

SHAREHOLDER DIRECTION

THE REGIONAL MUNICIPALITY OF YORK

TO

YORK REGION RAPID TRANSIT CORPORATION

Adopted by Regional Council at its meeting of ♦, 2024

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1. INTERPRETATION

1.1 Definitions

1.1.1 In this Shareholder Direction the following terms will have the meanings set out below:

“Auditor” means the external auditor of YRRTC;

“Board” or “Board of Directors” means the Board of Directors of YRRTC;

“Chair” means a Director of the YRRTC Board appointed as Chair of the Board from time to time;

“Council” means the Regional Council of The Regional Municipality of York;

“Directed by Council” means a direction from Council, acting on behalf of the Regional Municipality of York in its capacity as Shareholder, to the Corporation, which direction shall be in the form of a recommendation or resolution adopted by Council which applies to YRRTC;

“Director” means a member of the Board of Directors of YRRTC;

“Duly Appointed Representatives of the Shareholder” means the Chief Administrative Officer, Commissioner of Corporate Services, Commissioner of Finance and Regional Treasurer and Regional Solicitor, Legal and Court Services or their designates, or others as Directed by Council from time to time;

“Financial Management Expertise” means possession of an accounting designation or an equivalent combination of skills and experience providing the ability to read and understand a set of financial statements that present the breadth and level of complexity of accounting issues that can reasonably be expected to be raised by YRRTC’s Financial Statements;

“Financial Statements” means, for any particular period, audited or unaudited (as stipulated in this Shareholder Direction), consolidated or unconsolidated (as stipulated in this Shareholder Direction), comparative and comprehensive Financial Statements of YRRTC consisting of not less than a balance sheet, a statement of income and retained earnings, a statement of changes in financial position, a statement of financial position, a statement of operations and accumulated surplus, a statement of changes in net assets, a statement of cash flows, a report or opinion of the Auditor (in the case of audited Financial Statements) and such other statements, reports, notes and information prepared in accordance with generally accepted accounting principles (consistently applied) and as are required in accordance with any applicable law or upon the request of Regional staff and otherwise in such form as the Region CF and Treasurer may from time to time require ;

“Mandate Letter” is the letter dated ♦ from the Region to YRRTC as the same is amended from time to time and any replacement letter issued by the Region from time to time;

“Municipal Act” means the *Municipal Act*, 2001 S.O. 2001, c.25 and the regulations thereunder, as the same may be amended, replaced or re-enacted from time to time;

“OBCA” means the *Business Corporations Act* R.S.O. 1990, c. B. 16 (Ontario), and the regulations thereunder, as the same may be amended, replaced or re-enacted from time to time;

“Person” means an individual, a natural person, a body corporate or any other person at law;

“President” means President, being the most senior employee and officer of YRRTC;

“Region” means The Regional Municipality of York;

“Region CAO” means the Chief Administrative Officer of the Regional Municipality of York or any Person appointed by the Region CAO or the Region to act in the place of that individual or their delegate;

“Region CF & Treasurer” means the Commissioner of Finance and Regional Treasurer of the Regional Municipality of York or any Person appointed by the Region CF & Treasurer or the Region to act in the place of that individual or their delegate;

“Regional Auditor” means the Director of Audit Services of the Region, or their delegate, who conducts internal audits at the Region;

“Regional Clerk” means the Regional Clerk of the Region or any Person appointed by the Regional Clerk or the Region to act in the place of the individual or their delegate;

“Senior Executive” means the President and the senior management team that reports directly to the President;

“Shareholder” means The Regional Municipality of York acting as the owner of YRRTC;

“Shareholder Direction” means this Shareholder Direction as it may be amended, revised, supplemented or superceded in writing from time to time;

“YRRTC” means York Region Rapid Transit Corporation.

2. INTRODUCTION

2.1 Region as YRRTC Shareholder

The Region is the sole Shareholder of YRRTC pursuant to the provisions of the *Municipal Act*.

