Bringing Energy to Life

TORONTO HYDRO® Corporation

Sustainability is part of our vision to provide safe and reliable service in a cost-effective and environmentally responsible manner. It's an area of focus that we adopted many years ago. Sustainability compliments and enhances our major initiatives and investment strategies.

The Operating Centres Consolidation Program (OCCP) is a good example of how we apply sustainability focus to our major initiatives. As part of this program, we reduced the number of work centres we occupy from nine to five from 2014-2018 and enhanced their environmental performance and management. As a result, we achieved significant cost savings for our customers, reduced our environmental impact and provided employees with a healthier workplace environment.

Investing in our grid requires our crews to utilize a fleet of vehicles to get the work done. Operation of the fleet, including idling and maintenance, is inherently costly and may have negative effects on the environment due to vehicle emissions. Stringent targets for reducing idling time have been set, and each year we have surpassed them. Our strong performance in this area helps reduce our fuel costs and harmful emissions — a win-win situation.

Another area of focus is the hardening of our electricity distribution grid in an effort to help with service reliability especially during recent extreme weather events, accompanied by growing evidence of the impact of climate change on the weather patterns in Toronto. As part of grid renewal efforts, we invest in hardening our equipment to better withstand extreme environmental conditions and enable faster power restoration. These investments increase grid resilience and have the potential to result in future savings for the company by extending the service of our equipment.

Our experience shows that strong sustainability performance compliments robust financial performance. Over the years, our most sustainable projects have resulted in cost savings for our customers. Through sustainability we can find solutions to manage and reduce cost pressures, to continue to provide reliable service for our customers, and to decrease our environmental impact. We invite you to read the following report to see how we're striving toward long-term environment, social and economic goals and achievements in new and innovative ways.

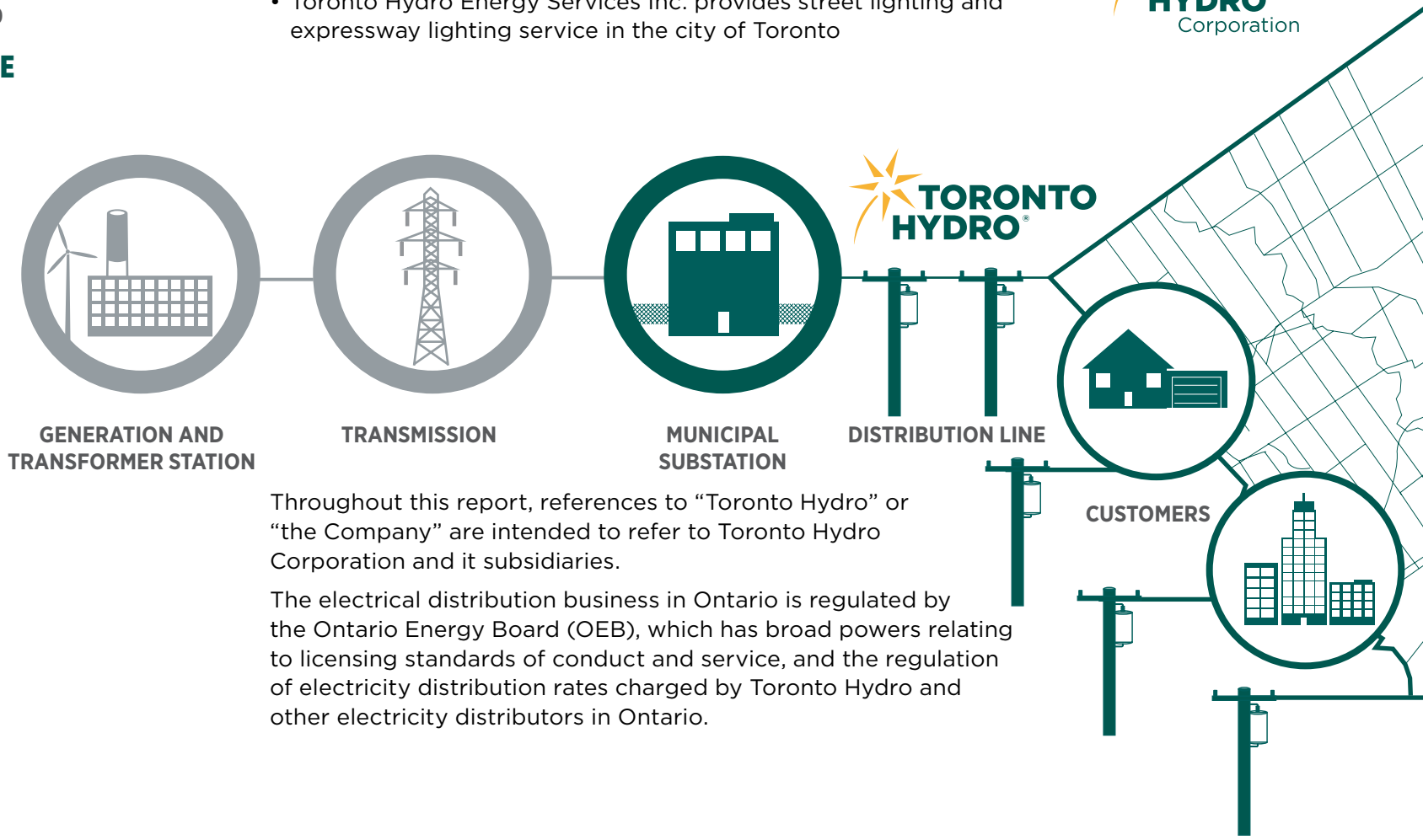
David McFadden
Chair, Board of Directors

