### GOVERNANCE, COMMUNICATIONS, HUMAN RESOURCES AND COMPENSATION COMMITTEE MEETING AGENDA

**PUBLIC SESSION**

**Date:** May 3, 2018  
**Time:** 9:40 a.m. – 11:00 a.m.  
**Location:** Ground floor boardroom, 931 Yonge Street

**Agenda**

<table>
<thead>
<tr>
<th>Time</th>
<th>Description</th>
<th>Action</th>
<th>Pre-read</th>
<th>Presenter</th>
</tr>
</thead>
<tbody>
<tr>
<td>9:40</td>
<td><strong>1. Chair’s Remarks</strong></td>
<td>Information</td>
<td>Verbal</td>
<td>Chair</td>
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<td></td>
<td></td>
<td></td>
<td>5 minutes</td>
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<tr>
<td>9:45</td>
<td><strong>2. Consent agenda</strong></td>
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<tr>
<td>a)</td>
<td>Approval of Public Meeting Agenda</td>
<td>GCHRCC</td>
<td>Agenda</td>
<td>Chair</td>
</tr>
<tr>
<td>b)</td>
<td>Chair’s Poll re: Conflict of Interest</td>
<td>Declaration</td>
<td>Agenda and Conflict of Interest Policy Minutes</td>
<td>Chair</td>
</tr>
<tr>
<td>c)</td>
<td>Confirmation of GCHRCC Public Meeting Minutes of February 5, 2018</td>
<td>GCHRCC</td>
<td></td>
<td>Chair</td>
</tr>
<tr>
<td>d)</td>
<td>Business Arising from the Public Meeting Minutes and Action Items Update</td>
<td>Information</td>
<td>Action Item List</td>
<td>Chair</td>
</tr>
<tr>
<td>Time</td>
<td>Description</td>
<td>Action</td>
<td>Pre-read</td>
<td>Presenter</td>
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<td></td>
<td>e) Compliance Report Q4 2017</td>
<td>Information</td>
<td>GCHRCC: 2018-07</td>
<td>President &amp; Chief Executive Officer</td>
</tr>
<tr>
<td>9:50</td>
<td>3. AGM Process for TCHC and Its Subsidiaries</td>
<td>GCHRCC and Board Approval</td>
<td>GCHRCC: 2018-08 5 minutes</td>
<td>General Counsel and Corporate Secretary</td>
</tr>
<tr>
<td>9:55</td>
<td>4. 2018 Review Schedule for Policies Requiring Board Approval</td>
<td>Information</td>
<td>GCHRCC: 2018-09 10 minutes</td>
<td>Director, Strategic Planning &amp; Stakeholder Relations</td>
</tr>
<tr>
<td>10:10</td>
<td>5. BIFAC Subcommittee – IT Subcommittee Dissolution</td>
<td>GCHRCC and Board Approval</td>
<td>GCHRCC: 2018-10 5 minutes</td>
<td>General Counsel and Corporate Secretary</td>
</tr>
<tr>
<td>10:20</td>
<td>6. Whistleblower Policy - Complaint Procedures</td>
<td>GCHRCC: 2018-11 10 minutes</td>
<td>General Counsel and Corporate Secretary</td>
<td></td>
</tr>
<tr>
<td>10:30</td>
<td>7. Insurance Deductible Optimization Study</td>
<td>Information</td>
<td>GCHRCC: 2018-12 10 minutes</td>
<td>Senior Director, Fire Life Safety &amp; Risk</td>
</tr>
<tr>
<td>10:40</td>
<td>8. Update on Subsidiaries</td>
<td>Information</td>
<td>GCHRCC: 2018-13 5 minutes</td>
<td>General Counsel and Corporate Secretary</td>
</tr>
</tbody>
</table>

TERMINATION
The Governance, Communications, Human Resources and Compensation Committee (“GCHRCC”) of Toronto Community Housing Corporation (“TCHC”) held a public meeting on February 5, 2018, in the Main Floor Conference Room, 931 Yonge Street, Toronto, ON M4W 2H2, commencing at 10:45 a.m.

Committee Directors in Attendance: Pamela Taylor, Chair
Joseph Kennedy
Catherine Wilkinson

Absent Committee Director: Councillor Joe Cressy

Management Present: Marta Asturi, Legal Counsel and Assistant Corporate Secretary
Bruce Malloch, Director, Strategic Communications
Ted Millward, Legal Counsel
Kathy Milsom, President and Chief Executive Officer
Vincent Tong, Chief Development Officer

A quorum being present, the Chair called the meeting to order and Ms. Sonia Fung served as recording secretary.

ITEM 1   CHAIR’S REMARKS
This would be the last meeting Ms. Wilkinson would attend with GCHRCC. On behalf of herself and the Committee, the Chair thanked Ms. Wilkinson for her invaluable contributions to the TCHC Board in general and GCHRCC in particular, and wished Ms. Wilkinson well in her future endeavors.

Ms. Wilkinson thanked the Chair, TCHC, the President and Chief Executive Officer, staff and members of this Committee for their support and considered her services at TCHC a great learning experience.
ITEM 2A  APPROVAL OF PUBLIC AGENDA

Motion carried  ON MOTION DULY MADE by Mr. Kennedy, seconded by Ms. Wilkinson and carried, the GCHRCC approved the public meeting agenda as circulated.

ITEM 2B  DECLARATION OF CONFLICT OF INTEREST

The Chair requested members of the GCHRCC to indicate any agenda item in which they had a conflict of interest, together with the nature of the interest. None were declared.

ITEM 2C  CONFIRMATION OF PUBLIC MEETING MINUTES OF DECEMBER 7, 2017

Motion carried  ON MOTION DULY MADE by Mr. Kennedy, seconded by Ms. Wilkinson and carried, the GCHRCC confirmed the above-captioned minutes.

ITEM 2D  BUSINESS ARISING FROM THE PUBLIC MEETING MINUTES AND ACTION ITEMS UPDATE

Motion carried  ON MOTION DULY MADE by Mr. Kennedy, seconded by Ms. Wilkinson and carried, the GCHRCC received the report for information.

ITEM 2E  COMPLIANCE REPORTING Q3 2017  GCHRCC:2018-04

Motion carried  ON MOTION DULY MADE by Mr. Kennedy, seconded by Ms. Wilkinson and carried, the GCHRCC received the report for information.

ITEM 3  POLICY APPROVAL: PRIVACY POLICY  GCHRCC:2018-05

The GCHRCC had before it the above-captioned report (GCHRCC:2018-05).

The following were among the matters from this report discussed by management and the GCHRCC:

- Review the 24 Hour Notice of Entry to tenants as to whether language should be included regarding the taking of photographs within units.
• Clarify the reference to “delegated head of TCHC” under the heading “Compliance and Monitoring.”

Motion carried  ON MOTION DULY MADE by Ms. Wilkinson, seconded by Mr. Kennedy and carried, the GCHRCC resolved to approve the report, and recommend that the Privacy Policy, as amended, be forwarded to the Board of Directors for review and approval.

ITEM 4 2018 STRATEGIC COMMUNICATIONS PLAN  GCHRCC:2018-06

Bruce Malloch, Director, Strategic Communications, presented the above-captioned report (GCHRCC:2018-06). A number of items were suggested to management including items related to more feedback from tenants and refreshment of brand/logo.

Motion carried  ON MOTION DULY MADE by Ms. Wilkinson, seconded by Mr. Kennedy and carried, the GCHRCC resolved to receive this report for information.

TERMINATION

The GCHRCC public meeting terminated at 11:25 a.m.

