

STANDING POLICIES MANUAL

OF THE

ALBERTA CAPITAL FINANCE AUTHORITY

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CHAPTER 1 - Introduction

1.1 Purpose

This Standing Policies Manual ("***Policy Manual***") of the Alberta Capital Finance Authority (the "***Corporation***") sets out the key governance and operational policies of the Corporation. This Policy Manual, in conjunction with the provisions of:

- (a) the *Alberta Capital Finance Authority Act* (the "***ACFA Act***") and its regulations;
- (b) the *Alberta Public Agencies Governance Act* (the "***APAG Act***") and its regulations;
- (c) the roles and mandates document of the Corporation; and
- (d) the bylaws of the Corporation;

as amended or replaced from time to time, constitutes the governing documents of the Corporation.

1.2 Definitions and Interpretation

In each chapter of this Policy Manual defined expressions, if not otherwise specifically defined within the chapter, have the meaning set out in Appendix "A". References to the officers of the Corporation, such as the Board Chair, Vice-Chair and President, refer to the officers appointed in accordance with the ACFA Act or the bylaws of the Corporation, as applicable.

1.3 Paramountcy

In the event of a conflict or inconsistency between the governing documents of the Corporation, the provisions of the following documents shall prevail in order of precedence:

- (a) the ACFA Act and its regulations, and the APAG Act and its regulations;
- (b) the roles and mandates document of the Corporation;
- (c) the bylaws of the Corporation; and
- (d) the policies set out in this Policy Manual.

1.4 Review

All polices in this Policy Manual must be reviewed every 2 years by the Board for the purposes of ensuring their continued relevance and appropriateness.

CHAPTER 2 -Governance: Code of Conduct and Ethics Policy

2.1 Purpose

Directors are expected to act with integrity and impartiality in the course of performing their work for the Corporation and must avoid conduct that creates a conflict of interest.

The purpose of this policy is to establish the rules governing the business and ethical conduct of the Directors. The range and complexity of the Corporation's activities is such that it is not possible to produce an exhaustive list of prohibitions which covers all eventualities; the following are therefore issued as guidelines to the Directors that are in line with the requirements of the *Conflicts of Interest Act* (Alberta) (the "**Conflicts Act**"). If questions or situations arise, they shall be settled in accordance with the general principles of this policy.

2.2 Definitions

In addition to the defined expressions set out in Appendix "A", in this policy the following expressions mean as follows (and where applicable their alternate singular or plurals have corresponding meanings), except where a contrary meaning is clearly intended:

- (a) "**Associate**" means, in respect of a Director:
 - (i) the spouse of the Director, the relatives of the Director and the spouse, and any other individual occupying the same residence as the Director;
 - (ii) a business where the Director owns 1% or more shares issued by it;
 - (iii) a business where the Director is a director or senior officer of the business;
 - (iv) a partnership in which the Director owns 1% or more interest; and
 - (v) a person or group of persons acting as the agent of the Director and having actual authority in that capacity;
- (b) "**Chair**" means the individual appointed to the position of chair of the Board with duties related to Directors that include, but are not limited to:

- (i) being a contact point for general advice and guidance about this policy;
 - (ii) administration of this policy;
 - (iii) managing and/or resolving any real or apparent conflict of interest that is brought to their attention;
 - (iv) liaising with the office of the Ethics Commissioner, as necessary, on the most appropriate way to manage and/or resolve any real or apparent conflict of interest disclosed to them by a Director; and
 - (v) documenting the disclosure and any discussions, decisions, or actions taken in relation to a real or apparent conflict of interest, including the reasons for the decisions or actions taken.
- (c) “**Director**” means a member of the Board and any committee appointees who are not members of the Board of Directors of the Corporation, and includes the Chair;
- (d) “**Employee**” means an individual employed by the Corporation;
- (e) “**Ethics Commissioner**” means the individual appointed by the Alberta Lieutenant Governor in Council to carry out the duties, responsibilities, and functions set out in the *Conflicts Act*;
- (f) “**Vice Chair**” means the individual appointed to the position of vice chair of the Board;
- (g) “**Remunerated Appointment**” means an appointment that receives or is entitled to receive remuneration;
- (h) “**Government Department**” means a department established under section 2 of the Government Organization Act (Alberta); and
- (i) “**Staff Member**” means an individual seconded to the Corporation to carry out its business affairs and who is an employee of the Crown in right of Alberta through the Government Department of Treasury Board and Finance.

2.3 Application of Code of Conduct and Ethics Policy

This policy applies to all Directors. The Corporation does not have any Employees. All day-to-day operations of the Corporation are performed by Staff Members who are subject to the *Code of Conduct and Ethics for the Public Service of Alberta* and who are not subject to this policy.

2.4 Conflict of Interest

(a) Overview

It is important that there not be any conflict between the private interest of Directors and their responsibilities to the Corporation and the public. Directors shall at all times conduct their responsibilities and carry out their duties in the best interests of the Corporation, with the utmost integrity and impartiality, and within the obligations set out under the *ACFA Act* and the *Conflicts Act*.

Directors must not act in self-interest or further their private interests by virtue of their position or through the carrying out of their duties.

Directors shall disclose, at the earliest opportunity, any situation in which they have a real or apparent conflict of interest. Early disclosure regarding such situations provides the greatest opportunity to discreetly mitigate adverse perceptions and maintain objectivity, impartiality, and integrity for individual Directors and the Corporation.

(b) Procedures – Disclosure Process

To avoid conflicts of interest Directors must observe the following:

- (i) Directors, other than the Chair, shall disclose to the Board and Chair at the earliest opportunity any situations in which they have a real or apparent conflict of interest; and
- (ii) The Chair shall disclose to the Board at the earliest opportunity any situations in which the Chair has a real or apparent conflict of interest.

(c) Procedures – Administration

Administrators of this policy ensure that a real or apparent conflict of interest is avoided or managed:

- (i) The Chair is responsible for administering this policy with respect to Directors, other than the Chair. The Chair receives all inquiries and disclosures with respect to such Directors and ensures that any real or apparent conflict of interest is avoided or effectively managed. Any questions regarding general advice and guidance about this policy, and any concerns or complaints concerning potential breaches of this policy as they apply to Directors, other than the Chair, are to be directed to the Chair;
- (ii) The Board is responsible for administering this policy with respect to the

Chair. The Board receives all inquiries and disclosures with respect to the Chair and ensures that any real or apparent conflict of interest is avoided or effectively managed. Decisions by the Board will be made in accordance with the bylaws of the Corporation. Any questions regarding general advice and guidance about his policy, and any concerns or complaints concerning potential breaches of this policy as they apply to the Chair, are to be directed to the Board.

- (iii) The Chair and Board may request general advice and guidance from the Ethics Commissioner with respect to the management of any real or apparent conflict of interest.

Even though the Corporation may have a delegated process for responding to and managing concerns, the administrators of this policy are responsible for ensuring procedural fairness.

(d) Procedures – Restrictions and Duties of Directors

To avoid conflicts of interest Directors must observe the following:

- (i) Directors must remove themselves from discussions and decisions on matters in which they have a conflict of interest. This includes discussions involving Associates or enterprises in which the Director or an Associate has a financial interest, or where the Director is a board member, committee member or holds any other position of influence with a shareholder of the Corporation being discussed. Should Directors fail to remove themselves, the Chair of the meeting has the right to remove the Director from the discussion. Should the Chair fail to remove himself from discussions and decisions on matters in which the Chair has a conflict of interest, the Vice Chair has the right to remove the Chair from the discussion;
- (ii) Directors, when representing the Corporation, shall not participate in business transactions with Associates where the outcome of the business transaction is affected by the action taken or decisions made by the Director. Directors may not influence Staff Members in any way with respect to the administration of any contracts involving business enterprises in which they or an Associate has a financial interest;
- (iii) Directors may not use information obtained in the performance of their duties as a member of the Board for improper personal gain or benefit, nor for the personal gain or benefit of an Associate;

- (iv) The onus is on Directors to advise of any real or apparent conflict of interest. Where the Director does not declare such a conflict and other Directors are aware that such a conflict exists, the other Directors have the responsibility to disclose the conflict. The identity of the Director involved in the disclosure of the conflict, including the Director making the disclosure and the Director alleged to have the conflict, shall be kept confidential except where a disclosure must be revealed by law. The Corporation will protect Directors who make disclosures of conflicts from retaliations where the disclosures are made in good faith; and
- (v) Directors shall not influence other Directors where they have a conflict of interest.

(e) Procedures – Response to a Potential Breach of Policy

Once a potential breach of this policy has been reported, the Corporation's procedures for responding to and managing the breach will be promptly initiated:

- (i) Once a potential breach has been reported to the relevant policy administrator, being the Chair or Board, the policy administrator will review the circumstance and details and will notify the Director alleged to have been involved in the potential breach. The Director has the right to complete information and the right to respond fully to the allegations. The identity of the Director, involved in the breach, including the Director making the report and the Director alleged to have committed the breach, shall be kept confidential during the investigation except where disclosure is determined to be required by law.
 - (ii) The Chair or Board shall determine the appropriate action to be taken and will complete a report in a timely manner;
 - (iii) The report will document the disclosure and any discussions, decisions, or actions taken in relation thereto, including the reasons for the decisions or actions taken; and
 - (iv) The report will be given to the Director under investigation.
- (f) Procedures – Ethics Commissioner Review of a Decision

Directors can request in writing for the Ethics Commissioner to review a decision made by the Chair or Board about a conflict of interest or breach of this policy.

The Ethics Commissioner will review the circumstance and details of the conflict of interest or breach of this policy and will complete a report. The report will be given to the Chair and the Director, under investigation. Where the relevant policy administrator is the Board, the report will be given to the Board via the Vice Chair and the Chair (as the Director under investigation). The Director under investigation can request all information related to the conflict of interest or breach and has the right to respond to the report.

2.5 Confidentiality

Directors shall exercise utmost discretion with respect to disclosing confidential information of the business of the Corporation.

Directors shall not disclose or make known any confidential information, including any information or documents regarding the business affairs of a shareholder or a person dealing with a shareholder, to any other person, except as otherwise permitted or required in the exercise of their duties or as otherwise required by law.

Directors shall protect personal information of an individual within the provisions regarding its collection, use and disclosure under the *Freedom of Information and Protection of Privacy Act*.

The responsibility for maintaining the confidentiality of information or documents includes the responsibility for ensuring that such information or documents are not purposely or negligently made available to unauthorized persons.

2.6 Political Activities

Directors who seek federal or provincial political office must take a leave of absence starting on the day after the writ of election is issued or on the day that the candidacy is publicly announced, whichever is later, and if elected must resign effective the day after the election.

2.7 Concurrent Employment or Appointment to other Offices

- (a) In the event Directors are involved in any remunerated appointment, business undertaking or employment, including self-employment, such activity must not:
 - (i) cause a real or apparent conflict of interest;
 - (ii) interfere with regular duties or availability for Board work; or
 - (iii) involve the use of premises, equipment, or supplies of the Corporation, unless such use is otherwise authorized.

Prior to becoming involved in any remunerated appointment, business undertaking or employment, Directors, other than the Chair, shall notify the Chair in writing about the nature of such activity. If an activity described in this section involves the Chair, the Chair shall notify the Board in writing about the nature of such activity. This notification requirement and section 2.7(a)(i) above do not apply where the remunerated appointment, business undertaking or employment is with a shareholder of the Corporation as long as the Director adheres to the processes and requirements set out in sections 2.4(d)(i) – (iii) and 2.4(d)(v).

- (b) The relevant policy administrator, being the Chair or Board, will review the proposed remunerated appointment, business undertaking, or employment for real or apparent conflicts of interest. If there is no real or apparent conflict of interest, the policy administrator may approve the remunerated appointment, business undertaking or employment in writing. If there is a real or apparent conflict of interest, the policy administrator will then, in writing, put procedures in place to manage the real or apparent conflict of interest. The real or apparent conflict of interest must be managed as set out in writing by the relevant policy administrator, which may include the requirement to give up the remunerated appointment, business undertaking, or supplementary employment.
- (c) Directors shall not accept additional compensation from third parties for duties which they perform for the Corporation.
- (d) Directors shall not allow the performance of their official duties to be influenced by offers of future employment or the anticipation of offers of employment.

2.8 Gifts

Directors shall not accept fees, gifts or other benefits, that are connected directly or indirectly with the duties they perform for the Corporation, from any individual, organization or corporation, other than non-monetary gifts or other benefits that constitute:

- (i) the normal exchange of hospitality between persons doing business together;
- (ii) tokens exchanged as part of protocol; and
- (iii) the normal presentation of gifts to persons participating in public functions.

