retail revenues continue to grow as a result of strong Average Revenue Per Unit (ARPU) growth and modest increase in accesses.

▲ *maxTV*, Internet, and data continue to post strong revenue growth of $11.0 million (3.4%) year over year. Access growth remains strong and ARPU has increased as customers take advantage of faster Internet and data speeds via SaskTel's world-class, fibre-based network.

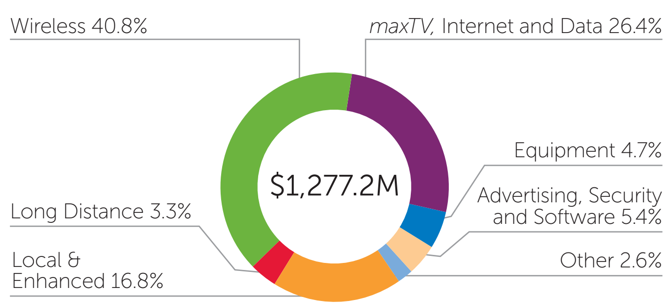
▼ Legacy wireline services such as local access, enhanced services, and long distance saw revenue declines of $21.4 million (7.7%). These decreases are primarily due to wireless substitution, OTT replacement service trends, and little to no organic growth because of "cord nevers."

▼ Equipment sales have declined $9.0 million (13.0%) from 2015/16. SaskTel saw a decline in business grade communication systems, which is reflective of economic conditions within Saskatchewan. This was offset by a year-over-year increase in revenue from consumer wireless devices sales.

Revenue ($ Millions)



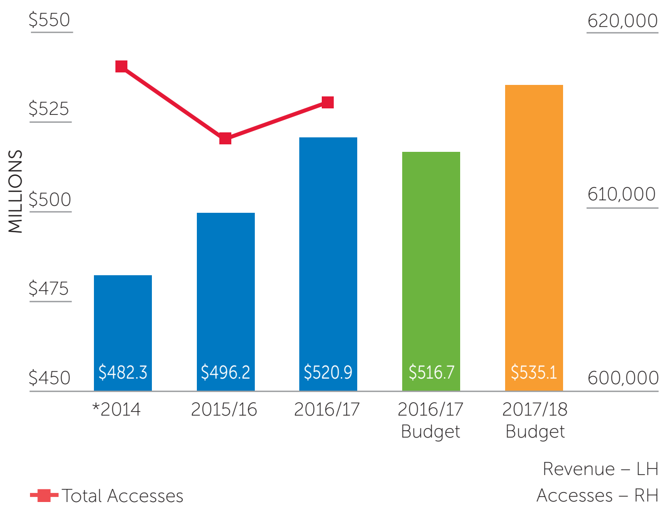
2016/17 Revenue Profile



SaskTel's revenues are composed primarily of wireless (40.8%); *maxTV*, Internet, and data (26.4%); and local access, enhanced services, and long distance (20.1%). Legacy revenues continue to decline and there are indications that wireless accesses are approaching saturation. SaskTel offers its customer increasing Internet bandwidth through improvements to its network infrastructure including FTTP, *fusion* and further expansions of DSL Internet and wireless broadband to rural communities. SaskTel continues to grow its managed and emerging services portfolio by offering innovative ICT solutions including managed cloud and Tier III data centre services to its customers.

*12-month fiscal year ending December 31.

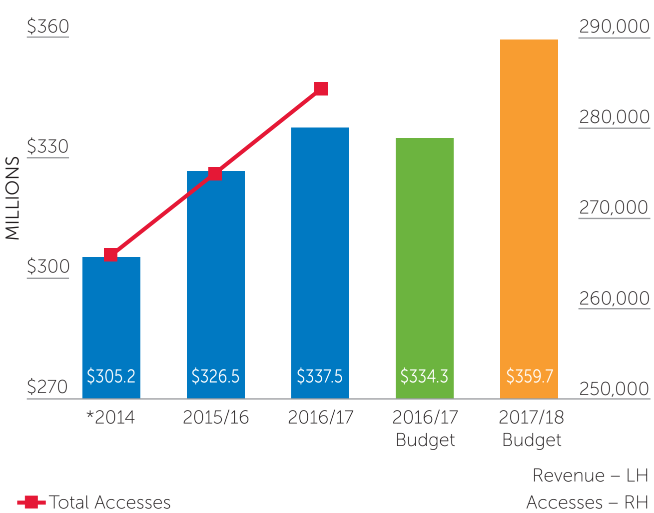
Wireless – Revenue & Accesses



WIRELESS SERVICES

Wireless revenues increased by $24.7 million (5.0%) from 2015/16. A large portion of this increase relates to the renegotiation of a wholesale contract with other carriers. Wireless retail revenues continued to grow which was a result of strong ARPU growth and a modest increase in accesses. Year over year, smart phone penetration has increased by 3.0% which has contributed to increased ARPU. ARPU growth is also attributable to customers migrating to price plans that offer more data and features. SaskTel is adapting to the changing wireless environment and has launched *shareMORE* plans in 2016/17 to offer customers the ability to share data among all their devices and to choose the amount of data that suits their needs.

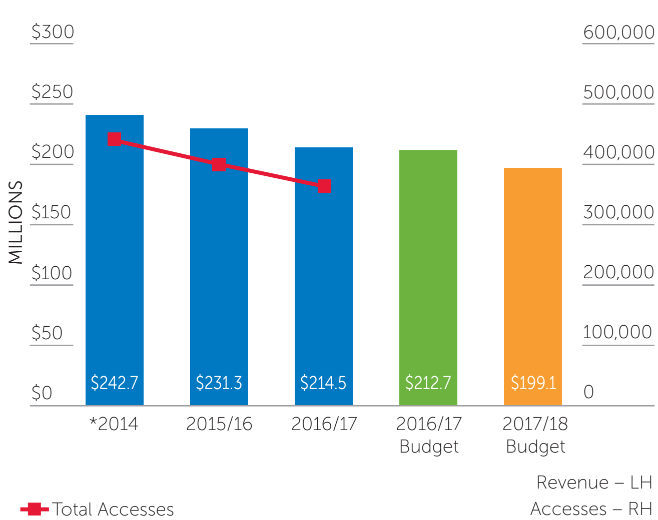
maxTV, Internet and Data – Revenue & Accesses



maxTV, INTERNET, AND DATA SERVICES

maxTV, Internet, and data services revenue increased by $11.0 million (3.4%). In 2016/17, more customers are selecting faster Internet speeds to meet their increasing data demands. SaskTel is meeting these demands by expanding the footprint of its fibre-based service, *infiNET*. SaskTel rolled out its DSL service to 13 new communities and upgraded speeds in 38 communities, which has contributed to both ARPU and access growth. *infiNET* connections have increased 35.3%, which had a positive impact on ARPU.

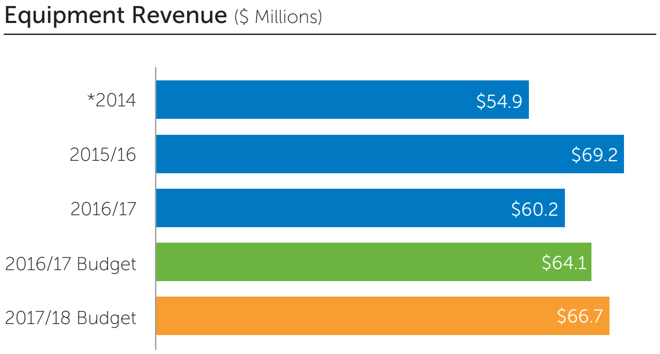
Local & Enhanced – Revenue & Access Counts



LOCAL ACCESS AND ENHANCED SERVICES

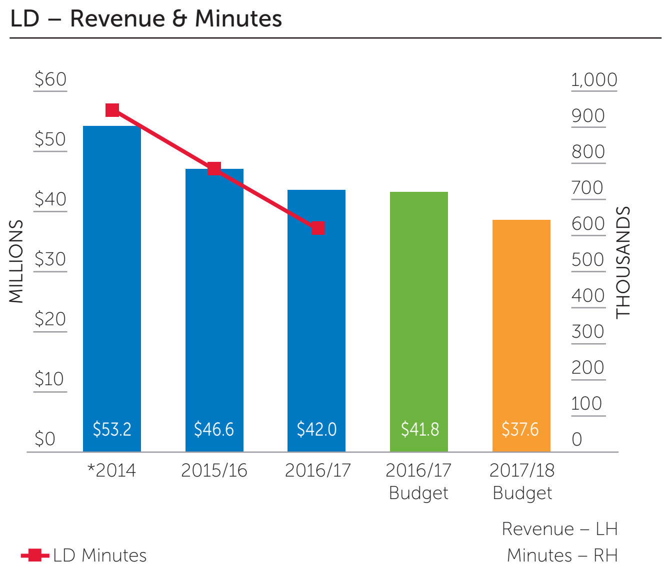
Local access and enhanced services declined by $16.8 million (7.3%) from 2015/16. This decline is due to a 6.4% reduction in network accesses (2015/16 – 7.4%). Customers continue to replace their existing wireline services with a wireless alternative, a trend that SaskTel expects to continue.

*12-month fiscal year ending December 31.



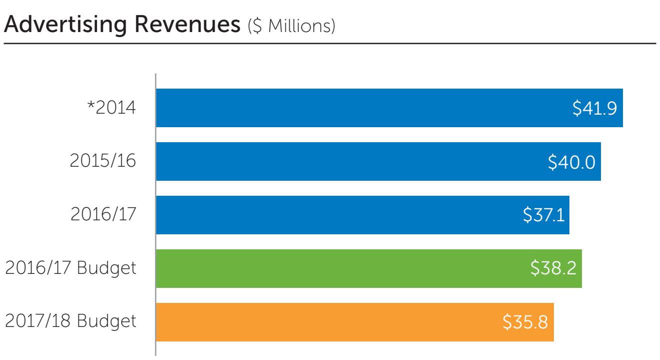
EQUIPMENT

Equipment revenues have decreased $9.0 million (13.0%) from 2015/16. SaskTel continues to offer its customers consulting, design, training, and implementation services to ensure the right solution for their business. Equipment sales have declined and are reflective of the current market conditions. These declines are partially offset by increased revenues from wireless devices.



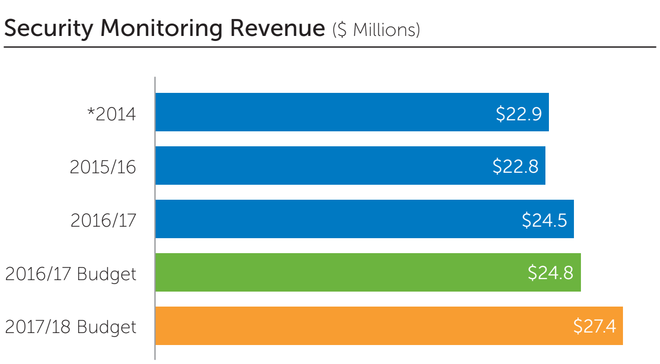
LONG DISTANCE

Long distance revenues have decreased $4.6 million (9.9%) from 2015/16. 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.



