

**STATE COMPENSATION INSURANCE FUND  
Corporate Governance Committee Charter  
(Amended March 17, 2011)**

**Mission/Purpose**

The Governance Committee (the “Committee”) shall assist the Board of Directors (the “Board”) of State Compensation Insurance Fund (“State Fund”) in shaping corporate governance policies and practices including (1) overseeing that State Fund operates in a legal, ethical, and socially responsible manner; (2) overseeing Enterprise Risk Management (“ERM”) issues which may have a material impact on State Fund; (3) advising and updating the Board on corporate governance trends and issues within the industry; (4) overseeing the evaluation of the Board; (5) advising the Board with respect to Board composition, procedures and committees; (6) advising the Board on related party transactions and potential conflicts of interest involving Board members; (7) recommending to the Board, a set of corporate governance principles applicable to the State Fund which, along with State Fund’s By-laws, State Fund’s Code of Conduct and related corporate policies (“Code of Conduct”), the charters of the various Board committees, Insurance Code Section 11770 et seq., as amended pursuant to AB 1874, and Government Code Sections 6250 et seq. (Public Records Act) and 11120 et seq. (Bagley-Keene Open Meeting Act), provide the framework for the governance of State Fund; and (8) monitoring and evaluating State Fund’s compliance with the corporate governance policies.

**Organization**

The Committee is a standing committee of the Board composed of not less than three (3) and not more than five (5) Directors. Members of the Committee are appointed annually. The Chairperson of the Board may also serve as the Chair of the Committee.

**Meetings**

The Committee shall hold regular meetings in accordance with the provisions of the Bagley-Keene Open Meeting Act (“Bagley-Keene”) and no less than four times a year. The Committee may hold additional meetings at the request of any Committee member, in compliance with the provisions of Bagley-Keene and State Fund’s By-laws.

- a. The Committee may, at its discretion, invite members of management, non-Committee Board members or independent advisors to attend the Committee’s open and closed session meetings where necessary to further the business of the Committee. Board members who are not members of the committee may attend the Committee’s open session meetings as observers and may attend closed sessions only at the Committee’s request.

- b. Unless the Committee determines otherwise, the Committee shall hold closed sessions at each regularly scheduled meeting to meet with the President, the General Counsel, or its independent advisors. Closed sessions of the Committee may be held at any meeting pursuant to the provisions of Bagley-Keene and California Government Code section 11120 et seq., as may be amended.
- c. A majority of the Committee shall constitute a quorum. Each member of the Committee will have one vote and actions at the meeting shall be approved by a majority of the members present.
- d. Minutes shall be prepared at each meeting and filed with the minutes of State Fund's Board.
- e. The Committee Chairperson or the Chairperson's designee shall give a full report on the Committee's actions at the earliest scheduled Board meeting.

### **Duties and Responsibilities**

In shaping corporate governance policies and practices, the Committee shall have the following duties and responsibilities:

#### **1. Oversight**

- a. Oversee that State Fund operates in a legal, ethical, and socially responsible manner and that all directors, officers, and employees support State Fund's Code of Conduct which is designed to promote (1) honest and ethical conduct; (2) full, fair, accurate, timely, and understandable disclosures in the periodic reports required to be filed by State Fund; and (3) compliance with applicable laws, rules, and regulations.
- b. Oversee the orientation and continuing education of the members of the Board. In this regard, the Committee shall, from time to time, recommend educational programs for the full Board, any Committee or any individual Director as the Committee may determine is necessary or appropriate.
- c. Oversee the material projects recommended by State Fund's management which relate to corporate governance.
- d. Work with State Fund's Chief Risk Officer and Risk Committee in overseeing the identification, assessment, and where appropriate, the development of mitigation plans for enterprise risks within State Fund.

- e. Conduct a review of any related-party transactions or potential conflicts of interest involving members of the Board or Senior Management, as necessary, and recommend to the Board, as appropriate, whether to approve such transactions.

## **2. Recommendations**

- a. Make recommendations to the Board, in consultation with the Chairperson of the Board, regarding the size and composition [and the chair] of each standing committee of the Board of Directors, including the identification of individuals, skills and qualifications to serve as members of a standing committee, including the Committee, and to recommend to the Board individual directors to fill any vacancy that might occur on a committee, including the Committee.
- b. Monitor the functioning of the standing committees of the Board and to make recommendations for any changes, including the creation and elimination of any standing or special committees as well as review of qualification for Committee membership.
- c. Review and recommend a set of corporate governance principles for State Fund.
- d. Review and recommend appropriate changes to corporate governance documents such as the State Fund By-Laws, Code of Conduct, and as requested, the Charters of the other committees.
- e. On an ad hoc basis and upon the request of the Board, review specific operational segments of State Fund that may pose unusual, significant risks that could have a material impact on the risk profile of State Fund.

## **3. Advise**

- a. Advise the Board on matters related to governance as deemed appropriate by the Board.
- b. Advise the Board on corporate governance trends and issues within the industry.
- c. Advise the Board with respect to Board procedures including the frequency and structure of the Board meetings.
- d. Advise the Board on qualifications for leadership positions within State Fund.

- e. Advise and assist the Board in its responsibilities relating to succession planning, particularly with respect to the President and Chief Operating Officer and other identified executive positions.

#### **4. Evaluations**

- a. Develop and recommend to the Board procedures for the evaluation and self-evaluation of the Board and its committees and oversee the evaluation process.
- b. On an annual basis, evaluate its performance, which evaluation should, among other things, compare its performance with the requirements of this Charter. The Committee shall report the results of its evaluation to the Board.
- c. Review and reassess the adequacy of this Charter at least annually and recommend any proposed changes to the Board of Directors for approval.

#### **Powers**

The Committee shall have the following powers:

- a. To form and delegate authority to subcommittees.
- b. To hire appropriate experts as it deems necessary, including but not limited to outside counsel and investigators, to carry out its responsibilities and, shall have other responsibilities and authority as designated from time to time by resolution of the Board.
- c. To have unrestricted access to management and State Fund personnel, as is appropriate for the proper performance of its function.
- d. To oversee all contracted governance reviews, assessments and examinations required by the Board or requested by the Committee including, but not limited to, compliance with governance-related laws, rules, regulations, Board policies, internal controls, management operating procedures, and industry best practices.
- e. Such other powers as may be necessary and appropriate to fulfill the Committee's purposes.
- f. To perform such other functions as assigned by the Board, statute or regulation, or State Fund's By-Laws.