Anthony Haines
President and Chief Executive Officer,
Toronto Hydro Corporation

Toronto Hydro Corporation

The City of Toronto (the "City") is the sole shareholder of Toronto Hydro Corporation, which wholly owns two subsidiaries:

- Toronto Hydro-Electric System Limited distributes electricity to residential, commercial and industrial customers in the City of Toronto
- Toronto Hydro Energy Services Inc. provides street lighting and expressway lighting service in the city of Toronto



Throughout this report, references to "Toronto Hydro" or "the Company" are intended to refer to Toronto Hydro Corporation and it subsidiaries.

The electrical distribution business in Ontario is regulated by the Ontario Energy Board (OEB), which has broad powers relating to licensing standards of conduct and service, and the regulation of electricity distribution rates charged by Toronto Hydro and other electricity distributors in Ontario.

Awards and Certifications

1. First place on Corporate Knights' 2017 Future 40 Responsible Corporate Leaders in Canada list
2. Second place on Corporate Knights' 2018 Best 50 Corporate Citizens in Canada list
3. 2017 and 2018 Canada's Safest Employer in the Utilities and Electrical Category
4. 2018 Canadian Electricity Association (CEA) President's Award of Excellence for Employee Safety
5. Ave Lethbridge, EVP, and Chief Human Resources and Safety Officer — named to 2017 Top 5 Influential Women in Diversity & HR list, DiversityCan Magazine
6. Anthony Haines, President & CEO — named to 2017 Clean 16 list
7. Anthony Haines, President & CEO — 2017 Responsible CEO of Year Award, Corporate Responsibility Magazine
8. Anthony Haines, President & CEO — 2017 Individual Leadership on Sustainability Award, Canadian Electricity Association
9. BOMA BEST Gold Certification for the 71 Rexdale Boulevard and 715 Milner Avenue work centres
10. BOMA BEST Silver Certification for the 500 Commissioners Street work centre
11. ISO 14001:2015 Certification
12. OHSAS 18001:2007 Certification
13. CEA Sustainable Electricity Company brand designation
14. Edison Electric Institute's Emergency Assistance Award for outstanding work assisting customers impacted by Hurricane Irma

Corporate Overview as of December 31, 2018

Toronto Hydro owns and operates **$4.7** billion of capital assets comprised primarily of an electricity distribution system that delivers electricity within the City of Toronto

Toronto Hydro's registered office is located at 14 Carlton St., Toronto, Ontario

772,000 customers

689,560 residential service customers

19% of electricity consumed in Ontario is distributed by Toronto Hydro

82,292 general service customers with a monthly peak demand of 5000 kilowatts (kW) averaged over 12-month period

38 large users with peak monthly demand of 5,000 kW or greater averaged over a 12-month period

1,400 approximate number of employees in 2018

56.6% of permanent employees covered by collective bargaining units Labour unions: The Power Workers' Union (PWU), The Society of Energy Professionals