ADVERTISING SERVICES

Advertising services revenue decreased to $37.1 million in 2016/17, from $40.0 million in 2015/16, a decrease of $2.9 million (7.3%). These results continue to exceed the traditional directory industry, which 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 return on investment (ROI) to its customers while continuing to diversify with ongoing product and service development.

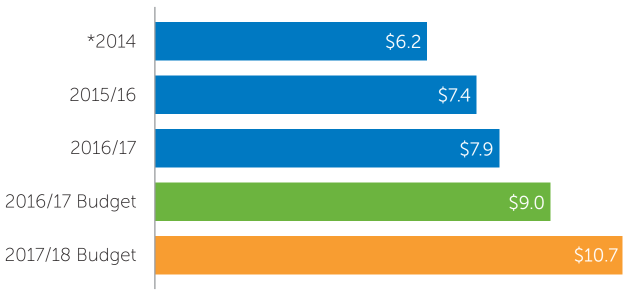


SECURITY MONITORING SERVICES

Security monitoring revenues increased $1.7 million to $24.5 million in 2016/17, due to customer growth and increased use of value-added features. SaskTel continues to actively seek out business growth both organically through existing customers and externally through customer account acquisitions.

*12-month fiscal year ending December 31.

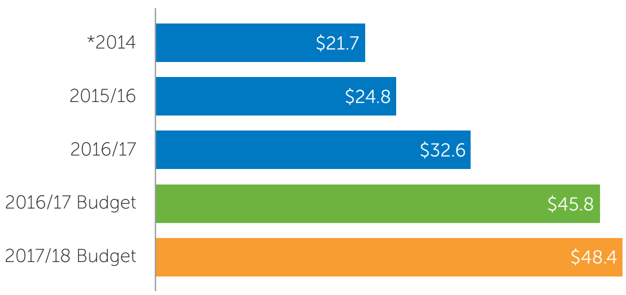
International Software Solutions & Consulting Revenue ($ Millions)



INTERNATIONAL SOFTWARE AND CONSULTING SERVICES

Software and consulting service revenues increased to $7.9 million in 2016/17, up $0.5 million from 2015/16, primarily due to higher professional services abroad and increased maintenance and support fees, offset by lower software related professional services and enhancement revenues.

Other Services Revenue ($ Millions)

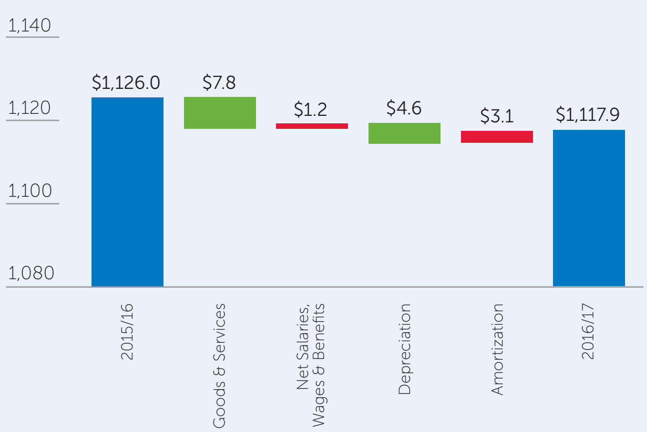


OTHER SERVICES

Other services revenues increased to $32.6 million in 2016/17, up $7.8 million (31.5%) from 2015/16. SaskTel seeks out opportunities to replace declining legacy service revenues by growing its managed and emerging services portfolio. In 2016/17, this portfolio saw growth in new services including Integrated Business Communications, data centre service offerings and professional services to install a state-of-the-art communication system at new Mosaic stadium in Regina, SK.

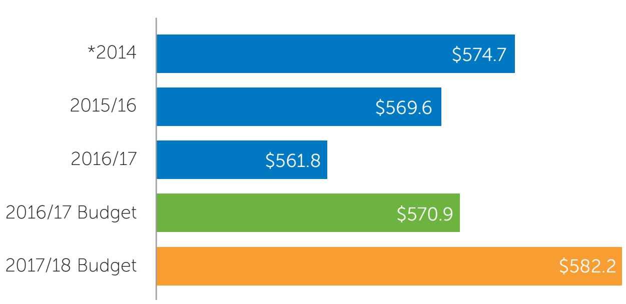
EXPENSES

Expenses ($ Millions)



- ▼ Expenses for the 12 months ending March 31, 2017, fell $8.1 million (0.7%) to $1,117.9 million.
- ▼ Goods and services purchased decreased $7.8 million (1.4%), largely due to management's focus on controlled spending, partially offset by increased direct costs incurred to generate revenue increases.
- ▲ Net salaries, wages, and benefits increased $1.2 million (0.3%), largely due to economic increases provided in early 2016/17.
- ▼ Depreciation and amortization decreased by $1.5 million as a result of increasing the useful lives of select network assets.

Goods & Services Purchased ($ Millions)

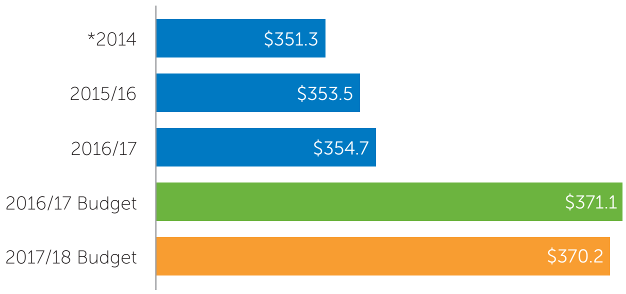


GOODS AND SERVICES PURCHASED

Goods and services purchased decreased to $561.8 million for fiscal 2016/17, down $7.8 million (1.4%) from 2015/16. SaskTel's focus on cost management resulted in a significant reduction in spending on contracted services, materials and advertising. In addition, significant savings were realized with the exit of SaskTel's Satellite Internet services, which was replaced with SaskTel *fusion*. These savings were partially offset by increased wireless acquisition costs as the average cost per subsidized wireless device continues to rise due to aggressive competition, regional pricing and increasing cost of wireless devices.

*12-month fiscal year ending December 31.

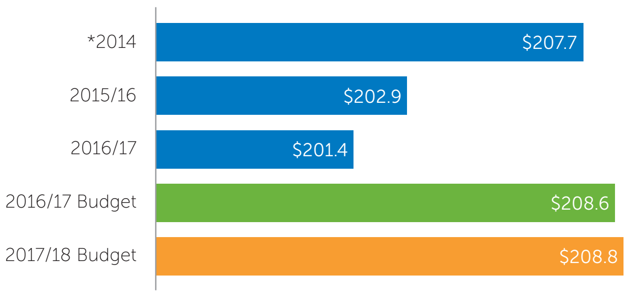
Net Salaries & Benefits ($ Millions)



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

Net salaries, wages, and benefits increased to $354.7 million, up $1.2 million (0.3%) largely due to economic increases provided in early 2016/17.

Depreciation & Amortization ($ Millions)



DEPRECIATION & AMORTIZATION

Depreciation and amortization expense decreased to $201.4 million in 2016/17, down $1.5 million from 2015/16. This is primarily due to the change in asset mix and useful lives of select network assets.

NET FINANCE EXPENSE

Net financing expense decreased $2.4 million (6.5%) to $34.6 million during 2016/17, due primarily to sinking funds market losses of $0.9 million compared to losses of $4.5 million in 2015/16.

($ millions)	12 months ended March 31, 2017	2016	Change	%	15 months ended March 31, 2016
Net Finance Expense	$ 34.6	$ 37.0	$ (2.4)	(6.5)	$ 40.1

OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income increased to $53.5 million, up $53.6 million from the loss recognized in 2015/16. The income resulted from changes in actuarial assumptions related to the assets and 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 *Note 18 – Employee Benefits* of the consolidated financial statements.

($ millions)	12 months ended March 31, 2017	2016	Change	%	15 months ended March 31, 2016
Other comprehensive income (loss)	$ 53.5	$ (0.1)	$ 53.6	*nmf*[1]	$ (5.9)

*12-month fiscal year ending December 31.

LIQUIDITY AND CAPITAL RESOURCES

CASH PROVIDED BY OPERATING ACTIVITIES

($ millions)	12 months ended March 31, 2017	2016	Change	%	15 months ended March 31, 2016
Operating activities	$ 321.6	$ 304.1	$ 17.5	5.8	$ 333.6

Cash provided by operating activities for the fiscal year ended March 31, 2017, was $321.6 million, up $17.5 million from the 12 months ended March 31, 2016, primarily due to increased income from operations, partially offset by increased working capital requirements.

CASH USED IN INVESTING ACTIVITIES

($ millions)	12 months ended March 31, 2017	2016	Change	%	15 months ended March 31, 2016
Investing activities	$ 309.4	$ 322.9	$ (13.5)	(4.2)	$ 370.4

Cash used in investing activities was $309.4 million for the fiscal year ended March 31, 2017, down $13.5 million from the 12 months ended March 31, 2016, primarily due to the acquisition of additional spectrum licences in 2015/16. Total cash invested in property plant and equipment was $261.6 million, up $10.2 million from 2015/16. Spending on intangible assets decreased $18.6 million to $54.6 million. Government funding increased $3.3 million in 2016/17 to $6.7 million (see *Note 16 – Deferred Income – Government Funding*). Additional details of the 2016/17 capital program are included in the Capital Expenditure section of the Management's Discussion and Analysis.

CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

($ millions)	12 months ended March 31, 2017	2016	Change	%	15 months ended March 31, 2016
Financing activities	$ (17.2)	$ 24.9	$ (42.1)	(169.1)	$ 44.0

Cash used in financing activities was $17.2 million for the fiscal year ended March 31, 2017, compared to cash provided by financing activities of $24.9 million for the 12 months ended March 31, 2016. This is primarily due to reduced short-term borrowings partially offset by increased long-term borrowing compared to 2015/16. SaskTel paid dividends of $30.0 million to CIC during the fiscal year ending March 31, 2017, consistent with the previous fiscal period ended March 31, 2016. During the last five fiscal reporting periods, SaskTel paid a total of $323.5 million in dividends while maintaining a debt ratio within industry standards.

CAPITAL MANAGEMENT

($ millions)	March 31, 2017	March 31, 2016	Change	%
Long-term debt	$ 851.9	$ 777.3	$ 74.6	9.6
Short-term debt	177.1	229.2	(52.1)	(22.7)
Less: Sinking funds	141.0	129.5	11.5	8.9
Cash and short-term investments	11.1	16.1	(5.0)	(31.1)
Net Debt	876.9	860.9	16.0	1.9
Equity[1]	954.7	796.3	158.4	19.9
Capitalization	$ 1,831.6	$ 1,657.2	$ 174.4	10.5
Debt Ratio	47.9%	51.9%	(4.0)	(7.7)

[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 47.9% at March 31, 2017, down from 51.9% at March 31, 2016. The overall level of net debt increased $16.0 million, primarily to fund continued investment in property, plant and equipment, as well as intangible assets. Equity increased $158.4 million after recording net income of $134.8 million, other comprehensive income of $53.6 million and declaring dividends of $30.0 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 4.87% at March 31, 2017, and 5.02% at March 31, 2016. The weighted average interest rate of the short-term debt outstanding at March 31, 2017, was 0.60% and 0.63% at March 31, 2016.

