Meeting Book - Human Resources, Governance and Stakeholder Relations Committee

Agenda

9:00 a.m. 1. Motion to Approve Meeting Agenda Approval All
9:05 a.m. 2. Declaration of Conflicts of Interest Information All
9:10 a.m. 3. Consent Agenda Information All
   a) HRGSR Committee Mandate
      Interim Mandate of the HRGSR Committee - Page 4
   b) Internal Audit Report (Corporate Governance Audit) by MNP LLP
      Coversheet - Page 7
      MNP LLP Report - Page 8
9:15 a.m. 4. Human Resources Update Information R. Desrochers
         Human Resources Update - Page 27
9:30 a.m. 5. Compensation Review Process Information M. Nobrega
         Coversheet - Page 34
         Recommendations - Page 35
9:45 a.m. 6. Staff Salary Adjustments for 2018/19 Information M. Nobrega
         (a) Salary Comparatives for 2019/2020 - Page 36
         (b) Summary of Base Compensation Adjustments - Page 38
         (c) Discretionary Awards for Non-Executive Employees - Page 41
10:00 a.m. 7. Motion to go into Closed Session Approval S. Palvetzian
Closed Session Agenda
The Committee will discuss items 8 and 9, being Compensation for Executives and Committee Chair Discussion respectively, in a closed session as permitted by By-Law No.2 of the Corporation. The exception relied on for the discussion of these items in the closed session is Section 6.1(1)(b) (Personal matters about an identifiable individual, including employees of the Corporation). The Committee will reconvene a public session at the conclusion of the closed session discussions in order to vote on any matters requiring decisions that were considered in the closed session.

10:30 a.m. 10. Motion to go into Open Session Approval All
Public Session Agenda
<table>
<thead>
<tr>
<th>Time</th>
<th>Item</th>
<th>Action</th>
<th>Approver</th>
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<tbody>
<tr>
<td>10:40 a.m.</td>
<td>11. Resolutions Arising from the Closed Session (if any)</td>
<td>Approval</td>
<td>S. Palvetzian</td>
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<tr>
<td>10:45 a.m.</td>
<td>12. Motion to Terminate the Meeting</td>
<td>Approval</td>
<td>S. Palvetzian</td>
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The role of the Human Resources, Governance and Stakeholder Relations (“HRGSR”) Committee is to assist the Board of the Toronto Waterfront Revitalization Corporation (the “Corporation”) in fulfilling its oversight responsibilities with respect to human resources management, governance, and strategic corporate communications, all as set out below, and other matters requiring Committee oversight, as delegated by the Board from time to time.

This Mandate of the Human Resources, Governance and Stakeholder Relations Committee includes the Board Committee Directive, which establishes its authority, composition and procedures.

(a) **Human Resources Management**

The oversight by the Committee of Human Resources management will be guided by the goals of the Corporation to:

- create and maintain an equitable and progressive culture and the HR systems necessary to attract and retain the talent needed to achieve the Corporation’s objectives, one of which is being an employer of choice; and

- utilize best practices in human resources management in areas such as but not limited to compensation, recruitment, training, employee relations, succession/talent management, performance management and benefits administration and other leading-edge programs designed to meet the Corporation’s objectives.

(b) **Senior Management of the Corporation**

The Committee will:

(i) Review the recommendations of the Chief Executive Officer with regard to the recruitment, appointment and termination of senior executives of the Corporation, which for the purposes hereof means the Chief Operating Officer, Chief Project Officer, Chief Strategy Officer, Chief Financial Officer, Chief Development Officer, General Counsel, Senior Vice-Presidents, Vice-Presidents, Officers and such other senior employees as may be identified by the Committee from time to time (the "Senior Management Group");

(ii) Review the Corporation’s Succession/Talent Management Program, focusing on the Senior Management Group’s key positions;
(iii) Review the compensation structure and positioning of salaries in the market for the Senior Management Group as required;

(iv) Annually review the Chief Executive Officer’s recommendations surrounding discretionary bonuses and performance ratings for the Senior Management Group;

(v) Ensure procedures are in place so that (1) the Chair of the Board reviews all expenses incurred by the Chief Executive Officer and (2) the Chief Executive Officer reviews all expenses incurred by the Senior Management Group of the Corporation reporting directly to him or her;

(vi) Assist the Board in evaluating the performance of the Chief Executive Officer;

(vii) Review any executive compensation disclosure before it is publicly disclosed by the Corporation; and

(viii) Report to the Board on the foregoing on an as needed basis but at least annually.

(c) **Oversight of the Corporation’s Human Resources Structure and Programs**

The Committee will:

(i) Review the compensation structure applicable to the non-executive employees as required, which includes an annual review of discretionary bonuses to staff, as well as annual salary increases which the Chief Executive Officer may recommend for non-executive staff; and

(ii) Review periodically with management the Corporation's human resources policies including: recruitment, compensation, performance management, job evaluation, pay equity, employment equity, learning and development, health and safety, travel and expenses and benefits and other policies. Such review shall include, but not be limited to, ensuring that the policies are in compliance with applicable legislation.

(d) **Governance and Board Effectiveness**

The Committee will:

(i) Oversee the development, implementation and monitoring of current and evolving governance standards and best practices applicable and beneficial to the Board, Board Committees, management, employees and contractors of, and with, the Corporation;

(ii) Develop, and periodically review, position descriptions of the Chair of the Board and the Chief Executive Officer of the Corporation, as appropriate, and make recommendations to the Board;

(iii) Review and make recommendations to the Board with respect to Directors’ and Officers’ indemnification and third-party liability insurance coverage; and
(iv) Oversee the establishment of the annual calendar and work plan for the board.

(e) Public Accessibility to the Corporation

The Committee will oversee the development, implementation and monitoring of policies and practices to facilitate public access to meetings of the Board and of the Board’s Committees in a manner consistent with applicable legislation and stated objectives of the Corporation, including the performance of an annual review of the Corporation’s By-Law No. 2 concerning public access to meetings of the Corporation.

(f) Articles, By-Laws and Board Policies, including Codes of Conduct and Conflict of Interest

The Committee will:

(i) Periodically review the Corporation’s articles and by-laws, its Code of Conduct and Conflict of Interest Procedures and the policies of the Board and Board Committees and make recommendations to the Board; and

(ii) Oversee and arbitrate (in the first instance) any alleged breach of the Corporation’s Code of Conduct and Conflict of Interest Procedures in accordance with the applicable policy and procedures.

(g) Performance of the Board and Board Committees

The Committee will:

(i) Review this Mandate and the performance of this Committee in relation to the Mandate;

(ii) At least annually, assess the composition and effectiveness of the Board, Board Committees, and their respective members, report the results of that assessment and make recommendations to the Board;

(iii) Consider the composition of the Board and Board succession issues and, from time to time, propose new Director candidates to the three orders of Government;

(iv) Review and make recommendations with respect to the remuneration of the members of the Board and its Committees; and

(v) Oversee an appropriate orientation process for new Board members.

