

**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**

<b>Activity</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>As Needed</b>
<b>Financing and financial statements</b>					
<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>					

<b>Risk</b>					
<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>					
<b>External audit</b>					
<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>					

<b>Internal Controls</b>					
<i>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</i>					
<b>Policies and Procedures</b>					
<i>Review and recommend to the Board policies for accounting and reporting on all financial and budget matters.</i>					
<i>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.</i>					
<i>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.</i>					