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

Access to Capital

The primary uses of cash in 2017/18 will be property, plant and equipment and intangible asset expenditures, growth initiatives, and dividend payments.

The 2017/18 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.

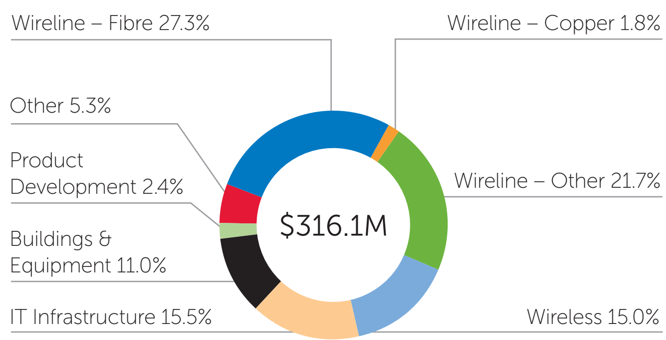
Credit facilities consist of up to $500.0 million in combined lines of credit with financial institutions and advances from the Province of Saskatchewan. At March 31, 2017, SaskTel had accessed $177.1 million of these facilities.

Besides this credit facility, SaskTel has authority to issue up to $1,300.0 million in combined short-term and long-term debt. Total outstanding debt was $1,029.0 million at March 31, 2017, and $1,006.5 million at March 31, 2016.

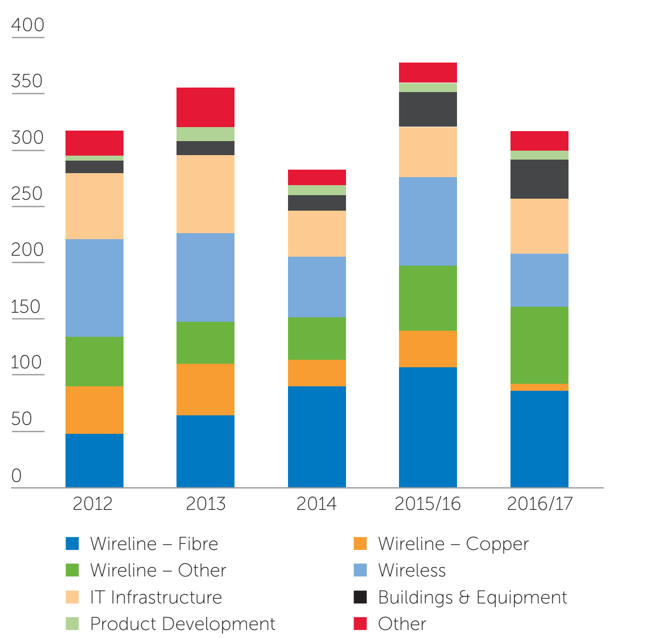
CAPITAL EXPENDITURES

SaskTel operates the largest ICT network in Saskatchewan, which is a result of investing in Saskatchewan for over 100 years. SaskTel invested an additional $316.1 million in capital expenditures during 2016/17 (2015/16 – $328.7 million) to improve our customers' experience today and create opportunities to provide additional network enhancements and capabilities in the future. Of the $316.1 million, $259.3 million (2015/16 – $258.1 million) was spent on property, plant and equipment, including; FTTP, wireless networks (4G, LTE, & Wi-Fi), and Access Demand, while the remaining $56.8 million (2015/16 – $70.6 million) was spent on intangible assets such as customer support systems.

2016/17 Capital Expenditures



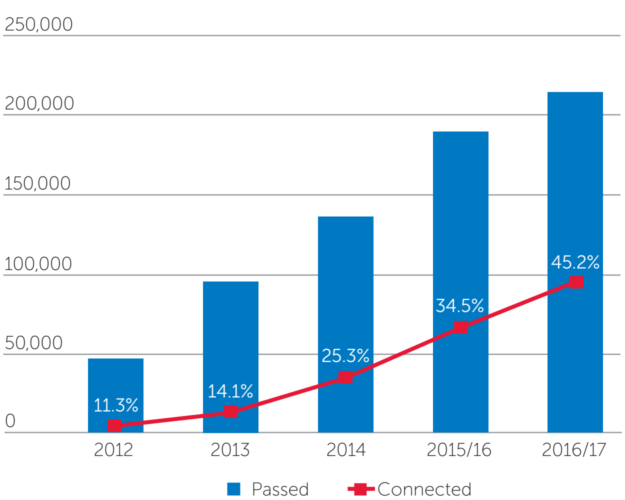
Capital Expenditures ($ Millions)



Fibre to the Premises (2016/17 – $54.9 million)

The Fibre to the Premises program is a 12-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. The fibre network currently enables download speeds up to 260MBs, upload speeds up to 60MBs, 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. As technologies evolve, so will *infiNET* with the ability to offer even faster speeds in the years to come.

Fibre to the Premises (Homes)



4G, LTE, and Wi-Fi (2016/17 – $47.4 million)

The 4G, LTE, and Wi-Fi wireless networks require ongoing investment as customers abandon older wireless technologies. SaskTel's wireless LTE network is the largest LTE network in Saskatchewan and now covers 99% of residents in the province. SaskTel *selectWI-FI* provides over 4,200 access points in over 2,000 locations spread across 23 communities in Saskatchewan, making it the largest Wi-Fi network available in the province. 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 wireless devices without delay.

Access Demand (2016/17 – $35.4 million)

The Access Demand program is an on-going program to add infrastructure to new neighbourhoods and increase capacity in existing neighbourhoods so that customers may access all the services that SaskTel has to offer.

Tier III Data Centres (2016/17 – $27.1 million)

Tier III data centres are outfitted with cutting-edge technology to deliver services with the security, availability and assurance that business customers demand from their technology partners. SaskTel added two Tier III data centres to its portfolio during 2016/17. SaskTel currently has a total of 51,000 square feet in eight different data centre locations with four locations in Regina, three in Saskatoon, and one east of Regina. With SaskTel data centre services, such as Colocation, Managed Hosting and Disaster Recovery, businesses can be assured their critical data and IT infrastructure is kept in a safe, secure and professionally managed environment, letting them focus on what matters most.

Other Network Improvements (2016/17 – $70.5 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 which will bring high speed bandwidth services to northern residents and businesses.

SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

SaskTel's discussion and analysis of our financial position and results of operations are based on the consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

Significant accounting policies, estimates and judgments are contained in the consolidated financial statements. See *Note 2 - Basis of presentation* to the consolidated financial statements for accounting policies, estimates and judgments applicable to the financial statements as a whole, as well as specific notes for more information about the accounting policies, estimates and judgments that SaskTel uses for each applicable account in preparing its financial statements. Certain of these policies could have a significant impact on financial results, including: capitalization and depreciation or amortization of property, plant and equipment and intangible assets; impairment of assets and cash generating units; assumptions related to pension obligations; and the fair value of financial instruments.

Note 2 also describes key changes in accounting standards, as well as proposed changes to accounting standards that have not yet been adopted, and how they affect our financial statements.

FIVE YEAR RECORD OF SERVICE

Consolidated Statement of Income and Other Comprehensive Income

($ millions)	12 months ended March 31, 2017	15 months ended March 31, 2016	12 months ended December 31, 2014	2013	2012*
Revenue	$ 1,277.2	$ 1,569.6	$ 1,231.0	$ 1,205.7	$ 1,182.4
Other income	10.1	4.6	1.7	14.2	10.7
	1,287.3	1,574.2	1,232.7	1,219.9	1,193.1
Expenses					
Goods and services purchased	561.8	704.9	574.7	567.3	553.1
Salaries, wages and benefits	380.6	474.8	374.4	364.4	344.0
Depreciation	163.0	211.4	166.2	155.5	153.6
Amortization	38.4	43.6	41.5	27.6	24.2
Internal labour capitalized	(25.9)	(27.3)	(23.1)	(22.8)	(20.6)
	1,117.9	1,407.4	1,133.7	1,092.0	1,054.3
Results from operating activities	169.4	166.8	99.0	127.9	138.8
Net finance expense	(34.6)	(40.1)	(22.6)	(37.2)	(32.5)
Net income	$ 134.8	$ 126.7	$ 76.4	$ 90.7	$ 106.3
Other comprehensive income (loss)	53.5	(5.9)	(57.3)	190.6	(21.6)
Total comprehensive income	$ 188.3	$ 120.8	$ 19.1	$ 281.3	$ 84.7

Consolidated Statement of Financial Position

As at ($ millions)	March 31, 2017	March 31, 2016	December 31, 2014	2013	2012*
Current assets	$ 232.9	$ 218.9	$ 167.2	$ 181.2	$ 148.6
Property, plant and equipment	1,693.2	1,594.3	1,511.6	1,451.5	1,335.2
Other long-term assets	468.4	439.9	390.1	361.0	309.9
Total assets	$ 2,394.5	$ 2,253.1	$ 2,068.9	$ 1,993.7	$ 1,793.7
Current liabilities	$ 422.3	$ 463.1	$ 375.3	$ 518.1	$ 333.3
Long-term debt	851.9	777.3	776.8	581.2	580.9
Other long-term liabilities	165.6	216.4	203.8	147.2	332.5
Province of Saskatchewan equity	954.7	796.3	713.0	747.2	547.0
Total liabilities and Province of Saskatchewan's equity	$ 2,394.5	$ 2,253.1	$ 2,068.9	$ 1,993.7	$ 1,793.7

Consolidated Statement of Cash Flows

($ millions)	12 months ended March 31, 2017	15 months ended March 31, 2016	12 months ended December 31, 2014	2013	2012*
Cash and cash equivalents, beginning of period	$ 16.1	$ 8.9	$ 24.4	$ 3.5	$ 8.0
Cash provided by operating activities	321.6	333.6	271.0	275.2	287.5
Cash used in investing activities	(309.4)	(370.4)	(279.1)	(341.1)	(308.4)
Cash provided by (used in) financing activities	(17.2)	44.0	(7.4)	86.8	16.4
Increase (decrease) in cash	(5.0)	7.2	(15.5)	20.9	(4.5)
Cash and cash equivalents, end of period	$ 11.1	$ 16.1	$ 8.9	$ 24.4	$ 3.5

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

Financial Indicators

($ millions)	12 months ended March 31, 2017	15 months ended March 31, 2016	12 months ended December 31, 2014	2013	2012*
Return on equity	15.4%	16.8%	10.5%	14.0%	19.0%
Debt ratio	47.9%	51.9%	52.8%	49.1%	51.3%
Dividends declared	$ 30.0	$ 37.5	$ 53.3	$ 81.1	$ 84.3
Dividends paid	$ 30.0	$ 30.0	$ 83.7	$ 73.6	$ 106.2
Capital Expenditures	$ 316.1	$ 378.0	$ 282.7	$ 355.8	$ 329.9

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

Consolidated Statement of Income and Comprehensive Income (Loss)