The total value of non-monetary gifts or other benefits received from the same source in any calendar year cannot exceed \$200, except for tickets and invitations to events which cannot exceed \$400.

2.9 Breach of Policy

Any breach of a provision of this policy by a Director may be grounds for any Director to recommend the removal of the Director to the shareholder of the Corporation who appointed or elected, as applicable, the Director.

2.10 Obligations of the Chair

- (a) The Chair must not take part in a decision in the course of carrying out their office or powers knowing that the decision might further a private interest of the Chair, a person directly associated with the Chair, or their minor or adult child.
- (b) The Chair must not use their office or powers to influence or seek to influence a decision to be made by or on behalf of the Crown in right of Alberta or a public agency, as defined in the *Conflicts Act* (including but not limited to the Corporation) to further a private interest of the Chair, a person directly associated with the Chair, or to improperly further any other person's private interest.
- (c) The Chair must not use or communicate information not available to the general public that was gained by the Chair in the course of carrying out their office or powers to further or seek to further a private interest of the Chair or any other person's private interest.
- (d) The Chair must appropriately and adequately disclose a real or apparent conflict of interest.
- (e) The Chair shall disclose to the Board at the earliest opportunity any situations in which the Chair has a real or apparent conflict of interest.

2.11 Declaration

Directors shall sign a declaration agreeing to abide by the provisions of this policy in the form attached as Schedule "A" to this policy.

2.12 Publication and Effective Date

Upon the approval of this policy by the Ethics Commissioner as required under the *Conflicts Act*, the Corporation shall publish this policy on its website. This policy comes into effect 14 days after the date of such publication.

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SCHEDULE "A" (Code of Conduct and Ethics Policy Declaration)
to the Code Of Conduct And Ethics Policy of the
Alberta Capital Finance Authority

ALBERTA CAPITAL FINANCE AUTHORITY
CODE OF CONDUCT AND ETHICS POLICY DECLARATION

I, the undersigned, a director of the Alberta Capital Finance Authority (the "*Corporation*"), acknowledge and agree that:

1. I owe a fiduciary duty to the Corporation;
2. I am bound by the principles and obligations set out in the Corporation's Code of Conduct and Ethics Policy (the "*Policy*"), as amended from time to time;
3. I will at all times observe and comply with my fiduciary duties to the Corporation and the requirements of the Policy.

Date of Signing: _____

Name: _____

CHAPTER 3 - Governance: Supplemental Code of Conduct and Ethics Policy for Staff Members

3.1 Purpose

The Corporation does not have any Employees. All day-to-day operations of the Corporation are performed by Staff Members who are subject to the *Code of Conduct and Ethics for the Public Service of Alberta* and who are not subject to Chapter 2 of the Policy Manual.

Staff Members are expected to act with integrity and impartiality in the course of performing their work for the Corporation and must avoid conduct that creates a conflict of interest.

The purpose of this policy is to provide supplemental instructions to the *Code of Conduct and Ethics for the Public Service of Alberta* regarding the ethical conduct of Staff Members with respect to the performance of their work on behalf of the Corporation.

The range and complexity of the Corporation's activities is such that it is not possible to produce an exhaustive list of prohibitions which covers all eventualities; the following are therefore issued as supplemental guidelines to Staff Members that are in line with the requirements of the *Conflicts of Interest Act* (Alberta) (the "**Conflicts Act**"). If questions or situations arise, they shall be settled in accordance with the general principles of this policy.

3.2 Definitions

In addition to the defined expressions set out in Appendix "A", in this policy the following expressions mean as follows (and where applicable their alternate singular or plurals have corresponding meanings), except where a contrary meaning is clearly intended:

- (a) "**Associate**" means, in respect of a Staff Member:
- (i) the spouse of the Staff Member, the relatives of the Staff Member and the spouse, and any other individual occupying the same residence as the Staff Member;
 - (ii) a business where the Staff Member owns 1% or more shares issued by it;
 - (iii) a business where the Staff Member is a director or senior officer of the business;

- (iv) a partnership in which the Staff Member is a partner owning 1% or more interest; and
 - (v) a person or group of persons acting as the agent of the Staff Member and having actual authority in that capacity;
- (b) **“Chair”** means the individual appointed to the position of chair of the Board with duties related to the Chief Officer that include, but are not limited to:
- (i) being a contact point for general advice and guidance about this policy;
 - (ii) administration of this policy;
 - (iii) managing and/or resolving any real or apparent conflict of interest that is brought to their attention;
 - (iv) liaising with the Deputy Head or designate and the office of the Ethics Commissioner, as necessary, on the most appropriate way to manage and/or resolve any real or apparent conflict of interest disclosed to them by the Chief Officer; and
 - (v) documenting the disclosure and any discussions, decisions, or actions taken in relation to a real or apparent conflict of interest, including the reasons for the decisions or actions taken.
- (c) **“Chief Officer”** means the individual charged with the administration and operation of the Corporation, being the President of the Corporation, with duties related to Staff Members that include, but are not limited to:
- (i) being a contact point for general advice and guidance about this policy;
 - (ii) administration of this policy;
 - (iii) managing and/or resolving any real or apparent conflict of interest that is brought to their attention;
 - (iv) liaising with the Deputy Head or designate and the office of the Ethics Commissioner, as necessary, on the most appropriate way to manage and/or resolve any real or apparent conflict of interest disclosed to them by a Staff Member; and
 - (v) documenting the disclosure and any discussions, decisions, or actions taken in relation to a real or apparent conflict of interest, including the reasons for the decisions or actions taken.

- (d) **“Deputy Head”** means the chief officer of the Government Department of Treasury Board and Finance and who is the individual designated to administer the *Code of Conduct and Ethics for the Public Service of Alberta* for the Government Department of Treasury Board and Finance;
- (e) **“Employee”** means an individual employed by the Corporation;
- (f) **“Ethics Commissioner”** means the individual appointed by the Alberta Lieutenant Governor in Council to carry out the duties, responsibilities, and functions set out in the Conflicts Act;
- (g) **“Remunerated Appointment”** means an appointment that receives or is entitled to receive remuneration;
- (h) **“Government Department”** means a department established under section 2 of the *Government Organization Act* (Alberta); and
- (i) **“Staff Member”** means an individual seconded to the Corporation to carry out its business affairs and who is an employee of the Crown in right of Alberta, through the Government Department of Treasury Board and Finance, and includes the Chief Officer.

3.3 Application of Supplemental Code of Conduct and Ethics Policy for Staff Members

- (a) The Corporation pursuant to its authority under the *Alberta Capital Finance Authority Act* (the **“ACFA Act”**) appoints Staff Members to carry out the day-to-day operation and business of the Corporation. As employees of the Crown in right of Alberta, through the Government Department of Treasury Board and Finance, Staff Members are subject to the *Code of Conduct and Ethics for the Public Service of Alberta*. However, given that Staff Members are seconded to the Corporation this policy shall apply to Staff Members as supplemental instructions to the *Code of Conduct and Ethics for the Public Service of Alberta* with respect to the performance of their work on behalf of the Corporation
- (b) This policy applies to all Staff Members unless a specific exemption is granted by the relevant policy administrator, being the Chief Officer or the Chair. The policy administrator may refer a disclosure or complaint alleging a breach of this policy to the Deputy Head or designate if, in the opinion of the policy administrator, the disclosure or complaint would be more appropriately dealt with by the Deputy Head or designate.

3.4 Paramountcy

This policy is in addition to but does not detract from matters dealt with in the *Code of Conduct and Ethics for the Public Service of Alberta*. This policy is not more permissive than the *Code of Conduct and Ethics for the Public Service of Alberta*.

Staff Members are subject to the *Code of Conduct and Ethics for the Public Service of Alberta* and must consider the expectations in that code. This policy is not intended to conflict with the *Code of Conduct and Ethics for the Public Service of Alberta* and Staff Members will discuss any potential issues with the relevant policy administrator of this policy.

3.5 Conflict of Interest

(a) Overview

It is important that there not be any conflict between the private interest of Staff Members and their responsibilities to the Corporation and the public. Staff Members shall at all times conduct their responsibilities and carry out their duties in the best interests of the Corporation, with the utmost integrity and impartiality, and within the obligations set out under the *ACFA Act* and the *Conflicts Act*.

Staff Members must not act in self-interest or further their private interests by virtue of their position or through the carrying out of their duties.

Staff Members shall disclose, at the earliest opportunity, any situation in which they have a real or apparent conflict of interest. Early disclosure regarding such situations provides the greatest opportunity to discreetly mitigate adverse perceptions and maintain objectivity, impartiality, and integrity for individual Staff Members and the Corporation.

(b) Procedures – Disclosure Process

To avoid conflicts of interest, Staff Members must observe the following:

- (i) Staff Members, other than the Chief Officer, shall disclose to the Chief Officer at the earliest opportunity any situations in which they have a real or apparent conflict of interest; and
- (ii) The Chief Officer shall disclose to the Chair at the earliest opportunity any situations in which the Chief Officer has a real or apparent conflict of interest.

(c) Procedures – Administration

Administrators of this policy ensure that a real or apparent conflict of interest is avoided or managed:

- (i) The Chief Officer is responsible for administering this policy with respect to Staff Members, other than the Chief Officer. The Chief Officer receives all inquiries and disclosures with respect to such Staff Members and ensures that any real or apparent conflict of interest is avoided or effectively managed. Any questions regarding general advice and guidance about this policy, and any concerns or complaints concerning potential breaches of this policy as they apply to Staff Members, other than the Chief Officer, are to be directed to the Chief Officer;
- (ii) The Chair is responsible for administering this policy with respect to the Chief Officer. The Chair receives all inquiries and disclosures with respect to the Chief Officer and ensures that any real or apparent conflict of interest is avoided or effectively managed. Any questions regarding general advice and guidance about his policy, and any concerns or complaints concerning potential breaches of this policy as they apply to the Chief Officer, are to be directed to the Chair;
- (iii) The Chief Officer and Chair may request general advice and guidance from the Ethics Commissioner with respect to the management of any real or apparent conflict of interest; and
- (iv) The relevant policy administrator, being the Chief Officer or Chair will advise and consult with the Deputy Head or designate in all cases where a breach has occurred.

Even though the Corporation may have a delegated process for responding to and managing concerns, the administrators of this policy are responsible for ensuring procedural fairness.

(d) Procedures – Restrictions and Duties of Staff Members

To avoid conflicts of interest Staff Members must observe the following:

- (i) Staff members must remove themselves from involvement in files or in matters in which they have a conflict of interest. This includes discussions involving entities or enterprises in which the Staff Member or an Associate has a financial interest;
- (ii) Staff Members in the performance of their duties for the Corporation shall not participate in business transactions with Associates where the outcome of the business transaction is affected by the action taken or

decisions made by the Staff Member. Staff Members may not influence other Staff Members in any way with respect to the administration of any contracts involving business enterprises in which the Staff Member or an Associate has a financial interest;

- (iii) Staff Members may not use information obtained in the performance of their duties for the Corporation for improper personal gain or benefit, nor for the personal gain or benefit of an Associate;
- (iv) The onus is on Staff Members to advise of any real or apparent conflict of interest. Where the Staff Member does not declare such a conflict and other Staff Members are aware that such a conflict exists, the other Staff Members have the responsibility to report the conflict. The identity of the Staff Member involved in the disclosure of the conflict, including the Staff Member making the disclosure and the Staff Member alleged to have the conflict, shall be kept confidential except where a disclosure must be revealed by law. The Corporation will protect Staff Members who make disclosures of conflicts from adverse employment action where the disclosures are made in good faith; and
- (v) Staff Members shall not influence any other Staff Members where they a conflict of interest.

(e) Procedures – Response to a Potential Breach of Policy

Once a potential breach has been reported, the Corporation's procedures for responding to and managing the breach will be promptly initiated:

- (i) Once a potential conflict of interest or potential breach of this policy has been reported to the relevant policy administrator, being the Chief Officer or Chair, the policy administrator will review the circumstance and details and will notify the Staff Member alleged to have been involved in the potential breach. The Staff Member has the right to complete information and the right to respond fully to the allegations. The identity of the Staff Member involved in the breach, including the Staff Member making the disclosure and the Staff Member alleged to have breached this policy, shall also be kept confidential except where a disclosure must be revealed by law;
- (ii) The Chair or Chief Officer shall determine the appropriate action to be taken and will complete a report in a timely manner;
- (iii) The report will document the disclosure and any discussions, decisions, or actions taken in relation thereto, including the reasons for the

decisions or actions taken; and

(iv) The report will be given to the Staff Member under investigation.

