

## APPENDIX VIII

### Lakefront Utility's Code of Business Conduct

#### The Role of the Code of Business Conduct

This Code of Business Conduct sets forth the basic principles of business conduct Lakefront Utility expects its employees, officers and directors to follow. It is expected that we will at all times exercise honesty and integrity in our duties, and live up to our commitments to society and our stakeholders. Our stakeholders include our customers and other business partners, our employees, the communities in which we operate, and our shareholder, the Corporation of the Town of Cobourg and the Village of Colborne.

This Code outlines general principles of appropriate business conduct rather than attempting to cover every situation we may possibly encounter. The Code is designed to alert Lakefront Utility employees, officers, directors, consultants, suppliers and contractors to major legal and ethical issues that frequently arise. It also serves to establish appropriate channels for obtaining guidance and reporting Code violations.

In this Code, "Lakefront Utility" means Lakefront Utilities Inc. and related corporations.

#### Ethical Decision Making

One of the primary goals of this Code is to help all of us make ethical business decisions. The Code establishes principles to govern conduct in some general areas that pose ethical or legal concerns. No book of hard-and-fast rules, however long and detailed, could ever adequately cover all the dilemmas we face given the complexity and constantly changing nature of our work and our world.

*Therefore, we may find it helpful to ask the following questions before taking action in specific situations:*

- ▶ Am I adhering to the letter and spirit of the laws and regulations that may be involved?
- ▶ Is my action consistent with the overall values set forth in the Code?
- ▶ Would my action compromise my integrity or credibility, or that of Lakefront Utility?
- ▶ Does my action conform to Lakefront Utility's company policies?
- ▶ How would my actions appear to my supervisors, peers, subordinates, family, close personal friends, or to the public if reported in the news media?
- ▶ Does it make me feel uncomfortable?

Ultimately, employees are personally responsible for their decisions and should discuss ethical concerns, issues and questions with their supervisor or other contacts referred to under "Where to Get Assistance" below.

#### Our Commitments to Society

We believe that we have responsibilities to society because ultimately it is only with its implicit permission that the economy in which we participate is allowed to flourish. We therefore make the following commitments to society.

## **Obey the Law**

We act in accordance with both the letter and the spirit of all laws and regulations applicable to the conduct of our business wherever we operate. To achieve this, Lakefront Utility provides us with the training required to obtain an understanding of the laws which apply to the carrying out of our responsibilities. With this training, we are expected to be sufficiently familiar, and act in accordance, with any laws that apply to our work, to recognize potential liabilities, and to know when to seek legal advice. If in doubt, we promptly seek clarification from Lakefront Utility's General Counsel.

We never commit or condone an illegal or improper act relating to Lakefront Utility's affairs, or instruct another employee, business partner or contractor to do so.

We acknowledge the importance to Lakefront Utility of complying with the Affiliate Relationships Code. We comply with, and ensure that all parties who provide services on behalf of Lakefront Utility comply with, the Affiliate Relationships Code.

We do not offer or make any payment (in money, property, services or any other form) directly or indirectly through an agent or consultant, to any government official, political party, political party official, or candidate for political office for the purpose of persuading that person to exert influence in order to assist Lakefront Utility in obtaining or retaining business. We take measures reasonably within our power to ensure that any payment made to an agent is appropriate remuneration for legitimate services rendered and that no part is passed on by the agent as a bribe. We ensure that proper systems of control are in place to prevent and detect the payment of bribes.

We never request any payment (in money, property, services or any other form), directly or indirectly, to influence a decision or otherwise, nor do we accept any offered payment for any purpose other than as permitted in strict compliance with this Code.

We avoid all actions that are anti-competitive or otherwise contrary to laws that govern competitive practices in the marketplace.

We do not engage in, or give the appearance of being engaged in, any illegal or improper conduct that is in violation of this Code.

## **Confidentiality**

We do not use for personal advantage any information that is obtained in the course of our employment and is not available to the public at large.

