



POLICY/PROCEDURES MANUAL

Section:	FINANCE	Approval Date:	2019-09-06
Title:	DIVIDEND POLICY	Supersedes:	2019-05-27
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PREAMBLE

The Dividend Policy of Greater Sudbury Utilities Inc. (the "Corporation") and its subsidiaries is predicated on the mandate of the Board of Directors (the "Board") to act in and protect the best interests of the Corporation. This mandate, which is a duty derived from statute law, necessarily involves balancing the legitimate interests of the Shareholder (the City of Greater Sudbury), customers, creditors, suppliers, employees, the public, community and environment.

POLICY

1. The Corporation's intention is to increase value returned to the City as Shareholder in all forms, including Dividends. GSU seeks to enhance Shareholder value by generating a reasonable return consistent with a prudent financial and capitalization structure while maintaining just and reasonable rates to customers. Shareholder value is built both through retaining returns in the Corporation and by distributing returns to the Shareholder including by way of Dividends.
2. On an annual basis, in April each year, the Board of the Corporation may approve a Regular Dividend to be paid to the Shareholder, based on a target range of 25% to 50% of the free cash flow for the year, after net movements in regulatory balance. Any final dividend declaration is at the Board's discretion, taking into account legitimate corporation needs including capital requirements and sustainable electricity supply.
3. The Board will disclose to the Shareholder both the calculation and rationale underpinning any Dividends declared and paid to the Shareholder, and in the event that an annual Regular Dividend is not declared, the Board would report this to the Shareholder at or before the AGM and provide a full report on rationale and projections.
4. The Board may declare and pay a Special Dividend to the Shareholder at any time acting in its discretion, for example when the Corporation is vested with significant surplus funds without reasonable investment opportunities; if the Corporation's debt to equity ratio falls below 60/40 (1.5 times), this would typically trigger a Special Dividend.
5. The Dividend Policy is to be reviewed every four years, beginning in July 2022, reviewed by the Board, and prior to any substantive modification of the Dividend Policy, the Board will meet with the Shareholder to discuss.