



AUDIT COMMITTEE AGENDA

Audit Committee Meeting
Monday, November 5, 2018
Tom Davies Square

COUNCILLOR DEB MCINTOSH, CHAIR

Mike Jakubo, Vice-Chair

4:00 p.m. AUDIT COMMITTEE MEETING
COUNCIL CHAMBER

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DECLARATIONS OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF

MANAGERS' REPORTS

- R-1. Report dated October 24, 2018 from the Auditor General regarding Governance Audit of Pioneer Manor. **3 - 12**
(RESOLUTION PREPARED)
(This report provides the results of the governance audit of Pioneer Manor.)
- R-2. Report dated October 24, 2018 from the Auditor General regarding Governance Audit of Greater Sudbury Utilities Inc. & Greater Sudbury Hydro Inc.. **13 - 51**
(RESOLUTION PREPARED)
(The report provides the results of the governance audit of the GSUI and GSH.)

ADDENDUM

CIVIC PETITIONS

QUESTION PERIOD AND ANNOUNCEMENTS

NOTICES OF MOTION

ADJOURNMENT

Request for Decision

Governance Audit of Pioneer Manor

Presented To:	Audit Committee
Presented:	Monday, Nov 05, 2018
Report Date	Wednesday, Oct 24, 2018
Type:	Managers' Reports

Resolution

THAT the City of Greater Sudbury approves the recommendations as outlined in the report entitled "Governance Audit of Pioneer Manor" from the Auditor General, presented at the Audit Committee meeting on November 5, 2018.

Signed By

Auditor General

Ron Foster

Auditor General

Digitally Signed Oct 24, 18

Relationship to the Strategic Plan / Health Impact Assessment

This report provides recommendations that support responsive, fiscally prudent, open governance.

Report Summary

Based on the results of the audit, the governance and oversight structures and processes in place with respect to Pioneer Manor are generally well designed and are complemented by a strong management team and capable Committee of Management (COM) members. However, the potential risks and liabilities for the City associated with the operation of Pioneer Manor require revisions to be made to these governance and oversight structures and processes. The City has recognized the need for change and will be transferring oversight of the Pioneer Manor from the current COM to the full Community Services Committee of the Council.

Pioneer Manor management has also identified opportunities to improve its overall governance and operational performance through its most recent planning exercise. In addition, the work of the Operational Review Project/Committee is intended to improve organizational performance in a variety of areas and the Capital Redevelopment Plan is intended to improve Pioneer Manor's capital assets and enhance service delivery capabilities. Management is encouraged to continue these initiatives and to consider the additional opportunities identified in this Report.

Finally, the City should consider opportunities to improve its orientation programs for members of Council in order to provide enhanced information to members considering opportunities on the Boards of various Agencies, Boards and municipally-controlled corporations (ABCs).

Financial Implications

None

Governance Audit of Pioneer Manor

August 31, 2018
FINAL REPORT



1. ORGANIZATIONAL BACKGROUND

Pioneer Manor is a long-term care home that services the needs of residents 18 years and older who are no longer able to live independently. Pioneer Manor is the largest such center in Northern Ontario, with a current capacity of 400+ residents. Pioneer Manor is owned and operated by the City of Greater Sudbury as a division of the Community Development Department. The three-member Committee of Management (COM), appointed in accordance with the *Long Term Care Homes Act, 2007*, (LTCHA), is required by LTCHA to ensure Pioneer Manor complies with the legislative requirements.

The vision of Pioneer Manor is to be recognized as a leading provider of long-term care in the Province of Ontario. The mission of Pioneer Manor is to provide long-term care while incorporating high standards of leadership, innovative approaches, research and development in conjunction with its community partners.

In fiscal year 2017, total operating costs for Pioneer Manor were \$36M. Total “revenues” were \$32.3M resulting in overall net expenses of \$3.7M.

Ontario Ministry of Health & Long-Term Care Oversight

Pioneer Manor is overseen by the Ministry of Health & Long-Term Care (MOHLTC). In particular, Pioneer Manor operations and services must meet the requirements of the *Long-Term Care Homes Act, 2007*, (LTCHA), and related Regulation 79/10. The MOHLTC as part of its Long-Term Care Home Quality Inspection Program conducts an annual audit of all long-term care facilities, including Pioneer Manor. In addition, the Ministry will conduct additional audits based on complaints, critical incidents and the information included in mandatory reports submitted by Pioneer Manor to the MOHLTC.

Under the *Local Health System Integration Act, 2006*, the City is required to enter into a Long-Term Care Home Service Accountability Agreement with the North-East Local Health Integration Network (LHIN). The Agreement includes, among other items, specific provisions related to Funding, Planning and Integration, Performance Improvement and Reporting.

Powers of the Auditor General

According to section 223.19(3) of the *Municipal Act, 2001*, the Auditor General may exercise the powers and shall perform the duties as may be assigned to him or her by the municipality in respect of the municipality, its local boards and such municipally-controlled corporations and grant recipients as the municipality may specify.

However, section 223.1 of the *Municipal Act, 2001*, qualifies the definition of local board, and sets out a number of exceptions including a committee of management established under the Long-Term Care Homes Act, 2007 including Pioneer Manor.

Notwithstanding, the Auditor General may perform audits of entities that are exempted from the definition of local boards at the request of these entities. Since a governance audit of Pioneer was specifically requested by members of COM and our audit plan was approved by Council, the Auditor General’s Office proceeded with this audit.

2. GOVERNANCE AUDIT: APPROACH & EXECUTION

The governance audit was completed based on the assessment framework detailed in the *Practice Guide to Auditing Oversight* (“*Practice Guide*”) published by the Canadian Audit & Accountability Foundation. Based on the *Guide*, the following Approach, Objectives and Assessment Criteria were used.

2.1 Approach

The audit focused on the oversight structures and systems in place within Pioneer Manor, including examining:

- Structure and mandate of Pioneer Manor;
- Definition of roles and responsibilities of Pioneer Manor and its senior leadership team;
- Oversight exercised by Pioneer Manor over its respective areas of responsibility; and
- Oversight exercised by the City or other relevant government bodies over Pioneer Manor.

2.2 Scope

The scope of the audit included activities from January 1, 2015 to April 30, 2018.

2.3 Objectives & Assessment Criteria

The key objective of the audit was to assess the effectiveness of the design of oversight structures and processes. As such, the audit was not specifically designed to assess whether the oversight processes are operating as designed and/or the outcomes generated by these oversight processes. The table below sets out the audit objectives and related assessment criteria. More detailed criteria were developed and used to conduct the audit.

Audit Area	Audit Area Objectives	Audit Area Assessment Criteria
Overall Oversight Framework	To determine whether the structures and processes established for the organization set the framework for effective oversight	The governance structure and mandate of the organization are sufficient and appropriate to provide a framework for effective oversight
Oversight Roles & Responsibilities	To determine whether the board (or governing body) has clear oversight roles and responsibilities and a clear mandate to carry out specific oversight functions	The oversight body and its committees and members have clearly defined oversight roles and responsibilities
Performance Monitoring	To determine whether the board (or governing body) has put in place adequate systems and practices to monitor the organization’s performance in meeting its established objectives	The oversight body has established a performance management framework for the organization. Performance targets and pertinent indicators are in place to enable the oversight body to monitor properly organizational performance
City Oversight	To determine whether the City/other oversight bodies has established a clear framework for the oversight of the organization	The City (or other oversight body) has defined and communicated its expectations with regard to organizational performance and the reporting thereof

2.4 Execution

The audit was completed based on a number of key activities:

- **Documentary Review:** Relevant documentation was collected and reviewed in relation to objectives and assessment criteria;
- **Interviews:** Interviews were conducted with selected members of the Pioneer Manor Board of Directors, management and managers within the City; and,
- **Informal Benchmarking:** Limited, informal benchmarking analysis was completed based on available documentation and stakeholder input.

2.5 Executive Summary

The governance and oversight structures and processes in place with respect to Pioneer Manor are generally well designed and are complemented by a strong management team and capable Committee of Management (COM) members. However, the potential risks and liabilities for the City associated with the operation of Pioneer Manor require revisions to be made to these governance and oversight structures and processes. The City has recognized the need for change and will be transferring oversight of the Pioneer Manor from the current COM to the full Community Services Committee of the Council.

Pioneer Manor management has also identified opportunities to improve its overall governance and operational performance through its most recent planning exercise. In addition, the work of the Operational Review Project/Committee is intended to improve organizational performance in a variety of areas and the Capital Redevelopment Plan is intended to improve Pioneer Manor's capital assets and enhance service delivery capabilities. Management is encouraged to continue these initiatives and to consider the additional opportunities identified in this Report.

Finally, the City should consider opportunities to improve its orientation programs for members of Council in order to provide enhanced information to members considering opportunities on the Boards of various Agencies, Boards and municipally-controlled corporations (ABCs).

2.6 Audit Standards

We conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we adequately plan for the audit; properly supervise audit staff; obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions; and prepare audit documentation related to the planning, conducting, and reporting for each audit. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit.