2.2 Purposes of this Shareholder Direction

The purposes of this Shareholder Direction are as follows:

- (a) to set out the accountability, responsibility and relationship between the Board and the Shareholder;
- (b) subject to the Board’s authority (except as restricted herein) to supervise the management of the business and affairs of YRRTC, to provide the Board with the Shareholder’s operating principles regarding the undertaking of YRRTC;

- (c) to recognize the Board's authority to supervise the management of the business and affairs of YRRTC in accordance with and subject to this Shareholder Direction or as otherwise Directed by Council;
- (d) to set out the Region's expectations of and objectives for YRRTC;
- (e) to set out YRRTC's mandate, scope of responsibilities and reporting requirements;
- (f) to set out certain rules governing the operation of YRRTC;
- (g) to constitute in part a declaration by the Region as Shareholder pursuant to subsection 108(3) of the OBCA restricting certain powers of the Board with respect to the management of the business and affairs of YRRTC and thereby relieving the Board of its duties and liabilities in respect of such powers and vesting in the Shareholder the rights, authorities, duties and liabilities in respect of such powers; and
- (h) to set out the structure of the Board and rules governing the composition of the Board.

3. SHAREHOLDER PRINCIPLES

3.1 Operating Principles

- 3.1.1 YRRTC is integral to the well-being and the rapid transit infrastructure of the Region. YRRTC shall conduct its affairs in a manner consistent with the operating principles outlined below:

Governance:

- (a) through the Board, YRRTC will be responsible for determining and implementing the appropriate balance among the operating principles in this Section of the Shareholder Direction (Section 3.1), causing YRRTC to conduct its affairs in accordance with the same, and be accountable to the Shareholder for how this balance is achieved; and
- (b) YRRTC will establish policies to mitigate financial risks to YRRTC and to the Region as Shareholder while promoting the development of rapid transit infrastructure within the geographic boundaries of the Region and the integration of such infrastructure with the rapid transit infrastructure of other municipalities;

Management of Undertaking:

- (c) Subject to the terms of this Shareholder Direction, YRRTC will be responsible for the management of its undertaking and making all policy and operational decisions;
- (d) YRRTC will maintain its assets in a state of good repair consistent with Council approved policy objectives and priorities and in accordance with law;
- (e) YRRTC will manage its undertaking consistent with Council-approved policy objectives and priorities, including the Region's plans related to transportation and transportation policy or as Directed by Council and in compliance with all applicable law;

- (f) YRRTC will employ methods to operate efficiently and to avoid unnecessary costs and duplication of costs, services or responsibilities with departments of the Region. Among other things, YRRTC will leverage Regional funds to appropriately employ and allocate costs and will employ tools, processes and resources to this end.;

Accountability:

- (g) YRRTC will be accountable for complying with the requirements of this Shareholder Direction to the Region as Shareholder, including reporting requirements, and as required by the Region from time to time;
- (h) YRRTC will ensure that its policies and business practices are consistent with Regional policies, by-laws, standards of public accountability, financial management and transparency for the effective and efficient use of public funds;
- (i) YRRTC will have due regard for the role of Members of Council in representing the interest of their constituents and the Region, and will provide timely access to information concerning the activities of YRRTC respectively in the Region subject to confidentiality requirements;

Public Engagement:

- (j) YRRTC will consult with the public through efficient and effective engagement mechanisms on issues and policies relevant to its mandate, and communicate such policies and changes to policies to the public;
- (k) YRRTC will operate with an emphasis on providing responsive service, promoting satisfaction, maintaining successful relationships and supporting access to information on issues relevant to its mandate.

4. MANDATE OF YORK REGION RAPID TRANSIT CORPORATION

4.1 Mandate of YRRTC

- 4.1.1 YRRTC is a Municipal Services Corporation under the *Municipal Act*. The core mandate of YRRTC is as set out in its Mandate Letter.
- 4.1.2 In support of the core mandate in Section 4.1.1, and subject to the ongoing ability of YRRTC to comply with this Shareholder Direction and applicable law, and the ability of the Board to demonstrate the same, YRRTC, may undertake any additional activity consistent with YRRTC's core mandate as described in Section 4.1.1 and additional Region objectives and Council priorities, as Directed by Council from time to time, and subject to relevant provisions in this Shareholder Direction.