(f) Procedures – Review of a Decision

(i) In the event that a Staff Member has made a disclosure to the Chief Officer in accordance with the procedures established in this policy and the investigation under these procedures has been completed, and the individual is not satisfied with the decision of the Chief Officer, the individual can ask the Chair to review a decision made by the Chief Officer about a conflict of interest or breach of this code.

(ii) In the event that the Staff Member is not satisfied with the Chair's review of a decision made by the Chief Officer, the individual can then request in writing for the Ethics Commissioner to review the decision pursuant to section 3.5(g) of this policy.

(g) Procedures – Ethics Commissioner Review of a Decision

Subject to section 3.5(f) of this policy, Staff Members can request in writing for the Ethics Commissioner to review a decision made by the Chair about a conflict of interest or breach of this policy.

The Ethics Commissioner will review the circumstance and details of the conflict of interest or breach of this policy and will complete a report. The report will be given to the Chair, the Chief Officer, and the Staff Member under investigation. The Staff Member can request all information related to the conflict of interest or breach and has the right to respond to the report.

3.6 Confidentiality

Staff Members shall exercise utmost discretion with respect to disclosing confidential information of the business of the Corporation.

Staff Members shall not disclose or make known any confidential information, including any information or documents regarding the business affairs of a shareholder or a person dealing with a shareholder, to any other person, except as otherwise permitted or required in the exercise of their duties or as otherwise required by law.

Staff Members shall protect personal information of an individual within the provisions regarding its collection, use and disclosure under the *Freedom of Information and Protection of Privacy Act*.

The responsibility for maintaining the confidentiality of information or documents includes the responsibility for ensuring that such information or documents are not purposely or negligently made available to unauthorized persons.

3.7 Political Activities

Staff Members who seek federal or provincial political office must take a leave of absence starting on the day after the writ of election is issued or on the day that the candidacy is publicly announced, whichever is later, and if elected must resign effective the day after the election.

3.8 Concurrent Employment or Appointment to other Offices

- (a) In the event Staff Members are involved in any remunerated appointment, business undertaking or employment, including self-employment, such activity must not:
 - (i) cause a real or apparent conflict of interest;
 - (ii) be performed in such a way as to appear to be an official act, or to represent an opinion or policy of the Corporation;
 - (iii) interfere with regular duties; or
 - (iv) involve the use of premises, equipment, or supplies of the Corporation, unless such use is otherwise authorized.

Prior to becoming involved in any remunerated appointment, business undertaking or employment, Staff Members, other than the Chief Officer, shall notify the Chief Officer in writing about the nature of such activity. If an activity described in this section involves the Chief Officer, the Chief Officer shall notify the Chair in writing about the nature of such activity.

- (b) The relevant policy administrator, being the Chair or Chief Officer, will review the proposed remunerated appointment, business undertaking or employment for real or apparent conflicts of interest. If there is no real or apparent conflict of interest, the policy administrator may approve the remunerated appointment, business undertaking or employment in writing. If there is a real or apparent conflict of interest, the policy administrator will then, in writing, put procedures in place to manage the real or apparent conflict of interest. The real or apparent conflict of interest must be managed as set out in writing by the relevant policy administrator, which may include the requirement to give up the remunerated appointment, business undertaking, or supplementary employment.

- (d) Staff Members shall not accept additional compensation from third parties for duties which they perform for the Corporation.
- (e) Staff Members shall not allow the performance of their official duties to be influenced by offers of future employment or the anticipation of offers of employment.

3.9 Gifts

Staff Members shall not accept fees, gifts or other benefits, that are connected directly or indirectly with the duties they perform for the Corporation, from any individual, organization or corporation, other than non-monetary gifts or other benefits that constitute:

- (i) the normal exchange of hospitality between persons doing business together;
- (ii) tokens exchanged as part of protocol; and
- (iii) the normal presentation of gifts to persons participating in public functions.

The total value of non-monetary gifts or other benefits received from the same source in any calendar year cannot exceed \$200, except for tickets and invitations to events which cannot exceed \$400.

3.10 Breach of Policy

Any breach of a provision of this policy by a Staff Member may be grounds for disciplinary action up to and including termination of employment.

3.11 Declaration

Staff Members shall sign a declaration agreeing to abide by the provisions of this policy in the form attached as Schedule "A" to this policy.

3.12 Publication and Effective Date

Upon the approval of this policy by the Ethics Commissioner as required under the Conflicts Act, the Corporation shall publish this policy on its website. This policy comes into effect 14 days after the date of such publication.

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SCHEDULE "A" (Supplemental Code of Conduct and Ethics Policy for Staff Members Declaration)
to the Supplemental Code Of Conduct And Ethics Policy for Staff Members of the
Alberta Capital Finance Authority

ALBERTA CAPITAL FINANCE AUTHORITY
SUPPLEMENTAL CODE OF CONDUCT AND ETHICS POLICY FOR STAFF MEMBERS DECLARATION

I, the undersigned, a staff member of the Alberta Capital Finance Authority (the "*Corporation*"), acknowledge and agree that:

1. I owe a fiduciary duty to the Corporation;
2. I am bound by the principles and obligations set out in the Corporation's Supplemental Code of Conduct and Ethics Policy for Staff Members (the "*Policy*"), as amended from time to time;
3. I will at all times observe and comply with my fiduciary duties to the Corporation and the requirements of the Policy.

Date of Signing: _____

Name: _____

CHAPTER 4 -Governance: Whistleblower Protection Policy

4.1 Purpose

The *Public Interest Disclosure (Whistleblower Protection) Act* (“**PIDA**”) came into effect on June 1, 2013. PIDA applies to the Corporation as a public entity.

The main purposes of PIDA are to:

- (a) facilitate the disclosure and investigation of “Wrongdoings” (as defined in this policy) which are, in brief, significant and serious matters in or relating to public entities that an employee believes may be unlawful, dangerous to the public or injurious to the public interest;
- (b) protect employees who make those disclosures;
- (c) manage, investigate and make recommendations respecting disclosures of wrongdoing and reprisals; and
- (d) promote public confidence in the administration of public entities.

Day to day workplace issues that fall short of “Wrongdoings” should be dealt with in accordance with other existing policies and procedures of the Corporation.

4.2 Support for Whistleblowers

The Corporation is committed to:

- (a) establishing and maintaining whistleblower policies and procedures that comply with PIDA;
- (b) promoting ethical behavior by its employees, staff members and board members; and every employee, staff member and board member is expected to perform his or her duties with the utmost integrity and to conduct themselves honestly, ethically and with the highest degree of professionalism;
- (c) providing its employees and staff members with information about PIDA, the Corporation’s whistleblower policies and its disclosure and investigation procedures; and
- (d) fostering a working environment in which its employees and staff members may make a disclosure of wrongdoing in good faith without fear of reprisal.

4.3 Definitions

In addition to the defined expressions set out in Appendix “A”, in this policy the following expressions mean as follows (and where applicable their alternate singular or plurals have corresponding meanings):

- (a) **“Chief Officer”** means the individual charged with the administration and operation of the Corporation, being the President of the Corporation, with responsibilities that include, but are not limited to:
 - (i) establishing and maintaining effective internal policies and procedures for the disclosure and investigation of Wrongdoings;
 - (ii) establishing and maintaining effective systems and strategies that mitigate the risk of Reprisals against whistleblowers;
 - (iii) providing adequate financial and human resources to those investigating a disclosure of Wrongdoings;
 - (iv) ensuring that Employees and Staff Members are aware of the Corporation’s whistleblower policies and procedures and the whistleblower protections available in PIDA; and
 - (v) preparing and submitting of an annual report to the Public Interest Commissioner on all disclosures that have been made to the Designated Officer of the Corporation relating to Wrongdoings;

- (b) **“Designated Officer”** means the individual designated by the Chief Officer as the individual primarily responsible to manage and investigate disclosures of Wrongdoings, which for the Corporation is the Chief Officer himself, with responsibilities that include, but are not limited to:
 - (i) being a contact point for general advice and guidance about PIDA and the Corporation’s whistleblower policies and procedures;
 - (ii) liaising with the office of the Public Interest Commissioner;
 - (iii) liaising with the Chief Officer should the person occupying that position be different from the person occupying the position of “Designated Officer”;
 - (iv) coordinating the disclosure process including impartially assessing each disclosure to determine whether it is a public interest disclosure;

- (v) coordinating an investigation where an investigator has been appointed;
 - (vi) advising the whistleblower of the progress of an investigation;
 - (vii) establishing and managing a confidential filing system;
 - (viii) developing a tracking system to manage disclosures and investigations;
 - (ix) maintaining the confidentiality of the identity of the whistleblower and the identity of the person who is the subject of the disclosure; and
 - (x) protecting Employees and Staff Members involved in a disclosure of Wrongdoing from possible Reprisals;
- (c) **“Employee”** means an individual employed by the Corporation, and includes an employee who has suffered a Reprisal and has been terminated by the Corporation;
- (d) **“Government Department”** means a department established under section 2 of the *Government Organization Act* (Alberta);
- (e) **“Public Entity”** means any Alberta agency, board, commission, or provincial corporation;
- (f) **“Public Interest Commissioner”** means the individual appointed by the Alberta Lieutenant Governor in Council to carry out the duties, responsibilities, and functions set out in PIDA, with responsibilities that include, but are not limited to:
- (i) carrying out the purposes of PIDA;
 - (ii) reviewing and investigating disclosures of Wrongdoings and complaints of Reprisals made under PIDA; and
 - (iii) performing of any other functions that are set out in PIDA;
- (g) **“Reprisal”** means any adverse employment action taken against an Employee or Staff Member because the Employee or Staff Member has, in good faith, sought advice about making a disclosure, made a disclosure, co-operated in an investigation of a Wrongdoing, or declined to participate in a Wrongdoing in accordance with PIDA. A reprisal may include, but is not limited to:
- (i) a dismissal, layoff, suspension, demotion or transfer, discontinuation, or elimination of a job, change of job location, reduction in wages, change in hours of work or reprimand;

- (ii) any measure that adversely affects the Employee or Staff Member’s employment or working conditions; and
- (iii) a threat to take any measures mentioned above;
- (h) **“Staff Member”** means an individual seconded to the Corporation to carry out its business affairs and who is employed by someone (including a Public Entity) other than the Corporation, and includes a seconded individual who has suffered a Reprisal and has been terminated by the other person; and
- (i) **“Wrongdoings”** has the same meaning set out in PIDA and means:
 - (i) a contravention of a provincial or federal Act or regulation;
 - (ii) an act or omission that creates a substantial and specific danger to the life, health, or safety of individuals other than a danger that is inherent in the performance of the duties or functions of an Employee or Staff Member;
 - (iii) an act or omission that creates a substantial and specific danger to the environment;
 - (iv) gross mismanagement of public funds or a public asset;
 - (v) knowingly directing or counselling an individual to commit a wrongdoing mentioned above; and
 - (vi) an alleged wrongdoing.

4.4 **Policies**

If an Employee or Staff Member becomes aware of a Wrongdoing, the individual is encouraged to disclose such behaviors and conduct to the Designated Officer.

The identity of individuals involved in the disclosure of Wrongdoings, including the Employee or Staff Member making the disclosure and the individuals alleged to have committed the Wrongdoings, shall be kept confidential during the investigation of disclosures except where a disclosure is determined to relate to an imminent risk of a substantial and specific danger to the life, health or safety of individuals, or to the environment; or except where the identity of an individual must be revealed by law.

The Corporation will protect Employees and Staff Members who make disclosures of Wrongdoings from Reprisals where the disclosures are made in good faith.

This policy does not apply to matters that may be more appropriately dealt with by another applicable policy of the Corporation, another Public Entity or a Government Department. For example, this Policy does not apply to:

- (a) Employee or Staff Member performance;
- (b) a human rights complaint;
- (c) a sexual harassment complaint; or
- (d) any unethical conduct by a member of the Corporation's Board.

4.5 Procedures - Request for Information

An Employee or Staff Member who is considering making a disclosure may request information or advice from the Designated Officer, Chief Officer or Public Interest Commissioner.

The Designated Officer, Chief Officer or Public Interest Commissioner may require that the request be made in writing.