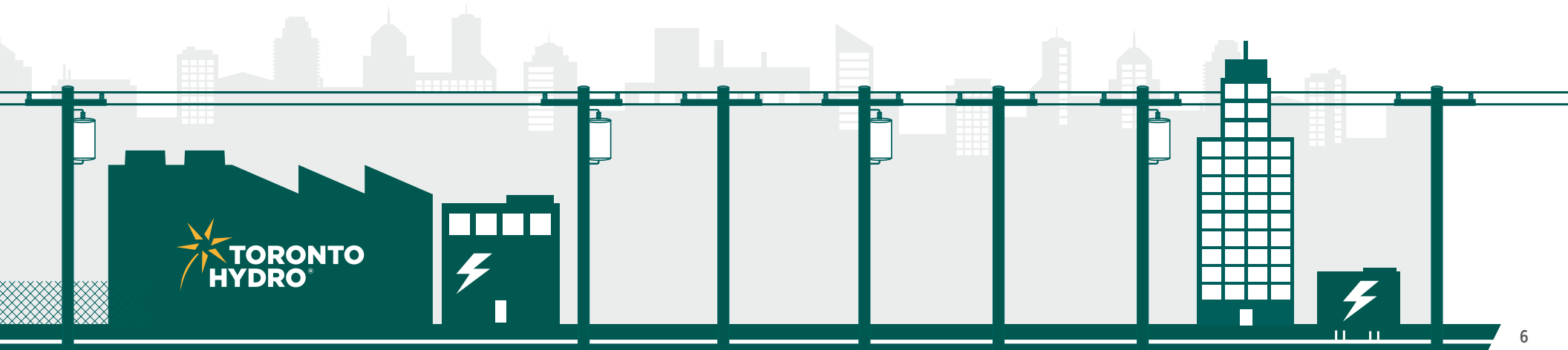
Toronto Hydro is a signatory on the voluntary Leadership Accord on Gender Diversity. The accord is a public commitment by Canadian employers, educators, unions and governments to promote the values of diversity and inclusion within their organizations.

	MALE	FEMALE
PERMANENT	68%	26%
CONTRACT	4%	2%
FULL-TIME	73%	27%
PART-TIME	0%	.2%

Corporate Overview (continued)

34 terminal stations
1 transmission system terminal station
1 control centre
146 in-service municipal substations
179,400 poles
60,560 distribution transformers
13,207 kilometres of underground cables
15,515 circuit kilometres of overhead wires
17,400 primary switches

There were two significant changes from the previous report. Specifically, two work locations located at 60 Eglinton Avenue and 5800 Yonge Street were closed.



Corporate mission and values, codes of conduct and principles

Toronto Hydro is committed to delivering safe and reliable electricity to its customers in an environmentally responsible manner at optimal costs.

Additionally, an internal definition of sustainability has been created which guides the approach to sustainability. Toronto Hydro defines sustainability as "the elimination of waste". Specifically, the elimination of wasted natural resources, human potential and economic resources.

Toronto Hydro has four corporate pillars: People, Financial, Operations, and Customer. These pillars are at the core of the business strategy and are linked to the material sustainability issues for Toronto Hydro. Through these pillars, Toronto Hydro has engrained sustainability in all aspects of the business.

People

Toronto Hydro aims to maintain an engaged, healthy, productive and safe workforce to meet changing business requirements, striving to:

- Provide a healthy and safe workplace
- Protect the environment and create a sustainable future
- Develop a skilled and knowledgeable workforce
- Keep our workforce flexible, engaged and productive

The people pillar supports the elimination of waste through developing employees to reach their full potential and protecting the safety of employees and the environment. Toronto Hydro will protect the safety of its employees and the environment through employee participation, training, education and awareness, and the continual improvement of environment and safety programs and standards. Toronto Hydro will continue to promote the internal responsibility system to further enhance safety in the workplace.

Financial

Toronto Hydro Corporation aims to meet the financial objectives of its shareholder, striving to:

- Provide a fair return to the shareholder
- Continue to increase shareholder value

To meet the financial objectives of the shareholder, Toronto Hydro seeks to increase shareholder value and is committed to providing a fair return to its shareholder in the future. Along with excellence in corporate financing and financial management, the Corporation will strive to maintain a strong credit rating. Toronto Hydro endeavors to eliminate wasted economic resources to achieve these goals.