Secretary  Chair, Governance, Communications, Human Resources and Compensation Committee
## GCHRCC- Business Arising from the Minutes and Committee Action Item List

### Public Meetings

<table>
<thead>
<tr>
<th>Report No. and Meeting Date</th>
<th>Description</th>
<th>Status</th>
<th>Target Date</th>
<th>Assigned to</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Verbal, July 12, 2017</td>
<td>Management to report back with draft complaint procedure regarding the Whistleblower Policy</td>
<td>Completed. Report prepared for the May 3, 2018 GCHRCC meeting.</td>
<td>May 3, 2018</td>
<td>General Counsel and Corporate Secretary</td>
</tr>
<tr>
<td>2. GCHRCC: September 16, 2016</td>
<td>Management to add an update on the assessment of a mandatory insurance requirement for tenants to the 2017 committee work plan.</td>
<td>Completed. Report prepared and discussed at the TSC meeting held on April 6, 2018.</td>
<td>April 6, 2018</td>
<td>Senior Director, Fire Life Safety &amp; Risk Management</td>
</tr>
<tr>
<td>3. GCHRCC September 29, 2014</td>
<td>The GRHRC requested Management to establish a focus group at the end of the tenant director selection and weaknesses of the process, to propose improvements and to include tenant consultation.</td>
<td>Report on the review of the tenant board member selection process for 2017 was brought to the RSC Committee on May 30th, 2016, and included a component on tenant consultations. Management has been advised by the City that the City will take the lead in the review and consultation process. This Item to be reported through TSC (formerly the RSC) with updates provided</td>
<td>Reporting through TSC</td>
<td>General Counsel and Corporate Secretary</td>
</tr>
<tr>
<td>Report No. and Meeting Date</td>
<td>Description</td>
<td>Status</td>
<td>Target Date</td>
<td>Assigned to</td>
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<td>• D&amp;O liabilities (environmental claims) - any gaps of exposure for directors</td>
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<td></td>
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<tr>
<td></td>
<td>• Deductible optimization &amp; self insurance</td>
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<tr>
<td></td>
<td>• Revisit deductible optimization study</td>
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<tr>
<td></td>
<td>• Briefing note prepared and circulated to GCHRCC (off-line)</td>
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<tr>
<td></td>
<td>• Report prepared for the May 3, 2018 GCHRCC meeting.</td>
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<tr>
<td></td>
<td>• Report prepared for the May 3, 2018 GCHRCC meeting (same report as above).</td>
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</table>
Compliance Report, Q4-2017

Item 2E
May 3, 2018
Governance, Communications, Human Resources and Compensation Committee

Report: GCHRCC:2018-07

To: Governance, Communications, Human Resources and Compensation Committee (“GCHRCC”)

From: President and Chief Executive Officer

Date: March 22, 2018

PURPOSE:
The purpose of this report is to provide the GCHRCC with the Compliance Certificate for Q4, 2017.

RECOMMENDATION:
It is recommended that the GCHRCC receive this report for information.

REASONS FOR RECOMMENDATION:
As a best practice, the Board expressed an interest in a Compliance Certificate process to provide assurance to the Board that key areas of financial compliance are formally reviewed and confirmed. Attached, please find the certificate relating to all statutory payments for Q4, 2017.

SIGNATURE:

“Kathy Milsom”

Kathy Milsom
President and Chief Executive Officer
ATTACHMENT:
   1. Q4, 2017 – Quarterly Compliance Certificate

STAFF CONTACT:
Ismail Ibrahim, General Counsel and Corporate Secretary
416-981-4241
Ismail.ibrahim@torontohousing.ca
Memo

To: Governance, Communications, Human Resources and Compensation Committee

From: Kathy Milsom
President and Chief Executive Officer

Date: March 22, 2018

Re: Quarterly Compliance Certificate

I, Kathy Milsom, in my capacity as President and Chief Executive Officer of Toronto Community Housing Corporation, hereby certify that to the best of my knowledge and not in my personal capacity:

1. For the period of October 1, 2017 to December 31, 2017, the following statutory payments have been accounted for, reported to the applicable government body or agency, in a timely manner according to the requirements under law or regulation:

<table>
<thead>
<tr>
<th>Government Body or Agency</th>
<th>Statutory Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada Revenue Agency</td>
<td>• HST monthly remittances</td>
</tr>
<tr>
<td></td>
<td>• Employee Source Deductions (Income Tax, CPP, EI) monthly remittances</td>
</tr>
<tr>
<td>OMERS</td>
<td>• Monthly remittances</td>
</tr>
<tr>
<td>WSIB</td>
<td>• Monthly remittances</td>
</tr>
<tr>
<td>Ontario Ministry of Finance</td>
<td>• Employer Health Tax monthly remittances</td>
</tr>
</tbody>
</table>

2. I have reviewed, or caused to review, such files, books, and records of Toronto Community Housing Corporation and have made, or caused to be made, such enquiries of Toronto Community Housing Corporation employees under my direct supervision as I have determined necessary for the purpose of this certificate.

Regards,

"Kathy Milsom"
Kathy Milsom
President and Chief Executive Officer
Annual General Meeting Process for TCHC and Its Subsidiaries
Item 3
May 3, 2018
Governance, Communications, Human Resources and Compensation Committee

Report: GCHRCC:2018-08
To: Governance, Communications, Human Resources and Compensation Committee (“GCHRCC”)
From: General Counsel and Corporate Secretary
Date: April 18, 2018

PURPOSE:
The purpose of this report is to review the process for the Annual General Meeting (“AGM”) for Toronto Community Housing Corporation (“TCHC”) and its subsidiaries.

RECOMMENDATION:
It is recommended that the GCHRCC receive this report, and recommend to the Board of Directors to:

(1) authorize the President and Chief Executive Officer or designate to represent the sole shareholder, TCHC, and conduct annual meetings of the shareholder via written resolution in the form attached as Appendix 1, for the following subsidiaries that are wholly-owned by TCHC:

   i. 2001064 Ontario Inc.;
   ii. Access Housing Connections Inc.;
   iii. Alexandra Park Development Corporation;
iv. Allenbury Gardens Development Corporation;
v. Don Mount Court Development Corporation;
vi. Leslie Nymark Development Corporation;
vii. Railway Lands Development Corporation;
viii. Regent Park Development Corporation;
ix. Toronto Affordable Housing Fund;
x. Toronto Community Housing Enterprises Inc.; and

(2) authorize the President and Chief Executive Officer, and the General Counsel and Corporate Secretary, and their respective designates, to take all actions and execute all necessary documents to implement the above resolutions.

REASONS FOR RECOMMENDATION:
The GCHRCC has in its Charter the following responsibilities:

- Annually reviewing with management the procedures of the AGM and reporting, and making recommendations to the Board on such matters; and

- Recommending to the Board in consultation with Committee Chairs the appointment of directors of any subsidiary or joint venture, and annually reviewing the governance structures of all subsidiaries and joint ventures, including the procedures for any AGMs in accordance with applicable subsidiary board policies, and reporting and making recommendations to the Board on such matters.

TCHC AGM Process
As in prior years, TCHC’s AGM has been incorporated to take place as part of the City of Toronto’s City Council meetings. In order to satisfy the requirements for an AGM, the City Manager and Deputy City Manager & Chief Financial Officer bring a report to City Council, through the Executive Committee, addressing the matters required to be dealt with at an AGM, with the recommendation that the portion of the City Council meeting at which the report is considered be treated as TCHC’s AGM.

TCHC’s AGM is currently scheduled to take place at the June 26-28, 2018 City Council meeting. The report requesting the AGM will be firstly brought
to the Executive Committee on June 19, 2018. The following items will be discussed at TCHC’s AGM:

1. TCHC’s 2017 TCHC’s Consolidated Audited Financial Statements;
2. Appointment of TCHC’s auditor for the next fiscal year;
3. TCHC’s Amended By-Law No. 3;
4. 2017 Annual Report; and
5. Letter to the Shareholder.

There had been discussions at the City of Toronto regarding changing this process, but TCHC has not been informed of any changes to date.

**TCHC’s Wholly-Owned Subsidiaries AGM Process**
- TCHC has established the ten wholly-owned subsidiaries noted under Recommendations.

To fulfill its obligation of holding an AGM pursuant to section 94 of the Ontario Business Corporations Act (“OBCA”), the subsidiary board must first meet and approve the corporation’s financial statements for the fiscal year ended December 31, 2017. Once financial statements are approved by the subsidiary board, an AGM can be convened. TCHC through its Board of Directors can conduct the AGM by written resolution if permitted by the subsidiaries’ bylaws. According to section 104 of the OBCA, a resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of the shareholders is as valid as if it had been passed at a meeting of the shareholders.

