

Independent Electricity System Operator

Code of Conduct

INTRODUCTION

The IESO plays a crucial role in the development of innovative, effective and efficient solutions to deliver a reliable supply of electricity to Ontarians today and in the future. In performing this role, we have worked hard to gain the trust and respect of market participants, stakeholders, electricity consumers, and Government. They depend on us to support the development of a robust electricity sector, and to operate Ontario's power system and markets with independence and integrity.

Success in this role requires that we continue to work together and rely upon a common set of core values:

Respect

Integrity

Customer Focus

Performance

Capability

Adaptability

These values constitute the general principles by which we operate. They assist us in exceeding the expectations of both our external partners and of one another.

This Code of Conduct describes standards of conduct which give practical meaning and effect to our vision, our mission statement and our core values. It provides a framework which addresses issues of business ethics through specific rules and general standards of conduct. We also recognize that in a complex world with a wide range of potential issues

of business ethics we must use common sense and good faith to apply this Code and act ethically.

The importance of our understanding of and compliance with both the rules and spirit of this Code cannot be overstated. The success of our organization is dependent upon the trust we have earned and our ongoing demonstration of excellence and integrity in the performance of our duties. This Code applies to all officers, employees (including full-time, part-time, seasonal, temporary or secondment staff), and agents of the IESO. We also expect our business partners, consultants and contractors to uphold these high ethical standards. All of us – officers, employees, agents, business partners, consultants and contractors – are accountable for putting into practice these rules and general standards of conduct. Compliance with this Code is a condition of employment or, as applicable, continued association with the IESO.

COMPLIANCE WITH ALL LAWS & POLICIES

As an organization and as individuals, we will comply with all applicable laws, regulations and IESO policies in the performance of our duties.¹ Compliance is a foundation upon which this Code and our success are built.

We acknowledge that legal and policy compliance is but one aspect of ethical behaviour. Maintaining the trust which we have earned requires that we do more than just comply with our strict legal obligations. We must think about, reflect on, and incorporate into our daily actions high ethical standards, observing the spirit as well as the letter of the law and policies.

WORK ENVIRONMENT AND THE EMPLOYMENT RELATIONSHIP

While protecting confidentiality we communicate openly and acknowledge, fix and learn from our mistakes. We work to resolve issues quickly and effectively, building and maintaining constructive relationships.

As an organization, and as individuals, we are accountable for utilizing our best skills and efforts to deliver the right products, services and solutions in a timely, cost effective manner. Our performance is based on working with others in a respectful and co-operative manner. To achieve our objectives we anticipate and adapt to new needs and challenges, actively seeking to improve our performance.

Diversity, discrimination and harassment

We foster a work environment based on fair treatment of and respect for our market participants, stakeholders, and colleagues. In this environment,

¹ In this Code of Conduct, any reference to IESO policies includes IESO Charter documents, policies, standards, procedures and guidelines.

differences in background, experience, and perspective are valued and assist each of us to contribute to our fullest potential. We support workplace diversity.

We treat each other with courtesy and mutual respect for the dignity and worth of each person. Unlawful discrimination is not tolerated or condoned. In particular, we reject:

- discrimination on any prohibited ground; and
- harassment in its many different forms including unwelcome, hostile, or offensive behaviour, conduct, or communication directed against an individual or group; demands, threats, gestures, innuendos, verbal abuse, unnecessary contact; and the display or possession (including electronic and digital formats) of offensive material (sexual or otherwise).

Maintaining the Employment Relationship

Actions we take, either at work or in our private lives, can be so damaging to other employees or the IESO itself that the employment relationship between an employee and the IESO can be irreparably harmed resulting in the termination of that relationship. Specifically, participating in activities of an immoral, unethical or illegal nature could reflect so badly on the individual that his or her continuing employment with the IESO would not be possible. Such activities may occur as a result of actual or cyber action, including but not limited to, our involvement with: email and electronic messaging, postings, commentary or opinions on blogs, social networking websites, or any user comment-enabled website, in any medium be it text, video, or audio format.