(h) Strategic Corporate Communications

[DUTIES AND RESPONSIBILITIES TO BE DEVELOPED]
<table>
<thead>
<tr>
<th>Agenda Item</th>
<th>Item 3b - Internal Audit Report (Corporate Governance Audit) by MNP</th>
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<tr>
<td>Purpose</td>
<td>For Information</td>
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| Key Message | • The attached report was provided to the Finance, Audit & Risk Management (FARM) Committee at its May 23, 2019 meeting. The report is being provided to this Committee as requested by the FARM Committee.  
  • MNP LLP, Waterfront Toronto’s (WT) Internal Auditor, undertook an audit of Corporate Governance processes of WT in line the Internal Audit Plan for 2019/20 (which was approved by the FARM Committee on Feb 28, 2018.  
  • In addition to several areas of strength identified, MNP LLP identified five medium risk and one low risk observation and made recommendations to the Corporation on each finding (these are shown starting from page 6 of the attached report).  
  • Management concurred with all the observations and provided its responses; Management supports all the recommendations and is in the process of implementing them. |
| Areas of note/Key issues | • Refer to the attached report of MNP which includes:  
  – Executive Summary- page 1;  
  – Summary of Key Observations- page 6 and  
| Expected Outcome | Committee members will be updated regarding the findings of the Corporate Governance internal audit review, including the strengths, opportunities for improvement and management action plans. |
| Key Takeaways/Next Steps | Management will implement the recommendations of the corporate governance internal audit review over the next 3 – 12 months (on/before March 31, 2020) |
# Table of Contents

- Executive Summary .................................................................................................................. 1
  - Background .......................................................................................................................... 1
  - Objective .............................................................................................................................. 1
  - Scope .................................................................................................................................... 1
  - Risks ...................................................................................................................................... 1
  - Approach .............................................................................................................................. 2
  - Conclusion ............................................................................................................................ 3
  - Acknowledgement ................................................................................................................ 3
  - Report Restrictions and Limitations ...................................................................................... 3
- Detailed Observations and Recommendations ........................................................................ 9
EXECUTIVE SUMMARY

BACKGROUND

The Government of Canada, the Province of Ontario, and the City of Toronto jointly announced their support for the creation of the Toronto Waterfront Revitalization Corporation (“WT” or “Corporation”) to oversee and lead waterfront renewal. WT was incorporated by Articles of Incorporation dated November 1, 2001 under the Ontario Business Corporation Act and continued under the Toronto Waterfront Revitalization Corporation Act, dated May 15, 2003. Since WT’s inception, much progress has been made on waterfront development projects, strategic infrastructure investments, precinct planning and coordination of numerous direct and indirect stakeholder interests. Instrumental to WT’s success is the effectiveness of its organizational design, implementation strategies, means of funding and financing operations, and its overarching corporate governance.

Corporate governance is a system of rules, practices and processes which provide a framework for attaining an organization’s objectives. It is a key element to help an organization manage its regulatory mechanisms and reconcile the roles and relationships between numerous stakeholders within the organization. Ineffective corporate governance can cast doubt on an organization’s reliability and integrity.

In February 2018, MNP conducted a review of WT’s Enterprise Risk Register and developed the two-year Internal Audit Plan. It was determined that corporate governance had a high residual risk score due to WT’s evolving strategic direction, newly appointed Board, and recently hired Chief Executive Officer (“CEO”). Therefore, corporate governance was identified within WT’s top risks and included in WT’s approved two-year Internal Audit Plan covering fiscal years 2018/19 to 2019/20. As per the Internal Audit Plan, MNP was engaged to perform a corporate governance review.

OBJECTIVE

The objectives of the review were to:

- Confirm alignment between Board governance structures and the organization’s strategic direction;
- Confirm governance structures have clearly defined roles and responsibilities to support effective corporate governance; and,
- Evaluate whether existing governance components (frameworks and policies) adequately support effective corporate governance.

SCOPE

The scope of the review focused on assessing the following:

- Roles and responsibilities of the Board’s committees\(^1\) pertaining to governance activities and if these are clearly defined to help WT meet its organizational objectives;
- The committees of the Board are effective in performing their assigned governance activities (including an analysis on the overall Board of Directors skills matrix);

\(^1\) During the review, the Stakeholder Relations and Chairs Committees were merged into one committee to be the Human Resources, Governance, and Stakeholder Relations Committee. The other two committees are the Finance, Audit and Risk Management Committee and the Investment, Real Estate and Quayside Committee.
- Governance frameworks, policies and practices (including but not limited to, the Corporation’s Delegations of Authority and Capital Approval Policy), are aligned to leading practices of comparable organizations and appropriate for WT’s business scale and scope; and,

- Adequate controls are in place and operating effectively for reporting on governance activities (including review of management and financial reporting framework and measuring progress against key performance indicators).

The period under review was from January 2018 to April 2019.

Review of the structure and composition of the Board and its committees was not within the scope due to recent restructuring of the Board Committees by WT.

**Risks**

Given the stated objectives, outlined below are inherent risks\(^2\) that were considered during this review:

- Governance structures and practices may not be aligned to support strategic objectives;
- Governance frameworks, policies and practices may be outdated, not aligned to current leading practices and may be inappropriate for WT’s business scale and scope;
- Governance structures may not have clear roles and responsibilities to be effective in discharging the corporation’s mandate; and,
- Reporting on governance activities may not take place or be inadequate.

**Approach**

In accordance with MNP's internal audit methodology, the high-level work plan for the review included the following three phases:

1. **Project Planning Phase**
   - Agree on objective and scope.
   - Agree on project duration and schedule.
   - Confirm team members and team structure.
   - Describe deliverables.
   - Create Project work plan and planned procedures.

2. **Project Execution (Information Gathering & Analysis Phase)**
   - Obtain existing process descriptions and relevant documentation.
   - Conduct interviews / discussions.
   - Understand current state.
   - Analyze current state.
   - Assess against leading practice.

3. **Project Reporting (Improvement Phase)**
   - Identify improvement opportunities vis-a-vis leading practices.
   - Validate observations.
   - Prepare draft report with observations and recommendations.
   - Present observations and recommendations.
   - Issue final report.

Specifically, the following procedures were performed as part of the review:

- Interviews with members of Senior Management;
- Interviews with Board and Committee Chairs; and,
- Review of key corporate governance documentation, including:
  - Corporate and Strategic Plans;
  - Board and Committee materials (agendas, minutes, mandates, onboarding documents); and,
  - Organizational policies (Delegation of Authority, Capital Approval Process Policy and other corporate governance/workplace policies);

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\(^2\) The risk derived from the environment without the mitigating effects of internal controls: Institute of Internal Auditors.
CONCLUSION

MNP acknowledges that there has been a marked improvement in several aspects of corporate governance in comparison to twelve months earlier when MNP conducted a review of WT’s Enterprise Risk Register and developed the Internal Audit Plan, where it was determined that corporate governance was a high risk to the organization. Areas that have been improved include consistency in obtaining quorum for Board meetings and providing the Board with materials well in advance meetings, streamlining content in meeting materials, evolving Board Committee structures, and stronger working relationships amongst senior levels of the organization. Furthermore, it was acknowledged during stakeholder meetings that both Management and the Board are seeking to further strengthen corporate governance practices.

While these improvements have been made, WT’s corporate governance can be further matured by implementing enhancements with Board focus on strategic thinking, planning and monitoring, compilation of a comprehensive Board Manual, regular Board refresher training on roles and responsibilities, a Board knowledge transfer process, establishment and reporting on both operational and strategic key performance indicators, updates to the Capital Approval Process Policy, and conducting Board performance evaluations.

This report provides a summary of the strengths identified during the corporate governance review and our detailed findings and recommendations, which take into account leading practices adopted by organizations similar to WT.

ACKNOWLEDGEMENT

We wish to extend our appreciation to WT Board members, management and staff for their co-operation and assistance throughout this review.

REPORT RESTRICTIONS AND LIMITATIONS

This report is intended solely for the information and use of WT and should not be distributed to third parties without MNP’s prior written consent. Any use that a third party makes of this report, and any reliance or decisions made based on it, are the responsibility of such third party. MNP accepts no liability or responsibility for any loss or damages suffered by any third party resulting from decisions made or actions taken based on this report.
SUMMARY OF CORPORATE GOVERNANCE STRENGTHS

In conducting this review, MNP noted a number of strength areas with respect to WT’s corporate governance structure and processes. The table below illustrates these areas of strength.