The agenda for the AGM consists of the following special business (section 96(5) of the OBCA):
- Receipt and presentation of annual financial statements and auditor’s report;
- Appointment of auditor; and
- Election of directors.

**IMPLICATIONS AND RISKS:**

Under the OBCA, corporations are required to hold an AGM. Failure to hold an AGM would result in noncompliance with the OBCA.
SIGNATURE:

“Ismail Ibrahim”

____________________________
Ismail Ibrahim
General Counsel and Corporate Secretary

ATTACHMENT:

1. Signed Resolution in Lieu of Shareholders’ Meeting

STAFF CONTACTS:

Ismail Ibrahim, General Counsel and Corporate Secretary
416-981-4241
Ismail.Ibrahim@torontohousing.ca

Marta Asturi, Legal Counsel and Assistant Corporate Secretary
416-981-4238
Marta.Asturi@torontohousing.ca

Attachment 1:

Signed Resolution in Lieu of Shareholders’ Meeting

[NAME OF CORPORATION]
RESOLUTION OF THE SHAREHOLDER

BE IT RESOLVED THAT:

A. FINANCIAL STATEMENTS

The financial statements of the Corporation as at the fiscal year end of December 31, 2017 [together with the report of the auditor thereon] are hereby received.

B. [REMOVAL AND] ELECTION OF DIRECTORS

[The following directors are hereby removed as directors of the Corporation effective on the date this resolution is signed: [list directors]].

The following persons are hereby elected directors of the Corporation for the ensuing year or until their successors should be elected or appointed: [list directors]

C. SPECIAL RESOLUTION FIXING NUMBER OF DIRECTORS

Upon and subject to Articles of Incorporation providing for a minimum and maximum numbers of directors becoming effective:

1. the number of directors of the Corporation within the minimum and maximum numbers of directors provided for in the Articles of Incorporation is hereby determined to be __________; and

2. thereafter, the directors of the Corporation are empowered to determine from time to time the number of directors of the Corporation within the minimum and maximum numbers provided for in the Articles of Incorporation, as the same may be amended from time to time.

D. APPOINTMENT OF AUDITOR

[Name of Auditors] are hereby appointed the auditors of the Corporation to hold office until the close of the next annual meeting of the shareholder at
such remuneration as may be fixed by the directors and the directors are hereby authorized to fix such remuneration.

The undersigned, being the sole shareholder of the Corporation, entitled to vote on the foregoing resolution, hereby, signs the said resolution this ______ day of __________________, [year] _______.

TORONTO COMMUNITY HOUSING CORPORATION

By: ____________________________
   Name: Kathy Milsom
   Title: President and Chief Executive Officer
2018 Review Schedule for Policies Requiring Board Approval

Item 4
May 3, 2018
Governance, Communications, Human Resources and Compensation Committee

Report: GCHRCC:2018-09

To: Governance, Communications, Human Resources and Compensation Committee (“GCHRCC”)

From: Director, Strategic Planning & Stakeholder Relations

Date: May 3, 2018

PURPOSE:
The purpose of this report is to provide the GCHRCC with the schedule of policies requiring Board approval in 2018.

RECOMMENDATION:
It is recommended that GCHRCC receive this report for information.

REASONS FOR RECOMMENDATION:
Criteria for Determining Policy Approval Level

Toronto Community Housing Corporation (“TCHC”) Policy Management Framework requires the Board (and relevant Board committee) to review and approve policies that meet one or more of the following criteria:

1. Be stipulated by legislation, by-laws, the Shareholder Direction or such other framework or compliance requirements;

2. Address a major risk area (financial, reputational, etc.); or

3. Have significant impact on many tenant households or on vulnerable tenants.
Policies not meeting one of these criteria will be approved at a corporate level (by the Officers of the corporation) or divisional level (by the divisional executive), and may be reported to the appropriate committee and to the Board for information at the discretion of the policy owner and the Officers, and in consultation with the relevant Committee Chair.

2018 Policy Review Schedule

All policies requiring Board approval that are scheduled for review in 2018 are listed in Attachment 1 and are colour coded by Board committee. This list of policies and associated timelines was approved by the executive leadership team on March 9, 2018.

These policies are sufficiently resourced and should be completed within 2018.

IMPLICATIONS AND RISKS:

Timely and thorough reviews of existing policies and procedures are necessary to ensure that they serve their intended purpose and remain compliant with applicable legislation. Reviews also provide an opportunity to apply up-to-date best practices, legislative changes, and to consider relevant Auditor General and Ombudsman findings and recommendations. In addition, they may serve to align TCHC’s policies with similar City of Toronto policies as appropriate.

The policy review schedule minimizes TCHC’s exposure to reputational, financial and other risks through compliance monitoring and regular review.

SIGNATURE:

“Hugh Lawson”

Hugh Lawson
Director, Strategic Planning & Stakeholder Relations

ATTACHMENT:
1. Schedule of Policies Requiring Board Approval

STAFF CONTACT:
Lindsay Viets, Manager, Strategic Planning
416-981-4131
Lindsay.Viets@torontohousing.ca
<table>
<thead>
<tr>
<th>Policy</th>
<th>Division</th>
<th>Committee</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement Policy</td>
<td>Finance - Procurement</td>
<td>BIFAC</td>
<td>Q3 2018</td>
</tr>
<tr>
<td>Benefits Policy</td>
<td>Human Resources</td>
<td>GCHRCC</td>
<td>Q4 2018</td>
</tr>
<tr>
<td>Pension Policy</td>
<td>Human Resources</td>
<td>GCHRCC</td>
<td>Q3 2018</td>
</tr>
<tr>
<td>Long Term Disability Policy</td>
<td>Human Resources</td>
<td>GCHRCC</td>
<td>Q2 2018</td>
</tr>
<tr>
<td>Deputation Policy for Stakeholders</td>
<td>Legal</td>
<td>GCHRCC</td>
<td>Q2 2018</td>
</tr>
<tr>
<td>Non-Residential Space Use Policy - Agencies</td>
<td>Resident &amp; Community Services</td>
<td>TSC</td>
<td>Q4 2018</td>
</tr>
<tr>
<td>Non-Residential Space Use Policy - Tenants</td>
<td>Resident &amp; Community Services</td>
<td>TSC</td>
<td>Q4 2018</td>
</tr>
<tr>
<td>Vulnerability Definition Policy</td>
<td>Resident &amp; Community Services</td>
<td>TSC</td>
<td>Q2 2018</td>
</tr>
<tr>
<td>Accessible Customer Service Policy</td>
<td>Service Integration &amp; Delivery</td>
<td>TSC</td>
<td>Q3 2018</td>
</tr>
<tr>
<td>Tenant Complaint Policy</td>
<td>Service Integration &amp; Delivery</td>
<td>TSC</td>
<td>Q3 2018</td>
</tr>
</tbody>
</table>
BIFAC Subcommittee - IT Subcommittee Dissolution

Report: GCHRCC:2018-10

To: Governance, Communications, Human Resources and Compensation Committee (‘GCHRCC’)
From: General Counsel and Corporate Secretary
Date: April 18, 2018

PURPOSE:
The purpose of this report is to discuss and approve the dissolution of the Information Technology Subcommittee (‘IT Subcommittee’) reporting to the Building Investment, Finance and Audit Committee (‘BIFAC’).

RECOMMENDATION:
It is recommended that the GCHRCC receive this report, and recommend to the Board of Directors to approve the dissolution of the BIFAC IT Subcommittee.

REASONS FOR RECOMMENDATION:
The GCHRCC has in its Charter the following responsibilities:

- Annually reviewing the Board Charter and Charters for each Committee, and reporting and making recommendations to the Board on such matters.

Under the BIFAC Charter, the IT Subcommittee was constituted as an advisory committee to assist the BIFAC in fulfilling its responsibility in
respect of strategic oversight of TCHC’s information technology program and investments. At its meeting held on February 13, 2018, the BIFAC discussed the progress of the IT Subcommittee and resolved that the existence of the subcommittee was no longer required. It was discussed that the subject matter of the subcommittee is better suited to be reported directly to BIFAC.

In addition, the BIFAC has capacity to oversee the information technology strategy with the creation of the Procurement Award Committee that has reduced the work load of the BIFAC.