For further information regarding this report, please contact Ron Foster at extension 4402 or via email at ron.foster@greatersudbury.ca

3. OBSERVATIONS

The following section sets out the key observations which relate to the design of the oversight structures and processes in place with respect to Pioneer Manor. Observations related to the operation of these structures and processes are also noted where relevant.

3.1 Overall Oversight Framework

The oversight framework is generally effectively designed and the governance structure and mandate of the organization are sufficient and appropriate to provide a framework for effective oversight. For example:

- a) The *LTCHA* and Regulation 79/10 require the City to create a Committee of Management to oversee Pioneer Manor.
- b) COM currently consists of three Members of Council. Meetings are also attended by the Director of Pioneer Manor – who generally sets the meeting agenda – and representatives from the City, including the City’s General Manager, Community Development.
- c) The mandate of the Committee of Management (COM) requires the COM to meet at least four times annually, and includes monitoring, evaluation and recommendation to Council for matters such as the provision of health and social services and the operation and administration of Pioneer Manor.

Opportunities for improvements to the current oversight framework include:

- a) Primarily as a result of the size of the COM, there are no Sub-Committees in place to focus on specific performance elements of the Pioneer Manor.
- b) The COM may be too small an oversight body for such a significant and potentially high-risk entity.
- c) The COM has a designated Chair but the roles and responsibilities of the Chair are not documented.
- d) While Codes of Conduct exist for Pioneer Manor and the City, there are no specific, documented guidelines for COM members on their specific duties owed to Pioneer Manor in this capacity.

3.2 Oversight Roles & Responsibilities

The oversight roles and responsibilities of the COM are understood by the members of the Committee and other stakeholders. For example:

- a) The COM’s mandate, including roles and responsibilities and oversight authorities, are documented as noted above.
- b) COM members are appointed by the City through a formal City by-law. Appointments follow the standard City appointment process.
- c) Upon appointment, COM members receive orientation with respect to the operations of Pioneer Manor and the responsibilities of COM Members under the relevant legislative and regulatory framework that governs Pioneer Manor management and operations.

- d) The COM reviews a variety of reports, including all reports to Council and reports on matters such as Patient Safety and Capital Development and Operational Review Committee Reports.

Some roles and responsibilities require modification to reflect the growing importance of PM to the City.

- a) Interviewees identified concerns that the COM was too small and was dealing with matters of significant importance and potential liability for the City. They recommended either an expansion of the COM or a transfer of oversight to the Community Services Committee of Council.
- b) The appointment process excludes the development and application of a formal Member competencies matrix to identify potential COM Members.
- c) Interviewees noted that the orientation process for COM members could be enhanced.

3.3 Performance Monitoring

COM has established systems and practices to monitor the performance of the organization and to assess the extent to which the organization has achieved its established objectives. For example:

- a) The Strategic Plan identified three core Strategic Themes and noted desired outcomes and, in some cases, potential performance measures associated with these desired outcomes. However, there is no evidence that performance against these outcomes are regularly and consistently reported to the City/Council.
- b) Pioneer Manor is required to provide an annual quality improvement plan to the MOHLTC that include a variety of key performance indicators. These quarterly reports are reviewed with COM.
- c) The quarterly Patient Safety Reports noted in the previous section include measures tracking Pioneer Manor performance against performance of other long-term care facilities in the LHIN and across the Province of Ontario.

3.4 City Oversight

The City has established a generally effective framework for the oversight of Pioneer Manor. In addition, the MOHLTC and LHIN oversee closely the operational and financial performance of Pioneer Manor. For example:

- a) Pioneer Manor provides an annual report to COM (required by legislation/regulation) which is shared with City Council. Report includes a variety of financial and operational information.
- b) City oversight is supplemented by oversight from provincial government entities, including:
 - i. Operations are overseen closely by the MOHLTC which completes multiple policy and operational audits each year. Findings/non-compliances are noted and must be addressed by the organization.
 - ii. Pioneer Manor operations are also monitored by the LHIN which requires annual performance reporting from the organization.

Opportunities for improvement exist to improve the City's oversight of Pioneer Manor, including:

- a) The mandate for COM decision-making lacks clarity. The formal mandate provides authority to recommend but does not speak directly to final decision making authorities that the COM may possess.
- b) Concerns were noted that the current structure of oversight and reporting via the COM may not provide the City with an appropriate level of visibility and oversight of Pioneer Manor activities due to small size of COM. See further: comment in Section 3.2 (b) above.
- c) The City provides orientation information to new and returning Members of Council including an introduction to the agencies, boards and corporations overseen by the City and the role of Members who participate on these Boards. The orientation provided does not include detailed information on the role and operations of Pioneer Manor and the role of the City with respect to the organization.

4. FINDINGS

The audit assessed the effectiveness of the design of oversight structures and processes. As noted above, the audit was not specifically designed to assess whether the oversight processes are operating as designed and/or the effectiveness of the outcomes generated by these oversight processes. However, where operational observations were noted they have been identified above.

Based on the results of the audit, the oversight structures and processes in place with respect to Pioneer Manor generally appear to be effectively designed, but the following Findings are noted:

- 1) As noted by the members of COM and the City's General Manager, Community Development, the size and mandate of COM is insufficient to ensure the City effectively oversees Pioneer Manor and manages its potential risks and legal liabilities, including the need for a major capital investment to upgrade one-third of the beds to meet provincial regulations.
- 2) The orientation of new COM Members, while discussing the statutory duties and obligations of Members of Council as COM members, could be enhanced with respect to educating new COM members on the context and operations of Pioneer Manor.
- 3) When preparing its annual business plan, Pioneer Manor management does not conduct a risk assessment.
- 4) Although the various reports provided to the COM and City Council include key information related to operations and patient safety, there is no formal, comprehensive Performance Management Framework – including Key Performance Indicators (KPIs) linked to documented business plan objectives – in place.

RECOMMENDATIONS

The following Recommendations are provided based on the Findings noted above:

- 1) The City should continue to move forward with plans to designate the Community Services Committee of Council as the COM. The Mandate of the COM should also be reviewed and updated to identify clearly the oversight and decision-making roles and authorities of the COM and to reflect any other governance changes.

Management Response:

Agreed. This recommendation will be addressed in 2019.

- 2) The COM Member Orientation process should be updated to focus on the general role and obligations of Members of Council when acting as COM members and to enhance the transfer of knowledge with respect to the legal/regulatory environment, strategies and operations of Pioneer Manor.

Management Response:

Agreed. This recommendation will be addressed in 2019.

- 3) Pioneer Manor management should conduct a risk assessment in conjunction with the annual business planning process.

Management Response:

Agreed. This recommendation will be addressed in 2019.

- 4) The performance monitoring practices of the COM should include using a set of key performance indicators to assess the achievement of strategic and operational objectives. Ideally these KPIs should include the extent of progress toward the achievement of strategic objectives and mitigation of significant risks identified during the annual business planning process.

Management Response:

Agreed. This recommendation will be addressed in 2019.

Request for Decision

Governance Audit of Greater Sudbury Utilities Inc. & Greater Sudbury Hydro Inc.

Presented To:	Audit Committee
Presented:	Monday, Nov 05, 2018
Report Date	Wednesday, Oct 24, 2018
Type:	Managers' Reports

Resolution

THAT the City of Greater Sudbury approves the recommendations as outlined in the report entitled "Governance Audit of Greater Sudbury Utilities Inc. & Greater Sudbury Hydro Inc." from the Auditor General, presented at the Audit Committee meeting on November 5, 2018.

Signed By

Auditor General

Ron Foster

Auditor General

Digitally Signed Oct 24, 18

Relationship to the Strategic Plan / Health Impact Assessment

This report provides recommendations that support responsive, fiscally prudent, open governance.

Report Summary

GSUI/GSH governance and oversight structures and processes are well designed and are complemented by a strong management team and strong Boards. However, corporate governance standards and expectations are rising within the regulated utilities sector as evidenced by the OEB's enhanced attention to and emphasis on good corporate governance at rate-regulated utilities.

GSUI/GSH has responded effectively to these evolving OEB expectations through its work with Elenchus and should continue with this work. In particular, GSUI/GSH should focus on enhancing the documentation of its governance structures and process and continue to assess opportunities to enhance its corporate governance in areas such as Board size and composition and the recruitment process and competencies for Directors.

In accordance with the Shareholder Declaration, a Dividend Policy should be formalized for the review and approval of the Shareholder.

Finally, the City should consider opportunities to improve its Member orientation programs in order to provide enhanced information to Members considering opportunities on the Boards of various agencies, boards and controlled corporations (ABCs), in particular, with respect to the role of Members of Council as Directors at ABCs and the duties owed by Members to the ABC in their role as Director.

Financial Implications

None

Governance Audit of
Greater Sudbury Utilities Inc. &
Greater Sudbury Hydro Inc.

August 31, 2018
FINAL REPORT



1. ORGANIZATIONAL BACKGROUND

Greater Sudbury Utilities Inc. (GSUI) is a company, which through its subsidiaries, delivers utilities and telecommunications goods and services across the Greater Sudbury area. The GSUI group of companies includes one regulated affiliate – the Greater Sudbury Hydro Inc. (GSH) – and three non-regulated affiliates: @Home Energy; Agilis Networks; and ConverGen.