4.6 Procedures - Disclosure Process

(a) Disclosure to the Designated Officer

If an Employee or Staff Member becomes aware of a Wrongdoing, the individual shall disclose such behaviors and conduct to the Designated Officer.

The Employee or Staff Member making the disclosure above may also contact the Public Interest Commissioner and advise the Public Interest Commissioner that a disclosure has been made to the Designated Officer for the purposes of commencing an investigation.

(b) Direct Disclosure to the Public Interest Commissioner

An Employee or Staff Member shall make a disclosure of Wrongdoing directly to the Public Interest Commissioner, bypassing the Designated Officer, only in the event that:

- (i) the individual has made a disclosure in accordance with the procedures established in this policy and an investigation in respect of the disclosure has not been completed in accordance with these procedures, including any time periods established under these procedures;

- (ii) the individual has made a disclosure in accordance with the procedures established in this policy and the investigation under these procedures has been completed, and the individual is not satisfied with the decision;
- (iii) the individual reasonably believes that there is an imminent risk of a substantial and specific danger to the life, health or safety of individuals, or to the environment, such that there is insufficient time to make a disclosure to the Designated Officer;
- (iv) a Reprisal has been taken against the individual or the individual reasonably believes that a Reprisal is likely to be taken against the individual if the disclosure is made to the Designated Officer (and in this case the individuals should submit a “Complaint of Reprisal” to the Public Interest Commissioner); or
- (v) the Designated Officer or Chief Officer is in a conflict of interest with respect to the nature of the disclosure or a person involved (an example of a conflict of interest is when the Designated Officer or the Chief Officer is the subject-matter of the disclosure of Wrongdoing).

An Employee or Staff Member may make a disclosure of Wrongdoing anonymously to the Public Interest Commissioner.

(c) Disclosure to a Government Department, another Public Entity, or the Public Interest Commissioner

The Designated Officer may refer a disclosure of Wrongdoing to:

- (i) a Government Department or another Public Entity if, in the opinion of the Designated Officer, the disclosure would be more appropriately dealt with there; and
- (ii) the Public Interest Commissioner if the Designated Officer reasonably believes that the matter to which the disclosure relates constitutes an imminent risk of a substantial and specific danger to the life, health or safety of individuals, or to the environment.

4.7 Form of Disclosures

Disclosures shall be made in writing and include the following minimal information:

- (a) a description of the Wrongdoing;
- (b) the name of the individual(s) involved;

- (c) the date of the Wrongdoing; and
- (d) any information the Designated Officer or Public Interest Commissioner may reasonably require in order to investigate the matters set out in the disclosure.

4.8 Investigation Process

(a) Timelines

The Designated Officer shall acknowledge in writing a disclosure of Wrongdoing or complaint of Reprisal within 5 business days from the date on which the disclosure of Wrongdoing or complaint of Reprisal is received by the Designated Officer.

Within 10 business days from the date on which the disclosure of Wrongdoing or complaint of Reprisal is received, the Designated Officer shall make a decision as to whether to investigate the disclosure of Wrongdoing or complaint of Reprisal and shall notify the individual who submitted the disclosure of Wrongdoing or complaint of Reprisal of his/her decision.

The Designated Officer shall complete an investigation of a disclosure of Wrongdoing or complaint of Reprisal within 110 business days from the date on which the disclosure of Wrongdoing or complaint of Reprisal was received by the Designated Officer. The Chief Officer may extend the time period for investigation and provision of an investigation report by up to 30 business days.

The Designated Officer shall advise the individual who has made a disclosure of the progress of an investigation and will advise that individual of any actions taken.

(b) Consultation with the Public Interest Commissioner

The Designated Officer may request advice from the Public Interest Commissioner with respect to the management and investigation of a disclosure of Wrongdoing or complaint of Reprisal.

(c) Investigation of multiple Wrongdoings or offences

The Designated Officer may investigate Wrongdoings discovered during the investigation of a disclosure and the Designated Officer shall determine the appropriate action to be taken subject to the timelines set out herein.

The Designated Officer may report alleged offences under an Act or regulation of Alberta or under an Act or regulation of the Parliament of Canada if the

Designated Officer believes that an offence has been committed during an investigation of a disclosure. The Designated Officer shall determine the appropriate action to be taken subject to the timelines set out herein.

The Designated Officer may conduct a single investigation where more than one disclosure of Wrongdoing or complaint of Reprisal is received by the Designated Officer on the same matter.

(d) Collection of information

The Designated Officer in the investigation of a Wrongdoing or Reprisal may:

- (i) interview the individual making the disclosure;
- (ii) interview other Employees, Staff Members or individuals, including the subject of the complaint; and
- (iii) collate any relevant documentation.

The Designated Officer may personally investigate the Wrongdoing or Reprisal and may involve external investigators such as accounting advisors, legal counsel or forensic examiners.

Pursuant to section 15 of PIDA, the Designated Officer or the Chief Officer may collect, use and disclose any information that is considered necessary to manage and investigate a Wrongdoing or Reprisal and necessary for the general purposes of complying with PIDA. For clarity, to the extent of any inconsistency or conflict regarding the limits on the collection, use and disclosure of information between PIDA and the *Freedom of Information and Protection of Privacy Act* ("**FOIP**"), the provisions of PIDA prevail pursuant to section 28 of PIDA and section 5 of FOIP.

Some information or documentation collected in any investigation of a Wrongdoing or Reprisal may be protected from disclosure pursuant to section 29(1) of PIDA (including but not limited to information protected by solicitor-client privilege or information or documents that would disclose deliberations of the Executive Council or a committee of the Executive Council).

4.9 Offences and Penalties

(a) Penalties

There are serious offences and penalties under PIDA related to the following:

- (i) False Statements: No person shall knowingly withhold information or make a false statement (at any stage of the disclosure or investigation process), or counsel or direct an individual to provide a false statement to the Designated Officer, Chief Officer or the Public Interest Commissioner;
- (ii) Obstruction: No person shall wilfully obstruct , or counsel or direct another person to wilfully obstruct, any individual involved with the investigation of a disclosure of a Wrongdoing or complaint of Reprisal from performing a duty or function under PIDA; and
- (iii) Destruction, Falsification, Concealment: No person shall destroy, mutilate, falsify, conceal or alter a document or thing that is likely to be relevant to an investigation under PIDA, or counsel another person to do so.

Penalties under PIDA include:

- A fine of not more than \$25,000 for a first offence; and
- A fine of up to \$100,000 for a subsequent offence.

(b) Disciplinary Action

The Corporation will not tolerate any offences listed in Part 7 of PIDA or any Reprisals taken against an Employee or Staff Member who in good faith has made a disclosure of Wrongdoing. Any individuals who are found to have committed a Reprisal or an offence under Part 7 of PIDA will be subject to any applicable fines under PIDA and disciplinary action up to and including termination of employment.

4.10 Reporting

(a) Report to the Board Chair

The Designated Officer shall report to the Board Chair all disclosures of Wrongdoing that have been brought to his attention.

(b) Report of Chief Officer

The Chief Officer shall prepare an annual report on all disclosures of Wrongdoing that have been made to the Designated Officer. The annual report shall include all information required under PIDA and will be included in the annual report of the Corporation.

CHAPTER 5 - Governance: Director Recruitment and Compensation Policy; Expenses and Disclosure Policy

5.1 Recruitment of Directors

(a) Background

The Board is comprised of five members appointed by the Lieutenant Governor in Council and four members each elected by different classes of shareholders (other than the class A shareholder, being the Province), all in accordance with the provisions of the *Alberta Capital Finance Authority Act* and the bylaws of the Corporation.

Directors are appointed or elected for a fixed term of up to three (3) years, with the potential for reappointment, based on satisfactory performance, to a maximum of nine (9) years of continuous service.

(b) Competencies Assessment

The Board and the Department will identify a competency matrix for the Board as a whole and an inventory of the values and competencies of individual members. Values will include respect, integrity, excellence and accountability. Competencies will include financial knowledge, strong listening and communication skills, skills in developing consensus and an understanding of wise stewardship of resources.

When a vacancy occurs, the Board will identify the competencies that need to be replaced and will provide that profile to the individual/team responsible for leading the recruitment process.

(c) Selection of Appointed Directors

A public posting of all appointed Board member vacancies (including a description of the required competencies) will be the responsibility of the Department. Applications will be reviewed by the Department and candidates selected for an interview will be:

- (i) interviewed by a panel consisting of representatives from the Board and the Department; and
- (ii) assessed on the basis of the applicable competencies and values identified by the Board and approved by the Minister.

Conflict of interest and other screening shall be completed before a short list of suitable candidates is prepared for submission to the Minister.

The Minister will recommend, through a Recommendation for Order in Council (ROC), to the Lieutenant Governor in Council an individual from the short list to fill the appointed Board member vacancy .

The results of the recruitment process will be posted publicly on the Corporation's website.

(d) Elected Directors

A complementary matrix for the Corporation's directors will be posted on the Corporation's website and communicated to those classes of shareholders entitled to elect an individual to fill a director vacancy. Such posting and communication shall occur a reasonable period of time prior to the shareholder meeting called to hold such election.

5.2 Director Remuneration and Expenses Policy

Director remuneration is based on the Province's policies relating to remuneration and this policy may be amended from time to time pursuant to changes by the Province to its remuneration schedule for members of committees, boards and other bodies (being the Committee Remuneration Order, Schedule 1, Part A (OC 466/2007), as amended or replaced from time to time).

(a) Remuneration for Meetings

Remuneration of the Board Chair and other directors will be according to the following:

	Meetings		
	Up to and Including 4 hours	Greater than 4 hours Up to and Including 8 Hours	Over 8 Hours
Board Chair	\$219	\$383	\$601
Directors	\$164	\$290	\$427

(b) Travel Time and Living Expenses

Remuneration for travel time on either the day before or after the meeting shall be \$290 for both the Board Chair and the other directors.

Travel time (to and from) on the same day of a meeting will be added to that meeting time and charged accordingly.

The Board Chair and other directors are entitled to be paid traveling and living expenses in accordance with the Province's rules relating to the payment of subsistence and travel allowance except that actual costs of meals will be paid if substantiated by receipt.

For seminars, professional development and conferences, directors will be compensated for travel and registration expenses only.

(c) Preparation Time

The Board Chair and other directors may claim \$219 and \$164 respectively for preparation time per meeting.

5.3 Management and Staff Expenses and Disclosure

The Corporation's management and staff are entitled to be reimbursed for expenses incurred within the scope of their duties to the Corporation. Reimbursement shall be in alignment with the Province's expenses policy for officials and employees of the Province, as amended from time to time, except in respect of the approval of these expenses. All expenses of the President shall be approved by the Board Chair. Expenses of other management and staff shall be approved by the President. In addition, hosting and working session expenses greater than \$500 require the Board Chair's approval.

The President's hosting, working session and travel expenses will be posted online at the Corporation's website on a bi-monthly basis, in alignment with the Province's expenses disclosure policy for officials and employees of the Province, as amended from time to time.

Director remuneration will be publicly disclosed as per the requirements of the *Public Sector Compensation Transparency Act*.

Any exceptions to these requirements must be approved by the Board.

CHAPTER 6 - Treasury Policy

6.1 Introduction

The Board has authorized the Board Chair, Vice-Chair, President and Vice-President to engage in treasury activities pertaining to the Corporation's business within the parameters defined by this policy.

6.2 Roles and Responsibilities

(a) Board of Directors

The Board has a responsibility to ensure that there are appropriate risk management policies in place for the Corporation. The Board shall:

- (i) approve governing principles related to treasury activity;
- (ii) approve treasury policies and changes to policies;
- (iii) approve exceptions to the policies; and
- (iv) monitor performance of debt, investment and financial risk management programs by reviewing regular reports prepared by management.

(b) Management

The Corporation's management is responsible for carrying out treasury activities in accordance with approved Board policies by developing an appropriate control framework. This framework requires that management:

- (i) recommend treasury policies for Board approval; and
- (ii) ensure that an appropriate management reporting system, and related infrastructure, is developed and implemented with respect to the Corporation's risk positions in order to permit effective analysis and facilitate sound and prudent management and control of existing and potential exposures.

6.3 Governing Principles and Requirements

(a) Debt

(i) Authority to Borrow

The Corporation may borrow funds as approved by the following individuals:

- (A) one of either the President or Vice-president; and
- (B) one of either the Board Chair or Vice-Chair.

(ii) Cost-Effective Borrowing

Debt activities shall be undertaken in a prudent and cost-effective manner while minimizing financial market risk.