In addition, the making or posting of comments and opinions at work or at home and either publicly or enabled via the internet or web-based communications must be done in accordance with this Code of Conduct whether or not we use our own name or a pseudonym or post the material anonymously. We are bound by the Confidentiality provisions set out below in any such postings. We must not post any defamatory or derogatory comments about co-workers, management, the IESO, market participants or stakeholders even if the identity of the individuals, the IESO or other organizations is masked by the use of aliases. We are entitled to make fair comment about events of a public nature but should make it clear that, if the event has anything to do with the electricity sector or unless the comment is part of an IESO sanctioned initiative, the opinions expressed are our own and not the views of the IESO.

CONFIDENTIALITY

Confidential information includes personal, technical, proprietary, business and financial information about our organization, our stakeholders, market participants and colleagues which has not been made public.

Our stakeholders, our market participants, and our colleagues expect us to use and protect confidential information appropriately. This care in our handling of confidential information protects the integrity and reliability of the Ontario power system and markets, as well as our personal privacy. Confidentiality and privacy considerations encompass system and staff security, as well as commercial, legal and regulatory obligations. Confidentiality is fundamental to our operations.

We will not disclose any confidential information, except as authorized by law or as permitted under the Market Rules or a non-disclosure agreement, to anyone outside of the IESO including our families and friends. Within the IESO we will not disclose confidential information other than as required to properly and efficiently perform our duties. We acknowledge that we will protect confidential information even after we have left the organization.

We will protect confidential information against theft, loss, destruction, release, unauthorized access and misuse. We comply with and know the market rule provisions and IESO policies for confidentiality and privacy.

Improper Trading

In the performance of our duties we often come into possession of important confidential information about market participants and stakeholders. Laws prohibit the purchase or sale of any publicly traded security by a person in possession of important information about the security or the issuer which is not public. We will not disclose this information to outside parties (tipping) nor will we make use of such information to trade in securities ourselves (trading on an undisclosed material fact or change).

SAFEGUARDING OUR ASSETS

Our stakeholders, market participants and consumers have entrusted us with the care and protection of assets which are essential to the efficient, reliable operation of Ontario's power system and markets. We all have a responsibility to use these assets appropriately and to protect them from misuse or loss. Our capability and our success depend upon it.

In performing our duties we rely on a wide range of assets including:

- physical property (physical plant, offices, tangible equipment);
- financial property (cash, cheques, transfers, expense claims);

- business records (financial records, contracts, business processes); and
- information based assets (computer and network systems, software, and intellectual property).

Good faith, integrity and ethical behaviour govern our use of IESO assets. Access to and use of these assets must be authorized and based on appropriate business use.

Business expenses are those that are made in the course of fulfilling our duties and are prudent, reasonable, fully and accurately reported, and made in compliance with IESO policies. Our records are honest, accurate, and complete. We maintain the integrity of our records and secure them from loss, damage or unauthorized use.

Information based assets are a prerequisite to the performance of our duties. We will protect these assets from risks including the loss and destruction of data, interruption of service, corruption, and unauthorized access to confidential information. We are required to protect the IESO and its customers against such risks through strict adherence to the applicable IESO policies.

The IESO permits us to make occasional personal use of certain organization assets such as limited access to the internet, and telephones and fax machines for local calls. All use must comply with this Code of Conduct and the applicable IESO policies. Our use of IESO assets must be responsible, limited, and not interfere with the performance of our duties or those of others. We acknowledge that we have no expectation of privacy when making use of IESO assets; the IESO monitors the use of assets for security and administration purposes.

CONFLICT OF INTEREST

A conflict of interest is when our personal interests interfere with, or appear to interfere with, our primary business loyalty to the IESO. We must always act and be seen to be acting in the best interests of the IESO without regard to our personal interests. This requires that we make all business decisions on merit based on the best interests of the IESO, and that we are unaffected by consideration of direct or indirect personal benefits. To do otherwise risks the reputation of both the individuals involved and the IESO. A conflict of interest, actual or perceived, calls into question our integrity, and our ability to act in an independent, impartial manner.