GSUI is a corporation incorporated under the Ontario Business Corporations Act (OBCA) with the City of Greater Sudbury as the sole shareholder. GSUI is governed by a five-person Board of Directors – 3 Members of Council and two community representatives – appointed by the Shareholder.

In fiscal year 2017, GSUI generated \$154.2 million in revenue and \$144.1 million in expenses resulting in an operating surplus of \$10.1 million.

Greater Sudbury Hydro

GSH is a local distribution company, incorporated as an Ontario Business Corporation with the GSUI as the sole shareholder. GSH is regulated by the Ontario Energy Board (OEB), which approves rates and establishes and monitors performance standards. GSH distributes electricity to approximately 47,362 customers within parts of Greater Sudbury and parts of the Municipality of West Nipissing.

GSH operates at arm's-length from the City and is governed by its five-member Board of Directors, which consists of three Members of Council and two community representatives. GSH operations must comply with all relevant OEB regulation, in particular the Affiliates Relationship Code that establishes the rules governing the relationship between GSUI and its regulated and non-regulated affiliates.

The mission of GSH is to provide safe, reliable electricity with good value for its customers, while helping them take advantage of emerging energy generation and conservation technologies.

As a regulated entity, GSH does not make a profit from selling energy to its customers.

Ontario Energy Board Corporate Governance Guidance

GSUI – in particular GSH – operates in a highly regulated environment with the OEB acting as its chief regulator. The OEB is introducing new mandatory governance reporting requirements and has published draft guidance on best practices in corporate governance for regulated utilities, including GSH. GSH has engaged an outside consultant (Elenchus) to assist it in planning with respect to responding to these new requirements and guidance.

2. GOVERNANCE AUDIT: APPROACH & EXECUTION

The governance audit was completed based on the assessment framework detailed in the *Practice Guide to Auditing Oversight* (“Practice Guide”) published by the Canadian Audit & Accountability Foundation. Based on the *Guide*, the following Approach, Objectives and Assessment Criteria were used.

2.1 Approach

The audit focused on the oversight structures and systems in place within the GSUI and GSH, including

- Structure and mandate of each organization
- Definition of roles and responsibilities of each organization and its senior leadership team
- Oversight exercised by each organization over its respective areas of responsibility, and
- Oversight exercised by the City or other relevant government bodies over each organization.

2.2 Scope

The scope of the audit included activities from January 1, 2015 to April 30, 2018.

2.3 Objectives & Assessment Criteria

The key objective of the audit was to assess the effectiveness of the design of oversight structures and processes. As such, the audit was not specifically designed to assess whether the oversight processes are operating as designed and/or the outcomes generated by these oversight processes. The table below sets out the audit objectives and related assessment criteria. More detailed criteria were developed and used to conduct the audit.

Audit Area	Audit Area Objectives	Audit Area Assessment Criteria
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City Oversight	To determine whether the city/other oversight bodies has established a clear framework for the oversight of the organization	The city (or other oversight body) has defined and communicated its expectations with regard to organizational performance and the reporting thereof

2.4 Execution

The audit was completed based on a number of key activities:

- **Documentary Review:** Relevant documentation was collected and reviewed in relation to objectives and assessment criteria;
- **Interviews:** Interviews were conducted with selected members of the GSUI and GSH Board of Directors, management and City staff; and,
- **Informal Benchmarking:** Limited, informal benchmarking analysis was completed based on available documentation and stakeholder input.

2.5 Audit Standards

We conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we adequately plan for the audit; properly supervise audit staff; obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions; and prepare audit documentation related to the planning, conducting, and reporting for each audit. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit.

For further information regarding this report, please contact Ron Foster at extension 4402 or via email at ron.foster@greatersudbury.ca

3. SUMMARY

GSUI/GSH governance and oversight structures and processes are well designed and are complemented by a strong management team and strong Boards. However, corporate governance standards and expectations are rising within the regulated utilities sector as evidenced by the OEB's enhanced attention to and emphasis on good corporate governance at rate-regulated utilities.

GSUI/GSH has responded effectively to these evolving OEB expectations through its work with Elenchus and should continue with this work. In particular, GSUI/GSH should focus on enhancing the documentation of its governance structures and process and continue to assess opportunities to enhance its corporate governance in areas such as Board size and composition and the recruitment process and competencies for Directors.

In accordance with the Shareholder Declaration, a Dividend Policy should be formalized for the review and approval of the Shareholder.

Finally, the City should consider opportunities to improve its Member orientation programs in order to provide enhanced information to Members considering opportunities on the Boards of various agencies, boards and controlled corporations (ABCs), in particular, with respect to the role of Members of Council as Directors at ABCs and the duties owed by Members to the ABC in their role as Director.

Specific observations, findings and recommendations are detailed in the sections that follow.

4. OBSERVATIONS

The following section sets out the key observations which relate to the design of the oversight structures and processes in place with respect to GSUI and GSH. Observations related to the operation of these structures and processes are also noted where relevant.

4.1 Overall Oversight Framework

The oversight framework is generally effectively designed and the governance structure and mandate of the organizations are sufficient and appropriate to provide a framework for effective oversight. For example:

- a) The mandate and roles and responsibilities of the Shareholder and the Boards are documented in a variety of sources, including GSUI By-Law No.1 and the Shareholder Declaration which is Schedule A to By-Law 2008-137.
- b) A draft Board Mandate is in place. The Board currently follows this Mandate. The Mandate is considered to be draft as certain provisions are not in force pending proposed changes to the Shareholder's Agreement.
- c) The Shareholder Declaration indicates that the Shareholder anticipates that the Board may establish Audit & Finance, Governance and Co-ordination Committees and must establish a Nominating Committee. The Board has established the following Committees: Audit & Finance Committee, New Business Development Committee and Human Resources & Governance Committee and Nominating Committee. Formal Terms of Reference have been established for each of these Committees which document their roles and responsibilities.
- d) There is currently no formal mandate in place for the Board Chair.
- e) The Shareholder Declaration – based on the *Ontario Business Corporations Act* – requires the respective Boards and Board Directors to act honestly and in good faith with a view to the best interests of the GSUI or its Subsidiaries (including GSH) and to exercise a reasonably prudent standard of care, diligence and skill. In addition, the GSUI has established a Code of Conduct that applies to all Directors, Officers and Employees and that includes provisions related to conflicts of interest and undue influence.
- f) New Directors are provided with orientation sessions to acquaint them with the strategy and operations of the GSUI and GSH and key organizational risks and initiatives. The 2015 Orientation Package included presentations covering the GSUI Corporations, the regulatory environment, GSUI operations, industry trends and issues and current organizational development initiatives. It also included a specific session/presentation on the legal duties and obligations of Directors.
- g) While there is no formal Director Continuing Education Policy, Directors are provided with the opportunity to participate in a variety of continuous learning activities such as conference participation and formal training sessions. In addition, Directors also participate in training provided by Governance Solutions, Inc.
- h) A third party assessment of Board effectiveness is scheduled to be completed by October 31, 2018.

- i) The Shareholder is responsible for appointing Directors to the Board. Three Directors from each Board are required to be Members of Council, including the Mayor or his or her delegate. The additional two Directors for each Board are required to be “Private Directors” – neither Members of Council nor City employees – and are appointed by Council. No Private Director may sit on both Boards simultaneously.
- j) The Nominating Committee of the Board is responsible for recommending Private Director Board appointments to the Shareholder. When doing so, it is expected to consider the Director Qualifications noted in Section 4.2 of the Shareholder Declaration. In addition, the Committee utilizes a Skills Matrix that maps current Director’ competencies and identifies current strategic opportunity areas – i.e., areas of competency that could be improved and, if possible, should be targeted as part of recruitment process.
- k) Section 2 of the Shareholder Declaration establishes the permitted business activities of the GSUI and its Subsidiaries, which include the activities – e.g., transmitting or distributing electricity – that are conducted by the GSH.
- l) Affiliates Relationship Code established by the OEB sets out rules that govern the conduct of utilities as that conduct relates to their respective affiliates in various matters such as: cross-subsidization, preferential access and unfair advantage. Code requires GSUI to monitor compliance with the Code. CEO is required to provide formal certification of compliance with the Affiliates Relationship Code as part of annual submission to the OEB.

4.2 Board Oversight Roles & Responsibilities

The oversight roles and responsibilities of the GSUI and GSH Boards of Directors are defined and documented and the Boards have documented mandates to execute specific oversight responsibilities. For example:

- a) Shareholder Declaration requires the Board to establish various Policies that are subject to Shareholder approval (see section 4.4 below). In addition, the Board is required to implement a number of other Policies not subject to Shareholder approval – including: Distribution Rate, Risk Management, Environmental and Employment Policies – and to develop a long-term Strategic Plan.
- b) GSUI management provides the Board with a detailed strategic plan. The strategic plan consists of two components: i) Distribution System Plan (DSP) which is a detailed five-year rolling plan setting out the medium term approach to maintaining and renewing distribution assets; and, ii) the Smart Grid Compass Report that sets out strategic plans across all GSUI business lines. The strategic plan is reviewed and recommended for Board approval by the New Business Development Committee.
- c) GSUI is required to complete an enterprise risk assessment annually and present the resulting Corporate Risk Matrix to the Audit & Risk Management Committee of the Board. Board is ultimately responsible for approving the Risk Matrix. The Risk Matrix is updated as required and a root cause analysis is completed on an area of Non-Conformance or Corrective Action.
- d) By-Law #1 provides the Board with the authority to appoint a President (CEO) and other members of the senior executive team including Vice-Presidents, Secretary and Treasurer. The Board reviews CEO remuneration but does not complete an annual performance review of the CEO.