**IMPLICATIONS AND RISKS:**
It is good governance practice to review Committee Charters to ensure Committees’ are meeting their responsibilities and reviewing the necessity of advisory committees.

**SIGNATURE:**

“Ismail Ibrahim”

---------------------------------

Ismail Ibrahim
General Counsel and Corporate Secretary

**STAFF CONTACTS:**
Ismail Ibrahim, General Counsel and Corporate Secretary
416-981-4241
Ismail.Ibrahim@torontohousing.ca

Marta Asturi, Legal Counsel and Assistant Corporate Secretary
416-981-4238
Marta.Asturi@torontohousing.ca
Whistleblower Policy- Complaint Procedures
Item 6
May 3, 2018
Governance, Communications, Human Resources and Compensation Committee

Report: GCHRCC:2018-11
To: Governance, Communications, Human Resources and Compensation Committee (“GCHRCC”)
From: General Counsel and Corporate Secretary
Date: April 18, 2018

PURPOSE:
The purpose of this report is to inform the GCHRCC of procedures and/or policies in response to complaints related to Board members.

RECOMMENDATION:
It is recommended that the GCHRCC receive this report for information and discussion.

REASONS FOR RECOMMENDATION:
At its meeting on April 6, 2017, the GCHRCC reviewed the Whistleblower Policy and requested a further report on procedures to address the complaints against Board members.

The directors on the Board are entrusted with fiduciary responsibilities to carefully guard TCHC’s resources, corporate legal obligations, and reputation. TCHC has the Whistleblower Policy in place that sets out a high standard for ethical conduct along with protection from reprisal for whistleblowers reporting wrongdoing in good faith. Complaints may vary
widely in nature, scope and identity of alleged wrongdoers, which should lend to flexibility in reporting options.

The types of complaints can fall under the following categories, each of which TCHC has respective policies in place to address:

1. Code of Conduct for the Directors of the Board;
2. Conflict of Interest – Board of Directors;
3. Fraud Prevention Policy; and

A review of the policies revealed gaps within the policies that require revisions, as noted below.

It is recommended that Management report further to the September 12, 2018 GCHRC meeting with recommended revisions to the various policies to address the gaps.

1. **Code of Conduct for Directors of the Board**

Under the *Code of Conduct for Directors of the Board* policy, any breaches or potential breaches of the Code of Conduct are to be reported to the Board Chair.

This policy does provide for actions where there is a breach:

> Directors who have breached or who are in a potential breach of the Code of Conduct may be requested to resign, or may request an exemption from any such breach or potential breach by determination of a special majority of the subject director’s peers.

This policy is silent on how matters related to the Board Chair are to be addressed.

It is recommended that the policy be revised to state that “any breaches or potential breaches of the Code of Conduct by the Board Chair are to be reported to the Board Vice-Chair.”
2. Conflict of Interest Policy - Board of Directors

Under the Conflict of Interest Policy – Board of Directors, there are sections related to disclosures and for complaints.

Disclosures

For disclosures, Directors are to report to the Chair of GCHRCC, who determines the matter in consultation with the Board Chair.

Where the Chair of GCHRCC needs to disclose a matter, the disclosure is to the Board Chair, who determines the matter in consultation with the Board Vice-Chair.

This policy is silent as to what to do with complaints related to the Board Chair.

It is recommended that the policy be revised to state that “where the Board Chair needs to disclose a matter – the disclosure is to the Board Vice Chair, who determines the matter in consultation with the Chair of GCHRCC.”

Complaints

Under this policy, for complaints or comments relating to the integrity of a Director, the complaint is to be forwarded to the Chair of the GCHRCC to discuss with the Board Chair.

There is no process outlined for complaints against the Chair of the GCHRCC or the Board Chair.

It is recommended that the Policy be revised as follows:

- Explicitly outline the process through which a complaint against the Board Chair or the Chair of GCHRCC are to be handled:
  - Where there is a complaint against the Board Chair, the complaint shall be to the Vice-Chair, who determines the matter in consultation with the GCHRCC Chair; and
Where there is a complaint against the GCHRCC Chair, the complaint shall be made to the Board Chair, who determines the matter in consultation with the Board Vice-Chair.

3. Fraud Prevention Policy

The Fraud Prevention Policy also applies to the Board of Directors. Under this policy, TCHC is tasked with investigating any suspected acts of fraud or corruption, misappropriation, or other similar irregularity. Moreover, the policy provides that an objective and impartial investigation will be conducted regardless of the position, title, and length of service of any party who is, or becomes, the subject of such investigation.

There is no specific provision with regard to questions related to complaints about Board members.

It is recommended that the policy be updated to include provisions, similar to those recommended for the Conflict of Interest – Board of Directors policy.


TCHC has a number of policies under which employees or workers can report workplace concerns or complaints. Under each policy, there is a positive obligation on TCHC Management to address employee complaints in a prompt, impartial and fair manner. TCHC is currently reviewing its internal procedures to ensure its existing complaint mechanisms are up to date and clarified for employees.

Workplace policies are silent on how matters involving members of the Board will be addressed. As noted above, the Code of Conduct for Directors of the Board, Conflict of Interest Policy - Board of Directors, Whistleblower Policy, and Fraud Prevention Policy are also silent on how matters involving members of the Board will be addressed.

It is recommended that a process be developed to address this issue in conjunction with the review of staff policies to ensure consistency.

IMPLICATIONS AND RISKS:
As noted above, TCHC has a number of policies in place that responds to different types of complaints which have gaps. These gaps are to be addressed in a coordinated manner along with the review of the policies related to staff.

SIGNATURE:

“Ismail Ibrahim”

______________________________
Ismail Ibrahim
General Counsel and Corporate Secretary

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Insurance Deductible Optimization Study
Item 7
May 3, 2018
Governance, Communications, Human Resources and Compensation Committee

Report: GCHRCC:2018-12
To: Governance, Communications, Human Resources and Compensation Committee (“GCHRCC”)
From: Senior Director, Fire Life Safety & Risk Management
Date: April 25, 2018

PURPOSE:
The purpose of this report is to provide the GCHRCC with an update on the TCHC insurance deductible optimization study.

RECOMMENDATION:
It is recommended that the GCHRCC receive this report for information.

BACKGROUND:
At Toronto Community Housing Corporation (“TCHC”), measures are taken to ensure that all risk exposures are identified and the appropriate risk controls are implemented to mitigate exposure within the established risk appetite. Specifically, the retention of a comprehensive insurance portfolio that adequately ensures the appropriate retention and transfers of risk exposures.

In September 2017, the TCHC Board of Directors through the GCHRCC approved the 2018 corporate insurance program renewal, comprised of:

- **Housing Services Corporation (“HSC”) Core Program**: Insurance coverage provided by HSC, which includes commercial general liability, property, crime, boiler and machinery, and directors’ & officers’ liability; and
- **Non-Core Program**: Insurance coverage outside of the HSC program that provides additional insurance coverage and limits as required.

**UPDATE:**
In January 2018, the Risk Management department partnered with Marsh Canada to initiate the review of the adequacy of the limits and insurance deductibles for the liability and property coverage within the HSC Core program of the insurance portfolio (see Attachment 1). The purpose of the review was to:

- Enhance understanding of the TCHC risk profile, including an evaluation of loss propensity before insurance; and
- Enhance understanding on the optimal risk transfer point, which includes moving from retaining to transferring risks.

**SUMMARY:**
Based on the findings of the review of the insurance limits and deductibles for the liability and property coverage within the HSC Core program, it can be concluded that the current structure continues to be economically efficient and appropriate for the risk profile of TCHC. As a result, it is recommended that we continue to retain the liability and property insurance coverage with the current limits and deductibles within the HSC Core program of the insurance portfolio:

- Liability: $2M (1$^{st}$ Limit) + $3M (2$^{nd}$ Limit) Limits, $50K$ Deductible; and
- Property: $25M (1^{st}$ Limit) + $125M (2^{nd}$ Limit) Limits, $250K$ Deductible.