($ millions)	Q4 2016/17	Q3 2016/17	Q2 2016/17	Q1 2016/17	Q5 2015/16	Q4 2015/16	Q3 2015/16	Q2 2015/16	Q1 2015/16
Revenue	$ 333.5	$ 317.9	$ 316.2	$ 309.6	$ 315.7	$ 317.5	$ 314.2	$ 317.4	$ 304.8
Other income	7.8	(0.7)	1.2	1.8	1.4	(0.5)	1.8	1.4	0.5
	341.3	317.2	317.4	311.4	317.1	317.0	316.0	318.8	305.3
Expenses									
Goods and services purchased	138.1	153.4	139.9	130.4	133.5	162.6	137.1	136.4	135.3
Salaries, wages and benefits	98.7	94.9	91.7	95.3	100.8	92.3	89.4	93.5	98.8
Depreciation	39.9	41.5	39.5	42.1	42.2	39.7	41.7	44.0	43.8
Amortization	9.7	9.4	9.5	9.8	9.7	9.1	6.7	9.8	8.3
Internal labour capitalized	(6.8)	(6.6)	(6.1)	(6.4)	(5.5)	(6.6)	(5.1)	(5.3)	(4.8)
	279.6	292.6	274.5	271.2	280.7	297.1	269.8	278.4	281.4
Results from operating activities	61.7	24.6	42.9	40.2	36.3	19.9	46.2	40.4	23.9
Net finance expense	(8.4)	(15.1)	(6.8)	(4.3)	(7.3)	(7.3)	(9.8)	(12.5)	(3.0)
Net income	$ 53.3	$ 9.5	$ 36.1	$ 35.9	$ 29.0	$ 12.6	$ 36.4	$ 27.9	$ 20.9
Other comprehensive income (loss)	10.2	59.7	(5.1)	(11.4)	(53.2)	30.4	(10.8)	33.5	(5.8)
Total comprehensive income (loss)	$ 63.5	$ 69.2	$ 31.0	$ 24.5	$ (24.2)	$ 43.0	$ 25.6	$ 61.4	$ 15.1

Annual Operating Statistics

As at	March 31, 2017	March 31, 2016	December 31, 2014	2013	2012
Customer Accesses					
Wireless*	615,882	614,221	618,083	615,694	607,659
Wireline*	388,519	413,052	442,471	466,639	492,786
Internet (includes Max)	275,381	264,196	258,705	253,256	248,234
Max subscribers	110,591	107,321	103,716	101,147	97,262
Total accesses	1,390,373	1,398,790	1,422,975	1,436,736	1,445,941

* Does not include SaskTel internal use.

	12 months ended March 31, 2017	15 months ended March 31, 2016	12 months ended December 31, 2014	2013	2012
Employees and payroll					
Total employees	3,916	3,956	3,999	4,079	4,031
Salaries earned (000s)	$ 326,761	$ 361,265	$ 322,173	$ 314,390	$ 295,714

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.

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 fiscal year ended March 31, 2017, 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 and Risk Committee, consisting of outside directors, which meets periodically with management as well as with the internal and external auditors. The Audit and Risk 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 and Risk 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 Professional 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 26, 2017

Charlene Gavel
Chief Financial Officer

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

I, Ron Styles, the President and 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, 2017, 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, 2017, 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 26, 2017

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, 2017, the consolidated statements of income and other comprehensive income, changes in equity and cash flows for the year 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, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants
May 26, 2017
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 Income

Thousands of dollars	Note	For the twelve months ended March 31, 2017	For the fifteen months ended March 31, 2016
Revenue	3	$1,277,151	$ 1,569,637
Other income	3	10,129	4,540
		1,287,280	1,574,177
Expenses			
Goods and services purchased		561,786	704,928
Salaries, wages and benefits		380,582	474,779
Depreciation	9	163,025	211,410
Amortization	10	38,389	43,594
Internal labour capitalized		(25,921)	(27,311)
		1,117,861	1,407,400
Results from operating activities		169,419	166,777
Net finance expense	4	34,580	40,069
Net income		134,839	126,708
Other comprehensive income (loss)			
Items that will never be reclassified to net income			
Actuarial gains (losses) on employee benefit plans	18	53,489	(5,886)
Total comprehensive income		$ 188,328	$ 120,822

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 April 1, 2016		$ 250,000	$ (55,035)	$ 601,379	$ 796,344
Net income		–	–	134,839	134,839
Other comprehensive income	18	–	53,489	–	53,489
Total comprehensive income for the fiscal year		–	53,489	134,839	188,328
Dividends declared		–	–	30,000	30,000
Balance March 31, 2017		$ 250,000	$ (1,546)	$ 706,218	$ 954,672
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

See Accompanying Notes

Consolidated Statement of Financial Position

As at March 31, Thousands of dollars	Note	2017	2016
Assets			
Current assets			
Cash	5	$ 11,067	$ 16,099
Trade and other receivables	6	144,990	132,788
Inventories	7	25,462	24,627
Prepaid expenses	8	51,371	45,336
		232,890	218,850
Property, plant and equipment	9	1,693,234	1,594,338
Intangible assets	10	318,832	301,054
Sinking funds	11	141,033	129,497
Other assets	12	8,542	9,322
		$2,394,531	$ 2,253,061
Liabilities and Province's equity			
Current liabilities			
Trade and other payables	13	$ 169,149	$ 158,190
Dividend payable		7,500	7,500
Notes payable	14	177,105	229,231
Other liabilities	15	68,525	68,126
		422,279	463,047
Deferred revenue		8,055	10,417
Deferred income – government funding	16	38,237	38,117
Long-term debt	17	851,949	777,256
Employee benefit obligations	18	119,339	167,880
		1,439,859	1,456,717
Commitments and contingencies	23		
Province of Saskatchewan's equity			
Equity advance	19	250,000	250,000
Accumulated other comprehensive loss		(1,546)	(55,035)
Retained earnings		706,218	601,379
		954,672	796,344
		$2,394,531	$ 2,253,061

See Accompanying Notes

On behalf of the Board

Grant Kook
May 26, 2017

Glenys Sylvestre

Consolidated Statement of Cash Flows

Thousands of dollars	Note	For the twelve months ended March 31, 2017	For the fifteen months ended March 31, 2016
Operating activities			
Net income		$ 134,839	$ 126,708
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	9, 10	201,414	255,004
Net finance expense	4	34,580	40,069
Interest paid		(41,113)	(49,775)
Interest received		5,778	6,723
Amortization of government funding	16	(5,739)	(6,459)
Other		2,402	9,533
Net change in non-cash working capital	20	(10,560)	(48,178)
		321,601	333,625
Investing activities			
Property, plant and equipment expenditures		(261,559)	(296,952)
Intangible asset expenditures		(54,576)	(78,054)
Government funding		6,709	4,565
		(309,426)	(370,441)
Financing activities			
Proceeds from long-term debt	17	74,285	–
Net proceeds (repayment) of notes payable		(52,126)	85,933
Sinking fund installments	11	(9,366)	(11,966)
Dividends paid		(30,000)	(30,000)
		(17,207)	43,967
Increase (decrease) in cash		(5,032)	7,151
Cash, beginning of fiscal period		16,099	8,948
Cash, end of fiscal period		$ 11,067	$ 16,099

See Accompanying Notes

Notes to Consolidated Financial Statements

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 well as estimates and judgments the Corporation has made and how they impact amounts reported in the consolidated financial statements, are incorporated in this section. Where an accounting policy, estimate or judgment 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).

The consolidated financial statements have been prepared on the historical cost basis, except for certain items that are not carried at historical cost as noted in specific accounting policies.

Change of year end

Effective for the previous fiscal period, the Corporation was 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 consisted of the 15 months ending March 31, 2016. Information included in the following discussion focuses on the current fiscal year of 12 months ending March 31, 2017, as compared to the fifteen-month fiscal period ending March 31, 2016. 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.

Accounting policies, estimates and judgments

The accounting policies, estimates and judgments included in this section relate to the consolidated financial statements, as a whole. Accounting policies have been applied consistently by the Corporation and its subsidiaries throughout all periods presented unless otherwise indicated.

Basis of consolidation

Accounting policies

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.

Note 2 – Basis of presentation, continued

Subsidiaries

The consolidated 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.

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 and consulting
DirectWest Corporation (DirectWest)	Marketing Services
SecurTek Monitoring Solutions Inc. (SecurTek)	Security monitoring

Throughout these financial statements, the phrase "the Corporation" is used to collectively describe the activities of the consolidated entity.

Transactions eliminated on consolidation

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

Accounting estimates and judgments

Judgment involves assessing control, which entails determining whether the Corporation has the power to direct the relevant activities of the investee. Consideration is given to: voting rights; the relative size and dispersion of the voting rights held by other shareholders; the extent of participation by those shareholders in appointing key management personnel or board members; the right to direct the investee to enter into transactions for the Corporation's benefit; and the exposure, or rights, to variability of returns from the Corporation's involvement with the investee.

Impairment testing

Accounting policies

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 third 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 generates 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.

Note 2 – Basis of presentation, continued

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.

Accounting estimates and judgments

Judgment involves identifying the appropriate asset or CGU; determining the appropriate discount rate for assessing value in use; and making assumptions about future cash flows and market conditions over the long-term life of the assets or CGUs.

The Corporation cannot predict if specific events that potentially trigger impairment will occur, when they may occur or how they may affect reported asset amounts. Unexpected declines in future cash flow potential or significant unanticipated technology changes could impact carrying values and the potential for impairment.

Fair value

Accounting policies

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.

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 which are both unobservable and significant to the overall fair value measurement.

Accounting estimates and judgments

Fair value estimates are at a point-in-time and may change in subsequent reporting periods due to market conditions or other factors. Estimates can be determined using multiple methods, which can cause values (or a range of reasonable values) to differ. In addition, estimates may require assumptions about future price, volatility, liquidity, discount and inflation rates, defaults and other relevant variables. The estimates of fair value may not accurately reflect the amounts that could be realized. Determination of the level hierarchy is based on the Corporation's assessment of inputs that are significant to the fair value measurement and is subject to estimation and judgment.

Foreign currency transactions

Accounting policies

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 translated 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.

Note 2 – Basis of presentation, continued

Comparative figures

Certain of the 2015/16 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, estimates and judgments are disclosed throughout the following notes with the related financial disclosures.

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4	Net finance expense	X		55
5	Cash	X		56
6	Trade and other receivables	X	X	56
7	Inventories	X	X	56
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9	Property, plant and equipment	X	X	57
10	Intangible assets	X	X	59
11	Sinking funds	X		61
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Note	Topic	Accounting Policies	Accounting Estimates and Judgments	Page
15	Other liabilities			62
16	Deferred income – government funding	X	X	63
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Application of revised International Financial Reporting Standards

The IASB and the International Financial Reporting Interpretations Committee (IFRIC) issued the following standards and amendments that were applied by the Corporation.

Standard	Description	Impact
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 adoption of these amendments has had no material impact on the financial statements.
Amendments to IAS 16, Property, plant and equipment and IAS 38, Intangible assets	Issued to clarify acceptable methods of depreciation and amortization.	The adoption of these amendments has had no material impact on the financial statements.
Amendments to IFRS 11, Joint arrangements	Issued to provide additional guidance on accounting for the acquisition of an interest in a joint operation.	The adoption of these amendments has had no material impact on the financial statements.