(iii) Currencies

All foreign currency borrowing shall be swapped into Canadian dollars on a fully hedged basis.

(iv) Liquid Reserves

The Corporation shall maintain liquid reserves adequate to meet its annual operating budget requirement and any other obligations as they arise.

(v) Lending Institutions and Investment Dealers

The Corporation shall use investment dealers approved by the Department and the Board will be provided with the approved investment dealer list annually. The investment dealers' performance should be reviewed periodically by the Department and the Corporation, with the results used to ensure that the Corporation is receiving quality service from all investment dealers.

(vi) Reports

Quarterly, the Board shall receive a report detailing the activity in the debt portfolio since the last report together with the current liquidity position.

(b) Risk Management

(i) Purpose of Risk Management

The purpose of risk management is to hedge financial market risks. Risk management transactions are to be undertaken by the Board Chair, President and/or Vice-President for the express purpose of hedging financial market risk directly associated with investment or debt transactions within a plan approved by the Board.

(ii) Counterparties

Counterparties must be those approved or accepted by the Province in accordance with the Province's policies.

(iii) Interest Rate Risk

Interest rate risk exposure is managed by matching its debt maturity profile to its forecast cash flows.

(iv) Documentation Risk

Risk management transaction contracts shall be reviewed by the Corporation's legal counsel.

(v) Approved Transactors

Risk management transactions shall be approved by the Board Chair, President or Vice-President. The same individual shall not be allowed to both approve and execute the same derivative transaction.

(vi) Risk Register

The Corporation shall maintain a risk register setting out all risks associated with its activities. The Board shall review and update the risk register at least once per year.

(vii) Reports

The Board shall receive annually a risk management report outlining the Corporation's sensitivity to its debt repayment. In addition, all risk management activities will be reported on a quarterly basis.

(c) Investment of Cash

Cash held by the Corporation from time to time shall be invested in the Province's Consolidated Cash Investment Trust Fund (CCITF).

6.4 Signing Authority

(a) Definitions

In this chapter 6.4, the following expressions mean as follows (and where applicable their alternate singular or plurals have corresponding meanings):

- (a) **“Hedging Documentation”** means the document by which the Corporation enters into transactions for the purpose of hedging financial risk and includes swap agreements;
- (b) **“Electronic Funds Transfer”** means the disbursement or transfer of funds by the Corporation by electronic means rather than by written instrument;
- (c) **“Financial Instrument”** means cheques, drafts, orders for payment of money, and similar written instruments authorizing the disbursement or transfer of funds by the Corporation but does not include Securities;
- (d) **“Financial Transactions”** means transactions requiring Hedging Documentation, Electronic Funds Transfers, Financial Instruments or Securities; and
- (e) **“Securities”** means debentures, notes, bonds and similar debt securities issued by the Corporation.

(b) General

The Board may by resolution or policy, from time to time, direct who and in what manner any particular instrument or class of instruments related to Financial Transactions may be signed and delivered.

In the absence of a specific resolution, the instruments related to Financial Transactions should be signed in accordance with this policy.

Subject to the other provisions of this policy, and to any other specific resolution or policy, the individuals holding the following positions are appointed as signing officers and any two such officers (who are different individuals) shall sign all Financial Instruments:

- (i) Board Chair;
- (ii) Vice-Chair;
- (iii) President;

- (iv) Vice-President
- (v) Senior Financial Officer; and
- (vi) Loans Officer.

(c) Electronic Funds Transfer

For the purpose of Electronic Funds Transfers, the individuals holding the following positions are appointed as signing officers:

- (i) Board Chair;
- (ii) Vice-Chair;
- (iii) President;
- (iv) Vice-President;
- (v) Senior Financial Officer; and
- (vi) Loans Officer.

Any two of such signing officers (who are different individuals) shall authorize by electronic means all Electronic Funds Transfers of the Corporation, except that if a signing officer created the Electronic Funds Transfer request, that person may not also authorize the transfer.

(d) Issue of Securities

Two of the Board Chair, Vice-Chair, President and the director who is the Assistant Deputy Minister of the Department (who are different individuals) shall sign all Securities issued by the Corporation.

The President, Vice-President or Senior Financial Officer shall sign any interest coupons attached to the debentures. Any one of them may attach the Corporation's seal to any Security requiring the same.

(e) Hedging Documentation

Any one of the individuals holding the position of President, Vice-President or Senior Financial Officer shall sign all Hedging Documentation. The same person shall not be allowed to both approve and execute the same derivative transaction.

(f) Ancillary Borrowing Arrangements

The President and Vice-President (acting together or individually) are authorized for and on behalf of the Corporation to arrange, negotiate and execute all ancillary arrangements required to effect any borrowings, including, but not limited to, the appointment of all agents required for that purpose, the appointment of registrars, providing any certificates or assurances on behalf of the Corporation, and all other instruments, agreements, and undertakings ancillary to and reasonably necessary for such borrowings.

6.5 Registrars

(a) General

Where, in accordance with the terms of a Security, the Security requires a registrar, the President may, from time to time, appoint one or more registrars of Securities.

If any Security or class of Securities requires a registrar and the President has not appointed a registrar, each of the Corporation's:

- (i) President;
- (ii) Vice-President; and
- (iii) Senior Financial Officer;

is appointed a registrar.

Where the provisions of a Security requires the signature of a registrar, the Security will not be a valid obligation of the Corporation until signed by or on behalf of the registrar.

(b) Register

Registrars may keep a register of the Securities issued by the Corporation for the purpose of:

- (i) recording names and addresses of the holders of fully registered Securities;
- (ii) recording the particulars of the Securities held by such holders respectively;
- (iii) recording particulars of the transfer of registered Securities; and

(iv) endorsing on any issued security the particulars of the registration, where appropriate.

(c) Early Redemption

If the holder of a Security issued by the Corporation elects to have the Security paid on a date other than the stated maturity in accordance with the provisions of the Security, each of the registrars of the Security may sign on behalf of the Corporation any acknowledgement endorsed on such Security that the Security shall mature and be payable on the elected date.

(d) Reproduction of Signatures

The President may authorize that the seal (if required) and the signatures of signing officers referred to above be affixed and reproduced in any form, including in electronic form.

The reproduced signatures shall be deemed for all purposes to be the officers' signatures and shall be binding on the Corporation.

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CHAPTER 7 - Borrowing Policy

7.1 Introduction

The Corporation provides financing to its shareholders for capital projects and the Corporation borrows money to provide this financing.

The Board decides the manner by which the Corporation has the power to borrow money, pursuant to the *Financial Administration Act*, section 81(1)(a), which states that the Minister is the exclusive agent of the Corporation for the purpose of negotiating and determining the terms and conditions of any proposed borrowing.

7.2 Authorization of Borrowing

The Board authorizes the Corporation to borrow from time to time such amounts as may be required to conduct its business of financing capital projects subject to the limits imposed under the *Alberta Capital Finance Authority Act* and its regulations (as amended or replaced from time to time) on the Corporation's aggregate principal sum of all outstanding loans and securities.

7.3 Source of Borrowing

The Corporation may borrow through the issue of one or more securities, which may be borrowed:

- (a) from the Province;
- (b) through public or private offerings; or
- (c) by any combination of the two.

7.4 Form of Securities

The Corporation's securities in respect of any borrowing shall:

- (a) be in the forms and in the denominations;
- (b) bear interest at the rates;
- (c) be made payable to the principal and interest at the time, in the currency and at the places; and
- (d) have such terms, conditions and rights;

as are negotiated by the Minister.

7.5 **Borrowing from the Province**

The Corporation may borrow by issuing securities to the Province even though the Minister is by statute the Corporation's exclusive agent for negotiating the terms of these borrowings.

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CHAPTER 8 - Derivatives Transactions Policy

8.1 Introduction

Derivatives contracts are contracts that are used to alter the Corporation's exposure to various financial and economic risks, including interest rate, foreign exchange and credit risks.

The values of derivatives contracts are dependent on the value of another financial instrument. Derivatives contracts are very flexible and can be adapted to meet the needs of the user. Derivatives can be transacted rapidly allowing the user to adjust risk exposure quickly and effectively when needed.

8.2 Responsibility

The Board is responsible for establishing a derivatives policy and reviewing the use of derivatives. The Corporation's use of derivatives must also be consistent with the Department's policies, procedures, and controls.

8.3 Objectives and Use

Derivative contracts are to be used and evaluated by the Corporation according to its mandate, specifically, its objective of lending money to shareholders at a reasonable cost while taking on reasonable risks.

Derivative contracts may be used for the following purposes:

(a) Asset/Liability Management

Mismatches in the terms and/or interest rates of assets and liabilities may cause the market value and/or net interest income of the Corporation to change as a result of change in market interest rates.

Derivatives, such as interest rate swaps, can be used to minimize this risk exposure. The Corporation's practice is to match the interest rate exposure on new loans to the interest exposure on new debt used to fund these loans.

In most cases, both fixed interest on new loans and debt are swapped to an interest rate based upon a floating index. To further minimize interest rate risk, the Corporation uses forward rate agreements to reduce the difference in timing of floating rate resets.

(b) Management of Funding Risks

The Corporation is funded by debt that is sensitive to the level of interest rates at the time the debt is issued. The size, timing, and term to maturity of the debt

issue may not match the size, timing and maturity of the assets it is funding causing a mismatch in terms to maturity.

The Corporation can use derivatives to protect the cost of a new debt issue against rising interest rates or to match the timing of the interest rate setting of the debt issue with the interest rate of new loans being funded.

(c) Foreign Currency and Structured Debt Financing

The Corporation may be presented with opportunities to issue debt in foreign currencies or using debt structures that have embedded derivatives. These debts may provide significant savings for the Corporation but, if not hedged, will expose the Corporation to unacceptable risks.

In this case, derivatives can be used to provide a complete transaction structure that provides the Corporation with cost-effective funding with net risks similar to standard debt issues.

8.4 Allowable Derivatives

The Board has allowed the following derivative contracts for the express purpose of financial risk hedging, subject to the objectives and uses above:

- (a) single currency interest rate swaps;
- (b) cross currency interest rate swaps;
- (c) bond (rate) locks;
- (d) interest rate swap spread locks;
- (e) forward rate agreements;
- (f) basis swaps;
- (g) interest rate caps and floors;
- (h) swaptions;
- (i) foreign exchange options; and
- (j) variations of the above instruments with non-standard features that have the approval of the Board Chair and the Assistant Deputy Minister of the Department.

For clarity, naked derivatives (a contract where the initiator does not have an offsetting position and the possibility of significant risk exists) are not permitted.

All transactions are further subject to any applicable restrictions or limitations in accordance with the policies and guidelines established by the Department from time to time.

8.5 Transactions

The Province has entered into or anticipates entering into agreements (referred to as “**Master ISDA Agreements**”) with various counterparties that allow the Province to engage in derivative transactions.

All derivative transactions will be executed by the Department with the approval of the President or Vice-President. The same individual shall not be allowed to both approve and execute the same derivatives transaction.

The Corporation may, when expressly authorized by the Province, enter into these transactions as an agent of the Province and under the Province’s Master ISDA Agreements. If the Corporation enters into one of these transactions, then the Corporation shall enter into an agreement with the Province that allocates the risks and benefits of the transaction to the Corporation as if the Corporation entered into the transaction in its own right and not as an agent of the Province.

8.6 Counterparties

The Corporation will execute derivatives contracts only with counterparties that have signed Master ISDA Agreements with the Province.

8.7 Counterparty Exposure

All derivatives transactions are to be completed within the Department’s transaction and exposure limits.

The calculation of counterparty exposure will follow the practices established by the Department. In determining the counterparty limit, the Corporation’s exposures will be combined with the Department’s limit.

8.8 Board Reporting

Counterparty exposure reports will be provided to the Board at each Board meeting.