Examples of such information include:

- a. information concerning a proposed or existing business transaction with Lakefront Utility;
- b. the proposed acquisition or disposal of investments or other assets; and
- c. the pending award or change of contract for the supply of materials, goods or services to Lakefront Utility.

We do not inform anyone of any material fact or change relating to Lakefront Utility before it has been generally disclosed by Lakefront Utility in accordance with its disclosure policy except as may be required in the ordinary course of business. If it is necessary to inform any persons in the ordinary course of business, we ensure that the recipients of the information understand that it must be kept confidential. Where such recipients are from outside of Lakefront Utility we request, where appropriate, that they confirm their commitment to non-disclosure in the form of a written confidentiality agreement.

### **Our Commitments To Our Stakeholders**

Maintaining the trust and confidence of our stakeholders is crucial to Lakefront Utility's economic well-being. If such trust and confidence is lost, we will lose their support and the valuable contribution which each makes to Lakefront Utility's success. It is in recognition of this that we make the following commitments to our stakeholders.

#### ***TO ALL OF OUR STAKEHOLDERS- We are committed to protecting their interest in Lakefront Utility's economic well-being***

We acknowledge that all stakeholders have an interest in Lakefront Utility's economic well-being to provide employment opportunities, purchase goods and services, contribute to economic partnerships, contribute to the quality of life in communities where we operate, and to enhance the value of our shareholder's investment. To protect these interests, we will act in accordance with the following standards.

### **Protect Lakefront Utility's Assets**

Each of us has a responsibility to safeguard Lakefront Utility's assets.

#### ***With respect to corporate funds we will:***

- a. Exercise integrity, prudence and judgment in incurring and approving business expenses.
- b. Ensure that business expenses are reasonable and serve Lakefront Utility's business interests.
- c. Ensure that all transactions and expenses are properly authorized.
- d. Record all transactions and expenses accurately, completely and promptly.
- e. Ensure that the acquisition, use, disposal or movement of funds is made known, clearly identified, and not diverted for any other use than that for which they were approved.
- f. Not conceal any fund or transaction from finance, management or Lakefront Utility's auditors.
- g. Not enter into any transaction for the purpose of unlawfully evading any tax, duty or other levy imposed by a government, either for ourselves or for our counterparties.

***With respect to physical assets (including corporate property involved in carrying out duties) we will:***

- a. Use these assets prudently and with due care.
- b. Exercise reasonable safeguards to protect them against theft, damage, loss and waste.
- c. Ensure that the acquisition, use, disposal or movement of assets is made known, clearly identified, and not diverted for any other use than that for which they were approved.
- d. Not take, sell, loan, destroy or give away assets without proper authorization.

***With respect to information we will:***

- a. Treat any information that has not been publicly disclosed in accordance with Lakefront Utility's disclosure policy as confidential.
- b. Take precautions to avoid inadvertent disclosure, for instance, by not discussing such information in public and using extra care in transmitting such information by fax or electronic mail.
- c. Enter into confidentiality agreements to ensure those to whom we must disclose such information will not disclose it to others.
- d. Not release information to the media without proper authorization.
- e. Use only properly licensed computer software.
- f. Not reproduce, distribute or alter materials such as computer software or videotapes without the permission of the copyright owner or authorized agent but instead obtain additional copies of needed materials by purchasing them through the appropriate channels.
- g. Employ ethical means in conducting research by being honest in obtaining, interpreting, using and disclosing data.
- h. Use Lakefront Utility information --brand names, logos, trademarks -- only in an authorized manner and in accordance with all laws.
- i. Comply with internal policies, procedures and guidelines relating to internal computer systems. We acknowledge that Lakefront Utility reserves the broadest possible rights to ensure that Lakefront Utility's computer data base and all electronic communications systems, including electronic mail ("e-mail"), voice mail, the intranet and internet, and electronically created or stored data are used in compliance with internal policies, procedures and guidelines that guide the use, storage and transmission of information through this medium.