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, 2017. These include:

Standard	Description	Impact	Effective Date
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.	The Corporation has determined that certain financial instruments will be reclassified from fair value through profit or loss to fair value through other comprehensive income (OCI). The impact of this reclassification will be to reclassify previously recognized net fair value gains and losses in the amount of $5.2 million from Retained Earnings to Accumulated OCI.	Fiscal years beginning on or after January 1, 2018, applied retrospectively with certain exceptions. Early adoption is permitted. The Corporation plans to early adopt IFRS 9 effective April 1, 2017, in accordance with paragraph 7.2.15 of the standard by recognizing the difference between the previous carrying amounts and the carrying amounts at the beginning of the Corporation's 2017/18 fiscal year in opening retained earnings at April 1, 2017.
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 primarily impact the timing of revenue recognition, the classification of revenues between products and services, and accounting for costs to obtain and fulfil contracts. Under multiple-element arrangements, although the total revenue recognized during the term of a contract will be largely unaffected, the revenue allocated to a delivered item will no longer be limited to the non-contingent amount. This may accelerate the recognition of revenue ahead of the associated cash inflows and result in a corresponding contract asset recorded on the balance sheet, to be realized over the term of the customer contract. Significant judgments will need to be made when defining the enforceable rights and obligations of a contract, in determining whether a promise to deliver goods or services is considered distinct, and to determine when the customer obtains control of the distinct good or service. A detailed implementation plan is being established which will result in necessary system and process changes throughout 2017 and 2018 to determine the impact on the Corporation's 2018/19 financial statements and key performance metrics, and determine the impact on historical comparative information. As a result, it is not yet possible to determine the impact of the new standard on the Corporation's financial statements, however, the Corporation anticipates the most significant impacts will be on wireless services. While total wireless revenues recognized from a customer contract will not likely change significantly, revenue recognition will be accelerated for certain customer contracts and a greater proportion of revenue will be reclassified as equipment revenue.	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.

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.

Note 3 – Revenue and other income, continued

Supporting information

Thousands of dollars	Note	For the twelve months ended March 31, 2017	For the fifteen months ended March 31, 2016
Services revenue			
Wireless		$ 520,905	$ 616,528
maxTV, Internet and data services		337,494	406,042
Local and enhanced services		214,496	290,198
Equipment		60,259	81,325
Long distance services		41,989	58,883
Advertising services		37,051	50,315
Security monitoring services		24,513	28,511
International software and consulting services		7,883	8,962
Other services		32,561	28,873
		1,277,151	1,569,637
Other income			
Net loss on retirement or disposal of property, plant and equipment		(6,276)	(5,590)
Amortization of government funding	16	5,739	6,459
Other		10,666	3,671
		10,129	4,540
		$1,287,280	$ 1,574,177

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 twelve months ended March 31, 2017	For the fifteen months ended March 31, 2016
Recognized in consolidated net income			
Interest on long-term debt		$ 40,823	$ 49,967
Interest on short-term advances		1,339	1,840
Interest capitalized		(5,579)	(7,290)
Net interest expense		36,583	44,517
Sinking fund market value losses	11	932	3,082
Net interest on defined benefit liability	18	5,945	7,235
Finance expense		43,460	54,834
Sinking fund earnings	11	(3,102)	(8,042)
Interest income on loans and receivables		(5,778)	(6,723)
Finance income		(8,880)	(14,765)
Net finance expense		$ 34,580	$ 40,069
Interest capitalization rate		4.05%	4.30%

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.

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.

Accounting estimates and judgments

Determining when amounts are deemed uncollectible requires judgment. Estimates of the allowance for doubtful accounts are based on the likelihood of collecting accounts receivable based on past experience, taking into consideration current and expected collection trends. If economic conditions or specific industry trends become worse than anticipated, the allowance for doubtful accounts will be increased by recording an additional expense.

Supporting information

As at March 31, Thousands of dollars	Note	2017	2016
Accounts receivables			
Customer accounts receivable	21	$ 83,416	$ 86,279
Accrued receivables – customer		3,597	2,215
Allowance for doubtful accounts	21	(2,384)	(2,227)
		84,629	86,267
High cost serving area subsidy		2,420	2,708
Other		57,941	43,813
		$ 144,990	$ 132,788

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.

Accounting estimates and judgments

Judgment involves determining the appropriate measure of net realizable value.

Supporting information

As at March 31, Thousands of dollars	2017	2016
Inventories for resale	$ 24,173	$ 21,822
Materials and supplies	1,289	2,805
	$ 25,462	$ 24,627

Note 7 – Inventories, continued

The cost of inventories recognized as an expense during the fiscal period was $76.9 million (2015/16 – $98.3 million).

For the fiscal period ended March 31, 2017, write-downs of inventory to net realizable value amounted to $0.1 million (2015/16 – $0.9 million).

Note 8 – Prepaid expenses

As at March 31, Thousands of dollars	2017	2016
Prepaid expenses	$ 42,761	$ 37,913
Deferred service connection charges	3,323	3,940
Short-term customer incentives	5,287	3,483
	$ 51,371	$ 45,336

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 costs. 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.

Accounting estimates and judgments

Judgment involves determining: which costs are directly attributable (e.g., labour and related costs); appropriate timing for cessation of cost capitalization, considering the circumstances in which the asset is to be operated, normally predetermined by management with reference to functionality; the appropriate level of componentization (for individual components for which different depreciation methods or rates are appropriate); which repairs and maintenance constitute betterments, resulting in extended asset life or functionality; the appropriate life over which such costs should be depreciated; and the method of depreciation.

Note 9 – Property, plant and equipment, continued

Asset residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation period or method as appropriate, and are treated as changes in accounting estimates.

The Corporation assesses its existing assets and their useful lives in connection with the review of network operating plans at the end of each reporting period. When it is determined that assigned asset lives do not reflect the expected remaining period of benefit, prospective changes are made to their remaining useful lives. Uncertainties are inherent in estimating the impact of future technologies. Changes in these assumptions could result in material adjustments to estimates, which could result in impairments or changes to depreciation expense in future periods, particularly if useful lives are significantly reduced.

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	2017	2018	2019	2020	2021	2022 and beyond
Depreciation expense increase (decrease)	$ (9.5)	$ (6.5)	$ (5.6)	$ (1.8)	$ 14.3	$ 9.1

Supporting information

Thousands of dollars	Plant and equipment	Buildings and improvements	Office furniture and equipment	Plant under construction	Land	Total
Cost						
Balance at April 1, 2016	$ 3,384,440	$ 470,908	$ 157,951	$ 148,707	$ 37,507	$ 4,199,513
Additions	49,727	3,647	18,608	186,430	917	259,329
Transfers	148,534	38,808	2,075	(189,401)	(16)	–
Retirements, disposals and adjustments	(55,254)	(977)	(2,398)	–	(64)	(58,693)
Balance at March 31, 2017	$ 3,527,447	$ 512,386	$ 176,236	$ 145,736	$ 38,344	$ 4,400,149
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
Accumulated depreciation						
Balance at April 1, 2016	$ 2,359,252	$ 146,716	$ 99,207	$ –	$ –	$ 2,605,175
Depreciation	131,844	11,212	19,969	–	–	163,025
Retirements, disposals and adjustments	(58,042)	(570)	(2,673)	–	–	(61,285)
Balance at March 31, 2017	$ 2,433,054	$ 157,358	$ 116,503	$ –	$ –	$ 2,706,915
Balance at January 1, 2015	$ 2,217,911	$ 135,014	$ 99,551	$ –	$ –	$ 2,452,476
Depreciation	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
Carrying amounts						
At April 1, 2016	$ 1,025,188	$ 324,192	$ 58,744	$ 148,707	$ 37,507	$ 1,594,338
At March 31, 2017	$ 1,094,393	$ 355,028	$ 59,733	$ 145,736	$ 38,344	$ 1,693,234
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

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 Corporation 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 related 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 any 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 not 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	2–13 years

Accounting estimates and judgments

Judgment is applied to determine non-tangible expenditures eligible for capitalization, the method of amortization, the appropriate timing for cessation of cost capitalization and classification of certain intangible assets as indefinite-life intangible assets.

Estimation is applied to determine expected useful lives used in the amortization of intangible assets with finite lives. Changes in accounting estimates can result from changes in useful life or the expected pattern of consumption of an asset (taken into account by changing the amortization period or method, as appropriate).

Goodwill is allocated to CGUs or groups of CGUs for the purpose of impairment testing based on the level at which it is monitored by management, and not at a level higher than an operating segment. The allocation is made to those CGUs or groups of CGUs expected to benefit from the business combination in which the goodwill arose.

Note 10 – Intangible assets, continued

Supporting information

Thousands of dollars	Goodwill	Software	Customer accounts	Spectrum licences	Under development	Total
Cost						
Balance at April 1, 2016	$ 5,976	$ 324,737	$ 92,035	$ 108,738	$ 7,180	$ 538,666
Acquisitions	–	12,681	16,136	–	25,323	54,140
Acquisitions – internally developed	–	1,974	–	–	690	2,664
Transfers	–	11,696	–	–	(11,696)	–
Disposals	–	(766)	–	–	–	(766)
Balance at March 31, 2017	$ 5,976	$ 350,322	$ 108,171	$ 108,738	$ 21,497	$ 594,704
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)	–
Retirements and disposals	–	(3,713)	–	–	–	(3,713)
Balance at March 31, 2016	$ 5,976	$ 324,737	$ 92,035	$ 108,738	$ 7,180	$ 538,666
Accumulated amortization						
Balance at April 1, 2016	$ –	$ 177,381	$ 60,231	$ –	$ –	$ 237,612
Amortization	–	31,826	6,563	–	–	38,389
Disposals	–	(129)	–	–	–	(129)
Balance at March 31, 2017	$ –	$ 209,078	$ 66,794	$ –	$ –	$ 275,872
Balance at January 1, 2015	$ –	$ 143,461	$ 52,831	$ –	$ –	$ 196,292
Amortization	–	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
Carrying amounts						
At April 1, 2016	$ 5,976	$ 147,356	$ 31,804	$ 108,738	$ 7,180	$ 301,054
At March 31, 2017	$ 5,976	$ 141,244	$ 41,377	$ 108,738	$ 21,497	$ 318,832
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

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.

Management has applied the value in use valuation methodology for the CGU using the Board-approved 2018–2022 financial plan, as well as 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.

Note 10 – Intangible assets, continued

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	16%
Terminal value capitalization	21%
Growth rate	-2%

Impairment testing indicated no impairment at March 31, 2017.

Impairment testing for cash-generating unit 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 a portion of finite-life intangible assets under development are allocated to SaskTel. This is 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 Enterprise Value (EV) to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio that was then adjusted for a demonstrable minority discount associated with these publicly traded share prices. The resulting adjusted ratio was then applied to the estimated 2016/17 EBITDA of the unit to determine the recoverable amount of the unit. Impairment testing indicated no impairment at March 31, 2017.

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.