- e) Board Committees have specific areas of oversight responsibility. For example, the New Business Development Committee is responsible for understanding and managing forward-looking strategies and risks, the HR & Governance Committee is responsible for overseeing human resources planning and corporate governance, and the Audit & Risk Committee is responsible for overseeing financing and financial reporting and controls, risk and external audit.
- f) Board receives regular reporting from management on operational performance, including areas such as asset management. For example, Board recently received and reviewed detailed operational review completed by external consultant (Siemens).
- g) Boards of both GSUI and GSH meet together in order to provide visibility for all Directors into the strategy and operations of both entities.

4.3 Performance Monitoring & Reporting

The Board has established systems and practices to monitor the performance of the organization and to assess the extent to which the organization has achieved its established objectives. For example:

- a) Directors indicated that Board reporting packages were thorough, providing detailed financial and operational information and that management was very responsive to any questions from the Board.
- b) DSP includes annual goals that are established in each year's capital budget. Progress is reported against these goals at each Board meeting in the form of a Capital Expenditure Report.
- c) Action Items from Board meetings are captured in Board meeting Minutes and tracked to resolution.
- d) The Board receives detailed OEB Scorecard that includes performance measures and Key Performance Indicators (KPI) for GSH related to: Customer Focus, Operational Effectiveness, Public Policy Responsiveness and Financial Performance.
- e) The Board receives and reviews Annual Report that is presented to the Shareholder and includes variety of operational performance measures.
- f) Management is currently developing KPI to monitor performance with respect to asset management.
- g) While internal audits are conducted quarterly to assess compliance with internal policies, the related audit reports and identified issues are not formally reported to the Board.

4.4 City (Shareholder) Oversight

The City has established a generally effective framework for the oversight of the GSUI and GSH. For example:

- a) Roles of the Shareholder and the Board are detailed in By-Law #1 and the Shareholder Declaration as noted in Section 4.1 above.

- b) The Board is required to present a detailed Annual Report to a meeting of Council. The Annual Report consists of three parts: the Annual Report, the Consolidated Financial Statements and a formal presentation delivered by the CEO, Vice-President – Corporate Services and the Chief Financial Officer, who are all available to provide whatever additional information may be required by the Board Members.
- c) The Shareholder Declaration requires the Board to establish Capital Structure, Returns, Dividends and Coordination Policies that are subject to the review and approval of the Shareholder:
- Capital Structure Policy - determined to be unnecessary by the Board as OEB has established a deemed capitalization policy for the GSUI.
 - Returns Policy - also deemed unnecessary as returns on regulated assets are established by the OEB. The Board has established a target internal return rate of 15% for non-regulated activities though this may be modified by the Board as appropriate.
 - Dividends Policy has not been established but the Board has adopted the position that in lieu of payment of dividends any service provided to the City will be provided at cost or at a significant discount from market rates.
 - Coordination Policy was determined to be unnecessary given decision to expand the number of Members of Council on the Board (see point f below).

As noted above, the Declaration also requires the Board to establish several other Policies that are approved by the Board only but communicated to the Shareholder.

- d) The Shareholder Declaration also requires the Board to report to Council on major business developments or materially significant or adverse results at the discretion of the Board. The GSUI regularly reports to individual Members of Council in the event of issues (significant customer issues or power outages) localized within their area of representation or to the full Council for more widespread issues and/or for any issues that – in the judgement of the Board and Management – could be of interest to Council or are likely to come to the attention of Council.
- e) Senior City staff – e.g., City Manager – are invited to attend Board meetings. In addition, the CEO meets regularly with the City Manager to discuss strategy, operations and issues related to GSUI, including GSH, and to discuss potential areas of mutual cooperation.
- f) The Coordinating Committee mentioned in the Shareholder Declaration was not created as the decision was made instead to increase the number of Members of Council on the Board from one to three. In addition, there are regular coordinating meetings of staff who are directly involved in provision of the water/wastewater billing system and in other areas such as telecommunications services, landfill gas generation and street light maintenance and capital.

5. FINDINGS

The audit assessed the effectiveness of the design of oversight structures and processes. As noted above, the audit was not specifically designed to assess whether the oversight processes are operating as designed

and/or the effectiveness of the outcomes generated by these oversight processes. However, where operational observations were noted they have been identified above.

Based on the results of the audit, the oversight structures and processes in place with respect to the GSUI and GSH generally appear to be effectively designed but the following Findings are noted:

- 1) GSUI/GSH have been reviewing and assessing corporate governance structures and policies in response to enhanced OEB focus on corporate governance practices and reporting. Current GSUI/GSH corporate governance structures and policies may require enhancement and/or further formal documentation to meet OEB expectations in a number of areas (see Recommendations Section below for details).
- 2) The current Shareholder Declaration is dated and includes references to required Policies and Committees (e.g., Coordinating Committee and Coordinating Policy) that have never been established for a variety of reasons.
- 3) A formal Dividends Policy has not been established or reviewed with the Shareholder.
- 4) Roles and responsibilities of the Board Chair and the CEO are not documented in formal Mandates.
- 5) Management reporting to the Board – while comprehensive – could be enhanced by developing a more formal Performance Management Framework that reports actual performance against Key Performance Indicators explicitly linked to objectives detailed in the Strategic Plan.
- 6) City orientation programs for new and returning Members of Council provide only limited context and information/guidance to Members with respect to the strategy and operations of Agencies, Boards and Corporations (“ABC”) managed by the City – such as GSUI/GSH – and the roles and responsibilities of Members when acting as Director for an ABC.

6. RECOMMENDATIONS

The following Recommendations are provided based on the Findings noted above:

- 1) The Boards and management should continue to work with Elenchus to assess options to enhance GSUI/GSH corporate governance. In particular, the assessment should include:
 - a) Review and update of formal, written mandates for the Boards and all Board Committees

Management Response:

The HR/Governance/Nominating Committee completed work with Elenchus and recommended adoption of Terms of Reference for the following Board Committees: Audit, Finance and Risk Committee; HR, Governance and Nominating Committee; and New Business Development Committee. Those Terms of Reference are attached as Attachment 1. The Board approved the recommended Terms of Reference.

The Board is awaiting the approval of modifications to the Shareholder’s Declaration prior to adopting the new Board Mandate.

- b) Review and update of Shareholder Declaration to ensure that Declaration is consistent with current practice and current circumstances.

Management Response:

The HR, Governance, Nominating Committee has completed work with Elenchus on a draft revision to the Shareholder's Declaration. The revisions to the Shareholder's Declaration will be included on the agenda of the next Annual General Meeting.

- c) Formal documentation of Board Chair and CEO roles and responsibilities in the form of written mandates.

Management Response:

The HR, Governance and Nominating Committee has developed a draft written mandate for the Board Chair, appended as Attachment 2, and CEO, appended as Attachment 3. The drafts will be reviewed, amended if required and adopted by the Board at the next regular Board Meeting.

- d) Changing composition of Boards – in particular the GSH Board – to include additional Independent Directors and increase the percentage of Independent Directors on the Board.

Management Response:

See the response in part b above. The revised Shareholder's Declaration takes into consideration a majority of the Independent Directors on the GSHI Board.

- e) Investigating options to enhance the use of the Skills Matrix to assess Board needs and the suitability of Directors and investigating ways in which the matrix could be applied to the appointment process for Directors who are Members of Council.

Management Response:

The GSUI Board of Directors and Management will support this initiative as required once Council has reviewed and made a determination.

- f) Reviewing current orientation program for new Independent Directors to ensure it remains consistent with industry practice, organizational needs and OEB expectations. When completing this assessment, the Board and management should consider the guidance provided in National Policy 58-201 Corporate Governance Guidelines and in OEB-2014-0255 Draft Report of the Board on Corporate Governance Guidance for OEB Rate-Regulated Utilities.

Management Response:

Orientation for new directors will involve both Corporate and Regulatory Counsel to ensure that current best practices and regulatory guidance are included in the information given to new Directors. This work will commence shortly in anticipation of a February start date.

- 2) In accordance with the Shareholder Declaration, a Dividend Policy should be formalized for the review and approval of the Shareholder.

Management Response:

At our last Shareholder's meeting, Council asked that we provide some analysis of the value that GSU provided the Shareholder as well as discuss a potential dividend framework. The Board will continue this work and report back to the Shareholder as soon as practicable.