<p>| Governance Culture | WT Board Members and management have made and continue to make a collaborative effort to adhere to and strengthen organizational corporate governance processes and procedures. Such efforts include the use of an external consultant to advise on corporate governance, initiatives to refresh governance documents, and a mutual recognition for improvement opportunities. |
| Board Member Skills Matrix | WT maintains an inventory of skills for all current Board Members via a skills matrix document. This is used to identify and acknowledge both areas of strength and any areas where potential skills gaps may exist on the Board. WT has shared this skills matrix with the City of Toronto to complement their formal Board appointment process, which moving forward will help with identifying and appointing Board Members with the required skillsets to effectively support the organization. |
| Policies and Procedures | WT has formal documents in place to define the structure of corporate governance within the organization. Examples of such documents include: |
| Board Committee Mandates | The current three Board Committee Mandates outline critical topics of organizational oversight, including: |
| Board and Board Committee Meetings | Board and Committee meetings take place as scheduled and minutes are documented by the Corporate Secretary. Meeting schedules are set twelve months in advance, agendas and reading material are provided to Board Members in advance of meetings, and attendance logs are well maintained. Materials and documents are also readily available to all Board Members and Management on WT’s internal web-portal in advance of each meeting. |</p>
<table>
<thead>
<tr>
<th><strong>Conflict of Interest Declaration</strong></th>
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<tbody>
<tr>
<td>Board Members are required to complete an annual conflict of interest declaration in addition to declaring any potential conflict of interest that may exist for any agenda item for discussion during the Board and Committee meetings. Conflict of interest declarations are captured in the Board and Committee meeting minutes.</td>
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The observations outlined in this report have been assessed based on a rating scale defined in the table below:

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<thead>
<tr>
<th>Rating</th>
<th>Rating Description</th>
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<tr>
<td>H = High</td>
<td>The observation represents a control weakness, which could have or is having a major adverse effect on the ability to achieve process objectives. The observation requires immediate management action.</td>
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<tr>
<td>M = Medium</td>
<td>The observation represents a control weakness, which could have or is having an adverse effect on the ability to achieve process objectives. The observation requires management action within the short-to-intermediate term.</td>
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<tr>
<td>L = Low</td>
<td>The observation is not critical but should be addressed in the longer term to either improve internal controls or efficiency of the process.</td>
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The table below provides a summary of our observations.

<table>
<thead>
<tr>
<th>Observation</th>
<th>Rating</th>
<th>Ref.</th>
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<tbody>
<tr>
<td><strong>Board Strategic Role and Responsibilities</strong></td>
<td></td>
<td>1</td>
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<tr>
<td>As WT continues to grow and experiences changes that introduce new complexities to its operations, Board members’ strategic oversight roles and responsibilities have become both more prominent and important than ever. Through our interviews with WT Management and Board members, it was noted there is an opportunity for Board roles to be optimized and better understood. Board members should maintain an oversight role on all material strategic matters. Without a dedicated focus on the strategy of WT, the Board may not be able to ensure that strategic assumptions made by Management are aligned with WT’s strategic objectives, and that there is an understanding of the issues, forces and risks that drive WT’s long-term performance.</td>
<td>H</td>
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<tr>
<td><strong>Documentation of Roles and Responsibilities</strong></td>
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<tr>
<td>WT provides many essential documents to Board members when they begin their Board term to support their tenure. However, these documents are not currently encompassed into one overarching document. Also, there</td>
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<td>Observation</td>
<td>Rating</td>
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<td>is no formal training provided to Board members on their roles and responsibilities when they begin their tenure at WT. Without providing thorough onboarding and refresher training on the roles and responsibilities of the Board, as well as providing Board members with convenient access to all required documentation, there is a risk that Board members will not be adequately informed to support the organization’s objectives, leading to ineffective governance.</td>
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<tr>
<td><strong>Board Member Terms and Knowledge Transfer</strong></td>
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<tr>
<td>There is currently no formal knowledge transfer process to ensure incoming Board members acquire the knowledge of WT’s operations and to ensure a smooth transition between appointees. Without effective knowledge transfer, incoming Board members may not have the appropriate knowledge of the risks facing the organization to make informed decisions for the betterment of the organization and decisions which support the organization’s strategic objectives.</td>
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<tr>
<td><strong>Reporting on Key Performance Indicators (&quot;KPIs&quot;)</strong></td>
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<td>From our review of each Committee’s meeting material, we noted that there are opportunities to further strengthen information reported to the Board, specifically, the development and enhancement of KPIs to ensure that they are linked to a business outcome with a performance measure. Furthermore, WT does not currently report on strategic KPIs through the Board Committees on a quarterly basis to show progression towards strategic objectives. Without clear and comprehensive operational and strategic KPIs to track and measure organizational performance and objectives, there is a risk that the organization will not achieve their desired goals in the expected manor and timeframe.</td>
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<td><strong>Capital Approval Process Policy</strong></td>
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<td>During our review, we noted that WT is in the process of reviewing and updating the Capital Approval Process Policy. From our understanding, Management saw the opportunity to enhance and update the policy, which is dated May 2015, as the policy is brief in its current form and has been open to broad interpretation by Management and the Board in the past.</td>
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<td><strong>Evaluation of Board Performance</strong></td>
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<td>Currently, a formal independent evaluation of the Board’s performance is not completed. Through our discussions with Management, we understand that such evaluations were performed in the past and other initiatives (i.e. questionnaires) have been utilised by management to support performance</td>
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<tr>
<td>Observation</td>
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<td>improvement. However, no formal independent evaluation of the Board has taken place over the past few years. Without formal and dedicated time spent on the evaluation of the Board’s performance, the Board may not identify inefficiencies and miss opportunities to improve oversight processes.</td>
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### Detailed Observations and Recommendations

This section provides our detailed observations and recommendations on WT’s corporate governance, incorporating leading practices.

<table>
<thead>
<tr>
<th>REF.</th>
<th>Observation</th>
<th>Risk</th>
<th>Recommendation</th>
<th>Management Response</th>
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| 1    | Board Strategic Role and Responsibilities | Medium | To continue the Board to mature, Board members should be actively involved in discussing, reviewing and monitoring the organization’s strategic direction. As leading practice, the Board should take an active role in strategic planning at various time horizons. For example:  
- Long term strategic thinking to define, validate or redefine vision, mission and direction of the organization;  
- Medium term strategic review to ensure multi-year strategic initiatives are progressing as anticipated; and,  
- Short term strategic monitoring to ensure continued alignment of current strategy, evaluate progress and explore options to accelerate execution, if needed. This also includes the monitoring of strategic KPIs (refer to observation #4 below). | Management concurs with the recommendation and will work through the Finance, Audit and Risk Management (FARM) Committee to implement the recommendation over the next 12 months (i.e. by June 30, 2020). |

*As a leading corporate governance practice, an organization’s business should be managed under the direction of the Board. The Board delegates to the CEO, and through the CEO to Management, the authority and responsibility for managing the organization’s business. The Board’s role is to oversee the management and governance of the organization and to monitor Management’s performance.*

In addition to ensuring the basics of compliance and reviewing financial reports, Boards who deliver high value have a ‘forward-looking’ emphasis and focus more on strategic issues such as analyzing what drives value, debating alternative strategies, and evaluating the allocation of resources at various time horizons (i.e. long term, medium term and short term).

As WT continues to grow and experiences changes that introduce new complexities to its operations, Board members’ strategic oversight roles and responsibilities have become both more prominent and important than ever.