Operations

Toronto Hydro aims to sustain recent improvements to reliability with some improvements in areas with below average service through sustainable system management and climate change adaptation, striving to:

- "Keep the lights on"
- Keep the system safe
- Build a grid that supports a modern Toronto
- Maintain above average productivity

Toronto Hydro is engaging in resource and capital-intensive programs to help ensure that the distribution system continues to have sufficient capacity to connect new customers while maintaining reliability and customer service performance and mitigating safety and environmental risks. The capital programs replace aging, deteriorating, obsolete, and failing equipment, and accommodate next generation technology to suit the regulatory trends that incent the increased use of distributed generation.

Customer

Toronto Hydro aims to provide value to customers, striving to:

- Provide long-term value for the customers' money
- Make the company easy to work with
- Help customers conserve energy
- Enable customers through technology

Toronto Hydro strives to improve the level of customer satisfaction, through education and awareness programs, interaction with call centre representatives, account managers and over the internet. Toronto Hydro continues to undertake initiatives and invest in technology and processes to improve the customer experience.

About this report

This report covers both 2017 and 2018 calendar years. It was prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option, and includes additional disclosures required by the Electric Utilities Sector Supplement. This is the third report published by Toronto Hydro using guidelines from the GRI and the first report using the GRI Standards. The GRI content index can be found on page 91. Toronto Hydro's Corporate Responsibility reporting is completed biennially, with the most recent report being released in February 2018 for the 2015 and 2016 calendar years.

The content for this report was determined through extensive discussions with various stakeholders (further information provided in the materiality assessment section of this report). While developing the content of the report Toronto Hydro also applied the four reporting principles from the GRI Standards: Stakeholder Inclusiveness, Sustainability Context, Materiality, and Completeness.

Accountability of the Report

Accountability for the production of the Corporate Responsibility Report lies with Toronto Hydro's Environment, Health and Safety department. Information included in this report is also reviewed by Toronto Hydro's Disclosure Policy Committee and representatives from Toronto Hydro's Finance, Legal, Regulatory, and Communications divisions.

Input from the public about this report is welcomed.
Please send feedback to **sustainability@torontohydro.com**.

Inquiries can also be directed to:
Executive Vice-President and Chief
Human Resources & Safety Officer
Toronto Hydro
14 Carlton Street
Toronto, ON M5B 1K5

External Assurance

In order to increase the confidence in the information included throughout this report, an independent organization was retained to conduct an assurance of selected data. The independent assurance statement is available in Appendix A. The data which has been externally assured is marked throughout the report with a (✓). Additionally, Toronto Hydro has numerous controls and systems in place, which ensure accurate information is collected and reported.

Examples of these controls and systems include:

- Periodic data verification as part of the Canadian Electricity Association's Sustainable Electricity Program
- Annual audits of the environmental and occupational health and safety management systems to verify conformance with ISO 14001:2004 and OHSAS 18001:2007
- Annual Electrical Safety Authority audit to verify compliance with the Electrical Distribution Safety requirements set out in Ontario Regulation 22/04
- Annual external audits of consolidated financial statements
- Biennial environmental and occupational health and safety audits to verify conformance with applicable legislation

Materiality and Stakeholder Engagement

Materiality assessment and stakeholder engagement are key to the development of Toronto Hydro's sustainability program. As such, Toronto Hydro has undertaken a comprehensive stakeholder consultation to better understand the sustainability priorities of stakeholders (see next page). After consulting with different stakeholders, aspects from each group were prioritized, and the information gathered was used to shape this report. Communication and engagement with stakeholders are an ongoing process at Toronto Hydro.

Toronto Hydro selects the stakeholders with whom to engage on sustainability issues based on their influence, impact and responsibility. Communication with stakeholders is completed through a variety of methods, including surveys, participation in working groups, internal and external newsletters, etc. Below are examples of Toronto Hydro's stakeholders.