CHAPTER 9 - Lending and Security Policy

9.1 Loan Application Requirements

All loan applications shall have the following documents attached or on file with the Corporation:

- (a) a completed application for the loan, in the form prescribed by the Corporation, signed by a duly authorized officer of the applicant;
- (b) a certified copy of the bylaw or resolution authorizing the specific proposed borrowing by the applicant;
- (c) the following additional documents:
 - (i) for applicants under the *Municipal Government Act*:
 - (A) a copy of its most recent financial information return prepared pursuant to section 277 of the *Municipal Government Act*;
 - (B) a copy of its most recent audited financial statements;
 - (C) a completed debt limit worksheet, in the form prescribed by the Corporation, unless the applicant is a municipality with a credit rating of "A" or better in which case the applicant shall provide confirmation of its credit rating; and
 - (D) a copy of the current and subsisting master loan agreement between the applicant and the Corporation;
 - (ii) for applicants under the *School Act*, evidence of the approval of the proposed borrowing by the minister of the Province responsible for that Act;
 - (iii) for applicants under the *Post Secondary Learning Act*:
 - (A) a copy of the order in council approving the borrowing;
 - (B) a copy of its most recent audited financial statements; and
 - (C) a completed debt limit worksheet, in the form prescribed by the Corporation illustrating a debt limit of no more than 1.5 times adjusted revenue and a debt service limit of no more than .25 times adjusted revenue calculated using the most recent audited financial statements. Adjusted revenue excludes government

grants from all levels of government, deferred amortization, donations and expended capital;

- (iv) for applicants under the *Alberta Regional Airport Authorities Act*:
 - (A) a copy of the current and subsisting credit or loan agreement between the applicant and the Corporation; and
 - (B) a draw request for a loan in accordance with the provisions, if any, in the applicable credit or loan agreement;
 - (v) for applicants under the *Metis Settlements Act*, a copy of its most recent audited financial statements;
 - (vi) for regional service commissions under the *Municipal Government Act*, evidence that its membership agreements include a “take or pay” clause in a form deemed appropriate by the Corporation; however, commissions established prior to January 1, 2011 are exempt from this requirement; and
 - (vii) for health authorities, a copy of its most recent audited financial statements; and
- (d) any other information or documentation as may be required by the Corporation from time to time.

A separate loan application is required for each individual capital project. Regional airport authorities must make separate draw requests under any applicable credit or loan agreement.

9.2 Loan Application Review and Approval

(a) Management Review

Management shall review all loan applications to ensure that the proper authority to borrow exists, debt and debt service limits are as represented by the applicant, and the loan complies with the Corporation’s lending policies.

In the case of loan applications by applicants who:

- (i) have exceeded the borrowing limits established under their governing legislation;
- (ii) are borrowing for land development which may be considered speculative;

- (iii) are requesting to refinance an existing ACFA loan for a capital project;
- (iv) are within 25% of the limit established under their governing legislation (except those municipalities with a credit rating of “A” or higher from a recognized rating agency);
- (v) are considered to be in financial difficulty; or
- (vi) are referred to the Board for any reason;

management shall review the credit worthiness of new loans to these applicants.

The President shall report on the reviews of these loans at each Board meeting.

(b) Management Approval

Subject to the other provisions of this policy and any other applicable policy, and subject to any specific directions from the Board, the President, Vice-President or Senior Financial Officer may approve loan applications.

(c) Board Approval

For loan applications by applicants who:

- (i) have exceeded the borrowing limits established under their governing legislation;
- (ii) are considered to be in financial difficulty;
- (iii) have not met the terms of the Corporation’s lending policies; or
- (iv) are referred to the Board for any reason;

the loan must be approved by the Board, who may consider the loan application on the recommendation of the President.

9.3 Loan Issuances

Loans will be issued quarterly on March 15, June 15, September 15 and December 15 (or if such date is not a business day of the Corporation, on the following business day of the Corporation) subject to market conditions. Applicants will be required to commit to receiving the loan at least 10 business days in advance of the quarterly date.

9.4 Specific Loan Provisions

(a) Term

The term of a loan, including the refinancing of a third party loan, shall be for up to a maximum of 40 years as is acceptable to the President, but the term of the loan shall not exceed the useful life of the capital project.

(b) Interest Rate

The rate of interest of a loan will be based on a blended rate basis, as determined by the President, aggregated on the Corporation's cost of borrowing money (including legal and commission costs) and its operating costs, both of which shall be as determined by the President, and the impact of the repayment structure and the term of the loan.

(c) Payments

Loan payments shall be made in semi-annual equal payments, inclusive of principal and interest, unless the President approves repayment on different terms. Payments on loans made prior to December 31, 2003 will remain as established under the terms of those loans.

(d) Repayment Obligation

Borrowers shall provide to the Corporation an executed debenture, or such other similar document, in the form prescribed by the President from time to time, to evidence the borrower's obligation to repay the loan.

9.5 Standard Security

To secure the repayment of loan financing provided to different classes and types of borrowing shareholders, the following forms of security and covenants, as applicable, shall be provided to the Corporation.

(a) For Class B Shareholders

(i) Metis Settlements

For municipal authorities that are Metis settlements, a written and subsisting general security agreement granting to the Corporation a security interest in all of the borrowing Metis settlement's present and

after-acquired personal property, with the Corporation's security interest having first priority over all other creditors of the Metis settlement.

(ii) Other Municipal Authorities

For all other Class B municipal authorities, a written and subsisting master loan agreement for each transaction the terms of which include an obligation upon the borrowing municipal authority to impose and collect taxes on all taxable property and businesses in its municipality in the event that it fails to, or is in jeopardy of failing to, make loan payments, with the taxes being of an amount sufficient to pay to the Corporation all amounts in arrears and becoming due and owing under the credit advanced pursuant to the loan agreement.

(iii) Regional Airports

For regional authorities that are regional airports authorities established under the *Regional Airports Authority Act*, an assignment of ground leases whereby the borrowing regional airport authority agrees to assign to the Corporation all of its present and future ground leases, licences, tenancy agreements and rents with respect to lands applicable to the credit advanced, with the assignment having first priority over all other financial encumbrances registered against title to the lands.

(iv) Other Regional Authorities

For all other Class B regional authorities, a written and subsisting loan agreement for each transaction the terms of which include an obligation upon the borrowing regional authority to impose and collect fees, charges and other levies as permitted by its governing legislation in the event that it fails to, or is in jeopardy of failing to, make loan payments, with the fees, charges and levies being of an amount sufficient to pay to the Corporation all amounts in arrears and becoming due and owing under the credit advanced pursuant to the loan agreement.

(v) Health Authorities

For health authorities, security will be assessed and required on a case by case basis with each transaction as required by the President. Preferred security is a collateral mortgage whereby the health authority agrees to grant to the Corporation a mortgage over lands applicable to the credit advanced. As an alternative to mortgage security, collateral may be required in the form of an assignment of rents and leases whereby the health authority agrees to assign to the Corporation all of its present and

future leases, licences, tenancy agreements and rents with respect to the lands (or part thereof) applicable to the credit advanced, with the assignment having first priority over all other financial encumbrances registered against title to the lands.

(b) For Class C Shareholders

For cities established under the *Municipal Government Act*, a written and subsisting master loan agreement the terms of which include an obligation upon the borrowing city to impose and collect taxes on all taxable property and businesses in the city in the event that it fails to, or is in jeopardy of failing to, make loan payments, with the taxes being of an amount sufficient to pay to the Corporation all amounts in arrears and becoming due and owing under the credit advanced pursuant to the loan agreement.

(c) For Class D Shareholders

For towns or villages established under the *Municipal Government Act*, a written and subsisting master loan agreement the terms of which include an obligation upon the borrowing town or villages to impose and collect taxes on all taxable property and businesses in the town in the event that it fails to, or is in jeopardy of failing to, make loan payments, with the taxes being of an amount sufficient to pay to the Corporation all amounts in arrears and becoming due and owing under the credit advanced pursuant to the loan agreement.

(d) For Class E Shareholders

For all educational authorities, a written and subsisting general security agreement granting to the Corporation a security interest in all of the borrowing educational authority's present and after-acquired personal property, with the Corporation's security interest having first priority over all other creditors of the educational authority.

The aforementioned security interest in personal property shall not extend to cash flows of the educational authority that are "restricted purpose funds". "Restricted purpose funds" shall be determined at the sole discretion of the Board or the President and shall be understood to include, but not be limited to, grants, donations, endowment funds or research funds that are required to be used by the educational authority in a specific way or for a specific purpose pursuant to conditions imposed by the provider of the funds.

As an alternative to a general security agreement for specific transactions the borrowing educational authority may grant to the Corporation a mortgage over

lands applicable to the credit advanced, with the mortgage having first priority over all other financial encumbrances registered against title to the lands.

As a further alternative to a general security agreement and mortgage security for specific transactions the borrowing educational authority may assign to the Corporation all of its present and future leases, licences, tenancy agreements and rents with respect to the lands (or part thereof) applicable to the credit advanced, with the assignment having first priority over all other financial encumbrances registered against title to the lands.

The above requirements are effective as of January 1, 2014, and do not apply to loans prior to this date, and any outstanding shareholder loans prior to this date will not require retroactive collateralization. However, from January 1, 2014 any outstanding loan balances of a shareholder will be taken into consideration by the Corporation with respect to the provision of new financing from a total liability perspective.

9.6 Other Forms of Security

Notwithstanding chapter 9.5, the President shall have the authority to accept forms of security from time to time which do not constitute a first in priority financial encumbrance against the collateral secured if the value of the prior ranking financial encumbrances plus the total value of the credit advanced and proposed to be advanced by the Corporation to the borrowing shareholder (which is secured by the collateral) does not exceed the current and expected future value of the collateral.

9.7 Additional Security

The Corporation reserves the right to require any additional or alternative security and collateral not previously mentioned herein as it may pertain to prudent lending practices of collateralizing specific loans as may be required by the Board or the President from time to time. In particular, additional or alternative security may be required if the value of any existing and proposed security is insufficient to secure the total value of all outstanding credit advanced and proposed to be advanced to the borrowing shareholder.

9.8 Waiver of Security

The Board reserves the right to waive, under extenuating circumstances, any of the security and covenant requirements, as applicable, set out in this policy as it deems necessary or desirable from time to time.

9.9 Pre-Payment Policy

Any request for prepayment prior to maturity of a loan or the reduction or extension of the original loan terms is subject to the stop-loss settlement policy attached as Schedule "A" to this policy.

On application to it by a borrower, the Board may, as its sole discretion, exempt that borrower from the requirement to pay the stop-loss settlement for a specific loan.

9.10 Reporting

The President shall report at each Board meeting on the loans made since the last Board meeting and on any significant changes to existing loans, including the risks associated with these loans, and for each such loan shall provide, as applicable, the following information:

- (a) the name of the borrower;
- (b) the amount and purpose for which the loan was made;
- (c) the term of the loan;
- (d) the interest rate;
- (e) any significant change in loan terms;
- (f) any prepayments made (including the amount assessed against the borrower to enable the prepayment);
- (g) any change in the credit rating of a borrower; and
- (h) any other information the Board may require.

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SCHEDULE “A” (Stop-Loss Settlement Policy)
to the Lending and Security Policy of the
Alberta Capital Finance Authority



Alberta Capital Finance Corporation
Stop-Loss Settlement Policy

Updated May 2016

1. Background

The Stop-Loss Settlement Policy (Prepayment policy) is structured to protect Alberta Capital Finance Authority (ACFA) and its shareholders from significant losses that would occur in accepting prepayments of high interest rate loans and re-lending these funds at lower rates. ACFA operates on a break-even basis with the retention of a minimum level of equity. Accepting loan prepayments without a stop-loss settlement could place ACFA’s equity in a negative position. Losses would have to be recovered from future loans. The Stop-Loss Settlement Policy allows ACFA to provide borrowers with flexible loan terms while minimizing interest rate risk.

2. Stop-Loss Settlement Defined

Full or partial prepayments are permitted, however a prepayment cost referred to as the **stop-loss settlement** is applied to the prepayment amount. Stop-loss settlement is the present value of the interest loss to ACFA over the remaining term to the maturity of the loan.

3. Methods of Calculation

The method used to calculate the stop-loss settlement is primarily dependent on when the loan was issued.

3.1 Loans Issued prior to January 1, 2004

For loans issued prior to January 1, 2004, the borrower pays the present value of the interest loss over the remaining term to maturity of the loan. The stop-loss settlement is calculated as follows:

Present value of prepayment amount at current indicative interest rate ¹(PV)

Add: Accrued interest on PV since the last payment date at current indicative rate

Less: Prepayment amount

Less: Accrued interest (calculated at loan rate) on prepayment amount since the last payment date

¹ Indicative interest rates are calculated on current market conditions and represent an estimate of the interest rates ACFA could construct in the financial market on the remaining term to maturity of the loan.