Through our interviews with WT Management and Board members, it was noted there is an opportunity for Board roles to be optimized and...
<table>
<thead>
<tr>
<th>REF.</th>
<th>OBSERVATION</th>
<th>RISK</th>
<th>RECOMMENDATION</th>
<th>MANAGEMENT RESPONSE</th>
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<td>2</td>
<td>better understood. Board members should maintain an oversight role on all material strategic matters. Without a dedicated focus on the strategy of WT, the Board may not be able to fulfil its fiduciary responsibility of ensuring that strategic assumptions made by Management are aligned with WT's strategic objectives, and that there is an understanding of the issues, forces and risks that drive WT's long-term performance.</td>
<td>Risk</td>
<td>A Board Manual incorporating the existing “Background Information for Directors” document and other existing Board related material should be formally compiled into an overarching Board Manual. The Board Manual should encompass all key documentation to support a Board member’s understanding of their roles and responsibilities. The Board Manual’s contents should be regularly updated. In order to have complete Board Manual, the following types of documentation should be included within:  - Roles and Responsibilities  - Board Organization/Operations  - Project Descriptions and Marketing Initiatives  - Finances</td>
<td>Management concurs with the recommendation and over the next 3-6 months (by September 30, 2019) will consolidate its existing Background Information for Directors into a consolidated Board Manual and ensure that this is easily accessible.</td>
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2 Documentation of Roles and Responsibilities
The foundation of a committed, knowledgeable, and effective board is orientation and education. As an essential companion to orientation and education, every organization should have a thorough, easy-to-use manual that board members can use throughout their term.

WT has a "Background Information for Directors" document, which is intended to serve as a board manual. This is provided to Board members when they begin their term. This document is available on WT’s internal web-portal. WT also provides other essential documents to Board Members when they begin their Board term to support their tenure, such as:
- Board Committee Mandates
- Board Member Guidelines
- Board Member Protocol for Protocol for Briefing Governments
- Corporate Plan
- 5 Year Strategic Plan
However, these documents are not currently encompassed into one overarching Board Manual document.

Without providing Board members with easy access to all required supporting documentation required to effectively fulfill their fiduciary duties, there is a risk that Board Members will not be adequately informed to support the organization’s objectives.

In addition, thorough onboarding training and regular refresher training on both the roles/responsibilities of the Board and the business of WT, supported by clear and comprehensive documentation, will improve the Board’s understanding of their roles.

In addition, as a leading practice, WT should include documenting the role and responsibilities of the Corporate Secretary as this position plays a key role in providing advice and counsel on board responsibilities and logistics, in addition to recording minutes and other documentation.

Using the Board Manual, Board onboarding orientation and regular refresher training sessions should be facilitated to new and existing Board members emphasizing their role and responsibilities as a Board and/or Committee member, as well as communication protocols and WT policies.

Board Committee Mandates should be reviewed on an annual basis to ensure that mandates continue to reflect the complex and evolving nature of WT’s structure and its projects.
### Board Member Terms and Knowledge Transfer

WT is unique as it is a tri-government organization, where its 13-member Board has four Board members appointed by each of the three levels of government (i.e. federal government, Lieutenant Governor in Council for provincial appointment, and City of Toronto Council) and one jointly appointed Board Chair, as dictated by the Toronto Waterfront Revitalization Corporation Act, 2002 (“The Act”).

The Act outlines all Board members have a maximum term of three years and Board members can be re-appointed. The following are the current Board member tenure periods:

- **Lieutenant Governor in Council (Provincial)** – All four members serving a one-year term at the same length (i.e. with the same start and end date).
- **City Council (Municipal)** - All four members serving a three-year term, with three members leaving at the same time and one board member remaining for an additional six months.
- **Federal Government** - All four members serving a three-year term, with three members leaving at the same time and one board member remaining for an additional six months.
- **Tri-Government Board Chair** – One member serving a three-year term.

Currently, Board members from a particular level of government all end their Board terms at the same time.

### WT should consider requesting the different levels of government to explore opportunities of staggered Board member terms, so that Board member appointees for a particular level of government do not leave the organization all at once.

In addition, a formal process should be developed to allow for knowledge transfer between incoming and outgoing Board members. This process could include the following:

- Creation of a knowledge transfer plan that outlines the key knowledge (i.e. institutional) that is important to be transferred to new Board members; and,
- Facilitation of formal meetings between the Board members to ensure knowledge is transferred completely and effectively.

WT should also consider implementation of a Vice Chair or Incoming Chair role which would allow for planning, succession and knowledge transfer for a Board member to step in and fulfil the Board Chair role.

### Management Response

Management concurs with the recommendation and will raise and discuss these particular action items over the next 3-9 months (by December 31, 2019) with government stakeholders.
time. This creates a challenge for WT as there is currently no formal process for knowledge transfer between incoming and outgoing Board members.

Without effective knowledge transfer, incoming Board members may not have the appropriate knowledge of WT’s operations and the risks facing the organization to make informed decisions for the betterment of the organization and decisions which support the organization’s strategic objectives.

As a leading practice for Board members selection, WT should continue assessing the required skills for the Board within a Board Member Skills Matrix. WT should consider sharing this skills matrix as part of the Board appointment process with the three levels of government and work with them to proactively identify and nominate potential candidates that have the required skillsets to effectively oversee WT.

### Reporting on Key Performance Indicators ("KPIs")

Every organization should develop, track, monitor and report on both operational and strategic "KPIs. Operational KPIs seek to get closer to ‘real time’ measurement, to assess what is happening in the business on an hourly, daily, weekly and monthly basis. These insights help an organization do things better. They offer up important information about where systems, processes or people are falling behind or veering off course so that corrective action can be taken quickly.

On the other hand, strategic KPIs do not need to be monitored with such frequency. Strategic KPIs are more about monitoring progress or trends toward a stated destination. It is important to monitor the KPIs over time so you can get an accurate picture of progress. Strategic and operational KPIs are

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<tr>
<th>REF.</th>
<th>OBSERVATION</th>
<th>RISK</th>
<th>RECOMMENDATION</th>
<th>MANAGEMENT RESPONSE</th>
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<tbody>
<tr>
<td>4</td>
<td>Reporting on Key Performance Indicators (&quot;KPIs&quot;)</td>
<td>Medium</td>
<td>Management should develop and report on operational KPIs that are linked to strategic objectives on a quarterly basis. KPIs should be tailored to WT, rather than being general in nature and relate to areas where action can be taken to influence results.</td>
<td>Management concurs with the recommendation and plans to develop and report additional, operational KPIs linked to strategic objectives over the next 6-12 months (i.e. on/before March 31, 2020).</td>
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</table>
equally important and simply provide different information for different purposes.

From our review of each Committee’s meeting material, we noted that the Finance, Audit, and Risk Management (“FARM”) Committee provides some reporting on KPIs.

Quarterly reports on the status of projects and their major deliverables, as dictated by WT’s annual Corporate Plan, are prepared by Management for the FARM Committee and include KPIs such as:

- variances between actual and planned dollar spend;
- variances between actual and planned revenue realized; and,
- percentage of Corporate Plan projects completed.

While other Board Committees report relevant information through mechanisms such as dashboards, there is an opportunity to strengthen the information reported to the Board, specifically, the development and enhancement of KPIs to ensure that they are linked to a business outcome with a performance measure.