Customers
— residential, business and commercial customers

Colleges and Universities
— including Georgian College and Ryerson University's Centre for Urban Energy

Employees

Government
— Municipal, provincial and federal government bodies such as the Independent Electricity System Operator (IESO), Ministry of Energy, Northern Development and Mines, Ministry of Labour, Ministry of Environment, Conservation and Parks, Environment and Climate Change Canada

Industry Associations
— including the Association of Electrical Utility Safety Professionals, Board of Canadian Registered Safety Professionals, Canadian Electricity Association, Canadian Standards Association and Infrastructure Health and Safety Association

Regulators
— including the Ontario Energy Board

Shareholder
— City of Toronto is the Corporation's sole shareholder

COMMUNICATION IN ACTION

Toronto Hydro's conducts regular surveys to gauge customer perceptions on interactions with Toronto Hydro, resulting in approximately 200 responses per month. These surveys have identified the need for building customer awareness of available financial assistance programs.

Monthly refresher training courses are provided to the applicable employees, incorporating survey results in the content to ensure knowledge gaps are closed.

Further, Toronto Hydro conducts bi-annual in-depth customer satisfaction surveys and reports the results to the Ontario Energy Board. Results from these surveys are used to determine opportunities to improve internal and customer-facing processes. Key areas include: power quality/reliability, price, billing/payment, communications, and the customer service experience. Toronto Hydro deploys these surveys via telephone through a third-party service provider. Based on past survey results, software was updated to provide more detailed enquiry tracking and first contact resolution for email communications. Customers also indicated the need for convenient, flexible ways of contacting Toronto Hydro, as well as enhanced digital bill management assistance. In response to this, Toronto Hydro extended its Contact Centre business hours from 8 a.m. – 8 p.m., Monday to Friday.

Customers also expressed a desire to reduce energy consumption. To further enhance electricity management assistance, PowerLens®, an online portal for energy management and conservation was launched in early 2017. The portal allows customers to monitor their electricity usage and setup notifications related to electricity costs.

Materiality Assessment

A list of material topics has been created to ensure Toronto Hydro reports meaningful corporate responsibility information. Interaction with the stakeholders listed above has been critical for determining the material topics. Specifically, Toronto Hydro has determined which topics are prioritized for inclusion in this report through:

1. Review of recent formal materiality assessments
2. Feedback from stakeholders provided through customer care
3. Input from stakeholders through the OEB's rate filing process
4. Internal discussions at all levels

The most recent formal materiality assessment was completed in early 2015. This extensive assessment began with a review of the following documents to determine potential topics of concern:

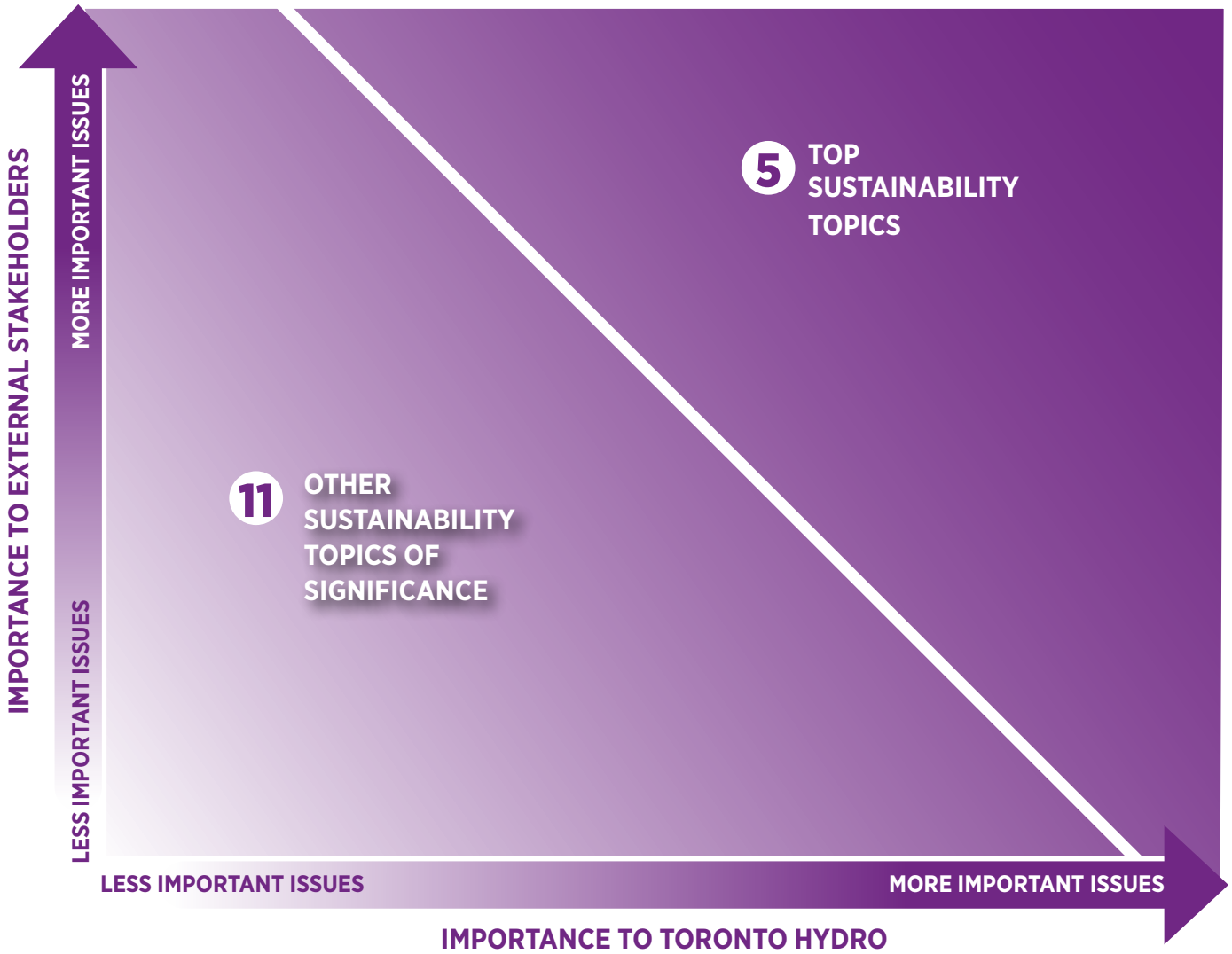
- Peer sustainability reports
- ISO 26000 — Social Responsibility
- ISO 14001 — Environmental Management Systems
- OHSAS 18001:2007 — Occupational Health and Safety Management
- Electric Power Research Institute's list of Top 15 Material Issues
- The GRI's Standard Disclosures and Electric Utilities Sector Supplement
- Toronto Hydro's Shareholder Direction

This review identified more than 50 potential topics, which were then prioritized through consultation with a cross-section of internal and external stakeholders. During the consultation, stakeholders were asked to rank the issues based on 1) importance to their organization and 2) importance for Toronto Hydro to address in its sustainability strategy. Sixteen priority topics were identified through this process.

Since the formal materiality assessment in 2015, Toronto Hydro has monitored the importance of material topics through surveys such as the customer surveys discussed earlier and internal discussions at all levels. Additionally, an extensive customer engagement process was initiated in 2016 to gain feedback on Toronto Hydro's proposed rate application. The process provided significant insight into the priorities, including sustainability priorities, of Toronto Hydro's customers.

Materiality Assessment

These processes have confirmed the top five material topics at Toronto Hydro along with 11 topics of significance as displayed in the chart below.



The purpose of the materiality assessment described above is to define the content for this report. Each of the identified top sustainability topics and other topics of significance were linked to a GRI Standard (see the table below). The required disclosures were included in the report as well as examples of relevant initiatives that highlight how Toronto Hydro incorporates sustainability into its operations. The topic boundaries were defined after evaluating whether the greatest impact of each issue was to internal or external stakeholders. There have been no significant changes to the boundaries since the 2015/2016 report.

TORONTO HYDRO'S MATERIAL TOPIC	CORRESPONDING GRI STANDARD	BOUNDARY
TOP SUSTAINABILITY TOPICS		
Service Reliability	Availability and Reliability Access	External
Grid Investment	Research and Development Availability and Reliability	Mixed (External & Internal)
Public Health and Safety	Customer Health and Safety	External
Occupational Health, Safety and Wellness	Occupational Health and Safety	Internal
Emergency Preparedness and Response	Disaster/Emergency Planning and Response	Mixed (External & Internal)
OTHER SUSTAINABILITY TOPICS OF SIGNIFICANCE		
Air Emissions	Emissions	Internal
Climate Change	Emissions	Mixed (External & Internal)
Conservation and Demand Management	Demand-Side Management	External
Economic Performance	Economic Performance	Mixed (External & Internal)
Employee Attraction and Retention	Employment	Internal
Hazardous Waste and Spills Management	Effluents and Waste Compliance	Internal
Materials Selection and Usage	Procurement Practices Supplier Assessment for Labour Practices Supplier Environmental Assessment	Mixed (External & Internal)
Responsible Communication and Education	Provision of Information Marketing Communications	External
Strategic Community Sponsorship	Economic Performance	External
Training and Education	Training and Education	Internal
Waste, By-Products and Recycling	Effluents and Waste	Internal

Governance

A strong governance structure is essential for delivering customer value, operating efficiently and creating shareholder value.