**SIGNATURE:**

“John Angkaw”

John P. Angkaw
Senior Director, Fire Life Safety & Risk Management

**ATTACHMENT:**
1. Highlights of Marsh Canada’s Risk Analysis
2. Risk Financing Optimization
STAFF CONTACT:
John P. Angkaw, Senior Director, Fire Life Safety & Risk Management
416-981-4318
John.Angkaw@torontohousing.ca
ATTACHMENT 1: HIGHLIGHTS OF MARSH CANADA’S RISK ANALYSIS

This following highlights the findings of the analysis, including the loss and premium analysis for both the liability and property insurance coverage.

A. Liability

Loss Analysis

In determining the optimal risk transfer point, the 2018/19 loss forecast analysis was conducted to include an estimate for (1) ground up losses, (2) amounts retained within $50K (current) and $250K deductible, and (3) amounts transferred to primary and umbrella insurance coverage:

<table>
<thead>
<tr>
<th>Deductible</th>
<th>Ground-Up</th>
<th>Retention $2M</th>
<th>Transfer $3M</th>
<th>Excess $ &gt; $5M</th>
</tr>
</thead>
<tbody>
<tr>
<td>$50K</td>
<td>$3.39M</td>
<td>$1.33M</td>
<td>$1.53M</td>
<td>$334K</td>
</tr>
<tr>
<td>$250K</td>
<td>$3.39M</td>
<td>$1.92M</td>
<td>$939K</td>
<td>$197K</td>
</tr>
</tbody>
</table>

At the current $50K deductible, the losses retained would be approximately $1.33M, with a risk transfer of $1.53 to the primary coverage and $334K to the umbrella coverage.

With a $250K deductible, the losses retained would be $1.92M, with a risk transfer of $939K to the primary coverage and $334K to the umbrella coverage.

As a result, there is a difference of $588K of loss retention between having a $50K and $250K deductible for the liability coverage. If TCHC were to consider an alternative structure for a liability insurance coverage with a $250K deductible, approximately an additional $588K would be retained internally.

Premium Analysis

In determining liability insurance premium calculations, a premium forecast analysis was conducted, which included (1) forecasting insurance premiums based on ‘experience’ (actual loss experience) and ‘industry and experience mix’ (forecasted 2018/19 loss experience) and (2) outlining high and low insurance premium estimates for the primary layer with a $50K (current) and $250K deductible.
The following 3 tables outline the options for limits and deductibles for consideration:

Table: 1: $2M, 50K

<table>
<thead>
<tr>
<th>Type</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience</td>
<td>$996,505</td>
<td>$1,228,051</td>
</tr>
<tr>
<td>Industry &amp; Experience</td>
<td>$1,786,813</td>
<td>$1,924,261</td>
</tr>
<tr>
<td>Premium</td>
<td></td>
<td>$947K</td>
</tr>
</tbody>
</table>

For a primary layer with a $2M limit and $50K deductible, if the current premium of $947K could be obtained for the upcoming 2018/19 year, then current liability insurance premium remains as an attractive option for TCHC.

Table 2: $2M, $250K

<table>
<thead>
<tr>
<th>Type</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience</td>
<td>$44,455</td>
<td>$47,875</td>
</tr>
<tr>
<td>Industry &amp; Experience</td>
<td>$1,098,673</td>
<td>$1,183,187</td>
</tr>
<tr>
<td>Premium</td>
<td></td>
<td>$947K</td>
</tr>
</tbody>
</table>

For a primary layer with a $2M limit and $250K deductible, the ‘experience’ premium is not a reliable indicator as historical losses for claims in excess of $250k is highly limited. As well, given that the ‘industry and experience mix’ premium already exceeds those for the current primary layer, it unlikely that it represents to be a reliable forecasted insurance premium that could be obtained for TCHC for a $2M, $250K primary.

Table 3: $3M

<table>
<thead>
<tr>
<th>Type</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry &amp; Experience</td>
<td>$390,713</td>
<td>$420,768</td>
</tr>
<tr>
<td>Premium</td>
<td></td>
<td>$85,000</td>
</tr>
</tbody>
</table>

For the umbrella layer of $3M, if the current premium of $85K could be obtained for the upcoming 2018/19 year, then the current insurance premium would still remain attractive to TCHC. As well, it should be noted that TCHC has no historical loss in excess of $2M.
B. Property

Loss Analysis

Table 4

<table>
<thead>
<tr>
<th>Deductible</th>
<th>Gross</th>
<th>Retention</th>
<th>Transfer $25M</th>
<th>Excess &gt; $25M</th>
</tr>
</thead>
<tbody>
<tr>
<td>$250K</td>
<td>$5.66M</td>
<td>$4.36M</td>
<td>$1.37M</td>
<td>$16.92K</td>
</tr>
<tr>
<td>$500K</td>
<td>$5.66M</td>
<td>$4.66M</td>
<td>$1.08M</td>
<td>$16.42K</td>
</tr>
</tbody>
</table>

For the primary layer of $25M limit and $250k deductible, it is deemed to be highly efficient, with a high efficiency ratio of 112%. That is for every dollar of paid premium, approximately $1.12 of economic loss will be transferred to the carrier. For the alternative structure ($25M, $500K), it is deemed not to be as efficient as well if the current structure premium ($1.04M) was quoted for the alternative structure ($1.08M), it would still be lower and still be economically efficient.

Premium Analysis

In determining property insurance premium calculations, a premium analysis was conducted, which included outlining the break even premiums that should be sought to make moving to the alternative deductible desirable, using the current structure and premium as a benchmark.

The following table outlines the break even premiums calculated by the difference between the economic cost of risk (“ECOR”) for the current the structure against the alternative structure.

Table 5

<table>
<thead>
<tr>
<th>Type</th>
<th>Current $25M, 250K</th>
<th>Alternative $25M, 500K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Cost of Risk</td>
<td>$5.36M</td>
<td>$5.36M</td>
</tr>
<tr>
<td>Discounted Mean/Retained Loss</td>
<td>$4.10M</td>
<td>$4.33M</td>
</tr>
<tr>
<td>Implied Risk Charge</td>
<td>$59K</td>
<td>$78K</td>
</tr>
<tr>
<td>Premium</td>
<td>$1.25M</td>
<td>$953K</td>
</tr>
</tbody>
</table>

The ECOR of the current structure ($250K) assumes the premium is on the current level ($1.25M). To consider moving to the alternative structure (with $500K deductible), the maximum premiums that would make the move desirable are show in the premium section. If TCHC were to consider an alternative structure for a property insurance coverage with a $500K deductible, a premium below $953K would be needed to make that
alternative structure more economically efficient compared to the current structure.
Risk Financing Optimization

Toronto Community Housing Corporation

April 2018
CONTENTS

1. Executive Summary
   – Key Insights
   – Leveraging ECOR for Risk Transfer Decisions
   – Modeling Inputs and Assumptions
   – Economic Cost of Risk (ECOR)
   – Break Even Premium Determination

2. Analytics Detail
   – Overall Insurance Payoff
   – Layer Value Analysis
     - Current Deductible
     - Alternative Deductible Option
Executive Summary
Key Insights

Scope

Toronto Community Housing Corporation (TCHC) has engaged Marsh Global Analytics (MGA) to perform a Risk Financing Optimization (RFO) analysis for its Property exposures. The RFO is intended to provide insight into:

- TCHC’s unique risk profile – an in-depth evaluation of loss propensity before (ground-up loss profile) and after insurance (retained / transferred loss profiles).
- Insurance program efficiencies – leveraging the Economic Cost of Risk (ECOR) framework, provide more transparency into and control of the decision-making process to retain and transfer risk.

Program Structures

This RFO provides an estimate of the efficiency of the current property program:

- $250K Deductible,
- $25M Primary,
- $125M Excess Layer.

One alternative program structure was also considered with a $500K deductible. It was assumed that the Primary and Excess layers remain on top of the deductible.

Key Risk Drivers

This analysis is primarily driven by TCHC’s total insurable value (TIV) exposures.

A portfolio value breakdown shows that of 2,184 locations, 89% have a TIV of less than $10M. Collectively these locations make up 29% of TCHC’s TIVs. Locations with TIV below $50M collectively make up 99% of locations and 87% of the total TIVs. This suggests that there is a good level of TIV dispersion across a number of locations. However, there is still some exposure to a single large loss event in excess of TCHC’s $25M Primary Layer. Approximately, 6% of TCHC’s locations have exposure to loss above $25M and represent 54% of total TIV’s.