Without clear and comprehensive operational and strategic KPIs to track and measure organizational performance and objectives, there is a risk that the organization will not achieve their desired goals in the expected manor and timeframe.
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<tr>
<th>REF.</th>
<th>OBSERVATION</th>
<th>RISK</th>
<th>RECOMMENDATION</th>
<th>MANAGEMENT RESPONSE</th>
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<tbody>
<tr>
<td>5</td>
<td>Capital Approval Process Policy</td>
<td>Medium</td>
<td>The Capital Approval Process Policy should be updated to provide clear direction to Management and the Board regarding the approval process to be followed for capital projects. Any updates made to the Capital Approval Process Policy related to Board Committee mandates or thresholds within the Delegations of Authority, should also be reflected and updated within the other related documents/policies.</td>
<td>Management concurs with the recommendation and anticipates finalizing a revised Capital Projects Policy on/before September 30, 2019.</td>
</tr>
<tr>
<td>6</td>
<td>Evaluation of Board Performance</td>
<td>Low</td>
<td>The Board should recommence periodic self-assessment reviews. This responsibility should be included in the Board Chair’s mandate.</td>
<td>Management concurs with the recommendation and plans to implement this on/before March 31, 2020.</td>
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</table>
utilized by management to support performance improvement. However, no formal independent evaluation of the Board has taken place over the past few years. Without dedicated time spent on the evaluation of the Board’s performance, the Board may not identify inefficiencies and miss opportunities to improve oversight processes.
ABOUT MNP

MNP is one of the largest chartered accountancy and business consulting firms in Canada, with offices in urban and rural centres across the country positioned to serve you better. Working with local team members, you have access to our national network of professionals as well as strategic local insight to help you meet the challenges you face everyday and realize what's possible.

Praxity, AISRL, is a global alliance of independent firms. Organised as an international not-for-profit entity under Belgium law, Praxity has its administrative office in London. As an alliance, Praxity does not practice the profession of public accountancy or provide audit, tax, consulting or other professional services of any type to third parties. The alliance does not constitute a joint venture, partnership or network between participating firms. Because the alliance firms are independent, Praxity does not guarantee the services or the quality of services provided by participating firms.
The purpose of this report is to provide an overview of Human Resources (HR) practices at Waterfront Toronto. A key corporate objective of Waterfront Toronto is to provide a work environment that attracts, motivates and retains top talent. The following elements are core to our HR practices: Recruitment, Organizational Development and Effectiveness, Talent Management, Performance Evaluation and Compensation, Rewards and Recognition, and an HR Framework that encompasses values, culture and ethics, equitable and accurate payroll, benefits administration, as well as occupational health, safety and wellness programs.

The following provides a summary of some of our work with respect to these core elements:

**Recruitment**

- As of May 31, 2019, the Corporation’s total staff is 94, distributed as follows:
  - 79 Full time positions (4 of which are currently vacant through regular attrition and the recruitment process is underway)
  - 15 Contracted positions (includes long term contracts and short-term contracts for specific project work).

- 3 other positions approved on the 2019/20 Corporate plan are currently on hold.

- Our current practice is to conduct all recruitments in-house, except for the Executive “C” level or other high-profile positions. Available positions are advertised internally, on our website, LinkedIn, Twitter and through professional associations. External recruiters are contacted for assistance when our own recruitment process is unsuccessful in delivering the right candidate or when the recruitment requires a quick turnaround.

- For the past ten years, Waterfront Toronto has had a summer intern program for which we hire three to five students from May to August to assist various departments and provide the students with relevant business experiences and mentoring opportunities. Given the current priorities, a decision on hiring students for this year has not formally been discussed.

- Exit interviews are conducted by an external consultant to gather information from employees who voluntarily leave Waterfront Toronto. The interviews provide a better understanding of areas requiring improvement and the information can assist in continuing to attract and retain qualified staff. Exit interviews are entirely voluntary and confidentiality is always preserved.
For the period April 1, 2018 to March 31, 2019, Waterfront Toronto’s turnover was 11% all of which were voluntary exits.

The CEO Search Committee of the Board is working to select and appoint a permanent Chief Executive Officer, with the guidance and assistance of Boyden Toronto, a third-party recruitment firm.

Organizational Development/Effectiveness

With confirmation around major project timelines and delivery (specifically Port Lands Flood Protection) and ongoing work on the Quayside project, day-to-day business continues to occupy much of Management's time, and the collaborative efforts of the Board of Directors and Management to i) proactively identify and implement best practices to enhance Waterfront Toronto’s corporate efficiency and effectiveness and ii) carry out forward thinking development projects that will revitalize the waterfront, resulting in economic growth and job creation.

In September 2018, a reorganization of the Corporation was implemented to enhance the efficiency and effectiveness of the organization. The organization was split into three operating business units (Planning and Design, Development and Project Delivery) and one corporate business unit. Each operating business unit is led by a C-Suite executive, with the corporate business unit currently headed by the Interim CEO.

Each business unit lead will be responsible for delivering on the performance metrics for the particular operating business unit and (with the proactive assistance of the corporate business unit) directly (or indirectly) report to the Board and its standing committees.

Strong focus has been placed on creating integrated teams for each major project, with an emphasis placed on the importance of a continuous flow of communication within project teams.

Internal communications is an important component of organizational effectiveness and transparency. We hold Town Hall meetings after every Board meeting to debrief staff and ensure staff are updated on Waterfront Toronto’s strategy, priority projects, corporate and organizational changes. We also provide staff with an opportunity to present their projects at the Town Halls, allowing them to improve presentation skills and receive profile for their work.

Talent/Succession Management - Learning & Development

As part of Waterfront Toronto’s corporate succession management strategy, the updating and enhancement of our succession planning program continues as we identify and mentor leadership candidates, and create development plans.

Appropriate learning and training opportunities are identified and provided for staff as well as support for all professional development memberships.
Performance Evaluation and Compensation

- In 2005, Waterfront Toronto created a Pay for Performance (P4P) system, which is a method of rewarding strong employee performance by offering incentives such as salary increases and variable compensation (when applicable to the role). It is a similar concept to merit pay.

- On an annual basis, employee performance is reviewed and evaluated through our Planning for Success (PFS) process, which rates the performance of all employees against corporate and specific personal goals. Waterfront Toronto has always applied the Pay for Performance (P4P) system through this PFS process.

- Our PFS process consists of three steps:
  - Planning (start of fiscal year) - identification of each position’s core responsibilities and objectives and the definition of specific goals to be accomplished including performance measures of quality, quantity and time;
  - Continuous Feedback (mid-year) - a review of results achieved to date on required responsibilities and specific objectives, and revision of these if required; and
  - Year-end Review (end of fiscal year) – a review of work results for the year against required core responsibilities and specific objectives and assessment of achieved results.

- Our PFS process is structured to evaluate both what an employee achieves throughout the fiscal year as well as how the employee undertakes the work, through evaluation against Waterfront Toronto’s corporate vision, business objectives, code of ethics and key competencies.

- Through this PFS process, final evaluation rating levels are determined by reviewing a combination of the employee’s achievements (what is achieved) for the complete review period as well as the approach the employee used (the how).

- The employee’s achievements (“the what”) are assessed against the following five evaluation levels used to assess performance:
  
  i) Exceeds Expectations (EE) – for an employee who is consistently exceeding expectations of core position responsibilities and learning objectives, and has achieved significant additional results beyond plan;

  ii) Achieves Expectations Plus (AEP) – for an employee who consistently achieved all core position responsibilities and learning objectives, and has achieved some additional results beyond plan;

  iii) Achieves All Expectations (AAE) – for an employee who consistently achieved all core position responsibilities and learning objectives;
iv) Achieves Some Expectations (ASE) for an employee who achieved some core position responsibilities and learning objectives, however some key expectations were not achieved; and

v) Expectations Not Achieved (ENA) – for an employee who has not achieved the position’s core responsibilities.

- Performance improvement plans are prepared for employees in the ASE and ENA levels.

- As part of our P4P program, in 2008, the Corporation designed and implemented a Job Evaluation (JE) program for all employees that establishes the relative worth of one job to another by studying and evaluating the content of the job to enhance the pre-established compensation program.