5. BOARD OF DIRECTORS

5.1 Board Responsibilities

Subject to any matters requiring approval of the Shareholder pursuant to this Shareholder Direction, the Board will supervise the management of the business and affairs of YRRTC, including the following specific matters:

- (a) establishing annual and long range strategies and plans consistent with the provisions of this Shareholder Direction, including the YRRTC Strategic Plan described in Section 8.1;
- (b) establishing policies and other directives consistent with this Shareholder Direction, Council directives or requests, the *Municipal Act*, the OBCA and all applicable law, agreements, and best practices of corporate governance and financial and risk management;
- (c) establishing and maintaining appropriate reserves consistent with sound financial principles from time to time;
- (d) selecting bankers and other financial institutions and establishing all banking authorities;
- (e) managing and directing all labour and employee relations matters;
- (f) establishing committees of the Board including those referred to in Section 6.8 of this Shareholder Direction, and delegating to the committees such authority as the Board determines is appropriate or as Directed by Council, provided that the delegation of that authority is permitted under the OBCA;
- (g) appointing the President, approving the terms of and compensation for its employment, establishing performance objectives for the President, monitoring the President's success in meeting those objectives, and holding the President accountable for meeting those objectives;
- (h) appointing the officers of YRRTC;
- (i) approving and submitting required reporting to the Shareholder, including but not limited to requirements in Section 8 of this Shareholder Direction; and
- (j) ensuring that the Board has appropriate processes in place to ensure that information is reported to the Board in a timely manner to enable the Board to monitor implementation of its decisions and the performance of YRRTC staff.

5.2 Meetings

- 5.2.1 As a best practice, meetings of the Board and its committees shall be open to the public, except where matters may be considered closed to the public for the reasons set out in Section 239 of the *Municipal Act*. Advance public notice of the agenda is required or the Board in its discretion determines that it will be in the best interests of YRRTC and the Region to hold a meeting or part thereof in private and it is legally permissible to do so.

5.2.2 The Board may pass a by-law that includes procedures for governing the calling, place and proceedings of meetings of the Board and its committees. The Board shall seek approval from Council for the by-law if and as required by the OBCA or otherwise at law in order for the by-law to be in effect. Where no by-law has been passed, the Council procedural by-law shall apply and be followed, with necessary changes as applicable, and is hereby adopted as such to be the procedural by-law for governing the calling, place and proceedings of meetings of the Board and its committees, if any. The Regional Clerk shall be appointed as the recording secretary and perform the corporate secretary role at meetings of the Board. It is acknowledged that the schedule for regular Board meetings is determined by Council annually.

5.3 **Conflict of Interest Policy**

The Directors and officers of YRRTC will strictly abide by the requirements of the OBCA , the *Municipal Act* and the *Municipal Conflict of Interest Act*. YRRTC may adopt and apply an additional policy regarding conflicts of interest, including requirements concerning disclosure and abstention from voting, provided that such policy is not contrary to and is only supplemental to the statutory requirements in the immediately preceding sentence.

5.4 **Confidentiality**

5.4.1 Subject to section 5.2.1 and the requirements of applicable law, the Shareholder and the Directors and officers of YRRTC will ensure that no confidential and/or privileged information of the Shareholder or YRRTC is disclosed or otherwise made available to any Person, except to the extent that:

- (a) disclosure to the Shareholder's or YRRTC's employees or agents is necessary for the performance of any of their duties and obligations under this Shareholder Direction;
- (b) disclosure is required in the course of judicial proceedings or pursuant to law; or
- (c) the confidential information becomes part of the public domain (other than through unauthorized disclosure by any party).

5.4.2 The Duly Appointed Representatives of the Shareholder shall, for the purposes set out in Section 5.4.1:

- (a) have unrestricted access to the data, books and records of YRRTC, including confidential materials from meetings, closed to the public, during normal business hours; and
- (b) treat all information of YRRTC with the same level of care and confidentiality as any confidential and/or privileged information of the Shareholder, and shall be deemed to be subject to, and shall at all times comply with all law with respect to such information.