- 3) Management should work with the Board to review options to continue to enhance Board reporting materials in particular to ensure that management reporting includes reporting on performance against Key Performance Indicators (KPIs) that are linked directly to a wider range of objectives included in the Strategic Plan and any other relevant strategy or planning documents that support the Strategic Plan (e.g., Asset Management Plan).

Management Response:

The Board and Management will meet the second week of November to refine the current term goals for 2019. Select KPIs for each goal will be determined and documented in the 2019 work plan. The KPI results will be reported regularly to the Board throughout 2019 to monitor progress and make any adjustments necessary. Additionally, the current term goals, KPIs and their targets will be considered in assessing CEO performance for 2019.

- 4) The orientation program for new and returning Members of Council managed by the City should include an enhanced focus on the opportunities available to Members to act as Directors for agencies, boards and controlled corporations (ABCs), the responsibilities associated with this role – including the duties owed to the ABC in capacity of Director – and more in-depth background on ABC structures, strategies and operations.

Response from City Manager:

The City of Greater Sudbury is updating its Council Orientation Process and associated materials in preparation for the new council term which begins on December 1, 2018. Additional information will be provided in order to better orient councillors to the role of the Board

Greater Sudbury Utilities Inc.
New Business Development Committee
Terms of Reference

Version 1.0

April 23, 2018

1. Purpose

The New Business and Development Committee (NBDC) is established by and accountable to the Board of Directors of the Corporation. It performs a critical role in providing oversight regarding new business ventures. The Committee assists the Board in fulfilling its oversight responsibilities in relation to the development of business opportunities in a manner compliant with legislative and regulatory guidelines pursuant to the *Green Energy & Economy Act*, and other relevant legislation.

2. Duties & Responsibilities of Committee Members

The Committee shall adopt an agenda of items for the year (Work Plan). The Committee will be primarily concerned with reviewing Management's strategy, along with its supporting actions plans, metrics, milestones, and resources so that new business ventures can be launched successfully and become a profitable and sustainable addition to the Corporation's business. The Committee does not deal with operational policy or ongoing administrative functions which are the responsibility of management

2.1. Strategy and Plans

The Committee has the responsibility to:

- 2.1.1. The Committee shall provide Management with guidance with respect to the type, nature and characteristics of new business lines that are appropriate for review.

- 2.1.2. Review plans and analysis related to new or expanded lines of business that may be proposed from time to time including any external or internal business case analysis of the proposed business opportunity.
- 2.1.3. Make recommendation to the Board with respect to favourable business opportunities. The Committee's recommendation will include budgeted costs and revenues and expected performance of the new or expanded business lines.
- 2.1.4. The committee shall determine an appropriate rate of return for new or expanded business lines. In so doing the Committee will consider the relative risk inherent in the new venture, other potential uses of capital resources and any other factor the committee may deem advisable.
- 2.1.5. Review performance of each new business, making appropriate recommendations to the Board.
- 2.1.6. Review regular progress reports from each new business against the approved business plan and review management recommendations of any changes to the new business approved business plan.
- 2.1.7. Review and evaluate management recommendations of new business opportunities.

2.2. Management and Human Resources

The Committee has the responsibility to:

- 2.2.1. Review Management's human resources plans and capabilities for alignment with business goals and strategies for new business ventures.

2.3. Governance

The Committee has the responsibility to:

- 2.3.1. Review regular progress reports from management on new business, prior to meetings of the Board and its Shareholder.
- 2.3.2. Review Management's recommendations on marketing plans and associated strategies and activities, leases obtained, and significant project milestones for each new business.
- 2.3.3. Review management's recommendations and actions with respect to segregation of the operations of any new business from the Greater Sudbury Hydro Inc.

2.4. Policies and Procedures

The Committee has the responsibility to:

- 2.4.1. Recommend to the Board a policy to foster business development and economic growth in the local telecommunications sector through the development of new competitive telecommunications services, facilities and locating new technology based businesses in the local community.
- 2.4.2. Recommend to the Board strategic new business policies and guidelines where applicable.
- 2.4.3. Review the Committee's Terms of Reference (this document) annually and report to the Board results of the review including any recommended changes to the Terms of Reference. The Board may at any time amend, rescind or cancel any of the provisions of the Terms of Reference, with or without substitution.

3. Method of Appointment of Committee Members

four. The Board of Directors will appoint or re-appoint the members of the Committee for a term of three years. The Board shall appoint a Chair and Vice Chair from amongst the appointed Committee members who will report directly to the Board on the deliberations of the Committee. In the event that the Chair of the Committee is absent, the Vice-Chair will preside at the meeting. The Chair and Vice Chair of the Board of Directors will be ex officio members of the Committee and shall be allowed to vote on any matters coming before this Committee. At any time, any member of the Committee may resign or may be removed by the Board. The Board shall promptly fill vacancies.

4. Composition of Committee Members

The Committee shall be composed of a minimum of three directors of the Corporation. The Corporation's President & CEO and the Executive Assistant to the President & CEO will attend as ex officio members. As an ex officio member, the President & CEO shall be allowed to sit with the Committee, but shall not be allowed to vote on any matter coming before the Committee. The Executive Assistant to the President & CEO shall be allowed to sit with the Committee, prepare the agenda and act as secretary of the Committee but shall not be allowed to vote on any matters coming before the Committee.

5. Requirements and Competencies of Committee Members

Committee members should support the best interests of the Corporation and be mindful of conflict of interest guidelines. Committee members should have membership attributes consistent with generally accepted standards including:

- Financial Literacy: All members are expected to have reasonable finance resource literacy, which is appropriate for understanding matters required of the Committee.
- Business Expertise: All members are expected to have a working understanding and knowledge of a competitive, commercial for profit business operation, including the areas of marketing and sales within a competitive environment.

6. Procedures and Frequency of Committee Meetings

The time and location of meetings of the Committee and the procedure to be followed at such meetings shall be determined from time to time by the members of the Committee provided that:

- 6.1. A quorum for a meeting shall be two members if the Committee consists of three or four members, and three members if the Committee consists of five members, in person or by telephone or other telecommunications device; but shall not include the ex officio members of Chair and Vice Chair of the Board.
- 6.2. The Committee shall meet as required and at least 24 hours notice will be given in advance of a meeting.
- 6.3. The Secretary of the Committee may call a meeting on the direction of the Chair of the Committee or the President & CEO. Alternatively, any Committee member may call a meeting. Notice of the meeting can be by letter, electronic mail, facsimile or telephone, giving a least 24 hours notice.

7. Duties of the President & CEO

The President & CEO of the Corporation will inform the Committee on a regular basis of any significant issues as they arise that may impact the ability of each new business to meet its approved business plans and budgets.

Activity	Q1	Q2	Q3	Q4	As Needed

Greater Sudbury Utilities Inc.

Audit, Finance and Risk Committee

Terms of Reference

Version 1.0 - April 23, 2018

1. Purpose

The Audit and Finance Committee (“the Committee”) is established by and accountable to the Board of Directors of Greater Sudbury Utilities Inc. It performs a critical role in overseeing the Corporation’s financial reporting system and strategic financial matters. The Committee assists the Board in its oversight responsibilities in relation to:

- Financing and financial statements
- Risk Including cyber-security risk.
- External audit
- Internal controls

2. Duties & Responsibilities

The Committee will adopt an agenda of items for the year (Work Plan). The Committee will be primarily concerned with ensuring that the business plans and budgets, financing and financial reporting, risk management, internal controls, and external audit processes are of high quality and reflect the integrity and ethics of the Corporation. The Committee does not deal in operational policy or ongoing administrative functions as these are the duties of management.

For the purpose of performing its duties, the Committee shall have the right, at all reasonable times, to inspect the books and records of Greater Sudbury Utilities Inc., Greater Sudbury Hydro Plus Inc., 1627596 Ontario Inc. (operating as @Home Energy), Greater Sudbury Telecommunications Inc. (operating as Agilis Networks), Convergen, and Greater Sudbury Hydro Inc. and to discuss with management, the officers and staff and external auditors such accounts, records and matters relating to the financial condition of the Corporations.

2.1. Financing and Financial Statements

The Committee has the responsibility to:

- 2.1.1. Review and recommend to the Board for approval the annual report and all relevant external financial reports.
- 2.1.2. Review management's recommendations regarding proposed external financing plans of the Corporation, including the selection of banks for the Corporation.
- 2.1.3. Review management's recommendations with respect to any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation. Committee members will also review the manner in which these matters have been disclosed in the financial statements.
- 2.1.4. Review management's retention and consulting and professional services annually. This includes reviewing external legal services. Review and pre-approve any non-audit work to be performed by the external auditors of the Corporations.

2.2. Risk

The Committee has the responsibility to:

- 2.2.1. Review identified principal risks of the Corporation for accuracy and completeness.
- 2.2.2. Review the process for monitoring and reporting on the principal risks and assessing the effectiveness of the mitigation response.
- 2.2.3. Align risk management with the Corporation's risk tolerance and its strategy.

2.3. External Audit

The Committee has the responsibility to:

- 2.3.1. Review and recommend to the Board the appointment of the external auditor, who shall report directly to the Committee, and the auditor's remuneration.