- This JE program:
  - Enables the Corporation to attract, motivate and retain talent;
  - Provides a clear, fair and objective approach for determining the relative worth of a position using a job evaluation tool;
  - Provides a salary grade and range for each position that reflects the 50th percentile of the market;
  - Supports a pay for performance culture; and
  - Complies with Ontario Pay Equity Legislation.

- All positions at Waterfront Toronto are evaluated and graded using Waterfront Toronto’s JE program, which is a point factor methodology that measures skill, effort, responsibility, working conditions, and other relative factors resulting in each position receiving a total point amount that is banded into a 17 salary grade program covering positions from the bottom of the organization to the top.

- The salary grades have salary ranges that are broken into three zones, Zone 1 is the hiring zone (in progression), Zone 2 is for fully competent employees (mid-point) and Zone 3 is for long service, above-average performing employees (above midpoint).

- All employees have an opportunity to receive an adjustment to salary based on his/her performance rating (the PFS process) which allows employees to progress through their salary grade range, based on individual performance.

- For those employees who are at the top of their salary grade range, any P4P increase will be given as a one-time adjustment as recognition for performance.

- Salary progression within a salary grade and pay for performance are critical for driving a high-performance workforce for optimizing organizational performance and for being able to effectively recruit and retain talent.

- When Waterfront Toronto established its compensation program in 2008, salary bands for all staff were to be reviewed every two years and updated to market. However, in
2010, because of the provincial compensation restraint program, our salary bands were frozen and had not been updated to market. With the lifting of the provincial compensation restraint program last year, a salary benchmarking exercise was undertaken with the assistance of an external consultant, H. Wilkinson Consulting Group, to update all salary bands to current market for all staff.

- The salary benchmarking exercise showed that the then current salary ranges were 10% off market, thus requiring a 10% adjustment to the salary ranges based on market movement since 2008. This adjustment created salary ranges that are aligned to the current market and our compensation philosophy.

**Rewards & Recognition**

- As part of a retention plan, we continuously explore new initiatives related to hours of work, telecommuting, work-life balance, professional development, corporate social responsibility, “above and beyond” recognition, and internal communications.

- As part of work life balance, we are researching creative ways to enhance our Hours of Operation and Work and Working Remotely guidelines in order to provide flexibility for employees to schedule their work week to accommodate personal and family commitments, where possible, while still ensuring there is consistency in service and scheduling of hours of work for all departments. The guidelines also allow for employees to work remotely from time-to-time to accomplish key deliverables or specific tasks in a location that is distraction free and/or to accommodate a flexible workday.

- As part of focusing on learning and development and providing employees the opportunities to learn and grow and acquire new skills and knowledge, we continue to ensure that staff Learning and Development Plans, which are part of the employee performance evaluation program, are met and monitored regularly for progress. We also strive to bring in-house at least two skills development workshops per year.

- As part of recognition and rewards, the Service Awards program was created. Since the program started in May 2014, 4 staff members have received their fifteen-year service award, 24 staff have received their ten-year service awards and 53 staff have received their five-year service awards, which are presented at Staff Town Halls.

- The Service Awards are very well received and do much to demonstrate Management’s recognition of the longevity, loyalty and hard work that is characteristic of many staff.

- As part of corporate social responsibility, the Volunteer Leave guideline was created to encourage employees to engage in community volunteering activities and corporate social responsibility activities by allowing one day leave of absence with pay, per calendar year.
We continuously research more creative ways to broaden our rewards and recognition program for the upcoming year.

**HR Framework**

- As part of our ongoing focus to promote continuous learning/improvement, teamwork and employee satisfaction, it is the intent of Waterfront Toronto to issue Employee Opinion Surveys every two to three years. The last one was completed in 2013.

- With the change relating to the new CEO in early 2016, changes in corporate priorities, and the impact of those changes and how staff work together, the next Employee Opinion Survey was deferred to late 2018. However, with the departure of the previous CEO in July 2018, the Employee Opinion Survey was again deferred until a new CEO is appointed.

- Waterfront Toronto currently has 35 Corporate Human Resources guidelines, which clarify working rules for the staff and which are developed and updated as required.

- Waterfront Toronto offers a competitive and comprehensive benefits package with medical, dental, life insurance, long term disability, accidental death and dismemberment coverage. A recent change in the employee benefit service provider resulted in a 14% reduction in costs combined with coverage enhancements to include basic critical illness coverage and orthodontic coverage for children.

- Waterfront Toronto also has an Employee Assistance Program (EAP) that assists employees with personal problems and/or work-related problems that may impact their job performance, health, mental and emotional well-being. EAPs generally offer free and confidential assessments, short-term counseling, referrals, and follow-up services for employees and their household members.

- The Corporation also offers all fulltime employees a matching RSP contribution program to a maximum of 6% of their annual salary or 50% of CRA’s annual maximum, whichever is less.

- The Joint Health & Safety Committee (JHSC) is composed of staff members that together are mutually committed to improving health and safety conditions in the workplace; the JHSC stimulates or raises awareness of health and safety issues in the workplace, recognizes and identifies workplace risks and develops recommendations for the employer to address these risks.

- The JHSC meets on a quarterly basis, conducts monthly workplace inspections and makes written recommendations to Management for the improvement of the health and safety of workers.
• There have been no reportable Health and Safety incidents in the Waterfront Toronto office since the last report.

• Waterfront Toronto is deemed to be a large employer in the construction industry under Workplace Safety and Insurance Board (WSIB) policies. Waterfront Toronto therefore qualifies for the WSIB CAD – 7 Experience Rating Plan through which the WSIB tracks employers’ health and safety performance.

• Under this WSIB CAD – 7 Experience Rating Plan, Waterfront Toronto has been recognized as an employer “achieving and maintaining zero injury, illness and fatalities,” which has resulted in a reduction of our premiums as well as validating our internal health and safety practices by receiving a refund of our WSIB employer premiums paid for the past nine years for a total of $335,233.31.
<table>
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<tr>
<th>Agenda Item</th>
<th>Item 5, Compensation Review Process</th>
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<tr>
<td>Purpose</td>
<td>For information</td>
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</table>
| Key Message | • The attached Memorandum (confidential) was issued by Ian Ness, Legal Counsel (consultant from Axiom Global Canada Inc. assisting with Board/Corporate Governance matters) and is a legal opinion issued to the CEO.  
  • The attached “Recommendations” document highlights Ian Ness’s recommendations to the CEO concerning the information that should be put before, and the role of, the Committee and the Board of Directors in relation to compensation recommendations. |
| Areas of note/Key issues | • The recommendations to the CEO have been prepared based on a review of the existing mandate of the Committee, best practices and advice from external advisors.  
  • The Committee’s mandate (as well as the mandate of all the other Board committees) are being reviewed for consideration by the Chair of the Board and eventually for approval of the Board.  
  • The review is expected to take into account and reflect the recommendations in the attached Memorandum. |
| Expected Outcome | It is expected that, with respect to the compensation review process, there will be alignment of the strategic oversight roles and responsibilities of the Board and the Committee with the role and obligations of Management, consistent with governance best practices. |
| Key Takeaways/Next Steps | • Management will finalize the review of the Committee Mandate.  
  • The revised mandate will be provided to the Board of Directors for approval at its October 2019 meeting. |
To: Michael Nobrega  
CC: Ian Beverley, Rose Desrochers  
From: Ian Ness, Legal Counsel  
Date: June 3, 2019

Re: Summary of Recommendations from the June 3, 2019 Compensation Review Process Memorandum issued to Michael Nobrega

I have been asked to review and consider the information that should be put before, and the role of, the Human Resources, Governance and Stakeholder Relations Committee (the “Committee”) and the Board of Directors (the "Board") relating to compensation recommendations. There is a meeting of the Committee on June 12, 2019 and a Board meeting to be held on June 27, 2019.