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

As at March 31, Thousands of dollars	**2017**	2016
Sinking funds, beginning of fiscal period	**$ 129,497**	$ 112,571
Installments	**9,366**	11,966
Earnings	**3,102**	8,042
Valuation adjustment	**(932)**	(3,082)
	$ 141,033	$ 129,497

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

Fiscal years ending March 31,	Thousands of dollars
2018	$ 10,641
2019	10,641
2020	10,641
2021	10,641
2022	6,375

Note 12 – Other assets

As at March 31, Thousands of dollars	2017	2016
Deferred service connection charges	$ 3,501	$ 4,952
Long-term customer incentives	2,026	1,300
Financing leases	3,004	3,056
Other	11	14
	$ 8,542	$ 9,322

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 March 31, Thousands of dollars	2017	2016
Trade payables and accrued liabilities	$ 127,374	$ 116,237
Payroll and other employee-related liabilities	32,242	31,490
Other	9,533	10,463
	$ 169,149	$ 158,190

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 2, 2017, to July 18, 2017, and have a weighted average effective interest rate of 0.60% (2015/16 – 0.63%).

Note 15 – Other liabilities

As at March 31, Thousands of dollars	Note	2017	2016
Advance billings		$ 54,623	$ 53,538
Deferred customer activation and connection fees		4,290	4,892
Current portion of deferred income – government funding	16	5,525	5,069
Customer deposits		4,023	4,627
Risk management liabilities	21	64	–
		$ 68,525	$ 68,126

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.

Accounting estimates and judgments

Judgment is required in determining whether certain funding is a transaction with the shareholder acting in their capacity as a shareholder or whether the funding would be available to other parties for a specific purpose (i.e. is the government acting in its capacity as shareholder or as a government).

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: $0.5 million has been applied to capital expenditures and $0.8 million to operating expenditures.

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 (FNS&H), 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, $7.5 million has been accrued, $7.1 million has been applied to capital expenditures and $0.2 million to operating expenditures. The balance will be applied against expenditures in the next fiscal year.

In conjunction with an AANDC funding agreement, the Corporation has received funding of $2.2 million to provide dedicated Internet service to specific First Nation offices and Tribal Council offices (FTFN). To date, expenditures included $0.1 million of combined capital and operating expenditures.

As at March 31,	2017							2016
Thousands of dollars	RIP	SCN	FNSIP	FNS&H	CCDN	FTFN	Total	Total
Balance, beginning	$ 26,371	$ 708	$ 6,395	$ 6,262	$ 3,450	$ –	$ 43,186	$ 45,080
Funding	–	–	–	–	4,077	2,238	6,315	4,565
	26,371	708	6,395	6,262	7,527	2,238	49,501	49,645
Amortization	4,285	440	500	239	231	44	5,739	6,459
	22,086	268	5,895	6,023	7,296	2,194	43,762	43,186
Current portion	4,285	45	500	239	456	–	5,525	5,069
	$ 17,801	$ 223	$ 5,395	$ 5,784	$ 6,840	$ 2,194	$ 38,237	$ 38,117

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 March 31, Thousands of dollars	2017	2016
Long-term debt, beginning of fiscal period	$ 777,256	$ 776,780
Long-term debt issues	74,285	–
Amoritization of debt discounts net of premiums	408	476
	$ 851,949	$ 777,256

Unsecured advances from the Province of Saskatchewan

Thousands of dollars						Outstanding amount March 31,	
Issue date	Maturity date	Effective interest rate (%)	Coupon rate (%)	Par value	Unamortized premiums (discounts)	2017	2016
July 2010	July 2020	4.01	3.90	$ 150,000	$ (503)	$ 149,497	$ 149,359
November 1990	December 2020	10.18	10.08	126,600	(379)	126,221	126,141
May 2014	June 2024	3.11	3.20	50,000	278	50,278	50,313
December 2010	December 2025	4.15	4.15	50,000	–	50,000	50,000
March 1999	March 2029	5.97	5.75	75,000	(1,377)	73,623	73,545
March 1999	March 2029	5.18	5.60	35,000	–	35,000	35,000
February 2012	February 2042	3.49	3.40	150,000	(2,106)	147,894	147,841
December 2013	June 2045	4.09	3.90	150,000	(4,852)	145,148	145,057
December 2016	June 2048	3.35	3.30	75,000	(712)	74,288	–
Total due to Province of Saskatchewan				$ 861,600	$ (9,651)	$ 851,949	$ 777,256

On December 6, 2016, the Corporation issued $75 million of long-term debt at a discount of $0.7 million through the Saskatchewan Ministry of Finance. The debt issue has a coupon rate of 3.30%, an effective interest rate of 3.35%, and matures on June 2, 2048.

The Corporation's long-term debt is unsecured. As at March 31, 2017, principal repayments due in each of the next five fiscal years were as follows:

	Fiscal period ending March 31,				
Millions of dollars	2018	2019	2020	2021	2022
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.

Accounting estimates and judgments

Estimates and judgments are required to determine discount rates, retirement age, longevity and termination rates. These assumptions are determined by management and are reviewed annually by the Corporation's independent actuaries.

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

The Corporation determines the appropriate discount rates at the end of every year. Changes in the discount rate could have an effect on the Corporation'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.

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 three 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 $1.3 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,	2017		2016	
	Plan A	Plan B	Plan A	Plan B
Discount rate – end of period	3.50%	3.10%	3.60%	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	–	9.6 years	–	10.1 years

At March 31, 2017, the weighted average duration of the defined benefit obligation was 11.6 years (2015/16 – 11.8 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.

Sensitivity analysis

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

As at March 31, 2017 Thousands of dollars	Defined benefit obligation Increase	 Decrease
Discount rate (1% movement)	$ (118,879)	$ 143,995
Inflation (1% movement)	(120,174)	50,831
Future indexing (1% movement)	–	(152,359)

Note 18 – Employee benefits, continued

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 net defined benefit liability and its components.

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
Thousands of dollars	**For the twelve months ended March 31, 2017**	For the fifteen months ended March 31, 2016	**For the twelve months ended March 31, 2017**	For the fifteen months ended March 31, 2016	**For the twelve months ended March 31, 2017**	For the fifteen months ended March 31, 2016
Balance, beginning of fiscal period	**$ 1,165,200**	$ 1,173,570	**$ (997,320)**	$(1,017,399)	**$ 167,880**	$ 156,171
Included in net income						
Current service cost	**–**	–	**360**	430	**360**	430
Interest cost (income)	**40,632**	53,523	**(34,687)**	(46,288)	**5,945**	7,235
	40,632	53,523	**(34,327)**	(45,858)	**6,305**	7,665
Included in OCI						
Remeasurement loss (gain):						
- Actuarial loss arising from financial assumptions	**12,697**	25,790	**–**	–	**12,697**	25,790
- Return on plan assets excluding interest income	**–**	–	**(66,186)**	(19,904)	**(66,186)**	(19,904)
	12,697	25,790	**(66,186)**	(19,904)	**(53,489)**	5,886
Other						
Benefits paid	**(68,944)**	(87,683)	**67,587**	85,841	**(1,357)**	(1,842)
Balance, end of fiscal period	**$ 1,149,585**	$ 1,165,200	**$ (1,030,246)**	$ (997,320)	**$ 119,339**	$ 167,880
Represented by:						
Net defined benefit liability (Plan A)					**$ 100,997**	$ 148,558
Net defined benefit liability (Plan B)					**18,342**	19,322
					$ 119,339	$ 167,880

Plan assets

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

As at March 31, Thousands of dollars	**2017**	2016
Asset Category		
Short-term investments	**$ 14,315**	$ 9,737
Pooled real estate	**152,776**	141,327
Canadian equities	**69,283**	82,004
Canadian pooled equity funds	**10,124**	7,129
US equities	**–**	19,353
US pooled equity fund	**129,920**	116,737
Non-North American pooled equity funds	**212,639**	202,653
Bonds	**452**	752
Pooled bond funds	**393,737**	367,981
	983,246	947,673
Investments under securities lending program		
Short-term investments	**1,240**	3,536
Canadian equities	**45,773**	38,706
US equities	**–**	7,568
	47,013	49,810
Total investments	**$1,030,259**	$ 997,483

Note 18 – Employee benefits, continued

The defined benefit pension plan's permissible investments include Canadian equities (including rights, warrants, installment receipts and capital shares), US 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	Actual
Equities	40–50%	45%	45%
Real estate	10–20%	15%	15%
Fixed income	30–50%	40%	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 that 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.

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 $22.3 million for the fiscal period ended March 31, 2017 (2015/16 – $27.1 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 2016/17 was 50.8%.

Note 19 – Equity advance and capital disclosures, continued

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.

The debt ratio is as follows:

As at March 31, Thousands of dollars	Note	**2017**	2016
Long-term debt	17	**$ 851,949**	$ 777,256
Notes payable		**177,105**	229,231
Less: Sinking funds	11	**141,033**	129,497
Cash		**11,067**	16,099
Net debt		**876,954**	860,891
Equity (a)		**954,672**	796,344
Capitalization		**$1,831,626**	$ 1,657,235
Debt ratio		**47.9%**	51.9%

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

Note 20 – Non-cash working capital

Thousands of dollars	**For the twelve months ended March 31, 2017**	For the fifteen months ended March 31, 2016
Net change in non-cash working capital balances related to operations		
Trade and other receivables	**$ (12,597)**	$ (15,856)
Inventories	**(835)**	(8,831)
Prepaid expenses	**(6,035)**	(19,786)
Trade and other payables	**10,959**	(7,207)
Other liabilities	**399**	1,483
Deferred revenues	**(2,361)**	2,891
Other	**(90)**	(872)
	$ (10,560)	$ (48,178)

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.

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.

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, $141.0 million (2015/16 – $129.5 million) in sinking funds, which is required for certain long-term debt issues. At March 31, 2017, 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, 2017, 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 11.2% ($11.7 million) favourable effect on net income while a 1.0% strengthening would have a 11.2% ($11.7 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, 2017. 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, 2017, with maturities of 2020 and beyond.

Foreign currency risk

The Corporation is exposed to currency risk, primarily US dollars, through transactions with foreign suppliers and short-term foreign commitments. Assuming all other variables remain constant at March 31, 2017, currency fluctuations in excess of 15.0% would have a material impact on the cash flow of the Corporation. Specifically, a 15.0% weakening in the Canadian dollar versus the U.S. dollar exchange rate could have a $15.6 million unfavourable effect on cash flow while a 15.0% strengthening could have a $15.6 million favourable effect on cash flow. The Corporation uses a combination of derivative financial instruments to manage these exposures when deemed appropriate. At March 31, 2017, the Corporation had foreign currency derivatives outstanding with face values of $34.2 million with maturities up to September 29, 2017. 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.

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

Note 21 – Financial instruments and related risk management, continued

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 March 31, Thousands of dollars	Note	2017	2016
Cash		$ 11,067	$ 16,099
Trade and other receivables	6	144,990	132,788
Sinking funds	11	141,033	129,497
		$ 297,090	$ 278,384

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.