- 2.3.2. Review the scope of the examination to be performed by the external auditor, in conjunction with management. This includes inquiring into the extent the planned audit scope can be relied upon to detect weaknesses in internal control, fraud or other illegal acts.
- 2.3.3. With management, review reports from the external auditor on the appropriateness of the Corporation's accounting and disclosure policies.
- 2.3.4. Meet *in camera* with the external auditor to discuss any issues arising from the audit.
- 2.3.5. Discuss with the external auditor their independence from the Corporation. Discuss how audit and non-audit related services and fees impact the independence and disclosure of the auditor.
- 2.3.6. Evaluate the external auditor.

2.4. Internal Controls

The Committee has the responsibility to:

- 2.4.1. Review management's recommendations and status reports regarding the state of internal controls over the accounting and financial reporting systems within the Corporation and assess the adequacy and effectiveness of these procedures.
- 2.4.2. Review management's response to the internal control recommendations of the external auditors.

2.5. Policies and Procedures

The Committee has the responsibility to:

- 2.5.1. Review and recommend to the Board policies for accounting and reporting on all financial and budget matters.
- 2.5.2. Review and recommend to the Board policies for the Corporation in respect of Capital Structure, Returns, Dividends, and Co-ordination. These policies will be presented to the Shareholder for approval.
- 2.5.3. Review the Committee's Terms of Reference (this document) annually and report to the Human Resources, Governance and Nominating Committee (HRGN) results of the review including any recommended changes. The HRGN Committee will review all Terms of Reference and make any recommendation to the Board. The Board may at any time amend, rescind or cancel any of the provisions of the Terms of Reference, with or without substitution.

3. Method of Appointment of Committee Members

The Board of Directors will appoint or re-appoint the members of the Committee for a term of three years. The Board shall appoint a Chair from amongst the appointed Committee members who will report directly to the Board on the deliberations of the Committee. In the event that the Chair of the Committee is absent, a Vice Chair will be chosen to preside at the meeting. The Chair and Vice Chair of the Board of Directors will be ex officio members of the Committee and shall be allowed to vote on any matters coming before this Committee. At any time, any member of the Committee may resign or may be removed by the Board. The Board shall promptly fill vacancies.

4. Composition of Committee Members

The Committee shall be composed of a minimum of three directors of the Corporation. The Corporation's President & CEO and the CFO will be ex officio members. As an ex officio member, the President & CEO shall be allowed to sit with the Committee, but shall not be allowed to vote on any matter coming before the Committee. The CFO shall be allowed to sit with the Committee, prepare the agenda and act as Secretary of the Committee but shall not be allowed to vote on any matters coming before the Committee.

5. Requirements and Competencies of Committee Members

Committee members should act in the best interest of the Corporation and be mindful of conflict of interest guidelines. Committee members should have membership attributes consistent with generally accepted standards including:

- **Financial Literacy:** All members are expected to have reasonable financial literacy which is appropriate for understanding matters required of the Committee.
- **Financial Expertise:** At least one member is to have accounting or financial management expertise determined by the Board to be appropriate for the matters required of the Committee.

6. Procedure and Frequency of Committee Meetings

The time and location of meetings of the Committee and the procedure to be followed at such meetings shall be determined from time to time by the members of the Committee provided that:

- 6.1. A quorum for a meeting shall be two members if the Committee consists of three or four members, and three members if the committee consists of five members, in person or by telephone or other telecommunications device; but shall not include the ex officio members of Chair and Vice Chair of the Board.
- 6.2. The Committee shall meet at least quarterly and at least 24 hours' notice will be given in advance of a meeting.
- 6.3. The Secretary of the Committee may call a meeting on the direction of the Chair of the Audit & Finance Committee or the President & CEO. Alternatively, any Committee member or the internal or external auditors may call a meeting. Notice of the meeting can be by letter, electronic mail, facsimile or telephone, giving at least 24 hours' notice.

Duties of Corporation's President & CEO and Chief Financial Officer

The President & CEO and CFO of the Corporation will inform the Audit and Finance Committee on a regular basis of any significant financial issues that arise which significantly affect the financial performance of the organization.

**Greater Sudbury Utilities Inc.
Audit and Finance Committee
Annual Work plan**

Activity	Q1	Q2	Q3	Q4	As Needed
Financing and financial statements					
<i>Review and recommend to the Board for approval the annual report and all relevant external financial reports</i>					
<i>Review publications related to external financial reports.</i>					
<i>Review management's recommendations regarding proposed external financing plans of the Corporation, including the selection of banks for the Corporation</i>					
<i>Review management's recommendations with respect to, any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation. Committee members should also review the manner in which these matters have been disclosed in the financial statements</i>					
<i>Review management's retention and consulting and professional services annually. This includes reviewing external legal services. Review and preapprove any non-audit work to be performed by the external auditors of the Corporations</i>					

Risk					
<i>Identify and assess the principal risks</i>					
<i>Review the process for monitoring and reporting on the principal risks and assessing the effectiveness of the mitigation response</i>					
<i>Align risk management with the Corporation's risk tolerance and its strategy</i>					
External audit					
<i>Review and recommend to the Board the appointment of the external auditor, who shall report directly to the Committee, and the auditor's remuneration</i>					
<i>Review the scope of the examination to be performed by the external auditor, in conjunction with management. This includes inquiring into the extent the planned audit scope can be relied upon to detect weaknesses in internal control, fraud or other illegal acts</i>					
<i>With management, review reports from the external auditor on the appropriateness of the Corporation's accounting and disclosure policies. Discuss with external auditor their independence from the Corporation</i>					
<i>Discuss how audit and non-audit related services and fees impact the independence and disclosure of the auditor</i>					
<i>Evaluate the external auditor</i>					

Internal Controls

Review management's recommendations and status reports regarding the state of internal controls over the accounting and financial reporting systems within the Corporation and assess the adequacy and effectiveness of these procedures. The Committee will also review management's response to the internal control recommendations of the internal and external auditors

Policies and Procedures

Review and recommend to the Board policies for accounting and reporting on all financial and budget matters.

Review and recommend to the Board policies for the Corporation in respect of Capital Structure, Returns, Dividends, and Co-ordination. These policies will be presented to the Shareholder for approval.

Review the Committee's Terms of Reference annually and report to the Human Resources, Governance and Nominating Committee (HRGN) results of the review including any recommended changes.

Greater Sudbury Utilities Inc.
**Human Resource, Governance
and Nominating Committee**

Terms of Reference

Version 1.0 – April 23, 2018

1. Purpose

The Human Resource, Governance and Nominating Committee (“the Committee”) is established by and accountable to the Board of Directors of Greater Sudbury Utilities Inc. It performs a critical role in overseeing the Corporation’s strategic human resource activities, Board governance, and the nomination of directors. The Committee assists the Board in its oversight responsibilities in relation to:

- Human resources strategy and compensation philosophy
- President & CEO selection, assessment, compensation, and succession
- Corporate governance
- Director nominations

2. Duties & Responsibilities of Committee Members

The Committee will adopt an agenda of items for the year (Work Plan). The Committee will be primarily concerned with ensuring that the Human Resource reporting, compensation philosophy, governance, and nominating is of high quality and reflects the integrity and ethics of the Corporation. The Committee does not deal with operational policy or ongoing administrative functions which are the responsibility of management.

2.1. Human Resources Strategy and Compensation Philosophy

The Committee has the responsibility to:

- 2.1.1. Oversee Management's human resources strategy and whether it aligns individual capabilities with business goals and strategies and includes processes to attract and retain key staff and to train and reward high performing and high potential talent.
- 2.1.2. Oversee and annually review the Corporation's succession and talent management strategies for Senior Executives and the organization as a whole.
- 2.1.3. Oversee key human resources activities, including labour relations, ethical conduct and preparations for collective bargaining.

2.2. President & CEO Selection, Assessment, Compensation, Succession

The Committee has the responsibility to:

- 2.2.1. Recommend to the Board the selection of the President & CEO.
- 2.2.2. Recommend to the Board the level of compensation for the President & CEO.
- 2.2.3. Assess performance of the President & CEO at least annually.
- 2.2.4. Review and approve the President & CEO's recommendation for compensation, including performance compensation, to be provided to senior executives namely; VP – Corporate Services and CFO, VP Competitive Services and Manager – Human Resources.

2.3. Corporate Governance

The Committee has the responsibility to:

- 2.3.1. Review all matters relating to the stewardship role of the Board in respect of the management of the Corporation, including the roles and responsibilities of directors and appropriate policies and procedures for directors to carry out their duties with due diligence and in compliance with all legal and regulatory requirements.
- 2.3.2. Advise the Board regularly with respect to significant developments in the law and practice of corporate governance, as well as the compliance by the Corporation with its corporate governance policies and applicable laws and regulations, including any regulatory guidance.