Toronto Hydro's Governance Structure

The Board of Directors ("the Board") is the highest governance body at Toronto Hydro. The Board has established three standing committees (Audit Committee, Corporate Governance and Nominating Committee, and Human Resources and Environment Committee).

AUDIT COMMITTEE
Michael Nobrega (Chair)
Heather Zordel
Juliana Lam

CORPORATE GOVERNANCE AND NOMINATING COMMITTEE
Tamara Kronis (Chair)
Brian Chu
Mary Ellen Richardson
Councillor Paul Ainslie

HUMAN RESOURCES AND ENVIRONMENT COMMITTEE
Brian Chu (Chair)
Juliana Lam
Michael Nobrega
Deputy Mayor Stephen Holyday, Mayor's Designate

Audit Committee

The Audit Committee is responsible for overseeing the adequacy and effectiveness of financial reporting, accounting systems, internal financial control structures and financial risk management systems. The Audit Committee reviews the Corporation's quarterly and annual financial statements as well as financial statements prepared in connection with the requirements of applicable regulatory authorities, reviews the audit plans of the external auditors, oversees the internal audit of the Corporation, reviews and makes recommendations to the Board with respect to the payment of dividends or distribution of capital, and recommends the external auditor to Board for appointment by the the Corporation's sole shareholder.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee is responsible for considering and making recommendations to the Board with respect to matters relating to the corporate governance of Toronto Hydro, including board and committee composition and mandates, and guidelines for assessing the effectiveness of the Board and its committees and procedures to ensure that the Board functions independently from management.

As part of its governance function, the Corporate Governance and Nominating Committee reviews a skills matrix for all potential director candidates, which is then forwarded to Toronto Hydro's sole shareholder by the Board. The Corporate Governance and Nominating Committee also nominates independent candidates for appointment to the Board of Directors of Toronto Hydro for approval by the Corporation's Board of Directors as required by the Affiliate Relationships Code. The Corporate Governance and Nominating Committee reviews and approves all orientation and education materials and programs for new and current directors.

Human Resources and Environment Committee

The Human Resources and Environment Committee is responsible for reviewing and assisting the Board in overseeing the recruitment and assessment of the CEO and the compensation of the CEO, reviewing and approving the compensation of the executive officers, reviewing and making recommendations to the Board concerning executive compensation disclosure under applicable securities laws, and reviewing and making recommendations to the Board regarding the compensation structure and benefit plans and programs of Toronto Hydro. The Human Resources and Environment Committee is also responsible for reviewing and approving the parameters of collective bargaining negotiations, the oversight of health and safety related matters and processes, and the oversight of environmental related matters and processes of Toronto Hydro.

Sustainability Incentive

A number of Toronto Hydro's material sustainability issues have been incorporated in corporate performance objectives including: service reliability, grid investment and occupational health and safety. Executive officers are eligible for performance-based incentive compensation when the company achieves its corporate performance objectives. Each of these performance objectives are reasonably difficult to attain and serve to encourage success in the executive officer's performance and in Toronto Hydro's overall results.

Risk Management

Toronto Hydro faces various risks that could impact the achievement of its strategic objectives. It adopts an enterprise wide approach to risk management, based on an overall enterprise risk philosophy, and achieved through a process of consolidating and aligning the various views of risk across the enterprise via a risk governance structure. Toronto Hydro's Enterprise Risk Management (ERM) framework utilizes industry best practices and international guidelines and focuses on identifying emerging trends in risks and related opportunities particular to Toronto Hydro through a comprehensive evaluation of Toronto Hydro's business and the industry generally. ERM is an integral part of the strategic management of Toronto Hydro and is routinely considered in forecasting, planning and executing all aspects of the business.