I have considered this matter in light of three different factors: i) past practices of the Corporation, ii) the mandate of the Committee, and iii) “best practices” from a corporate governance perspective.

Recommendation

Based upon past practice of the Corporation, the terms of the Committee mandate and best practices, it is my recommendation that the Corporation provide to the Committee, and to the Board, at the June meetings this year, the following for information purposes;

a. Salary Comparatives in the marketplace,
b. Performance ratings for each member of the SMG,
c. Salary and variable compensation proposals for each member of the SMG,
d. Recommendation regarding the bonus pool to be available for non-executive bonuses,
e. A summary of compensation, on a global basis, providing, inter alia, a matrix showing salary increases for each "zone" for each performance rating for each of the Senior Management Group and the non-executive employees; and
f. A report from the CEO detailing the review process that has been followed and confirming that the proposed compensation is consistent with the objectives of the Corporation and the budget of the Corporation, both as may have been discussed and/or approved by the Board in December 2018.

It is also my recommendation that, as part of the general governance review now being undertaken by the Corporation with input from our advisors at MNP LLP (internal audit) and Bennett Jones LLP (external legal), the Corporation review and revise, as appropriate, the mandate of the Committee to ensure it aligns with best practices.
The following organizations were surveyed to obtain the trend of base salary increases for 2019/20:

**Stakeholders**

- **City of Toronto** – COLA adjustments of 1.25% and merit increases ranging from 0% - 4.5%
- **Province of Ontario** – Information requested but to date we’ve received no response
- **Government of Canada** (Infrastructure) – Information requested but to date we’ve received no response

**Other Agencies**

- **Infrastructure Ontario** – Information requested but to date we’ve received no response
- **Metrolinx** – Information requested but to date we’ve received no response
- **Toronto Transit Commission** – Information requested but to date we’ve received no response
- **Toronto Global** (formerly Invest Toronto) – COLA adjustments of 2.5%
- **Toronto Community Housing Corp** – projected average salary increases for 2019 is 2.5%

**Third Party Sources**

- **The Toronto Board of Trade** – Information requested but to date we’ve received no response
- **The Conference Board of Canada** – the average pay increase for non-unionized employees is projected to be 2.6%
- **Mercer** – projected increases in 2019 will be 2.5%
- **The Hay Group** – Canadians can expect to see average base salary increases of 2.6%
- **Morneau Shepell** – Canadian employer expect to raise wages by an average of 2.6% in 2019
- **Global Governance Advisors** – the Public Sector salary forecast expected for 2019 is ranging between 2.2% - 2.8%.
- **Statistics Canada** - CPI as of February 2019 is 2.5%
- **4 Private Sector Companies** – Certain relevant private sector organizations have shared their salary data with Waterfront Toronto on a confidential basis which indicates salary increases in the range of 0% - 5%.
For reference purposes below is a historical summary of salary comparatives collected over the past five years that reflects WT’s mid-level salary merit adjustment in comparison to others:

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<tbody>
<tr>
<td><strong>City of Toronto</strong> (based on calendar year)</td>
<td>0% - 3%</td>
<td>COLA adjustments of 1.25% and merit increases ranging from 0% - 4.5%</td>
<td>COLA adjustments of 1.25% and merit increases ranging from 0% - 4.5%</td>
<td>COLA adjustments of 1.25% and merit increases ranging from 0% - 4.5%</td>
<td>COLA adjustments of 1.25% and merit increases ranging from 0% - 4.5%</td>
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<tr>
<td><strong>Province of Ontario</strong></td>
<td>Information requested but never received</td>
<td>COLA adjustments of 6.4% for all non-union staff to make up for salary bands being frozen at 2009 rates; No P4P merit increases awarded</td>
<td>COLA adjustments of 3.9% for all non-union staff and P4P merit increases ranging from 0% - 5%</td>
<td>Information requested but never received</td>
<td>Information requested but not yet received</td>
</tr>
<tr>
<td><strong>Government of Canada</strong></td>
<td>COLA amount was given as was P4P. At Director level &amp; above, no COLA just P4P. No % were confirmed</td>
<td>Information requested but never received</td>
<td>Information requested but never received</td>
<td>Information requested but never received</td>
<td>Information requested but not yet received</td>
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<tr>
<td><strong>Other Agencies</strong></td>
<td><strong>Infrastructure Ontario</strong></td>
<td>2% merit increases to earners under $100K &amp; no increases to earners over $100K</td>
<td>2% merit increases to earners under $100K &amp; no increases to earners over $100K</td>
<td>0% - 2.5% merit increases to earners below the SVP &amp; Executive level</td>
<td>Merit is 2% - 5%</td>
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<td></td>
<td>Metrolinx</td>
<td>0%-4.25%</td>
<td>0%-2.5%</td>
<td>0%-5.5%</td>
<td>0%-4.5%</td>
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<td>TTC</td>
<td>1.5%</td>
<td>1.75%</td>
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<td>Toronto Global</td>
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<td>COLA 2.5%</td>
<td>COLA 2.5%</td>
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<td></td>
<td>TCHC</td>
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<td></td>
<td></td>
<td>Average is 2.5%</td>
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<tr>
<td><strong>Third Party Sources</strong></td>
<td>The Toronto Board of Trade</td>
<td>2.5 %</td>
<td>2.3%</td>
<td>2.4%</td>
<td>2.3%-2.5%</td>
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<td></td>
<td>Conference Board of Canada</td>
<td>3.0%</td>
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<td>2.4%</td>
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<td></td>
<td>Mercer</td>
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<td></td>
<td>The Hay Group</td>
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<td></td>
<td>Morneau Shepell</td>
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<td>Global Governance</td>
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<td>Statistics Canada (CPI)</td>
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<td>4 Private Sector Companies</td>
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<td></td>
<td>WT (midpoint)**</td>
<td>1.75%</td>
<td>2%</td>
<td>2%</td>
<td>2.5%</td>
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<tr>
<td></td>
<td>WT range**</td>
<td>0% - 3.5%</td>
<td>0% - 4.25%</td>
<td>0% - 4.25%</td>
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*Salary comparative information is collected by Waterfront Toronto where publically available or by actual request.
**Adjustments for the Manager, Professional and Support Staff level.
SUMMARY OF BASE COMPENSATION ADJUSTMENTS

In 2018/19, Waterfront Toronto has been the subject of mainstream and social media reporting much of it relating to Waterfront Toronto’s Quayside project and Sidewalk Labs. The absence of a permanent CEO since July 2018 and the December 2018 report of the Office of the Auditor General of Ontario (OAG Report) also contributed to comments in the media.

Lost among all the media coverage is the regular business requirements that Waterfront Toronto team continues to deliver against on a day-to-day basis, which occupies much of their time in proactively (i) resetting the corporate activities and implementing best practices to enhance Waterfront Toronto’s corporate efficiency and effectiveness and (ii) driving economic growth and the creation of well-paying jobs through waterfront revitalization developments. Examples of the 2018/2019 achievements include:

1. the reorganization of the business activities of Waterfront Toronto into four distinct business units – Development, Planning & Design, Project Delivery and Corporate – each headed by a C-Suite executive and each fully accountable for the activities of the particular business unit;

2. the implementation of a succession planning process throughout the organization to identify and mentor leadership candidates ready to take over in an emergency or as permanent long-term leaders;

3. the implementation of an Enterprise Risk Management Framework that takes into account the range of diverse partners and stakeholders, complex contribution agreements, significant risk transfers amongst stakeholders, public scrutiny and robust procurement rules;

4. the creation of a multi-layered governance oversight structure to oversee the development of the Port Lands Flood Protection Project (PLFPP) – including the Board, a third-party risk monitor, an independent Design Review Panel and steering committees which include representatives of the three government shareholders;

5. the development and implementation of a Regulatory and Operational Compliance Report that informs the Board on a quarterly basis as to the compliance of Waterfront Toronto to the myriad of regulatory and operational rules and regulations;

6. the development and implementation of an internal privacy framework to govern the collection, use and disclosure of personal information;

7. the creation of a Risk Appetite Statement that defines Waterfront Toronto’s risk tolerances to internal and external activities; and

8. updates to several human resources plans, including pay equity and employee performance reviews and rigorous evaluation processes.