In addition to the general principle that we must avoid conflict of interest, actual or apparent, this Code addresses some of the most common areas in which conflict of interest arises and provides specific rules for dealing with those situations. This Code requires that any conflict of interest – involving either a specific rule or the general principle - must be declared to Senior Management within your business unit.

Outside Business Activities

The IESO recognizes that we have the right to decide how we spend our non-working hours subject to our primary business loyalty to the organization. This requires that we do not work for, supply services to, or serve as a director or officer of another business organization that:

- engages in transactions related to the IESO-controlled grid or IESO – administered markets as its primary business; ;
- supplies goods or services to the IESO;
- competes with the IESO in the provision of services; or
- where working for that organization would or appears to interfere with or adversely affect our work for the IESO.

It is our responsibility to obtain the prior approval of our manager whenever:

- we propose to work with, supply services to, or serve as a director or officer of a market participant, or
- we are uncertain as to whether our external work may be a conflict of interest.

Good faith and common sense require that we not use IESO assets or time to perform work for another business organization.

Non Profit and Professional Activities

The IESO and its staff have a history of being active participants in a wide range of non-profit and professional organizations. We recognize the value of our participation in these organizations where our participation does not interfere with our primary business loyalty to the IESO. We will only make use of IESO assets and time for non-profit and professional activities with the prior approval of our manager. Whenever we publicly speak for such organizations we will make it clear that we are acting in our private capacity and not on behalf of the IESO.

Personal and Family Interests/ Investments

Our actions are governed by the best interests of the IESO without regard for direct or indirect personal gain.

Prohibited Financial Interests

In support of the general principle that we avoid actual or apparent conflict of interest, other than as permitted below, we cannot own, control or hold voting power over securities² of:

- generator, wholesale seller, retailer, transmitter or financial market participants, or any affiliate of such market participants³, where the aggregate fair market value of the securities exceeds the lesser of 10% of the employee, officer or agent's net worth or \$20,000.00, or
- a supplier of services or products to the IESO where the IESO is a major customer of that supplier⁴.

These prohibited securities are defined as "Prohibited Financial Interests". To avoid the appearance of a conflict of interest this restriction extends to spouses, domestic partners, and dependent children.

Prohibited Financial Interests do not include:

- ***permitted mutual funds:*** indirect ownership of Prohibited Financial Interests through a widely held mutual fund (other than a fund specifically targeted towards the Ontario electric industry) where we do not control the purchase or sale of the holdings of the fund; ,
- ***blind trust:*** blind trust where we do not control the purchase or sale of the holdings of the trust;
- ***pension funds:*** participation in a pension fund;
- ***permitted spousal work related securities:*** the purchase of securities which are otherwise a Prohibited Financial Interest by a spouse or domestic partner where such purchase was made available as a part of his or her employment. Any such purchases must be disclosed to the most senior Manager of your business

² The term "securities" includes stocks, stock options, bonds and other instruments of debt or equity as set out in the Ontario Securities Act.

³ A current list of generators, wholesale sellers, retailers, transmitters and financial market participants, as defined in the Market Rules, is available on the IESO intranet site under [MPClasses3](#). The term "affiliate" is defined in the Ontario Business Corporations Act; "one body corporate shall be deemed to be affiliated with another body corporate if, but only if, one of them is the subsidiary of the other or both are subsidiaries of the same body corporate or each of them is controlled by the same person."

⁴ A current list of suppliers of services or products to the IESO where the IESO is considered a major customer of that supplier – i.e. where the supplier receives or is reasonably expected to receive more than 5% of its current annual revenues from the IESO - is available on the IESO intranet site under [Supplier List](#).

unit.⁵ In certain circumstances, appropriate safeguards may be placed on your duties to avoid an actual or apparent conflict of interest.

Divestiture of Prohibited Financial Interests

In the event that you, or your spouse or dependent children, are in violation of the ban on holding specific securities which are Prohibited Financial Interests, you shall report such violation immediately upon becoming aware of it to the most senior Manager of your business unit and shall have six months from the later of the effective date of this Code or your joining the IESO to come into compliance.