- 2.3.3. Review, monitor and make recommendations regarding the orientation and education of new Corporation directors, and the ongoing education of directors.
- 2.3.4. Establish criteria for, and annually implement, an evaluation process for the Board, each committee of the Board, and individual directors in order to assess the effectiveness of the Board as a whole, each committee of the Board and the contribution of individual directors.
- 2.3.5. Annually, together with the Chairs of other Board Committees, review the Terms of Reference of the Committees for purposes of preparing recommendations to the Board regarding changes to the Terms of Reference, the establishment or disbanding of Board committees, and changes to their composition, including the Chairs thereof.
- 2.3.6. Annually review the Board Mandate and Corporation by-laws.
- 2.3.7. Oversee compliance with the Corporation's Code of Conduct, and, if necessary, oversee the investigation of any alleged breach by senior officers of the Corporation's Code of Conduct.

2.4. Nominations for Corporate Directors

The Committee has the responsibility to:

- 2.4.1. Oversee the development of a skills matrix for Corporation directors setting out the desired competencies and skills for the Board.
- 2.4.2. Review and recommend, as required, candidates to fill any Corporation Board and Committee vacancies taking into consideration the current strengths, skills and experience on the Board and the strategic direction of the Corporation, including policies or targets related to diversity on the Board.

2.5. Policies and Procedures

The Committee has the responsibility to:

- 2.5.1. Review and recommend to the Board strategic human resource, compensation, and health and safety policies and guidelines where applicable.
- 2.5.2. Review and recommend to the Board an employment policy that ensures compensation, benefits and working conditions which are substantially consistent with the workforce of the City of Greater Sudbury.

- 2.5.3. Review and recommend to the Board a Code of Conduct for the Corporation, its directors, officers and employees, and monitor compliance with the Code
- 2.5.4. Review the Committee's Terms of Reference (this document) annually and report to the Board results of the review including any recommended changes to the Terms of Reference. The Board may at any time amend, rescind or cancel any of the provisions of the Terms of Reference, with or without substitution.

3. Method of Appointment of Committee Members

The Board of Directors will appoint or re-appoint the members of the Committee for a term of three years. The Board shall appoint a Chair and Vice-Chair from amongst the appointed Committee members who will report directly to the Board on the deliberations of the Committee. In the event that the Chair of the Committee is absent, a Vice-Chair will preside at the meeting. The Chair and Vice Chair of the Board of Directors will be ex officio members of the Committee and shall be allowed to vote on any matters coming before this Committee. At any time, any member of the Committee may resign or may be removed by the Board. The Board shall promptly fill vacancies.

4. Composition of Committee Members

The Committee shall be composed of a minimum of three directors of the Corporation. The Corporation's President & CEO and the Manager – Human Resources will attend as ex officio members. As an ex officio member, the President & CEO shall be allowed to sit with the Committee, but shall not be allowed to vote on any matter coming before the Committee. The Manager – Human Resources shall be allowed to sit with the Committee, prepare the agenda and act as secretary of the Committee but shall not be allowed to vote on any matters coming before the Committee.

5. Requirements and Competencies of Committee Members

Committee members should act in the best interests of the Corporation and be mindful of conflict of interest guidelines. Committee members should have membership attributes consistent with generally accepted standards including:

- **Human Resource Literacy:** All members are expected to have reasonable human resource literacy, including matters relating to compensation and health & safety, which is appropriate for understanding matters required of the Committee.
- **Governance Understanding:** All members are expected to have reasonable understanding of the role governance plays in a regulated business as it relates to Board related activities.

6. Procedures and Frequency of Committee Meetings

The time and location of meetings of the Committee and the procedure to be followed at such meetings shall be determined from time to time by the members of the Committee provided that:

- 6.1. A quorum for a meeting shall be two members if the Committee consists of three or four members, and three members if the Committee consists of five members, in person or by telephone or other telecommunications device; but shall not include the ex officio members of Chair and Vice Chair of the Board.
- 6.2. The Committee shall meet at least quarterly and at least 24 hours notice will be given in advance of a meeting.
- 6.3. The Secretary of the Committee may call a meeting on the direction of the Chair of the Committee or the President & CEO. Alternatively, any Committee member may call a meeting. Notice of the meeting can be by letter, electronic mail, facsimile or telephone, giving a least 24 hours notice.

7. Duties of Greater Sudbury Utilities Inc. President & CEO and Manager – Human Resources

The President & CEO and Manager – Human Resources of the Corporation will inform the Committee on a regular basis of any significant human resource, compensation or governance related issues that arise which significantly affect the overall performance of the organization.

Activity	Q1	Q2	Q3	Q4	As Needed
Oversee Management's human resources strategy and whether it aligns individual capabilities with business goals and strategies and includes processes to attract and retain key staff and to train and reward high performing and high potential talent.	✓				
Oversee and annually review the Corporation's succession and talent management strategies for Senior Executives and the organization as a whole.					
Oversee key human resources activities, including labour relations, ethical conduct and preparations for collective bargaining					
Recommend to the Board the selection of the President & CEO.					
Recommend to the Board the level of compensation for the President & CEO.					
Assess performance of the President & CEO at least annually.					
Review and approve the President & CEO's recommendation for compensation, including performance compensation, to be provided to senior executives namely; VP – Corporate Services and CFO, VP Competitive Services and Manager – Human Resources.					

Review all matters relating to the stewardship role of the Board in respect of the management of the Corporation, including the roles and responsibilities of directors and appropriate policies and procedures for directors to carry out their duties with due diligence and in compliance with all legal and regulatory requirements					
Advise the Board regularly with respect to significant developments in the law and practice of corporate governance, as well as the compliance by the Corporation with its corporate governance policies and applicable laws and regulations, including any regulatory guidance.					
Review, monitor and make recommendations regarding the orientation and education of new Corporation directors, and the ongoing education of directors.					
Establish criteria for, and annually implement, an evaluation process for the Board, each committee of the Board, and individual directors in order to assess the effectiveness of the Board as a whole, each committee of the Board and the contribution of individual directors.					

Annually, together with the Chairs of other Board Committees, review the Terms of Reference of the Committees for purposes of preparing recommendations to the Board regarding changes to the Terms of Reference, the establishment or disbanding of Board committees, and changes to their composition, including the Chairs thereof.					
Annually review the Board Mandate and Corporation by-laws.					
Oversee compliance with the Corporation's Code of Conduct, and, if necessary, oversee the investigation of any alleged breach by senior officers of the Corporation's Code of Conduct.					
Oversee the development of a skills matrix for Corporation directors setting out the desired competencies and skills for the Board.					
Review and recommend, as required, candidates to fill any Corporation Board and Committee vacancies taking into consideration the current strengths, skills and experience on the Board and the strategic direction of the Corporation, including policies or targets related to diversity on the Board.					

Review and recommend to the Board strategic human resource, compensation, and health and safety policies and guidelines where applicable.					
Review and recommend to the Board an employment policy that ensures compensation, benefits and working conditions which are substantially consistent with the workforce of the City of Greater Sudbury.					
Review and recommend to the Board a Code of Conduct for the Corporation, its directors, officers and employees, and monitor compliance with the Code					
Review the Committee's Terms of Reference (this document) annually and report to the Board results of the review including any recommended changes to the Terms of Reference. The Board may at any time amend, rescind or cancel any of the provisions of the Terms of Reference, with or without substitution					

TERMS OF REFERENCE – BOARD CHAIR

PRINCIPLES

The authority of the Chair of the Board of Directors rests in the powers given to him or her by the Board of Directors. It is also subject to any limits set out in the Act and Bylaws of the organization.

The Chair provides leadership in guiding the Board and coordinating its activities to enhance the effectiveness of the Board of Directors; manages Board operations and processes; acts as liaison between the Board and management; and may represent the organizations to its various shareholders and other stakeholders.

POWERS AND DUTIES:

1. The Chair is expected to fulfill the duties and responsibilities of a director, and to:
 - a) Preside over all meetings of the Board and membership/shareholders, including the Annual Meeting and Special Meetings, in an efficient and effective manner;
 - b) Ensure orderly deliberation and decision-making;
 - c) Determine, review and ensure the completeness of membership meeting and board agendas, minutes and pre-read information in conjunction with the CEO and Corporate Secretary, ensuring that management provides the board with sufficient and appropriate information so that the board can fulfill its responsibilities;
 - d) Guide the board of directors in carrying out its responsibilities;
 - e) Build board unity, solidarity and trust; demonstrate integrity and ethical leadership;
 - f) Coach directors, collectively and individually, to ensure full utilization of individual capabilities and optimum performance of the board;
 - g) Initiate the proper process and procedure to ensure the Board successfully fulfils its purpose and responsibilities;
 - h) Be committed to providing leadership to the Board;
 - i) Speak on behalf of the Board stating the Board's position within the areas delegated to him/her;
 - j) Serve as a non-voting, ex officio member of all Board committees (the presence of the Chair will not be counted towards quorum);
 - k) Act as a sounding board and counsel for the CEO;
 - l) Ensure that the Directors are properly informed on matters of substance;
 - m) Maintain open lines of communication with directors between meetings;
 - n) Establish and promote harmonious and effective working relationships within the organization and with stakeholders that might be involved with the organization;
 - o) Build and nurture the relationship with Shareholders/members; and,
 - p) Satisfy, from time to time, such other duties and responsibilities as may be assigned by the Board.