Given this, the number of historical claims, and current structure’s limits, TCHC is well protected against adverse loss experience arising from large losses.

Key Risk Drivers

Since November 2004 TCHC has experienced 2,769 non-zero claims. Of these claims approximately 71% have been below $10,000, and 99% below $100,000. Only 9 claims have breached the current $250K deductible level. The most notable of these was the 2009/10 Wellesley St fire.

It should be noted that the analysis does provide some consideration for large losses, it does not specifically consider loss of the magnitude of those seen in the Wellesley St fire (a “Shock Loss”). As such, losses in excess of the $500K alternative deductible, volatility and estimated “Layer Values” may be understated. However, it may be used to compare the difference in retained losses within deductible and provide insight into non-shock losses above and below deductible.
Leveraging ECOR for Risk Transfer Decisions

TCOR vs. ECOR

• Traditional cost of risk evaluation consists of quantifying premium, administration costs and often an estimate of retained loss costs. As data and capabilities to assess risk have advanced, it is now possible to compute the volatility associated with a company’s risk profile.

What is the Value of ECOR?

• Leveraging risk financing optimization (RFO) and ECOR, companies have better transparency into how underwriters price insurance coverage. Marsh’s RFO Analysis uses the same type of technical pricing analysis that underwriters perform and, as a result, provides more transparency into and control of the decision-making process to retain and transfer risk.

Additional Risk Transfer

• Options to improve ECOR.

• A robust analytics framework for all risk issues, not just one, but across a company’s portfolio.
Modeling Inputs and Assumptions

How are Expected Retained Losses and Retained Loss Volatility Estimated?

- Estimating retained losses and volatility in potential loss experience for the upcoming policy period are both achieved by using a simulation based approach, by which thousands of unique potential experiences for the upcoming policy year are generated on a claim by claim basis utilizing mathematical loss distributions that describe the potential frequency (likelihood) and severity of individual claims.

Step 1: Determining the Loss Profile

- The objective of this step is to determine the frequency and severity loss distributions appropriate for modelling.
- These loss “curves” can be based on a combination of: historical loss experience, scenarios developed in conjunction with the client (not considered for this RFO), and industry loss experience (utilizing Marsh’s Loss Data Library).
- Changes in exposure and trends in claim awards over the years are taken into account to make historical loss experience representative of the upcoming policy period.
- These loss distributions were used as inputs for Monte Carlo simulations.

Step 2: Simulation and Application of an assumed insurance structure

- The objective of this step is to consider losses from a ‘ground-up’ perspective (assuming the absence of insurance) as well retained and transferred loses as at the Current and Alternative structures.
- The frequency and severity distributions allow the generation of a claim by claim experience for the forecast policy year.
- Program structures are applied to the simulated losses to determine retained and transferred amounts.
- Losses are examined using both an “average loss” scenario (i.e. the average over all simulations) and at high and low loss scenarios.
Modeling Inputs and Assumptions

Loss Distributions Assumptions

• A key process to determining our loss distribution involves defining loss ranges for which we believe there is a significant difference in the frequency of losses. The purpose of this is to avoid unwanted skew in the overall loss distribution.

• Larger claim curves are developed using a frequency and severity approach. Frequency represents the number of claims in a given year, allowing for volatility. Severity represents the size of a claim given that a claim arises, also allowing for volatility. Both of these components are trended and adjusted to accurately represent the loss potential in the prospective policy period.

• Based on:
  – Where applicable, TCHC’s loss experience. This considered losses since the 2004/05 policy year.
  – Exposure analysis using TCHC’s total insurable values for property (back to the 2004/05 policy year).

Key Assumptions and Interpretation

• Implied risk charge calculation based on a cost of capital of 10%.

• Future cash flow discounted based on a 3% rate.

• References to ‘All Other Perils (AOP)’ throughout this report reflects loss potential relating to Fire, Wind (Non-Hurricane) and other non-natural catastrophe risks (e.g. water damage (excluding Flood and other typical water exclusions), falling objects, etc.)

Limitations and Exclusions

• Losses arising from natural catastrophe perils were not specifically considered.

• In assessing the impact and probability of the risks, it is necessary to make some assumptions about the future. There is inherent uncertainty in projecting future losses.

• We have, except where explicitly denoted otherwise, been neither deliberately optimistic nor pessimistic. The conclusions therefore reflect our objective best view of the future losses.
**Economic Cost of Risk Assessment (ECOR) – Property**

**What Is Economic Cost Of Risk?**

- ECOR is a method for quantifying and comparing the cost of risk held on a company's balance sheet as compared to transferring and paying the insurance premium. For each program structure considered, ECOR is estimated as the sum of Expected Retained Losses, Expected Premium, Implied Risk Charge (IRC), and Other Administrative Costs (such as broker commissions, collateral expenses, etc.)

**What Is Implied Risk Charge?**

- The Implied Risk Charge is a measure of the costs associated with retained loss volatility. It is based on three components for each structure:
  1. The likelihood and severity of losses being greater than the expected amount (this is the theoretical amount of capital necessary to absorb unfavorable loss outcomes)
  2. Cost of capital
  3. Duration of liabilities (recognizing the period of time needed to pay losses)

- The risk charge is calculated using the stream of theoretical capital charges resulting from (1)*(2) over the duration of (3), discounted at the cost of capital in (2)

<table>
<thead>
<tr>
<th>Sign</th>
<th>Components</th>
<th>No Insurance</th>
<th>Current Structure ($250K Deductible)</th>
<th>Alternative Structure ($500K Deductible)</th>
</tr>
</thead>
<tbody>
<tr>
<td>+</td>
<td>Discounted Mean Retained Loss</td>
<td>5,265,166</td>
<td>4,056,833</td>
<td>4,332,392</td>
</tr>
<tr>
<td>+</td>
<td>Premium/Layer Value</td>
<td>0</td>
<td>1,245,997</td>
<td>1,098,458</td>
</tr>
<tr>
<td>+</td>
<td>Implied Risk Charge</td>
<td>242,917</td>
<td>59,655</td>
<td>77,590</td>
</tr>
<tr>
<td>=</td>
<td>ECOR</td>
<td>5,508,082</td>
<td>5,362,485</td>
<td>5,508,440</td>
</tr>
</tbody>
</table>

The ECOR associated with the Current program is lower than the “No Insurance” scenario by $146K. The Current insurance coverage reduces the discounted expected losses by $1.21M and IRC by $183K, for a premium $1.25M.

For the alternative $500K structure, the Layer Value is presented instead of a Premium. This value may be considered an amount of a fully efficient premium for the alternative program structure, where by if premiums can be obtained below this amount the program would be considered fully efficient.

At the current option the current premium of $1.25M is presented as a proxy, however, it should be noted that the exposures (TIVs) have increased since last year and as such the actual premium may differ from the 2017/18 premium presented here. Provided the 2018/19 premium remains below $1.39M, the current program structure would be relatively attractive to TCHC as the insurance program could be considered fully efficient. Even if a premium above this amount is quoted, it may still be relatively efficient, just not fully so.

It should be noted that the analysis does not specifically consider losses related to Natural Catastrophe. As such, the Mean Retained Loss, Layer Value and Implied Risk Charge values may be understated, which would make the current structure more efficient that stated within this report.
Break Even Premium Determination (Property)

This section of the report focuses on comparing the alternative programs to the current structure and to determine the break even premiums that would be required to move deductible to obtain an optimized structure.

While the ECOR suggests that carrying no insurance has a lower ECOR than the current structure option, it is important to consider that insurance is purchased as protection against the unlikely, but possible, instances where a loss may have an unbearable detrimental affect to TCHC.

The table below presents the Break Even Premiums that should be sought to make moving to the related deductible option desirable, using the current structure and premium as a benchmark. The Break Even Premiums are determined by the difference between the Economic Cost of Risk (Retained Losses + Premium + IRC) for the current structure and the Retained Losses and IRC at the potential alternative deductible option.