5.4.3 The Chair may, at their discretion, allow Duly Appointed Representatives of the Shareholder, other than the Regional Clerk or members of the Board, to attend the in camera portion of a meeting on a matters necessary for the performance of their duties and obligations.

5.5 **Remuneration**

The remuneration of the members of the Board for their services as Directors will be as authorized by Council from time to time. The Board will establish an expense reimbursement policy that is consistent with the Region's expense reimbursement policy pertaining to Regional Councillors to provide for reimbursement of out-of-pocket expenses incurred by Board members while conducting Board business. YRRTC will reimburse Directors for all reasonable expenses in accordance with the policy. Council members appointed to the Board will not be eligible for compensation for serving as a member of the Board except in accordance with the policy. The Board shall report annually to the Shareholder the total remuneration and expenses paid to each Director using the protocols established by the Region CF & Treasurer from time to time.

5.6 **Removal of Directors**

Board Directors are appointed to serve on the Board at the pleasure of the Shareholder. Notwithstanding any other provision of this Direction (and notwithstanding the term of any Director as otherwise set out in this Direction) a Director may be removed from the Board by the Shareholder in accordance with the OBCA for any reason as may be determined by the Shareholder. YRRTC shall advise the Shareholder immediately when there is cause for removal of a Director. The reasons for such removal may include, but are not restricted to:

- (a) breach of the Director's obligations under the OBCA;
- (b) conflict of interest that cannot be resolved in any other manner satisfactory to the Board;
- (c) engaging in activities that are deemed by the Board to have an adverse impact on their duties as a Board members; and
- (d) failure to attend three or more consecutive meetings of the Board or its committees without approval of the Board.

6. **BOARD STRUCTURE**

6.1 **Composition of the Board**

Until changed by the Shareholder, the Board will be composed of 11 members of Council as elected by the Shareholder, one of whom shall be the Chair of the Region or the Chair's designate.

6.2 **Board Member Appointment Process**

Council members will be nominated for appointment to the Board on the recommendation of the process approved by Council from time to time , and Board members are elected by the Shareholder.

6.3 **Chair and Vice-Chair**

Until determined otherwise by the Shareholder, the Board will select the Chair of the Board from among the Directors. In the event the Chair resigns or otherwise vacates the position of Chair prior to the end of the term, unless the Shareholder determines otherwise, the Board will elect a Chair from among the

remaining Directors. Unless the Shareholder determines otherwise, the Board shall elect a Vice-Chair from amongst the Directors who shall act as Chair in the absence of the Chair.

6.4 Vacancies

If a Director's position becomes vacant for any reason, YRRTC shall inform the Shareholder and the Shareholder will fill the vacancy as soon as reasonably possible.

6.5 Term

6.5.1 All Directors of the Board serve at the pleasure of the Shareholder for a term as specified by the Shareholder or until they are removed as a Director by the Shareholder or their successor is appointed. Directors may be reappointed to the Board subject to the terms and conditions of this Direction.

6.5.2 Except as otherwise expressly determined by Council, the term for Directors appointed to the Board who are members of Council shall be for the term of Council and for the period thereafter until their replacements are appointed. Incumbent Councillor Directors may be reappointed for successive terms of Council as Council may determine.

6.5.3 Notwithstanding any other provision in this Direction, Directors of the Board who are members of Council cease to be Directors as soon as they cease to be members of Council.

6.6 Committees of the Board

6.6.1 The Board may establish committees of the Board as the Board determines are appropriate, and may delegate to the committees such authority as the Board determines is appropriate, provided that the delegation of that authority is permitted under the OBCA and this Shareholder Direction.

7. SHAREHOLDER MATTERS

7.1 Decisions of the Shareholder

7.1.1 Subject to law, YRRTC shall conduct its affairs and govern its operations in accordance with such rules, policies and directives or objectives as Directed by Council from time to time.