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

Allowance for doubtful accounts

As at March 31, Thousands of dollars	2017	2016
Opening balance	$ 2,227	$ 1,716
Less: accounts written off	(14,791)	(13,304)
Recoveries	7,164	6,144
Provisions for losses	7,784	7,671
Ending balance	$ 2,384	$ 2,227

Customer accounts receivable

As at March 31, Thousands of dollars	Note	2017	2016
Current		$ 67,399	$ 70,876
30–60 days		10,355	11,274
61–90 days		2,462	2,509
Greater than 90 days		3,200	1,620
Gross customer accounts receivable	6	83,416	86,279
Allowance for doubtful accounts	6	(2,384)	(2,227)
Net customer accounts receivable		$ 81,032	$ 84,052

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				
As at March 31, 2017	Carrying amount	Total	0–6 months	7–12 months	1–2 years	3–5 years	More than 5 years
Long-term debt (a)	$ 851,949	$1,402,237	$ 20,991	$ 20,992	$ 41,984	$ 376,850	$ 941,420
Notes payable	177,105	177,261	177,261	–	–	–	–
Trade and other payables	169,149	169,149	169,149	–	–	–	–
	$1,198,203	$1,748,647	$ 367,401	$ 20,992	$ 41,984	$ 376,850	$ 941,420
As at March 31, 2016							
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

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

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 which 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,				2017		2016	
Thousands of dollars	Note	Classification (a)	Fair value heirarchy (b)	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets							
Cash		FVTPL	Level 1	$ 11,067	$ 11,067	$ 16,099	$ 16,099
Trade and other receivables	6	LAR	N/A	144,990	144,990	132,788	132,788
Investments – sinking funds	11	FVTPL	Level 2	141,033	141,033	129,497	129,497
Financial liabilities							
Trade and other payables	13	OL	N/A	169,149	169,149	158,190	158,190
Notes payable		OL	Level 1	177,105	177,105	229,231	229,231
Long-term debt	17	OL	Level 2	851,949	972,359	777,256	923,203
Derivative financial instruments							
Foreign exchange derivative liability	15	FVTPL	Level 2	–	64	–	–

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

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

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

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.

Derivative financial instruments

The fair value of derivative financial instruments that are used to manage foreign currency exposure risks are estimated based upon quoted market prices in active markets for the same or similar financial instruments or on current rates offered to us for financial instruments of similar maturity, as well as discounted future cash flows determined using current rates for similar financial instruments of similar maturities subject to similar risks (such fair value estimates being largely based on the Canadian dollar versus U.S. dollar forward exchange rate as at the statement of financial position dates).

There were no items measured at fair value using level 3 inputs in 2015/16 or 2016/17 and no items transferred between levels in 2015/16 or 2016/17.

Derivatives

Derivative financial instruments that are measured at fair value on a recurring basis subsequent to initial recognition, are as follows:

As at March 31,	2017			2016	
Thousands of dollars	Maximum maturity date	Notional amount	Fair value and carrying value	Notional amount	Fair value and carrying value
Derivatives used to manage:					
Currency risk arising from U.S. dollar denominated purchases	September 2017	$ 34,195	$ 64	$ –	$ –

Embedded derivatives

The Corporation had no contracts with embedded derivatives as at March 31, 2016, and March 31, 2017.

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 were conducted in the normal course of business and were accounted for at the exchange amount. For the fiscal period ended March 31, 2017, the aggregate amount of the Corporation's transactions with other government-related entities are approximately 6.4% of revenues (2015/16 – 7.4%), 36.2% of other income (2015/16 – Nil), 10.7% of operating expenses (2015/16 – 10.3%) and 0.8% of property, plant and equipment expenditures (2015/16 – 1.1%).

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 comprised of:

Thousands of dollars	For the twelve months ended March 31, 2017	For the fifteen months ended March 31, 2016
Short-term employee benefits	$ 4,882	$ 6,321
Post-employment benefits – defined contribution plans	247	462
	$ 5,129	$ 6,783

Note 23 – Commitments and contingencies

Commitments

Supporting information

As at March 31, 2017, the Corporation has the following significant commitments:

- Operating activities $60.8 million (2015/16 – $171.0 million)
- Capital projects $10.2 million (2015/16 – $40.4 million)
- Foreign currency contracts $34.2 million (2015/16 – Nil).

Non-cancellable operating lease commitments are as follows:

As at March 31, Thousands of dollars	2017	2016
Less than 1 year	$ 8,411	$ 8,429
Between 1 and 5 years	17,939	19,644
Greater than 5 years	8,338	10,075
	$ 34,688	$ 38,148

During the fiscal year ended March 31, 2017, the Corporation recognized $14.4 million (2015/16 – $17.6 million) as rent expense related to operating leases.

Contingencies

Accounting estimates and judgments

The Corporation becomes involved in various litigation and regulatory matters in the ordinary course of business. Prediction of the outcome of such uncertain events (i.e. being virtually certain, probable, remote or undeterminable), determination of whether recognition or disclosure in the consolidated financial statements is required and estimation of potential financial effects are matters for judgment. Where no amounts are recognized, such amounts are contingent and disclosure may be appropriate, however, the potential for large liabilities exists and therefore these estimates could have a material impact on the Corporation's consolidated financial statements.

Supporting information

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 has now been 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.

Note 23 – Commitments and contingencies, continued

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.

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, 2017, 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.

Board of Directors

Grant Kook

Chair of the Board

Grant J. Kook is Founder, President, Chief Executive Officer and Chair of Westcap Mgt. 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, and the Saskatchewan Teachers' Federation Investment Committee. He is the past 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 serving as 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 Horton's Brier, Chair of 2013 and 2014 CIS University Cup, and past Board Member of the new Saskatchewan Hockey Hall of Fame.

Grant 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*.

Richard Ahenakew

Board Member

Richard Ahenakew is the General Manager of the Northern Lights Casino in Prince Albert, beginning his career there in 1996, and holding a variety of positions within the organization before assuming his current role.

A proud member of the Ahtahkakoop First Nation, Mr. Ahenakew has been appointed to serve on the Ahtahkakoop Cree Developments Board, offering insight to business strategies and community initiatives. He has also served on the Saskatchewan Chamber of Commerce for over eight years, and has the distinction of being the first President of First Nations background appointed to the Saskatchewan Chamber Board, a milestone within Canada.

In 2011, Saskatchewan Polytechnic presented Richard with an honorary diploma recognizing his work to promote studies, post-secondary schooling and youth mentorship. In 2012, he was recognized for his outstanding contributions within his community, province and country, and received the Queen Elizabeth II Diamond Jubilee Medal of Distinction. Recognizing workplace safety, Richard was instrumental in taking the lead for the Prince Albert mini Safety Charter signing and is a strong advocate for Mission Zero.

Richard has also worked closely with the Red Cross Society throughout the province as a Volunteer, Board Member and now Chairperson. He is also presently an active member of the Saskatchewan CAA Board of Directors and serves on the Prince Albert Board of Police Commissioners as Chairperson. He has also served on the Prince Albert Tourism Board of Directors and as President and Advisor for Northern Lights Casino Pow Wow.

Richard studied at the Saskatchewan Indian Federated College and has a P.A. Douglas & Associates Management certificate, a University of Reno Nevada Gaming Management certificate and a Queens School of Business Executive certificate.

Richard enjoys spending time with his family and is a collector of vintage history books and war plane memorabilia.

Joel Friesen

Board Member

Joel Friesen has been a partner with Anderson & Company law firm in Swift Current since 2013, having initially joined the firm in 2008. Prior to this, he completed his articles in Regina after completing his Commerce (with Distinction) and Law degrees at the University of Saskatchewan in 2006.

Mr. Friesen currently serves on the Board of Directors for the Elmwood Golf Club and coaches minor hockey in Swift Current. He also serves as the President of the Swift Current Saskatchewan Party Constituency Association. In the past, he has served on numerous other boards and committees, including the Water Appeal Board and Swift Current Library Board. Joel has also been active in the local community coaching kids' hockey, lacrosse and basketball.

JoeAnne Hardy

Board Member

JoeAnne Hardy is the President of WBM Technologies Inc. She first joined WBM in 1996, and, in 2008, along with partners Brett Bailey and Bob Hardy, JoeAnne completed a management buyout. Today, WBM's four offices in BC, Alberta and Saskatchewan employ 219 team members and deliver over $70 million in technology solutions annually across Western Canada.

WBM is a charter member of the Trust X Alliance, which is an IT industry association with a North American membership of 350 leading IT services companies.

JoeAnne has served in various leadership roles within Trust X, including leading the organization as North American President for three consecutive terms.

JoeAnne has also been recognized by CDN Magazine as one of the top 10 women in IT in Canada.

As a longtime member of the North Saskatoon Business Association (NSBA), she became a member of the Board of Directors in 2015, served on the Economic Development Committee and currently serves as Director and Chair of the Executive Committee.

In 2016, JoeAnne was nominated and successfully completed the Quantum Shift Program at the Ivey School of Business, as well as the Institute of Corporate Directors Director's Education Program through the Edwards School of Business.

Residing between Calgary, Saskatoon, Vancouver and Regina during the workweek and enjoying the beautiful city of Saskatoon most weekends, JoeAnne enjoys time with her husband, Bob; their two adult children, Lauren and Matt; and an ever-growing collection of bicycles and running shoes!

Rachel Heidecker

Board Member

Rachel Heidecker is a leader in business strategy and transformation specializing in technology, innovation, management and marketing. She is an experienced executive, manager and strategist with 20 years experience in ICT. Rachel is a strong believer in creative thinking, continuous improvement, measured results and enabling business through technology.

Rachel obtained her Chartered Director (C.Dir.) designation from The Directors College through McMaster University and the Conference Board of Canada. She is an M.B.A. and B.Sc. graduate of the University of Saskatchewan and received a post graduate diploma (PgD) in Software Technology from the University of Calgary.

Rachel was previously a director and manager at the University of Saskatchewan overseeing teams responsible for continuous improvement of shared services, web applications and development, teaching and learning systems and library search and discovery systems. She has taught Management & Marketing courses as an instructor of business strategy and strategic decision-making at the Edwards School of Business.

Rachel grew up in Regina and is currently a resident of Osler, Saskatchewan. She is passionate about the arts and may be seen in a variety of flamenco dance performances around Saskatoon.

Jerri Hoback

Board Member

Jerri Hoback has earned several designations since receiving her Bachelor of Commerce degree from the University of Saskatchewan, 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.

Jerri is currently a University of Saskatchewan Senator, as well as a Board Member for the Prince Albert Electoral District Association.

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 at 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.

Darrell has a Professional Business Management certificate and a 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), later becoming 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 an independent business owner. She manages a farm operation in the Kindersley area and is a partner in Supreme Source for Sports in Kindersley. She is also involved as an equity investor in other business ventures.

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 Ivey School of Business at Western University and Certified Director graduate of 'The Director's College' c/o Conference Board of Canada.

Gayle has served as a community representative on the board of Sun West School, and formerly as a Director of Canterra Seeds Ltd. She is mother of three adult children and a very proud grandmother of two grandsons and one granddaughter. 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.

Rick Orr

Board Member

Rick Orr is currently the Executive Director of the Prince Albert Downtown Business Improvement District. He was elected to city council for Ward 2 in the City of Prince Albert for one term from October 2012 to October 2016. He has been a member of Economic Development Committee, PA District Planning Commission, PA Community Futures, Heritage and Museums Committee, Pehonan Parkway Board, PA Downtown Business Development Association and various other committees.