<table>
<thead>
<tr>
<th>Sign</th>
<th>Components</th>
<th>Current Structure ($250K Deductible)</th>
<th>Alternative Structure ($500K Deductible)</th>
</tr>
</thead>
<tbody>
<tr>
<td>+</td>
<td>ECOR of Current $250k Ded't Option</td>
<td>5,362,485</td>
<td>5,362,485</td>
</tr>
<tr>
<td>-</td>
<td>Discounted Mean Retained Loss</td>
<td>4,056,833</td>
<td>4,332,392</td>
</tr>
<tr>
<td>-</td>
<td>Implied Risk Charge</td>
<td>59,655</td>
<td>77,590</td>
</tr>
<tr>
<td>=</td>
<td>Breakeven Premium</td>
<td>1,245,997</td>
<td>952,503</td>
</tr>
</tbody>
</table>

The ECOR of the current structure assumes the premium is on the current level ($1,245,977). To consider moving from the current structure to another option, the maximum premiums that would make the change potentially desirable are shown as the Break Even Premiums.

Assuming that the expiring premium remains for the $250K Deductible, then for TCHC to consider moving to a $500K deductible, a premium less than $953K would be needed to make the $500K option more economically efficient than the current $250K deductible.

However, updated premium indications for all of the options would be needed to determine the insurance payoff values and optimal program option.
Analytics
Detail - Property
## Insurance Payoff (Current) - Property

The table below illustrates the tradeoff between retaining and transferring risk. The insurance payoff measures the difference in retained losses without insurance versus retained losses plus premium with insurance.

<table>
<thead>
<tr>
<th>Key Statistics</th>
<th>No Insurance</th>
<th>Retained Loss + Premium</th>
<th>Insurance Payoff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>5,664,032</td>
<td>5,610,158</td>
<td>53,874</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>2,859,907</td>
<td>562,506</td>
<td>2,682,844</td>
</tr>
<tr>
<td>Coefficient of Variation</td>
<td>0.50</td>
<td>0.10</td>
<td></td>
</tr>
<tr>
<td>1 in 1.05 Years</td>
<td>5%</td>
<td>4,734,237</td>
<td>(1,245,997)</td>
</tr>
<tr>
<td>1 in 1.33 Years</td>
<td>25%</td>
<td>5,216,994</td>
<td>(1,187,493)</td>
</tr>
<tr>
<td>1 in 2 Years</td>
<td>50%</td>
<td>5,582,921</td>
<td>(762,507)</td>
</tr>
<tr>
<td>1 in 4 Years</td>
<td>75%</td>
<td>5,973,347</td>
<td>223,686</td>
</tr>
<tr>
<td>1 in 10 Years</td>
<td>90%</td>
<td>6,350,148</td>
<td>1,898,969</td>
</tr>
<tr>
<td>1 in 20 Years</td>
<td>95%</td>
<td>6,582,894</td>
<td>3,705,598</td>
</tr>
<tr>
<td>1 in 50 Years</td>
<td>98%</td>
<td>7,309,434</td>
<td></td>
</tr>
<tr>
<td>1 in 100 Years</td>
<td>99%</td>
<td>11,389,520</td>
<td></td>
</tr>
<tr>
<td>1 in 200 Years</td>
<td>99.5%</td>
<td>16,796,836</td>
<td></td>
</tr>
<tr>
<td>1 in 250 Years</td>
<td>99.6%</td>
<td>18,216,695</td>
<td></td>
</tr>
<tr>
<td>1 in 500 Years</td>
<td>99.8%</td>
<td>23,270,202</td>
<td></td>
</tr>
<tr>
<td>1 in 1000 Years</td>
<td>99.9%</td>
<td>29,917,022</td>
<td></td>
</tr>
</tbody>
</table>

Compared to No Insurance the current program structure (assuming an as is premium at renewal) shows economic efficiency at the 75th percentile (1 year in 4).

To be exact, the Current insurance coverage pays off at the 70.8th percentile (when the insurance payoff is positive). This corresponds to approximately a 1-in-3.4 year occurrence. Meaning that the payouts by the insurer for the transferred losses exceed the premium of $1.25M one in every 3.4 years.
Layer Value Analysis – Current Structure (Property)

The table below illustrates the efficiency of the current insurance layers on an aggregated basis. Efficiency is measured by efficiency ratio, which compares layer values (Layer’s Discounted Loss Pick + Layer’s Implied Risk Charge) against layer premiums. A fully efficient layer has efficiency ratio greater than 100%.

<table>
<thead>
<tr>
<th>Key Statistics</th>
<th>Property Gross</th>
<th>Deductible ($250K)</th>
<th>Excess of Limits</th>
<th>Retained Losses</th>
<th>Transferred Losses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
<tr>
<td>Mean</td>
<td>5,664,032</td>
<td>4,364,161</td>
<td>0</td>
<td>1,285,698</td>
<td>1,299,871</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>2,859,907</td>
<td>562,506</td>
<td>0.13</td>
<td>2,491,250</td>
<td>2,682,844</td>
</tr>
<tr>
<td>Coefficient of Variation</td>
<td>0.50</td>
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<td>1.94</td>
<td>2.06</td>
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<tbody>
<tr>
<td>1 in 1.05 Years</td>
<td>3,577,539</td>
<td>3,488,240</td>
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<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1 in 1.33 Years</td>
<td>4,242,980</td>
<td>3,870,997</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1 in 2 Years</td>
<td>4,959,274</td>
<td>4,336,924</td>
<td>0</td>
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<td>58,504</td>
</tr>
<tr>
<td>1 in 4 Years</td>
<td>6,122,166</td>
<td>4,727,350</td>
<td>0</td>
<td>483,475</td>
<td>483,490</td>
</tr>
<tr>
<td>1 in 10 Years</td>
<td>7,889,382</td>
<td>5,104,151</td>
<td>0</td>
<td>1,469,767</td>
<td>1,469,683</td>
</tr>
<tr>
<td>1 in 20 Years</td>
<td>9,706,474</td>
<td>5,336,897</td>
<td>0</td>
<td>3,146,104</td>
<td>3,144,966</td>
</tr>
<tr>
<td>1 in 50 Years</td>
<td>13,265,942</td>
<td>5,601,173</td>
<td>0</td>
<td>4,951,794</td>
<td>4,951,595</td>
</tr>
<tr>
<td>1 in 100 Years</td>
<td>17,392,329</td>
<td>5,773,387</td>
<td>0</td>
<td>8,557,633</td>
<td>8,555,431</td>
</tr>
<tr>
<td>1 in 200 Years</td>
<td>22,593,670</td>
<td>5,948,653</td>
<td>0</td>
<td>12,676,962</td>
<td>12,635,517</td>
</tr>
<tr>
<td>1 in 250 Years</td>
<td>23,967,112</td>
<td>6,004,177</td>
<td>0</td>
<td>18,042,833</td>
<td>18,042,833</td>
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<tr>
<td>1 in 500 Years</td>
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<td>19,462,692</td>
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<tr>
<td>1 in 1000 Years</td>
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<td>24,516,199</td>
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Undiscounted

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<td>0</td>
<td>0</td>
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<tr>
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<td>8,557,633</td>
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<td>12,676,962</td>
<td>12,635,517</td>
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<td>1 in 250 Years</td>
<td>23,967,112</td>
<td>6,004,177</td>
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<td>18,042,833</td>
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<td>1 in 500 Years</td>
<td>29,160,931</td>
<td>6,170,982</td>
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<td>19,462,692</td>
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<tr>
<td>1 in 1000 Years</td>
<td>35,436,949</td>
<td>6,307,494</td>
<td>0</td>
<td>24,516,199</td>
<td>24,516,199</td>
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</tbody>
</table>

Premium - 2017-18 Program: 1,044,796 201,201 1,245,997
Discounted Loss Pick - 2017-18 Program: 1,195,158 13,175 1,208,333
Implied Risk Charge - 2017-18 Program: 179,519 3,742 183,262
Layer Value - 2017-18 Program: 1,374,877 16,917 1,391,594
Efficiency Ratio - 2017-18 Program: 132% 8% 112%

Marsh has presented the transfer layers split by the $25M primary and $125M Excess to show the potential utilization and value of those layers.