7.1.2 Where YRRTC wishes to obtain an approval or decision from the Shareholder, YRRTC shall submit a written request to the appropriate Shareholder liaison, in accordance with Section 7.2, for the approval or decision which includes all information necessary for the Region to make an informed decision. YRRTC shall submit its request and supporting information in a timely manner that enables the Shareholder liaison to comply with deadlines for submission to Committees and Council. The Region CAO and the Regional Clerk, as appropriate, shall determine how a particular matter for which approval or decision has been requested will proceed. Depending upon the nature of the approval sought, YRRTC may be required to prepare or assist in the preparation of a report to Council for submission to Council.

7.2 **Liaison**

- 7.2.1 For matters requiring Shareholder approval or other action regarding governance matters set out in this Shareholder Direction and intergovernmental matters, the designated liaison is the Region CAO or their representative.
- 7.2.2 YRRTC shall ensure that proposals regarding Provincial or Federal legislation, policies or programs are coordinated with the Region CAO's office and YRRTC shall follow such protocols as are established by that office from time to time.
- 7.2.3 For financial matters set out in this Shareholder Direction, the designated Region liaison is the Region CF & Treasurer.

7.3 **Matters Requiring Shareholder Approval under the OBCA**

- 7.3.1 In accordance with the provisions of the OBCA and without the approval of the Shareholder, YRRTC will not:
 - (a) apply to make changes to its Articles of Incorporation;
 - (b) amalgamate, apply to continue as a body corporate under the laws of another jurisdiction, merge, consolidate or effect a reorganization as defined in the OBCA, or approve or effect any plan of arrangement, in each case whether statutory or otherwise;
 - (c) take or institute proceedings for any winding up, arrangement, legal reorganization or dissolution;
 - (d) create new classes of shares or reorganize, consolidate, subdivide or otherwise change its outstanding securities;
 - (e) dispose of, by conveyance, transfer, lease, sale and leaseback, or other transaction, all or substantially all of its assets or undertaking;
 - (f) change the Auditor;
 - (g) make any change to the number of Directors comprising the Board, or appoint Directors; and
 - (h) enter into any transaction or take any action that requires Shareholder approval pursuant to the OBCA.
- 7.3.2 Subject to law, YRRTC may be requested or Directed by Council to undertake any action in Section 7.3.1.
- 7.3.3 Subject to the requirements of applicable law, the Board of YRRTC will meet at least once a year in an in-camera session with a representative of the Shareholder (the Region CAO), the Regional Clerk and the President of YRRTC.

7.4 **Other Matters Requiring Shareholder Approval**

7.4.1 Without the approval of the Shareholder, YRRTC shall not,

- (a) create or incur any indebtedness or contingent liability;
- (b) acquire, own, encumber, transfer or dispose of real property or encumber, transfer, dispose of personal property;
- (c) proceed with facilitating new development projects;
- (d) pass or amend any by-laws with respect to the composition or number of Directors or the term of Directors or that are inconsistent with this Shareholder Direction;
- (e) issue any shares of its authorized capital or securities of any kind;
- (f) provide any financial assistance, whether by loan, guarantee or otherwise, to any Director, officer or employee of YRRTC or any other Person;
- (g) undertake operations or maintenance of a transit system;
- (h) make representations, promises or commitments of any financial incentive or similar inducements that are binding upon the Region; or
- (i) make any expenditure or enter into any contracts or legal obligations which are at variance with the Budget and Business Plan of YRRTC which have been approved by the Shareholder from time to time or save and, except as specifically provided otherwise in the Shareholder Direction, exceed YRRTC's spending authority that was approved by Council in the Region's annual budget process.

7.4.2 Any approval by Shareholder shall be sought through a process led by the Region as Directed by Council.

7.4.3 Subject to Sections 7.3 and 7.4, the Board may by resolution make, amend, or repeal any of its by-laws and the changes take effect at such time as the Board approves. Such changes shall be submitted to Council, as Shareholder, immediately upon approval by the Board for Council approval. If Council makes any amendments to any by-law passed by the Board, the amendments take effect when approved by Council, as Shareholder, and are not retroactive, in accordance with Section 116 of the OBCA, as amended from time to time.