The full or a portion of the prepayment may qualify for 2, 3, or 4 months of interest if the borrower has not made any prepayments in excess of the 7.5% of its net outstanding debt issued before January 1, 2004 owing to the ACFA as of December 31 of the prior year-end. The 2, 3, or 4 months interest is calculated as follows:

- Two (2) months interest on the amount of the loan prepaid or reduced in term if the unexpired term or the reduction of the term of the original loan is less than five (5) years;
- Three (3) months interest on the amount of the loan prepaid or reduced in term if the unexpired term or the reduction of the term of the original loan is over five (5) years but less than ten (10) years;
- Four (4) months interest on the amount of the loan prepaid or reduced in term if the unexpired term or the reduction of the term of the original loan is ten (10) years or more.

If the borrower with eligibility makes a prepayment that is within its eligibility amount, the full prepayment amount is subject to the 2, 3 or 4 months interest as shown above. If the borrower with eligibility makes a prepayment that is over its eligibility amount, that portion that falls within the eligibility amount is subject to the 2, 3, or 4 months interest and the portion over the eligibility amount is subject to the stop-loss settlement.

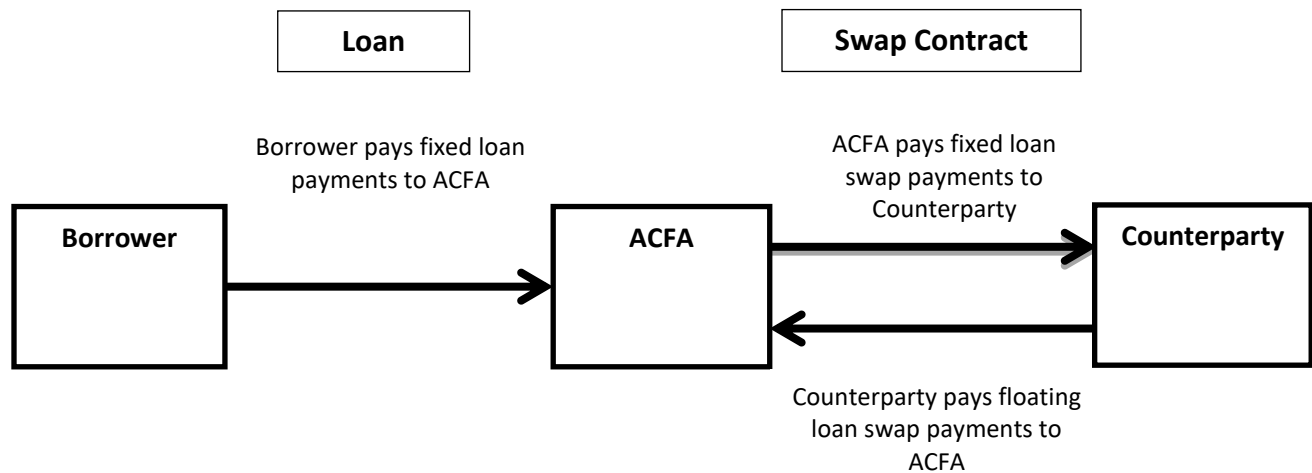
Eligibility amounts may be obtained by contacting ACFA. Please see **APPENDIX B** for an example of a loan prepayment calculation for a loan issued prior to January 1, 2004 with no eligibility for 2, 3, or 4 months of interest and **APPENDIX C** for an example of loan prepayment calculation for a loan issued to prior January 1, 2004 with eligibility for 2, 3, or 4 months of interest.

3.2 Loans Issued prior to January 1, 2004 - Local improvement prepayment by local rate payers

Loans issued prior to January 1, 2004, which were made for special assessment local improvement projects are not subject to the stop-loss settlement policy if prepayments of funds are received from the local ratepayers.

3.3 Loans Issued on January 1, 2004 and after

Effective January 1, 2004, ACFA began to utilize interest rate swaps to mitigate the interest rate risk for ACFA. A swap is a derivative in which two parties exchange cash flows of one party's financial instrument for those of the other party's financial instrument. Interest received on loans to local authorities at fixed rates is swapped so that interest is received at floating rates instead. All prepayments or extensions of terms will be made on a full stop-loss settlement basis which includes costs related to the termination of the related swap.



When a borrower prepays a loan, ACFA will factor in the cost of unwinding the swap. The stop-loss settlement amount is equal to the present value of the future swap payments. The stop-loss settlement amount is calculated using derivatives analytics software that will incorporate a discount factor curve, which is produced using a combination of short term money market rates and swap rates. The discount factor curve, also known as a yield curve, is a curve that shows several interest rates across different maturity lengths (1 year, 2 years, 3 years, etc.). The present value of cash flows of the loan swap is the difference between the values of the two streams of cash flows as shown below.

Stop-loss settlement amount equals present value of the loan swap (receive floating less pay fixed): $P_{\text{swap}} = P_{\text{flt}} - P_{\text{fix}}$.

Whereas P_{flt} equals to future interest receivable based on forecasted floating interest rates discounted to present value.

Whereas P_{fix} equals to future interest payable based on the loan interest rate discounted to present value.

Please see **APPENDIX D** for an example of a loan prepayment calculation for a loan issued on January 1, 2004 or after.

4. PREPAYMENT QUOTE

Should you wish to obtain a prepayment quote, please contact ACFA by email at webacfa@cfacapital.ca or by phone at (780) 427-9711 and provide the following information: webacfa@cfacapital.ca or by phone at (780) 427-9711 and provide the following information:

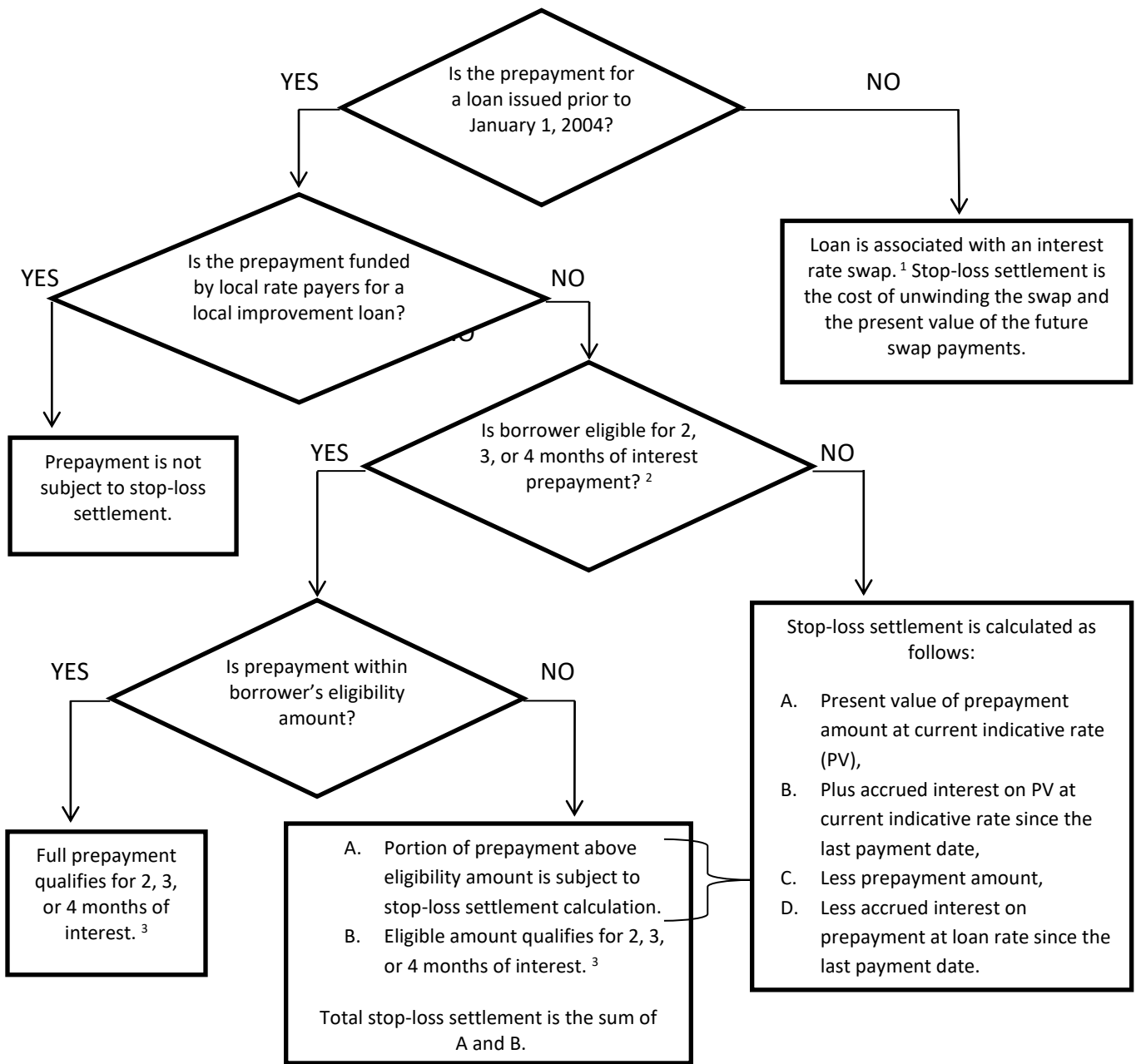
- Borrower name
- Loan account number
- Prepayment amount
- Prepayment date

Prepayment quotes are effective for five business days as they are subject to interest rate changes.

5. APPLICATION TO PREPAY

Should you wish to proceed with the prepayment please submit an [Application to Prepay a Loan](#) at least five (5) business days prior to your intended prepayment date. Payment will need to be arranged to ensure funds are received at ACFA's office by the intended prepayment date. ACFA accepts the following payment options: cheque, wire transfer, and electronic funds transfer (EFT) originated by ACFA or by the borrower. Please contact ACFA for any further information.

APPENDIX A
STOP-LOSS SETTLEMENT FLOW CHART



Notes:

1. An interest rate swap is a derivative in which two parties exchange cash flows of their respective financial instruments.
2. Current eligibility of 2, 3, or 4 months of interest is calculated as follows:
Outstanding principal on debt issued before January 1, 2004 owing to ACFA as of December 31 of the prior year x 7.5 % less any prior eligible prepayments.
3. 2, 3, or 4 months of interest is calculated as follows:
 - 2 months interest on the amount of the loan prepaid or reduced in term if the unexpired term or the reduction of the term of the original loan is less than 5 years;
 - 3 months interest on the amount of the loan prepaid or reduced in term if the unexpired term or the reduction of the term of the original loan is over 5 years but less than 10 years;
 - 4 months interest on the amount of the loan prepaid or reduced in term if the unexpired term or the reduction of the term of the original loan is 10 years or more.

APPENDIX B

EXAMPLE PREPAYMENT CALCULATION OF LOAN ISSUED PRIOR TO JANUARY 1, 2004 WITH NO REMAINING ELIGIBILITY FOR 2, 3, OR 4 MONTHS OF INTEREST

ACFA issued Town ABC a blended amortization loan (blended payments of principal and interest) in the amount of \$292,926.19 for a 25 year term on September 1, 1998. The loan was issued at 6.00% to be repaid annually on September 1. Town ABC has approached ACFA for a prepayment quote on full payout of the loan (remaining outstanding loan balance) to be applied on April 20, 2016. The loan was for a municipal project.

As of April 20, 2016, the outstanding balance of the loan was \$142,295.43 with 8 payments remaining to the maturity date. Therefore, the remaining term to maturity is estimated to be 8 years. The annual indicative interest rate for an 8 year term was 1.724% on April 20, 2016. Town ABC had no remaining eligibility amount for 2, 3, or 4 months of interest and the prepayment amount was subject fully to the stop-loss settlement.