***With respect to business records and reports generally we will:***

- a. Ensure honest and accurate recording, reporting and retention of information (including all business records, including financial reports, research reports, marketing information, sales reports, tax refunds, time sheets, claims and other documents including those submitted to governmental agencies) since almost all business records may become subject to public disclosure in the course of litigation or governmental investigations and records are also often obtained by outside parties or the media.
- b. Ensure that all records and accounts accurately and truthfully reflect transactions

and events, and conform both to generally accepted accounting principles and to the Lakefront Utility system of internal controls.

- c. Ensure that no entry is made in any record that intentionally hides or disguises the true nature of any transaction.
- d. Never withhold, or fail to communicate, information that should be brought to the attention of higher levels of management.
- e. Attempt to be as clear, concise, truthful and accurate as possible when recording any information and avoid exaggeration, inappropriate language, guesswork, legal conclusions, and derogatory characterizations of people and their motives.
- f. Not destroy or condone the destruction of records, except in accordance with internal document management, retention and disposition policies.

### **Avoid Conflicts of Interest**

A "conflict of interest" occurs when our direct or indirect personal interests, activities or influences could compromise, or could reasonably appear to compromise, our ability to perform our responsibilities objectively and in the best interests of Lakefront Utility. Conflicts of interest, no matter how innocent the intention, threaten Lakefront Utility's economic interests (including its reputation) by potentially leading us to make decisions based on personal interests rather than in the best interests of Lakefront Utility. Even if we do not allow our personal interests to influence our decisions, the existence of the conflict will jeopardize the trust of our stakeholders if they perceive that we may not be acting solely with Lakefront Utility's best interests in mind. We must therefore exercise common sense, sound judgment and moral integrity to avoid any conflict of interest. We must also make any situation that might constitute a potential conflict of interest known to management and seek approval to proceed in accordance with this Code.

We are to seek guidance from our supervisors, or otherwise in accordance with this Code, whenever there is a question concerning a possible conflict of interest between our personal interest and the interests of Lakefront Utility. Conflicts include any activity (even when it is unpaid), interest or association that might compromise, or appear to compromise, the independent exercise of our judgment in the best interests of the Company.

Our responsibility to avoid conflicts of interest means that we must always act in the best interests of Lakefront Utility.

#### ***With respect to outside business interests we will not, without approval:***

- a. Operate, serve as directors, officers, or partners of, or perform work or services as employees, consultants or advisors for, any competitor or any actual or potential "business partner" (including suppliers and customers) or any other entity that could lead to a conflict of interest or situation prejudicial to Lakefront Utility's interests (including any situation where our performance of duties for Lakefront Utility is adversely affected).

- b. Use Lakefront Utility time or resources (including equipment, tools, materials, supplies, facilities, personnel and information) to run our own business or engage in work for another organization, or to further the private interests of our family members, close personal friends or associates.
- c. Take part in a Lakefront Utility corporate decision which might confer any benefit, monetary or otherwise, on a business partner or competitor of Lakefront Utility in which we, our family members, close personal friends or associates hold a direct or indirect business or ownership interest.
- d. Take part in outside employment which creates the appearance of a, or an actual, conflict of interest.
- e. While performing duties as a Lakefront Utility representative, solicit customers for any outside employment. We will not recommend or refer customers to businesses, including those businesses operated by ourselves or other Lakefront Utility employees. For the purpose of interpretation, "solicit" includes any inquiry or request made by a customer for an employee's "off-duty" services.

***With respect to property transactions we will not:***

- a. Use our position at Lakefront Utility to influence any corporate decision involving real estate or personal property in which we, our family members, close personal friends or associates have a direct or indirect business or ownership interest. For example, we will not participate in a decision concerning the location of a Lakefront Utility facility that would directly or indirectly benefit lands owned by any such individuals.
- b. Deal knowingly in real estate for the direct or indirect personal gain of ourselves, family members, close personal friends or associates, based on knowledge of any proposed or pending Lakefront Utility transaction such as the proposed location of a transmission line or other facility.
- c. Influence the settlement of a claim against Lakefront Utility to the advantage of a private interest held by us, our family members, close personal friends or associates.