7.4.4 Subject to law, YRRTC may be Directed by Council to undertake any action in Section 7.4.1.

7.5 **Regulatory Matters**

7.5.1 YRRTC shall, at all times, act in compliance with all applicable law. Where conflicts arise between statutory obligations and this Shareholder Direction, YRRTC shall notify the Shareholder and seek

the cooperation of all relevant governmental authorities in ensuring that issues that require intervention by any level of government are resolved quickly.

- 7.5.2 YRRTC is subject to a variety of laws that govern its operations and set out the responsibilities of the Board including but not limited to the OBCA, the *Municipal Act*, the Human Rights Code, *Accessibility for Ontarians with Disabilities Act*, and municipal property standards by-laws. In all cases such legislation will prevail over this Shareholder Direction and any other direction of the Shareholder where there is a conflict between these directions and such legislation.

8. ACCOUNTABILITY AND REPORTING

8.1 Strategic Plan

- 8.1.1 YRRTC shall prepare a multi-year Strategic Plan. YRRTC shall review and revise its Strategic Plan, as appropriate, at intervals no less frequent than every four years. The content of the Strategic Plan will include:

- (a) long term business strategies and objectives and goals that support and advance the mandate of YRRTC and align with applicable Region plans and Council priorities for the period covered by the Strategic Plan;
- (b) identification of key issues and challenges and material enterprise risks facing YRRTC, and strategies to be implemented to resolve these key issues and challenges and material risks;
- (c) identification of financial, business and service targets and performance measures based on benchmarks set out in regulations pursuant to the *Municipal Act* or established in the Strategic Plan to be reported on annually;
- (d) major initiatives to be undertaken by YRRTC in the medium and long term; and
- (e) other matters as may be required by the Shareholder.

- 8.1.2 YRRTC will consult with the Shareholder and relevant Regional staff in preparation of the Strategic Plan, including on its targets and major initiatives, to ensure strategic alignment with Region goals and objectives.

- 8.1.3 YRRTC will submit its Strategic Plan and any amendments or proposed or anticipated amendments to its Strategic Plan to the Shareholder for its information along with its annual report for the previous fiscal year as described in Section 8.3.1.

8.2 Region's Budget Process and YRRTC's Business Plan

- 8.2.1 To inform the Region's financial planning process, YRRTC shall participate in the Region's annual Budget Process. This includes:

- (a) Submitting YRRTC's Operating and Capital Budgets as approved by the Board of YRRTC to the Region CF & Treasurer in accordance with the format, scope and timing determined by the Region CF & Treasurer, and guided by Budget targets established by Council; and

- (b) Participating in the administrative review process for budgeting as required by the Region.
- 8.2.2 Contemporaneously with the preparation and submission of YRRTC's Operating and Capital Budgets, YRRTC shall submit to the Shareholder its multi-year Business Plan (including Key Performance Indicators) to measure the achievement of the Business Plan which Business Plan will have been approved by the Board of YRRTC.
- 8.2.3 Once approved by the Shareholder (with any such amendments as the Shareholder in its discretion determines) the Operating and Capital Budgets and Business Plan shall be in effect for YRRTC for the relevant periods that they cover.

8.3 **Annual Reporting**

- 8.3.1 Within 120 days after the end of the fiscal year, or as requested by the Region, YRRTC will submit an annual report to the Region CAO which has been prepared by YRRTC's Senior Executive and approved by the Board. This report will be signed by the Chair of the Board and may be presented to the Shareholder by the President of YRRTC as the delegate of the Chair of the Board (or such other Senior Executive of YRRTC as the Chair of the Board chooses as his or her delegate) and will include:

Program and Financial Reporting

- (a) objectives, accomplishments since the prior year and performance trends;
- (b) information on the disposition and uses of funds provided to YRRTC by the Region;
- (c) a copy of the financial statements identified in Section 8.4.3 and such explanations, notes and information as is required to explain and account for any variances between the actual results from operations and the budgeted amounts set forth in the YRRTC operating and capital budget, and any material variances in the projected ability of any business activity to meet or continue to meet the financial objectives of the Shareholder;
- (d) the achievement of the financial, business and service targets set out in the Strategic Plan and such explanations, notes and information as is required to explain and account for any variances between the actual results from operations and the targets established in the Strategic Plan;
- (e) a report on the achievement of the Business Plan (including Key Performance Indicators) and an explanation and accounting for any variances between the actual results against the Business Plan and Key Performance Indicators;
- (f) information that is likely to materially affect the Shareholder's financial objectives;
- (g) information regarding any matter, occurrence or other event which is a material breach or violation of any law, including major findings of internal and other audits;