PROCESS

1. The Chair is a Director and is appointed by the Board of Directors as required.
2. The Chair serves for a term of four years at the pleasure of the Board of Directors.
3. If the Board Chair is absent from a meeting of the Board or unable to act, the Vice Chair will act on his/her behalf.

Review: Annually by Governance Committee

CHIEF EXECUTIVE OFFICER RESPONSIBILITY MANDATE

CORE FUNCTION:

The Chief Executive Officer (CEO) of Greater Sudbury Utilities and its subsidiary companies Greater Sudbury Hydro Inc. (GSH), Agilis Networks, ConverGen Inc., @Home Energy Inc. and Greater Sudbury Hydro Plus Inc. (collectively referred to here as GSU) reports to the Board of Directors, and has the general and active direction and control of the business and of the general conduct of the affairs of GSU. The CEO executes on the Annual Business plan approved by the Board of Directors.

OBLIGATIONS:

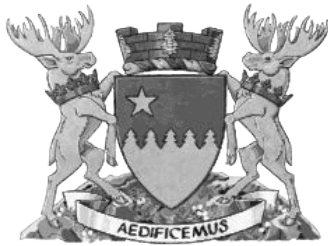
1. The Chief Executive Officer shall:
 - a. direct and ensure the effective and efficient operation of the business and affairs of GSU;
 - b. comply with all pertinent legislation, Bylaws and policies of GSU; and,
 - c. report to the Board of Directors.
2. The Chief Executive Officer has the right to attend and speak at all meetings of the Board and its Committees; however, the Board may hold brief in camera sessions at these meetings in the absence of the Chief Executive Officer in order to review his or her performance and to deal with significant governance matters not benefiting from his or her presence.

RESPONSIBILITIES:

The CEO reports to the Board of Directors and more specifically, he or she:

1. Develops the Corporation's strategic direction in collaboration with the Board of Directors (including the plan, mission, vision, values and objectives) and executes and achieves the approved direction.
2. Establishes a strong and cohesive management team.

3. Develops the annual Business Plan in keeping with the Corporation's strategic direction and executes and achieves approved goals and objectives.
4. Clearly and constantly communicates the Corporations' strategic direction and annual Business Plan to all GSU staff.
5. Develops products and services.
6. Identifies acquisition and merger opportunities, and directs implementation activities.
7. Directs and oversees the Corporation on a day-to-day basis, and ensures efficiency, quality, service, and cost effective management of resources.
8. Sets an operational philosophy that is performance driven and customer oriented, and develops and maintains a high level of employee engagement.
9. Sets the right "tone at the top", fostering a culture of integrity and respect, and meets the highest ethical standards.
10. Allocates and uses resources effectively.
11. Appoints and terminates all employees (other than Officers) and agents of the Corporation.
12. Ensures succession plans are in place to provide continuity of leadership for the future.
13. Develops and implements policies, procedures, systems and practices.
14. Ensures that sound financial management and controls are in place.
15. Ensures that performance measures are in place and monitors performance regularly.
16. Oversees operations of the Corporation to achieve budget goals.
17. Ensures accurate and timely reporting to the Board of Directors on matters necessary to permit effective decision-making and accountability.
18. Ensures that all directions and resolutions of the Board are implemented.
19. Safeguards the assets and resources of the Corporation and ensures prudent risk management.
20. Ensures full compliance with all legal, regulatory and fiduciary requirements and the Code of Conduct of GSU.
21. Champions and serves as the chief spokesperson for the Corporation, representing and communicating effectively with all external constituencies including customers, suppliers, partners, shareholders, key stakeholders, governments, regulators and any other key publics.



City of Greater Sudbury Charter

WHEREAS Municipalities are governed by the Ontario Municipal Act, 2001;

AND WHEREAS the City of Greater Sudbury has established Vision, Mission and Values that give direction to staff and City Councillors;

AND WHEREAS City Council and its associated boards are guided by a Code of Ethics, as outlined in Appendix B of the City of Greater Sudbury's Procedure Bylaw, most recently updated in 2011;

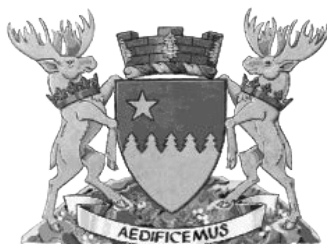
AND WHEREAS the City of Greater Sudbury official motto is "Come, Let Us Build Together," and was chosen to celebrate our city's diversity and inspire collective effort and inclusion;

THEREFORE BE IT RESOLVED THAT Council for the City of Greater Sudbury approves, adopts and signs the following City of Greater Sudbury Charter to complement these guiding principles:

As Members of Council, we hereby acknowledge the privilege to be elected to the City of Greater Sudbury Council for the 2014-2018 term of office. During this time, we pledge to always represent the citizens and to work together always in the interest of the City of Greater Sudbury.

Accordingly, we commit to:

- Perform our roles, as defined in the Ontario Municipal Act (2001), the City's bylaws and City policies;
- Act with transparency, openness, accountability and dedication to our citizens, consistent with the City's Vision, Mission and Values and the City official motto;
- Follow the Code of Ethical Conduct for Members of Council, and all City policies that apply to Members of Council;
- Act today in the interest of tomorrow, by being responsible stewards of the City, including its finances, assets, services, public places, and the natural environment;
- Manage the resources in our trust efficiently, prudently, responsibly and to the best of our ability;
- Build a climate of trust, openness and transparency that sets a standard for all the City's goals and objectives;
- Always act with respect for all Council and for all persons who come before us;
- Ensure citizen engagement is encouraged and promoted;
- Advocate for economic development, encouraging innovation, productivity and job creation;
- Inspire cultural growth by promoting sports, film, the arts, music, theatre and architectural excellence;
- Respect our historical and natural heritage by protecting and preserving important buildings, landmarks, landscapes, lakes and water bodies;
- Promote unity through diversity as a characteristic of Greater Sudbury citizenship;
- Become civic and regional leaders by encouraging the sharing of ideas, knowledge and experience;
- Work towards achieving the best possible quality of life and standard of living for all Greater Sudbury residents;



Charte de la Ville du Grand Sudbury

ATTENDU QUE les municipalités sont régies par la Loi de 2001 sur les municipalités (Ontario);

ATTENDU QUE la Ville du Grand Sudbury a élaboré une vision, une mission et des valeurs qui guident le personnel et les conseillers municipaux;

ATTENDU QUE le Conseil municipal et ses conseils sont guidés par un code d'éthique, comme l'indique l'annexe B du Règlement de procédure de la Ville du Grand Sudbury dont la dernière version date de 2011;

ATTENDU QUE la devise officielle de la Ville du Grand Sudbury, « Ensemble, bâtissons notre avenir », a été choisie afin de célébrer la diversité de notre municipalité ainsi que d'inspirer un effort collectif et l'inclusion;

QU'IL SOIT RÉSOLU QUE le Conseil de la Ville du Grand Sudbury approuve et adopte la charte suivante de la Ville du Grand Sudbury, qui sert de complément à ces principes directeurs, et qu'il y appose sa signature:

À titre de membres du Conseil, nous reconnaissons par la présente le privilège d'être élus au Conseil du Grand Sudbury pour le mandat de 2014-2018. Durant cette période, nous promettons de toujours représenter les citoyens et de travailler ensemble, sans cesse dans l'intérêt de la Ville du Grand Sudbury.

Par conséquent, nous nous engageons à :

- assumer nos rôles tels qu'ils sont définis dans la Loi de 2001 sur les municipalités, les règlements et les politiques de la Ville;
- faire preuve de transparence, d'ouverture, de responsabilité et de dévouement envers les citoyens, conformément à la vision, à la mission et aux valeurs ainsi qu'à la devise officielle de la municipalité;
- suivre le Code d'éthique des membres du Conseil et toutes les politiques de la municipalité qui s'appliquent à eux;
- agir aujourd'hui pour demain en étant des intendants responsables de la municipalité, y compris de ses finances, biens, services, endroits publics et du milieu naturel;
- gérer les ressources qui nous sont confiées de façon efficiente, prudente, responsable et de notre mieux;
- créer un climat de confiance, d'ouverture et de transparence qui établit une norme pour tous les objectifs de la municipalité;
- agir sans cesse en respectant tous les membres du Conseil et les gens se présentant devant eux;
- veiller à ce qu'on encourage et favorise l'engagement des citoyens;
- plaider pour le développement économique, à encourager l'innovation, la productivité et la création d'emplois;
- être une source d'inspiration pour la croissance culturelle en faisant la promotion de l'excellence dans les domaines du sport, du cinéma, des arts, de la musique, du théâtre et de l'architecture;
- respecter notre patrimoine historique et naturel en protégeant et en préservant les édifices, les lieux d'intérêt, les paysages, les lacs et les plans d'eau d'importance;
- favoriser l'unité par la diversité en tant que caractéristique de la citoyenneté au Grand Sudbury;
- devenir des chefs de file municipaux et régionaux en favorisant les échanges d'idées, de connaissances et concernant l'expérience;
- viser l'atteinte de la meilleure qualité et du meilleur niveau de vie possible pour tous les résidents du Grand Sudbury.