***With respect to political activity we acknowledge that:***

Each of us has the right to participate in the political process and to engage in political activities of our own choosing. However, while involved in such political activities we must at all times make clear that any views and actions are our own, and not those of Lakefront Utility. As in other activities, we must consider whether our political activity could adversely affect our performance of duties for Lakefront Utility or conflict with Lakefront Utility's responsibilities and, if so, avoid those activities. To determine if the political activity may create a potential conflict, we may contact the President, who will review the case and inform us of any action considered necessary to avoid the conflict.

***With respect to gifts, gratuities, entertainment or benefits offered to us, our family members, close personal friends or associates (or to a third party receiving benefits for us or them) for less than full market value we will conduct ourselves as follows:***

We will only accept gifts, entertainment and benefits in the normal exchanges common

to business relationships. The following criteria will guide our judgment:

- a. the gift, entertainment or benefit would be considered to be within the bounds of propriety taking into account all the circumstances of the occasion;
- b. it does not, nor is it expected to, create a sense of obligation;
- c. it would not appear to improperly influence a business decision or result in compromising objectivity;
- d. it occurs infrequently; and
- e. it could be justified on a Lakefront Utility expense statement if offered rather than received.

We will return inappropriate gifts or other benefits to the donor, accompanied by an explanation of Lakefront Utility's policy on this matter or, if considered appropriate, a copy of this Code. Perishable gifts can instead be donated to a charity and the donor notified. We will promptly advise our President of the circumstances of an inappropriate gift.

In some business settings, the return of a gift or refusal of a favour, benefit or entertainment would be offensive; in these cases, we should refer the circumstances to the President for guidance.

Full and immediate disclosure in accordance with this Code of borderline cases will always be taken as good faith compliance with this Code.

***TO OUR CUSTOMERS AND OTHER BUSINESS PARTNERS - We are committed to being fair and honest***

To fulfill this commitment we:

- a. Treat our business partners courteously, respectfully and in a professional and helpful manner.
- b. Commit only to what we honestly believe we can deliver.
- c. Honour the commitments we make.
- d. Protect any information shared with us on a confidential basis by a business partner.
- e. Do not release customer information to any third party without proper authorization from the customer or Lakefront Utility management.
- f. Do not attempt to improperly influence the decisions of existing or potential business partners or attempt to secure preferential treatment for Lakefront Utility by offering gifts, entertainment or benefits which we ourselves would not be able to accept.
- g. Do not use our position at Lakefront Utility to obtain personal favours or special consideration for ourselves, our family members, close personal friends or associates.
- h. Select our suppliers objectively, based on the long-term best interests of Lakefront Utility.

***TO OUR EMPLOYEES - We are committed to treating all employees with dignity and respect***

To fulfill this commitment we create a safe and healthy work environment where employees have opportunities for professional development, are treated with dignity and respect and are recognized for their contributions to Lakefront Utility and its customers.

***TO THE COMMUNITIES WHERE WE OPERATE - We are committed to protecting the environment and enhancing the quality of life***

To fulfill this commitment we will act in accordance with the following standards:

***Protect the Environment***

We acknowledge that environmental protection is one of Lakefront Utility's fundamental values and to demonstrate such value we will:

- a. Ensure that we understand the environmental impact of our activities and treat it as an integral factor in all of our decisions.
- b. Report immediately any environment mishaps.
- c. Be open about and accountable for our environmental performance.
- d. Strive to find business partners which conduct their business in an environmentally responsible manner.