Layer Values may be considered a maximum estimation of an efficient premium for that layer. The overall property program is estimated to result in a 112% efficiency ratio. That is, for every dollar of premium paid, it estimated that $1.12 of economic loss will be transferred to the carrier.

It may be observed that the $25M primary layer is highly efficient, while the $125M Excess is less so. However, it should be noted that exclusions in this analysis related to Natural Catastrophe losses mean that expected loses and efficiency of the program are likely under stated on the Excess layer.
Layer Value Analysis – Alternative Structure (Property)

The table below illustrates the layer values of the alternative $500K deductible structure’s insurance layers on an aggregated basis.

Layer value is the sum of discounted expected losses in the layer and the implied risk charge associated with the layer.

<table>
<thead>
<tr>
<th>Key Statistics</th>
<th>Property Gross</th>
<th>Deductible ($500K)</th>
<th>Excess of Limits</th>
<th>$25M</th>
<th>$125M xs $25M</th>
<th>Total Transferred</th>
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<tbody>
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<td>Mean</td>
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<td>Coefficient of Variation</td>
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<tr>
<td>1 in 2 Years</td>
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<td>5,121,120</td>
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<td>1,013,671</td>
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<td>1,013,720</td>
</tr>
<tr>
<td>1 in 4 Years</td>
<td>6,122,166</td>
<td>6,122,166</td>
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<td>2,558,618</td>
<td>0</td>
<td>2,558,618</td>
</tr>
<tr>
<td>1 in 10 Years</td>
<td>7,889,382</td>
<td>7,889,382</td>
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<td>4,333,198</td>
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<td>9,706,474</td>
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<td>8,012,958</td>
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<td>8,021,092</td>
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<tr>
<td>1 in 50 Years</td>
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<td>13,265,942</td>
<td>0</td>
<td>12,008,844</td>
<td>0</td>
<td>12,005,045</td>
</tr>
<tr>
<td>1 in 100 Years</td>
<td>17,392,329</td>
<td>17,392,329</td>
<td>0</td>
<td>17,511,890</td>
<td>0</td>
<td>17,511,890</td>
</tr>
<tr>
<td>1 in 200 Years</td>
<td>22,593,670</td>
<td>22,593,670</td>
<td>0</td>
<td>18,871,645</td>
<td>0</td>
<td>18,871,645</td>
</tr>
<tr>
<td>1 in 250 Years</td>
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<td>23,967,112</td>
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<td>23,850,626</td>
<td>0</td>
<td>23,850,626</td>
</tr>
<tr>
<td>1 in 500 Years</td>
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<td>29,160,931</td>
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<tr>
<td>1 in 1000 Years</td>
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<td>35,436,949</td>
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<td>991,990</td>
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<td>932,774</td>
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<td>162,052</td>
<td>3,632</td>
<td>165,684</td>
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</table>

The Layer Value may be considered a maximum estimation of a fully efficient premium for that layer. The combined Layer Value for all insurance layers is $1.10M.

It may be observed that even if the current premium of $1,044,796 for the $250K deductible with $25M Primary were quoted for a $500K with $25M Primary, then the Premium would still be lower than the layer value of the alternative Primary ($1,082,041), suggesting that it would still be economically efficient. However, for the $500K option to become more attractive to TCHC, economically speaking, a premium less than $953K would be required, assuming the expiring premium remains for the $250K deductible option (See P5).
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Update on TCHC Subsidiaries
Item 8
May 3, 2018
Governance, Communications, Human Resources and Compensation Committee

To: Governance, Communications, Human Resources and Compensation Committee (“GCHRCC”)
From: General Counsel & Corporate Secretary
Date: April 19, 2018

PURPOSE:
The purpose of this report is to provide the GCHRCC with an update on subsidiary governance matters.

RECOMMENDATION:
It is recommended that the GCHRCC receive this report for information.

REASONS FOR RECOMMENDATION:

Don Mount Court Development Corporation (“DMCDC”)
Operational activities for DMCDC have concluded with the City of Toronto (the “City”) assuming the last outstanding road and releasing a Letter of Credit back to Toronto Community Housing Corporation (“TCHC”) in the amount of $265,400. There are no outstanding liabilities for TCHC.
Pursuant to section 237 of the Ontario *Business Corporations Act* ("OBCA"), shareholder approval is required to authorize dissolution by unanimous written consent or by special resolution (two thirds majority). A special resolution of DMCDC’s sole shareholder (TCHC) was passed and executed on December 11, 2017. A special resolution of the DMCDC’s Board was passed and executed on November 24, 2017.

Pursuant to the Shareholder Direction between TCHC and the City, TCHC requires the City’s approval to dissolve DMCDC. A letter dated February 15, 2018 requesting City approval to dissolve DMCDC was submitted to the City Manager’s Office. It is anticipated that the DMCDC dissolution will be before City Council at its meeting scheduled on June 26-28, 2018.

Staff continue to conduct administrative due diligence on the dissolution, which is expected to conclude by December 31, 2018. Upon the City’s approval, Articles of Dissolution are expected to be filed with the Ministry of Government Services in Q1 of 2019.

**Access Housing Connections Inc. ("AHCI")**

The City assumed operational functions of AHCI and TCHC is in the process of dissolving the remaining shell company.

Pursuant to section 237 of the OBCA, shareholder approval is required to authorize dissolution by unanimous written consent or by special resolution (two thirds majority). A special resolution of AHCI’s sole shareholder (TCHC) was passed and executed on December 11, 2017. A special resolution of AHCI’s Board was passed and executed on November 24, 2017.

Pursuant to the Shareholder Direction between TCHC and the City, TCHC requires the City’s approval to dissolve AHCI. A letter dated February 15, 2018 requesting City approval to dissolve AHCI was submitted to the City Manager’s Office. It is anticipated that the AHCI dissolution will be before City Council at its meeting scheduled on June 26-28, 2018.
Due diligence associated with the wind-up has substantially been completed and the Articles of Dissolution are expected to be filed with the Ministry of Government Services in Q4 of 2018.

**Regent Park Energy Inc. ("RPEI") and Toronto Community Housing Enterprises Inc. ("TCHEI")**

TCHC is considering the sale of RPEI. For certain commercial reasons, TCHC is pursuing a merger of RPEI and TCHEI prior to the proposed sale. The merger of RPEI and TCHEI prior to the sale could be achieved by a vertical amalgamation of RPEI into TCHEI, creating one entity reporting up to the parent company, TCHC.

Pursuant to section 177(1) of the OBCA, a vertical amalgamation requires the Directors of each amalgamating corporation to adopt a resolution approving the amalgamation, which were executed on November 21, 2017.

Pursuant to the Shareholder Direction between TCHC and the City, TCHC does not require City approval prior to amalgamating any subsidiaries; however, TCHC notified the City of its intent to amalgamate. A letter dated February 15, 2018 notifying City of the amalgamation was submitted to the City Manager’s Office.

**Railway Lands Development Corporation ("RLDC") and Library District Inc. ("LDI")**

Operations for these subsidiaries are expected to be completed in late 2018, including the transfer of a remaining property to the City. TCHC is awaiting the Record of Site Condition prior to finalizing the transfer of this property to the City. Upon transfer, due diligence on the dissolution will commence, targeting wind-up in late 2018.

**Housing Services Inc. ("HSI")**

The outstanding claim against HSI is discontinued and HSI was dissolved by Articles of Dissolution dated February 5, 2018.
Toronto Affordable Housing Fund ("TAHF")

TCHC is considering transferring the delivery and administration of the home-ownership loans related to the City’s affordable ownership program to the City. A letter dated January 22, 2018 was sent to the City to discuss how TAHF’s programs can be transitioned to the City.

Other Subsidiaries

The remaining 13 subsidiaries and three partnerships are to be dissolved once operational activities have concluded. The majority of these subsidiaries are related to revitalization, thus the subsidiaries and partnerships will be dissolved with the completion of development activities.

SIGNATURE:

“Ismail Ibrahim”

____________________________
Ismail Ibrahim
General Counsel & Corporate Secretary

STAFF CONTACT:

Ismail Ibrahim, General Counsel & Corporate Secretary
416-981-4241
Ismail.ibrahim@torontohousing.ca