9. the Board approved Rolling Five Year Strategic Plan (Plan) that sets out the roadmap and economic development priorities for the next five years, ending on March 31, 2024;
the Plan outlines the economic priorities that will include the completion of existing projects in the pipeline and the development of four signature projects that, in aggregate, will generate:

a. $3.0 billion of private sector investment,
b. 10,000 full time and sustainable jobs,
c. 3,900 residential housing units (including 700 affordable units),
d. 31 acres of new parks and public spaces and
e. 7 new permanent public art installations;

10. the Plan also reflects the commitment to advance the conceptual development of the next generation community on the Quayside lands which are owned by Waterfront Toronto; the project is in the research and development stage with Sidewalk Labs and may not ultimately meet market demands or stakeholder requirements but will add to the body of information required to carry out a next generation community initiative on the waterfront at a future time;

11. the commencement of the PLFPP which, once completed in 2023, will convert over 700 acres of waterfront lands into fully developable lands for significant private sector investment and the spin-off of thousands of well-paying sustainable jobs;

12. the completion of a three year Enterprise Risk Planning (ERP) system that will upgrade Waterfront Toronto’s financial management systems to manage large projects such as the PLFPP; also, the operationalization of the ERP system (expected this spring) will address all of the important concerns raised in the OAG Report;

13. the start of construction of the Menkes Innovation Centre that will take advantage of a Waterfront Toronto enabled privately-funded, fibre optic gigabit network running across the waterfront and anchor Toronto’s surging new jobs cluster on the eastern waterfront, representing the next evolution in workplace design that is reinventing how workforces create economic value; and

14. the 20+ real estate and public realm projects that are in various stages of planning, environmental approvals, zoning changes and design – all in addition to projects in the existing pipeline of projects visible on the waterfront.

The combination of day-to-day work and major projects – such as, the Port Lands Flood Protection construction, the Quayside planning process, the creation of the 5 Year Strategic Plan, work on the implementation of the new ERP system and the OAG Report – translated into higher than typical workloads for virtually everyone working at Waterfront Toronto. Staff has had to deliver on their day-to-day project responsibilities as well as undertake corporate-wide work, resulting in a heavier workload. These results happened as a result of extraordinary staff commitment and exceptional performance.

I am pleased to provide my compensation recommendations to recognize the extraordinary efforts (for 2018/2019) in this document.
The following is a summary of the 2018/19 PFS rating results for all eligible staff:

**Staff below the CEO:**

- Exceeds Expectations (EE) Rating = 13
- Achieved Expectations Plus (AEP) Rating = 33
- Achieved All Expectations (AAE) Rating = 13
- Achieved Some Expectations (ASE) Rating = 2
- Expectations Not Achieved (ENA) Rating = 0

Through the pre-established P4P program, all employees who meet performance expectations, have an opportunity to receive an adjustment to salary based on his/her performance rating (the PFS process) which allows employees to progress through their salary grade range, based on individual performance.

We are proposing the following PFS/salary increases to base salary for the 2018/19 fiscal year (which are calculated according to inflation and a survey of salary increases for comparable organizations in the private and public sector):

**Matrix for Executives, SVPs, VPs and Directors**

<table>
<thead>
<tr>
<th>Ratings</th>
<th>Zone 1 (in progression)</th>
<th>Zone 2 (mid-point)</th>
<th>Zone 3 (above mid-point)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exceeds Expectations (EE)</td>
<td>3.0%</td>
<td>2.75%</td>
<td>2.50%</td>
</tr>
<tr>
<td>Achieved Expectations Plus (AEP)</td>
<td>2.75%</td>
<td>2.50%</td>
<td>2.25%</td>
</tr>
<tr>
<td>Achieved All Expectations (AAE)</td>
<td>2.50%</td>
<td><strong>2.25%</strong></td>
<td>2.00%</td>
</tr>
<tr>
<td>Achieved Some Expectations (ASE)</td>
<td>1.00%</td>
<td>0.75%</td>
<td>0.50%</td>
</tr>
<tr>
<td>Expectations Not Achieved (ENA)</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

**Matrix for Managers, Professional and Support Staff**

<table>
<thead>
<tr>
<th>Ratings</th>
<th>Zone 1 (in progression)</th>
<th>Zone 2 (mid-point)</th>
<th>Zone 3 (above mid-point)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exceeds Expectations (EE)</td>
<td>4.25%</td>
<td>4.00%</td>
<td>3.75%</td>
</tr>
<tr>
<td>Achieved Expectations Plus (AEP)</td>
<td>3.50%</td>
<td>3.25%</td>
<td>3.00%</td>
</tr>
<tr>
<td>Achieved All Expectations (AAE)</td>
<td>2.75%</td>
<td><strong>2.50%</strong></td>
<td>2.25%</td>
</tr>
<tr>
<td>Achieved Some Expectations (ASE)</td>
<td>1.00%</td>
<td>0.75%</td>
<td>0.50%</td>
</tr>
<tr>
<td>Expectations Not Achieved (ENA)</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

The above proposed PFS/salary increase result in a total adjustment of $239,560 which is 2.96% of the total payroll base of $8,087,256 (of the 61 staff eligible for salary treatment at March 31, 2019).

For the Executive and Director level, the CEO has proposed a mid-level salary merit adjustment of 2.25%, which remained unchanged from last year.

For the Manager, Professional and Support Staff level, the CEO has proposed a mid-level salary merit adjustment is 2.5%, which remained unchanged from last year.

**These mid-point salary merit adjustments are in-line with one of our stakeholders, other public sector agencies and third-party sources and are within the Board-approved 2019/20 Corporate Human Resources and Payroll budget of $14.7 million.**
In previous years the Chief Executive Officer (CEO) was provided a discretionary pool of funds to reward non-executive staff for extraordinary performance, according to a consensus evaluation by executives and directors.

Please find below the information for previous years:

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Approved funds</th>
<th>Funds distributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004/2005</td>
<td>$5,000</td>
<td>$3,000</td>
</tr>
<tr>
<td>2005/2006</td>
<td>$10,000</td>
<td>$6,200</td>
</tr>
<tr>
<td>2006/2007</td>
<td>$21,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>2007/2008</td>
<td>$20,000</td>
<td>$16,000</td>
</tr>
<tr>
<td>2008/2009</td>
<td>$15,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>2009/2010</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>2010/2011</td>
<td>$6,000</td>
<td>$6,000</td>
</tr>
<tr>
<td>2011/2012</td>
<td>$15,000</td>
<td>$6,000</td>
</tr>
<tr>
<td>2012/2013</td>
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</tr>
<tr>
<td>2013/2014</td>
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<tr>
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<td>$10,000</td>
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<tr>
<td>2016/2017</td>
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<td>$20,000</td>
</tr>
<tr>
<td>2017/2018</td>
<td>$16,500</td>
<td>$16,500</td>
</tr>
</tbody>
</table>

For 2018/2019, $22,000 will be provided towards the discretionary pool.