Other Matters

- (h) its current Strategic Plan along with any amendments or any proposed or anticipated to be proposed amendments;
- (i) information on current YRRTC projects and other information, as Directed by Council;
- (j) environmental and energy efficiency targets identified in the Strategic Plan;
- (k) the status of any specific actions Directed by Council during the past fiscal year;
- (l) certification by the President of YRRTC that YRRTC has acted in accordance with its Mandate, and particulars thereof, and in conformance with all applicable laws and agreements to which YRRTC is a party; and
- (m) any such additional information as the Shareholder may specify from time to time.

8.3.2 The Board will from time to time direct management of YRRTC to develop for approval and implementation by the Board (and notification to the Shareholder) and YRRTC shall adopt policies and procedures of best practices for corporate governance and of actions taken and programs initiated in furtherance thereof and for measuring results as against the policies and procedures implemented in furtherance of such governance best practices. This will include, without limitation, but in each case upon a timeframe, schedule and phased approach as are reasonably determined by the Shareholder and YRRTC after consultation with each other and after it has been so determined to pursue an identified initiative and there is budgetary support therefor: (i) an “Enterprise Risk Management Framework” which is within parameters of risk that are acceptable to the Shareholder as may from time to time be communicated by the Shareholder to YRRTC, working with the Shareholder and other regional corporations; (ii) the recommended in camera meetings with the President and the Region CAO, the Private Session Meetings with Senior Executive and external Auditor; (iii) the Board Orientation and Education Policy; (iv) the stand alone “Conflict of Interest Policy”; (v) an annual Strategy and Governance retreat for the Board; (vi) a “Whistle Blowing” policy and program; (vii) the Board assessment and self-assessment program; (viii) the definition of the Chair, Vice Chair and the President roles and responsibilities; (ix) Information Technology and Digitization; (x) human capital management policies; (xi) environmental sustainability; (xii) diversity and inclusion; (xiii) policies to ensure ethical conduct; (xiv) plans, policies and procedures to address communications and stakeholder relations; (xv) plans, policies and procedures on comprehensive and timely fiscal updates and forecasts for planning purposes and project prioritization to coincide with Shareholder objectives and priorities; (xvi) creation and update of project matrix tracking and facilitating the implementation of governance best practices as defined in the Mandate Letter.

8.4 **Accounting and Financial Statements**

8.4.1 YRRTC will adopt and use the accounting policies and procedures that may be approved by the Region from time to time and all such policies and procedures will be in accordance with generally accepted accounting principles and applicable regulatory requirements.

8.4.2 YRRTC’s financial year end shall be December 31.

8.4.3 The Board will deliver to the Region CAO and the Region CF & Treasurer, as soon as practicable and in any event within 90 days after the end of each fiscal year or such other timeline as required by the Shareholder's requirements in the preparation and finalization of the Shareholder's audited Financial Statements, the audited consolidated and unconsolidated annual Financial Statements of YRRTC as approved by the Board for presentation to the Shareholder for consideration by the Shareholder. The audited annual Financial Statements of YRRTC will also accompany the Annual Report of YRRTC.

8.4.4 YRRTC shall provide quarterly (or other periodic) unaudited Financial Statements approved by the Board for presentation to the Shareholder to the Region CF & Treasurer within such reasonable period after the end of each fiscal quarter (or other period) as reasonably required by the Shareholder. Unaudited annual Financial Statements as required by the Shareholder as needed to facilitate the Shareholder's preparation and finalization processes for the Shareholder's annual Audited Financial Statements will be prepared and delivered by YRRTC within the time required by the Shareholder to facilitate such processes.