Summary of loan and prepayment information:

Loan amount (original par value)	\$ 292,926.19
Issue date	September 1, 1998
Maturity date	September 1, 2023
Borrowing term	25 years
Loan interest rate	6.00%
Prepayment amount eligible for 2, 3, or 4 months interest	\$ 0.00
Prepayment amount subject to stop-loss policy	142,295.43
Total prepayment amount	<u>\$ 142,295.43</u>
Prepayment date	April 20, 2016
Period (estimated remaining borrowing term at prepayment date)	8 years
Indicative rate for 8 years (on prepayment date)	1.724%
Number of days between last loan payment date and prepayment date	232 days

The stop-loss settlement cost is calculated as follows:

1) Present value of prepayment amount at indicative rate

Calculated in two steps:

First, calculate the annual annuity due on the prepayment amount based on loan rate.

$$\text{Annuity} = \frac{(\text{loan interest rate} \times \text{prepayment amount})}{(1 - (1 + \text{loan interest rate})^{-\text{period}})}$$

$$\text{Annuity} = \frac{(0.06 \times \$142,295.43)}{(1 - (1 + 0.06)^{-8})}$$

$$\text{Annuity} = \$22,914.68$$

Second, calculate the present value (PV) of the annuity based on indicative rate.

$$PV = \frac{\text{Annuity} \left(1 - \left(\frac{1}{(1 + \text{indicative rate})^{\text{period}}} \right) \right)}{\text{indicative rate}}$$

$$PV = \frac{\$22,914.68 \left(1 - \left(\frac{1}{(1 + 0.01724)^8} \right) \right)}{0.01724}$$

$$PV = \$169,875.74$$

2) Add: Accrued interest on PV since the last payment date at indicative rate

Calculated as follows:

$$\text{Accrued interest (at indicative rate)} = \\ PV \times \text{indicative rate} \times \left(\frac{\text{\#of days since last loan payment}}{365 \text{ Days}} \right)$$

$$\text{Accrued interest (at indicative rate)} = \\ \$169,875.74 \times 0.01724 \times \left(\frac{232}{365} \right)$$

$$\text{Accrued interest (at indicative rate)} = \$1,861.50$$

3) Less: Prepayment amount

$$\text{Prepayment} = \$142,295.43$$

4) Less: Accrued interest since the last payment date at loan interest rate

Calculated as follows:

$$\text{Accrued interest (at loan rate)} = \\ \text{prepayment amount} \times \text{loan interest rate} \times \left(\frac{\text{\# of days since last loan payment}}{365 \text{ Days}} \right)$$

$$\text{Accrued interest (at loan rate)} = \\ \$142,295.43 \times 0.06 \times \left(\frac{232}{365} \right)$$

$$\text{Accrued interest (at loan rate)} = \$5,426.72$$

5) Equals: Stop-loss settlement as summarized below.

In summary:

Step 1) Present value of prepayment amount at indicative rate	\$ 169,875.74
Step 2) Add: Accrued interest on PV since last payment date at indicative rate	1,861.50
Step 3) Less: Prepayment amount	(142,295.43)
Step 4) Less: Accrued interest since the last payment date at loan interest rate	(5,426.72)
Equals: Stop-loss settlement	\$ 24,015.09

The total amount remitted to ACFA on April 20, 2016 was as follows:

Prepayment amount	\$ 142,295.43
Add: Accrued interest since last payment date ($\$142,295.43 \times 6.00\% \times 232/365$ days)	5,426.72
Add: Stop-loss settlement	24,015.09
Equals: Total payment	\$ 171,737.24

APPENDIX C

EXAMPLE PREPAYMENT CALCULATION OF LOAN ISSUED PRIOR TO JANUARY 1, 2004 WITH ELIGIBILITY FOR 2, 3, OR 4 MONTHS OF INTEREST

ACFA issued Town XYZ a blended amortization loan (blended payments of principal and interest) in the amount of \$220,000 for a 25 year term back on March 1, 1996. The loan interest rate was 8.00% and payments are to be repaid annually on March 1. Town XYZ has approached ACFA for a prepayment quote with a \$50,000 prepayment to be applied on September 30, 2015. The loan was issued for a sewer and water project that serviced the whole town.

As of September 30, 2015, the outstanding balance of the loan was \$95,274.55 with 6 payments remaining to the maturity date. Therefore, the remaining term to maturity is estimated to be 6 years. The current annual indicative rate for a 6 year term is 1.3776%.

Eligibility for 2, 3, or 4 months of interest

As of December 31, 2014, Town XYZ had an aggregate outstanding balance of \$462,944.59 on loans issued before January 1, 2004. Therefore, Town ABC has \$34,720.84 ($\$462,944.59 \times 7.5\%$) in eligible amount for 2, 3, or 4 months of interest payment.

Summary of loan and prepayment information:

Loan amount (original par value)	\$ 220,000.00
Issue date	March 1, 1996
Maturity date	March 1, 2021
Borrowing term	25 years
Loan interest rate	8.00%
Prepayment amount eligible for 2, 3, or 4 months interest	\$ 34,720.84
Prepayment amount subject to stop-loss policy	15,279.16
Total prepayment amount	<u>\$ 50,000.00</u>
Prepayment date	September 30, 2015
Period (estimated remaining borrowing term as at prepayment date)	6 years
Indicative rate for 6 years (on prepayment date)	1.3776%
Number of days between last loan payment date and prepayment date	213 days

The stop-loss settlement cost is determined in two parts:

Of the \$50,000 to be prepaid on September 30, 2015, the calculation of 2, 3, or 4 months of interest is applied on \$34,720.84, and the calculation of the stop-loss is applied on the remaining \$15,279.16.

Part (1): \$34,720.84 is calculated under the 2, 3, or 4 months of interest formula.

The loan qualifies for three (3) months interest since the loan has 6 years remaining in unexpired term (Refer to **Section 3.1**).

Calculated as follows:

$$3 \text{ Months of interest} = \text{Prepayment amount} \times \text{loan interest rate} \times \left(\frac{3 \text{ months}}{12 \text{ months}}\right)$$

$$3 \text{ Months of interest} = \$34,720.84 \times 8.00\% \times (3 / 12)$$

$$3 \text{ Months of interest} = \$694.42$$

Part (2): \$15,279.16 is calculated under stop-loss settlement formula.

1) Present value of prepayment amount at indicative rate

Calculated in two steps:

First, calculate the annual annuity due on the prepayment amount based on loan rate.

$$\text{Annuity} = \frac{(\text{loan interest rate} \times \text{prepayment Amount})}{(1 - (1 + \text{loan interest rate})^{-\text{period}})}$$

$$\text{Annuity} = \frac{(0.08 \times \$15,279.16)}{(1 - (1 + 0.08)^{-6})}$$

$$\text{Annuity} = \$3,305.12$$

Second, calculate the present value (PV) of the annuity based on indicative rate.

$$\text{PV} = \frac{\text{Annuity} \left(1 - \left(\frac{1}{(1 + \text{indicative rate})^{\text{period}}}\right)\right)}{\text{indicative rate}}$$

$$\text{PV} = \frac{\$3,305.12 \left(1 - \left(\frac{1}{(1 + 0.013776)^6}\right)\right)}{0.013776}$$

$$\text{PV} = \$18,908.61$$

2) Add: Accrued interest since the last payment date at indicative rate

Calculated as follows:

Accrued interest (at indicative rate) =

$$\text{PV} \times \text{indicative rate} \times \left(\frac{\text{\#of days since last loan payment}}{365 \text{ Days}}\right)$$

Accrued interest (at current indicative rate) =

$$\$18,908.61 \times 0.013776 \times \left(\frac{213}{365} \right)$$

Accrued interest (at indicative rate) = \$152.01

3) Less: Prepayment portion subject to stop-loss policy

Prepayment = \$15,279.16

4) Less: Accrued interest since the last payment date at loan interest rate

Calculated as follows:

Accrued interest (at loan rate) =

$$\text{prepayment amount} \times \text{loan interest rate} \times \left(\frac{\text{\#of days since last loan payment}}{365 \text{ Days}} \right)$$

$$\text{Accrued interest (at loan rate)} = \$15,279.16 \times 0.08 \times \left(\frac{213}{365} \right)$$

Accrued interest (at loan rate) = \$713.31

5) Equals: Stop-loss settlement on \$15,279.16 prepayment amount

Step 1) Present value of prepayment amount at indicative rate	\$ 18,908.61
Step 2) Add: Accrued interest on PV since last payment date at indicative rate	152.01
Step 3) Less: Prepayment amount	(15,279.16)
Step 4) Less: Accrued interest since the last payment date at loan interest rate	(713.31)
Equals: Stop-loss settlement	<u>\$ 3,068.15</u>

The total amount remitted to ACFA on September 30, 2015 was as follows:

Prepayment amount	\$ 50,000.00
Add: Accrued interest since last payment date (\$50,000 x 8.00% x 213/365 days)	2,334.25
Add: 3 months of interest cost	694.42
Add: Stop-loss settlement	3,068.16
Equals: Total payment	<u>\$ 56,096.80</u>

APPENDIX D

EXAMPLE PREPAYMENT CALCULATION OF LOAN ISSUED ON JANUARY 1, 2004 OR AFTER

ACFA issued County of XYZ a blended amortization loan (blended payments of principal and interest) in the amount of \$250,000 for a 15 year term on June 15, 2007. The loan was issued at 4.971% that is to be repaid semi-annually. As of June 30, 2015, the outstanding balance of the loan was \$139,511.27 with 7 years remaining to the maturity date. County of XYZ had a surplus as of June 30, 2015 and would like to use the surplus to prepay the entire outstanding loan balance on August 21, 2015. The present value of the loan swap is calculated as follows using derivatives analytics software.

Present value of floating leg: P_{fit}	\$ 5,622.12
Present value of fixed leg: P_{fix}	\$ 25,446.68

Stop-loss settlement amount equals present value of the loan swap (receive floating less pay fixed):

$$P_{\text{swap}} = P_{\text{fit}} - P_{\text{fix}}$$

Present value of floating leg: P_{fit}	\$ 5,622.12
Less: Present value of fixed leg: P_{fix}	(25,446.68)
Equals: Stop-settlement	\$ (19,824.56)

The total amount remitted to ACFA on August 21, 2015 was as follows:

Prepayment amount	\$ 139,511.27
Add: Accrued interest since last payment date ($\$139,511.27 \times 4.971\% \times 67/365$ days)	1,273.02
Add: Stop-loss settlement	19,824.56
Equals: Total payment	\$ 160,608.85

APPENDIX “A” (Standard Definitions)

In each chapter of the Standing Policies Manual of the Alberta Capital Finance Authority, unless otherwise defined in the chapter, the following expressions have the following meanings (and where applicable their alternate singular or plurals have corresponding meanings):

“Board” means the board of directors of the Corporation;

“Corporation” means the Alberta Capital Finance Authority, a corporation continued under the *Alberta Capital Finance Authority Act* (Alberta);

“Department” means the department established under section 2 of the *Government Organization Act* (Alberta) that is administered by the Minister;

“Minister” means the Minister responsible for the *Alberta Capital Finance Authority Act* (Alberta) as determined under the *Government Organization Act* (Alberta); and

“Province” means Her Majesty the Queen in right of Alberta.

AMENDMENT TABLE

Chapter	Description of Change	Amendment Authorized	Amendment Effective	Amendment Authority
2 & 3	Amendments to meet the requirements of the <i>Conflicts of Interest Act</i> (Alberta).	March 20, 2019 (Board) February 14, 2019 (OEC)	May 7, 2019	Resolution of the Board of Directors & Approval of the Ethics Commissioner
2	Amendments to meet the requirements of the <i>Conflict of Interest Act</i> (Alberta).	March 21, 2018	TBC (<i>pending approval by the Ethics Commissioner</i>)	Resolution of the Board of Directors
5	Amendment to section 5.4(d) – Assistant Deputy Minister of the Department now has signing authority in place of the Deputy Minister.	March 21, 2018	March 21, 2018	Resolution of the Board of Directors
8	Amendment to documents required from post-secondary institutions applicants, section 8.1(c)(iii).	June 14, 2017	June 14, 2017	Resolution of the Board of Directors
1	New.	May 27, 2016	May 27, 2016	Resolution of the Board of Directors
2	Replaces Code of Conduct and Ethics Policy dated January 13, 2011.	“	“	“

Chapter	Description of Change	Amendment Authorized	Amendment Effective	Amendment Authority
3	Replaces Whistleblower Protection Policy and Procedures dated May 1, 2014.	“	“	“
4.1	New.	“	“	“
4.2	Replaces Board Resolution No. 254 dated December 6, 2012.	“	“	“
5.1 to 5.3	Replaces Board Resolution No. 249 dated January 4, 2012.	“	“	“
5.4 to 5.5	Replaces Board Resolution No. 257 dated October 17, 2013.	“	“	“
6	Replaces Board Resolution No. 246 dated January 4, 2012.	“	“	“
7	Replaces Board Resolution No. 221 dated November 27, 2008 and Board Resolution No. 222 dated November 7, 2003.	“	“	“

Chapter	Description of Change	Amendment Authorized	Amendment Effective	Amendment Authority
8.1 to 8.4, 8.11	Replaces Board Resolution No. 247 dated December 8, 2011, sections 1-8.	“	“	“
8.2,8.9, 8.10, 8.11	Replaces Board Resolution No. 248 dated January 4, 2012 and Board Resolution No. 247 dated December 8, 2011, section 9.	“	“	“
8.5 to 8.8	Replaces Board Resolution No. 255 dated October 17, 2013.	“	“	“