***Enhance the Quality of Life***

We believe that a fundamental responsibility is to conduct our business on a sound commercial basis in a socially responsible manner. This is, we believe, the greatest contribution we can make to the communities where we operate. We also believe we have a responsibility to contribute to the well-being of these communities in other ways. While this commitment will take different forms in different communities, we will:

- a. Support health, education and environmental initiatives.
- b. Support and work with voluntary and charitable organizations that respond to community needs.
- c. Get involved in and work with the community to solve community problems.
- d. Encourage our employees to contribute to their communities through involvement with charitable, community service and professional organizations. However, employees must consider whether their activities could pose a conflict of interest or adversely affect their performance of duties for Lakefront Utility, and should only use Lakefront Utility time or resources for such activities with the prior approval of management.
- e. Encourage, support and seek partnerships with organizations which need our help, whether they be schools or social service organizations.
- f. Involve local communities in decision making for issues that affect them.

***TO OUR SHAREHOLDER- We are committed to enhancing value for our shareholder, the Corporation of the Town of Cobourg and the Village of Colborne.***

All of our ethical commitments are directed at protecting Lakefront Utility's well-being.

Through these commitments, we will seek to enhance the value of our shareholder's investment.



## **Code Administration**

### **Where to Get Assistance**

Never hesitate to ask a question or raise a concern about conduct that may violate Lakefront Utility's standards or the law. If you have a question about this Code or require guidance in making a more informed decision, you are encouraged to seek assistance by contacting your supervisor, who may have the information you need, who may in turn seek assistance from other departments of Lakefront Utility with experience concerning the issue raised. If this approach is uncomfortable or seems inappropriate, or you would otherwise prefer, you may contact the appropriate Lakefront Utility department.

Regardless of the approach used, the person or office contacted will handle your request promptly, discreetly and professionally. Discussions and inquiries will be strictly confidential to the fullest extent possible or permitted by policy or law.

### **Reporting Violations and Retaliation**

All Lakefront Utility employees, officers and directors must adhere to and actively support the principles and standards described in this Code, and adhere to the standards set out in applicable policies, guidelines and legislation.

Violations of the Code will not be tolerated. Any employee who fails to comply with the Code, or who withholds information during the course of an investigation regarding a possible violation of the Code, is subject to disciplinary action up to and including dismissal. Depending on the nature of the non-compliance, Lakefront Utility may have legal obligation to report the non-compliance to the appropriate authorities, which may lead to criminal prosecution or civil action.

Any situation or transaction that may violate, or could appear to violate, the letter or intent of the Code must be reported immediately to your supervisor or if this is uncomfortable or seems inappropriate, must be reported immediately to the next level of your management; or if preferred, Lakefront Utility's President.

All issues raised with, and reported to, the President will be handled promptly, discreetly and professionally. The President shall have the discretion to determine how any reported matter will be handled. If the President determines it is necessary and appropriate in any circumstances the Officer may discuss the matter with, or refrain from discussing the matter with, the Chairman of the Board of Directors or any of the other directors or officers of Lakefront Utility. It is hoped that all callers will identify themselves when contacting the President since that will facilitate resolving any issues. However, we will respond to anonymous contacts.

All disclosures to the President will be kept strictly confidential to the fullest extent possible or permitted by policy or law unless, in the sole opinion of the President, the matter disclosed constitutes an actual or potential threat of harm to Lakefront Utility, its employees or the general public. In that event, the President will act in accordance with any disclosure procedure issued by Lakefront Utility's General Counsel.

Management is responsible for ensuring that no retaliatory action will be taken against anyone for making in good faith a report of an ethical or legal concern or violation. However, anyone who takes part in a prohibited activity may be disciplined even if they report it. An employee's decision to report will, in all cases, be given due consideration in the event any disciplinary action is necessary.

Any employee found to be retaliating against an individual who, in good faith, reports a known or suspected violation or supplies information about a concern will be subject to disciplinary action up to and including dismissal. Employees who knowingly submit false reports will also be subject to disciplinary action.