Mr. Orr was appointed to the SGI Board of Directors in 2008, serving for nine years as a member of the Governance and Human Resources Committee, Risk Committee and Audit and Finance Committee. He has completed all five modules of the Chartered Director program.

Rick retired after working for 15 years in the real estate industry. Previously he worked in the television, radio, electronic and cable industry for 20 years and spent 10 years working at SIAST Kelsey Institute in Saskatoon. Rick lives in Prince Albert with his wife, Kathy, and is actively involved in many community organizations and volunteer activities.

John Ritchie

Board Member

John Ritchie retired as First Vice President, Branch Manager and Investment Advisor for CIBC Wood Gundy after 46 years of service, having grown the Saskatchewan operation four-fold by delivering excellent financial performance.

Mr. Ritchie has served as 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 has served as a Board Member for Potash Corporation of Saskatchewan.

Glenys Sylvestre

Board Member

Glenys Sylvestre is Executive Director, University Governance, at the University of Regina. She has been with the U of R for over 16 years, previously serving as Associate Dean and instructor with the Paul J. Hill School of Business. 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.

Glenys 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 Regina Exhibition Association Limited (Evraz Place).

Board Committees

Audit Committee

Glenys Sylvestre, Chair
Darrell Kennedy, Member
Gayle MacDonald, Member
John Ritchie, Member
Rick Orr, Member
Jerri Hoback, Member

Corporate Growth and Technology Committee

John Ritchie, Chair
Rachel Heidecker, Member
JoeAnne Hardy, Member
Joel Friesen, Member
Jerri Hoback, Member

Environment and Human Resources Committee

Pam Lothian, Chair
Glenys Sylvestre, Member
JoeAnne Hardy, Member
Rick Orr, Member
Richard Ahenakew, Member

Governance Committee

Gayle MacDonald, Chair
Darrell Kennedy, Member
Joel Friesen, Member
Pam Lothian, Member
Rachel Heidecker, Member
Richard Ahenakew

SaskTel Executive

Ron Styles

President and Chief Executive Officer

Ron Styles assumed the role as 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 him for his exceptional leadership and contribution in public administration with the prestigious Lieutenant Governor's Gold Medal.

Ron 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, Ag West Bio and the Conference Board of Canada. Currently, he serves as Chair for DirectWest, SaskTel International, and SecurTek. In addition, he is a member of the Leader's Council for the University of Regina's Paul J. Hill School of Business and Saskatchewan Polytechnic's President Advisory Council.

Kevin Adair

Vice President of Customer Services – Operations

Kevin Adair began his career at SaskTel in 1996 as a summer student in the Customer Services department as a Customer Services Technician (CST). He has held a variety of positions in the Customer Services department from CST positions to management positions in dispatch, provincial workforce management, provincial construction and operations. He has also worked in finance, and, prior to his appointment as Vice President, was the Director of Customer Services for Regina.

In addition to his extensive experience in the Customer Services department, Mr. Adair also holds a Bachelor of Administration degree with Distinction from the University of Regina, as well as a CPA, CMA designation. He is the governor for Junior Achievement of Northern Saskatchewan and sits on the board of the Saskatchewan Common Ground Alliance (SCGA).

Kevin and his family reside in Saskatoon, and are actively involved in the community.

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 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 providing advice to Human Resources & Industrial Relations. Prior to joining SaskTel, he practised law in Regina from 1983 to 1989.

Doug 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 a member of the Law Society of Saskatchewan, and 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 and is active in his community. He enjoys sports of any kind, particularly water and snow skiing.

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. Mr. Dundas received the prestigious CGI Builder Award for exceptional leadership achievements, having grown the Saskatchewan operation four-fold by 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. He also serves as the CEO of SaskTel International, a fully owned subsidiary of Saskatchewan Telecommunications, providing solutions to communication service providers and network service operators world-wide.

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 senior leadership positions throughout her career, most recently, Vice President and Chief Financial Officer at SaskTel International. Prior to that, she held positions with the Regina Qu'Appelle Health Region as Chief Financial Officer and Vice President of Financial Services, and at 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.

Daryl Godfrey

Chief Technology Officer

Daryl Godfrey's 33-year career with SaskTel as Chief Technology Officer, includes senior positions in Network Planning and Provisioning, SaskTel International, Business Development and Stentor.

Mr. Godfrey's 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).

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 communication professionals over Saskatchewan's most advanced networks and hosted in advanced data centers—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 him 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 is currently President of Saskatchewan Crimestoppers, Vice President of the Saskatoon Gun Club, Director with Saskatchewan Skeet Shooting Corp, and sits on the Northern Advisory Board.

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 of 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.

Mr. Meldrum worked five summers with the corporation while attending University and, in 1977, after receiving his Bachelor of Laws degree 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, John received the Queen's Counsel (QC) designation. He 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, as 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 Board Member of SecurTek, the Canadian Wireless Telecom Association and the RCMP Foundation. She is currently a Board Member of DirectWest.

Katrine White

Vice President, Consumer Sales and Solutions

As the Vice President of Consumer Sales and Solutions, Katrine White leads the team responsible for all sales, 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 Queens Marketing Program. She serves on the Hospitals of Regina Foundation Board and is a group leader at Evolution Fitness. She is married with three children, and loves to travel and spend time at the lake.

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 between 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. There are four Committees of the Board: 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 (12 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. **Richard Ahenakew**: *INDEPENDENT*[1] – General Manager, Northern Lights Casino **Mark Bogares**: *INDEPENDENT*[2] – Senior Vice President and Chief Technology Officer, Celero Solutions Inc **Joel Friesen**: *INDEPENDENT*[3] – Lawyer, Anderson and Company **Pat Friesen**: *INDEPENDENT*[4] – Consultant, Success Business Consulting **JoAnne Hardy**: *INDEPENDENT*[5] – President, WBM Saskatoon **Rachel Heidecker**: *INDEPENDENT* – Director, University of Saskatchewan **Reg Howard**: *INDEPENDENT*[6] – COO, Canadian Digital Network **Jerri Hoback**: *INDEPENDENT* – Accountant **Randy Kachur**: *INDEPENDENT*[7] – Partner, Rusnak Balacko Kachur Law Firm **Darrell Kennedy**: *INDEPENDENT* – Entrepreneur – Business Owner **Pam Lothian**: *INDEPENDENT* – Lawyer **Gayle MacDonald** : *INDEPENDENT* – Independent Business Owner **Rick Orr**: *INDEPENDENT*[8] – Retired **Garry Reichert**: *NOT INDEPENDENT**[9] – Retired, former SaskTel employee **John Ritchie**: *INDEPENDENT* – Retired **Glenys Sylvestre**: *INDEPENDENT* – Executive Lead, University Governance 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. 1 Mr. Ahenakew was appointed to the Board Nov. 24, 2016 2 Mr. Borgares was appointed to the Board Nov. 24, 2016 Mr. Borgares was a Board member until February 1, 2017 3 Mr. Friesen was appointed to the Board Nov. 24, 2016 4 Ms. Friesen was a Board member until Nov. 24, 2016 5 Ms. Hardy was appointed to the Board Nov. 24, 2016 6 Mr. Howard was a Board member until September 1, 2015 7 Mr. Kachur was a Board member until Nov. 24, 2016 8 Mr. Orr was appointed to the Board February 1, 2017 9 Mr. Reichert was a Board member until Nov. 24, 2016 * 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: • 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 ten (10) Board meetings held in 2016/17, and during all ten 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 judgement 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 ten (10) meetings in 2016/17. The number of Board meetings attended by each director in 2016/17 is set out below.	Yes

Director	Meetings Attended*
Grant Kook, Chair	10 (10)**
Richard Ahenakew[1]	2 (2)
Mark Borgares[1,4]	0 (1)
Joel Friesen[1]	2 (2)
Pat Friesen[2]	8 (8)
JoAnne Hardy[1]	1 (2)
Rachel Heidecker	10 (10)
Jerri Hoback	10 (10)
Reg Howard[3]	6 (6)
Randy Kachur[2]	8 (8)
Darrell Kennedy	9 (10)
Pam Lothian	9 (10)
Gayle MacDonald	10 (10)
Rick Orr[5]	1 (1)
Garry Reichert[2]	8 (8)
John Ritchie	10 (10)
Glenys Sylvestre	9 (10)

* 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

1 was appointed to the Board November 24, 2016

2 was a Board member until November 24, 2016

3 Mr. Howard was a Board member until September 1, 2016

4 Mr. Borgares was a Board member until February 1, 2017

5 Mr. Orr was appointed to the Board February 1, 2017

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 the 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 Board Terms of Reference 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.	Management provides new directors with a comprehensive orientation to the business and the industry. CIC delivers a training program that focuses on the skills that directors need to do their jobs, effective board processes and best practices in corporate governance. Other development opportunities made available to directors are described below.	Yes

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	Comments and Discussion	Does SaskTel align?
NP 58-101F1, sections 4(a) and (b) 4(a) Describe the measures taken to orient new directors to the role of the board, committees and directors and to the nature of the corporation's business. (b) Describe the measures taken to provide continuing education opportunities for all directors.	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
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 *Code of Business 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 *Code of Business 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 2016/17.	Yes
NI 58-101F1, sections 5(b) 5(b) Describe steps the board takes to ensure directors exercise independent judgement 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

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(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 *Code of Business Conduct* and any directives or policies of the Board or the shareholder. In 2005, the *Code of Business Conduct* was revised to incorporate a whistle-blowing mechanism to facilitate reporting by employees of issues of concern. Issues arising under the *Code of Business 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 six (6) members of the Governance Committee, including the Committee Chair, are independent directors.	Yes
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.	Appointments of Directors of SaskTel are a decision made by the Government through an Order in Council. The Governance Committee may, through their responsibility as nominating committee, recommend qualified nominees to the SaskTel Board for consideration and to have those nominees be recommended for consideration to the CIC Board and ultimately the Government. 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, while seeking and recommending to the Board any nominees who have the required competencies to fill identified gaps. In addition to competencies and skills, current practices encourage diversity in the composition of the Board. In seeking candidates, the Committee may receive recommendations from the directors, senior management and the shareholder. Potential candidates may be 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 may recommend a list of candidates for each vacant position to the Board, which in turn would recommend 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.	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 3.11 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.	Substantial compliance
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 may make 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 composed 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 identifies the skills sets that are required for the Board. The identification and appointment of Directors of SaskTel are a decision made by the Government through an Order in Council.	Partial 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 3.14 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
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. Currently the five (5) of five (5) members of the EHR Committee, including the Committee Chair, are independent directors.	Yes
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 (Meeting Fees = Full day $750 Half day $375 – less than 4 hours)	$ 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 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 E&HR 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 2016, Board of Directors and Board Chair evaluations 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 from 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 Holding Corporation 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 female 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, 2015, the Board was composed of six (6) women out of a total of twelve (12) members (50%). As of March 31, 2017, 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 Board 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 currently comprises 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 13 (thirteen) 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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