8.5 **Audit**

8.5.1 The Auditor shall be appointed by the Shareholder in accordance with the OBCA. The Shareholder will be responsible for payment of the remuneration for the Auditor. The annual consolidated and unconsolidated Financial Statements of YRRTC will be audited by the Auditor.

8.5.2 The Board will have responsibility for determining whether there are any requirements for additional external audits audit and reviews.

8.5.3 Notwithstanding section 8.5.2, the Shareholder may direct or direct YRRTC to direct the Regional Auditor to conduct internal, operational or other audits or require an external Auditor to conduct operational or other types of audits. All reports by the Regional Auditor or external Auditors shall be considered first by the Board and be forwarded immediately thereafter by the Board to the Region Audit Committee for consideration and recommendation to Council.

8.6 **Significant Risks and Activities Report**

8.6.1 Significant financial and non-financial risks, together with recommended mitigation strategies, shall be reported as they arise in a timely fashion by YRRTC to the Shareholder.

8.6.2 YRRTC shall provide on a periodic basis as reasonably required by the Shareholder to such person as is appointed by the Shareholder from time to time an Activities Report. Each Activities Report will outline, in such detail as is reasonably required by the Shareholder after consultation with YRRTC, the major activities and projects of YRRTC and its required and anticipated engagement with Region departments and personnel (together with any other information that the Shareholder may from time to time reasonably require).

8.6.3 YRRTC shall make its Senior Executive available to discuss issues and answer questions from the Shareholder that arise out of its review of the Activities Report.

9. EMPLOYMENT, PROCUREMENT AND RELATED MATTERS

- 9.1.1 YRRTC will abide by all relevant employment and occupational health and safety legislation in the conduct of its operations, and will prepare appropriate policies in areas such as, but not limited to, fair wages for contracted services consistent with that of the Region and employee compensation to address these objectives.
- 9.1.2 The Board shall approve a Senior Executive compensation policy that is:
- (a) Prepared and updated independent of Senior Executives, through a process involving at least one Director;
 - (b) Consistent with the Region's guiding principles in the development of Senior Executive Compensation Policies for Region agencies and corporations; and
 - (c) Reviewed every four years and the results are disclosed on public websites and in annual reporting referred to in Section 8.3.1.
- 9.1.3 The Board shall ensure that Senior Executive employment contracts contain a provision providing employee consent to the disclosure of their individual compensation through annual public reporting through the Board as required of municipal employees.
- 9.1.4 YRRTC will ensure all procurement activities including, but not limited to, materials management, purchasing goods, services and construction contracts, involving purchasing, leasing, or renting, are arrived at by competitive or non-competitive tendering processes, adhere to procurement best practices, policies and procedures and are managed in an open and transparent manner.
- 9.1.5 YRRTC is required to adopt policies for staff related to conflict of interest, political activity, disclosure of wrongdoing and reprisal protection.
- 9.1.6 YRRTC will be responsible for determining how the obligations in Sections 9.1 through 9.5 are to be carried out, recognizing its responsibilities as a public sector employer that is a model to the community.

10. AMENDMENTS

This Shareholder Direction may only be amended or terminated by a resolution adopted by the Council of the Region as Shareholder of YRRTC as at the time such amendment or termination is to become effective. Promptly following the amendment or termination of this Shareholder Direction, the Shareholder shall give written notice of the amendment or termination to the Board.

11. NOTICE

Any notices required or desired to be given to any of the Parties in connection with this Shareholder Direction or arising there from, shall be in writing and shall be personally delivered or sent by email or other means of instantaneous transmission in regular commercial usage at such time:

To the Region at:

The Regional Municipality of York
17250 Yonge Street
Newmarket, ON L3Y 6Z1

Attention: Clerk and Regional Solicitor
Email: ♦

To York Region Rapid Transit Corporation at:

York Region Rapid Transit Corporation
50 High Tech Road, 4th Floor
Richmond Hill, ON L4B 4N7

Attention: President
Email: ♦

DATED at _____ as of this _____ day of _____, 2024.

THE REGIONAL MUNICIPALITY OF YORK

By:

Erin Mahoney, Chief Administrative Officer