Payments, Gifts and Hospitality

In our relationships with market participants, stakeholders seeking to influence the IESO, and IESO suppliers, including their agents and advisors, we must avoid any appearance of influence and impropriety.

No payments: We must not be involved in any act that could be interpreted as seeking, or receiving a bribe, kickback or questionable payment. Any such offer should be reported to the most senior Manager of your business unit.

Normal Gifts and Hospitality: The exchange of unsolicited business gifts and hospitality is a normal courtesy reflecting common business practice. The role that we have been entrusted with requires that we carefully assess the motive behind the offer of gifts and hospitality to ensure that the practice is consistent with normal business courtesies which do not lead to the sense or perception of obligation.

⁵ If and as required, the most senior Manager shall report on issues relating to the Code to the President and Chief Executive Officer of the IESO who, if and as required, shall report to the Human Resources & Governance Committee of the Board.

Guidelines to assist us in complying with this requirement are:

- whether or not you would offer a similar gift or hospitality to this business associate;
- whether the gift is appropriate given the nature of the function or services;
- whether you would be reluctant to publicly report the gift or hospitality; or
- whether it would be insulting to refuse the gift.

If the offer of a gift or hospitality is inappropriate it should be declined with thanks or, where due to the perishable nature of the gift or otherwise impractical, distributed to a community charity. Where we pass on a gift to a charity we shall advise the donor that we have done so in order to comply with this Code. These events should be reported to the most senior Manager of your business unit to ensure proper documentation and protection of our individual and collective reputations.

COMPLIANCE

We will maintain our reputation for operating ethically, with integrity and independence, in the performance of our duties.

Compliance with this Code is mandatory and is a term of employment for our officers, employees, and agents. It is also a term of continued association with the IESO for our business partners, consultants and contractors. Compliance requires that we read, understand and apply this Code. To ensure that all of us are aware of our obligations under this Code all employees are required to complete training on it on an annual basis.

Consistent with the principle of accountability, we are all responsible for our own actions and compliance with this Code. This does not mean, however, that we are on our own in facing difficult ethical situations. If review of this Code and the application of good faith and common sense leave us uncertain as to how to interpret this Code or apply it to a specific course of action, it is often useful to ask questions:

- How would family, peers or the public react to the issue?
- How would it be reported in the media?
- Would you want to be treated in the same manner?

If you remain uncertain as to how to proceed you should discuss your concern with Senior Management within your business unit who will provide advice.

As discussed above, any conflict of interest must be disclosed. We are also under an obligation to report any violation of this Code by ourselves or others to the most senior Manager of our business unit.

In support of ethical behaviour and compliance with this obligation to report, the IESO will not tolerate retaliation against anyone who makes a report in good faith. The prohibition on retaliation does not preclude the IESO from imposing discipline on anyone who violates this Code including those who report a violation. The voluntary self reporting of a violation, however, will be considered in any assessment of discipline.

In order to maintain the trust we have earned from our stakeholders, market participants and consumers, the IESO will take disciplinary action, up to and including dismissal, for breach of this Code. For example, disciplinary action will follow:

- breach of this Code;
- failure to report a known or apparent conflict of interest;
- retaliation against anyone for the good faith reporting of a violation or conflict of interest;
- failure to co-operate in the investigation of a known or suspected breach of this Code; and
- the bad faith reporting of a violation or conflict of interest.

Though strict compliance is the norm, common sense and good faith require that the IESO has the flexibility to address exceptional circumstances to avoid unjust or unreasonable results. In appropriate circumstances, the President and Chief Executive Officer of the IESO or, in relation to the President and Chief Executive Officer, the Human Resources & Governance Committee of the Board may grant a waiver of compliance with a specific provision of the Code. Each such waiver shall be properly documented.

CONCLUSION

Our decisions, efforts and actions since inception have earned the trust and respect of our market participants, stakeholders, electricity consumers and Government. Maintaining this trust and respect depends on our demonstrated ability to make ethical decisions and act with integrity on a daily basis.

To assist us in this task, this Code describes standards of conduct to give effect to our vision, mission statement and core values. Used with, and not as a substitute for common sense and good faith, this Code will ensure our continued ethical behaviour.