The ERM framework is operationalized by a consistent, disciplined methodology that clearly defines the risk management process which incorporates subjective elements, risk quantification, risk trends and risk interdependencies.

While ERM is the responsibility of all business units at all levels, in strategic and functional matters, the ERM governance structure is comprised of three key levels.

At the first level is the Board, which maintains a general understanding of Toronto Hydro's risk profile, the risk categories and the types of risks to which Toronto Hydro may be exposed, and the practices used to identify, assess, measure and manage those risks. The risk profile is a list of key risks that may impede the Corporation from achieving certain or all of its strategic objectives, and which are most material to its operational success.

The second level is the executive team, which ensures systems are in place to identify, manage, and monitor risks and trends. Through input from the business and other considerations, the executive team assesses the appropriateness and consistent application of systems to manage risks within Toronto Hydro. The executive team also ensures that key risks are brought forward to the attention of the Board for discussion and action, as required.

Finally, the third level is the senior leadership team. The senior leadership team supports the executive team and is a comprised of subject matter experts from across Toronto Hydro who actively engage in the day-to-day management of risks. Working with the executive team, this group oversees Toronto Hydro's risk profile and its performance against the defined risk philosophy. The senior leadership team understands changes in risk status and trends and determines appropriate risk responses and action plans. They also work to ensure effective, efficient, complete and transparent risk reporting to the executive team.

Management approach to economic performance

Toronto Hydro operates within the OEB's regulatory framework for electricity distributors, which is designed to support the cost-effective planning and operation of the electricity distribution network and to provide an appropriate alignment between a sustainable, financially viable electricity sector and the expectations of customers for reliable service at a reasonable price. As Toronto Hydro operates in a regulated environment, approval for rate adjustments must be received from the OEB.

Significant activity in 2018 such as the sale of a property, including land and building, to a third-party allowed a gain of $98.6 million, net of tax and selling costs, which was recognized and deferred as a regulatory credit balance, allowed for a reduction in future electricity distribution rates for customers.

Strong financial performance allows Toronto Hydro to execute critical infrastructure renewal and enables the delivery of power to the residents of Toronto in a safe, reliable and environmentally responsible manner. Toronto Hydro's economic performance also fulfills an important requirement within the City of Toronto's Shareholder Direction, to deliver dividends to the City of Toronto.

Toronto Hydro Corporation's Economic performance

(in millions of Canadian dollars)

The following information is from the Corporation's consolidated financial statements, which includes both Toronto Hydro and Toronto Hydro Energy Services Inc.

YEAR ENDED DECEMBER 31

	2018	2017
Revenues	$3,582.7	$3,652.1
Operating costs	$2,953.8	$3,148.9
Payments to providers of capital	$172.9	$161.9
Payments to government	$48.1	$27.9

Dividends to the City of Toronto

The Corporation declared and paid dividends to the City totalling $75.0 million in 2017, and $93.9 million in 2018.

Procurement Practices Management Approach

Toronto Hydro extends the sustainability program to its vendors and contractors through the consideration of sustainability measures during the selection process and ongoing monitoring throughout the life of the contracts. A dedicated team is responsible for facilitating the timely and cost-effective procurement of services, materials and equipment. This team is also responsible for maintaining the inventory to support uninterrupted work and managing material handling costs. Each year, Toronto Hydro procures, warehouses and distributes approximately $80M to $90M in assets, and executes an average of 200 contracts for the supply of goods and services.

Toronto Hydro manages the supply chain by sourcing reputable suppliers, monitoring performance to ensure contractual obligations are met, and generating the purchase orders that underlie each agreement.

Suppliers range from:

- Manufacturers that sell materials directly to Toronto Hydro
- Distributors that provide materials from various manufacturers
- Service providers that offer professional services, such as facilities maintenance
- Contractors who provide various construction and electrical distribution services to complete the capital and maintenance programs

A large component of the supply chain is related to procuring electrical materials and contractor services to complete capital construction. Most manufacturers in the industry sell or make their products available through distributors and do not deal directly with utilities. In some situations, design and construction services are outsourced to secure additional flexible resources to execute the work program, the magnitude of which may fluctuate from year to year.

Management approach to supplier assessment for environmental and labour practices

Toronto Hydro works to ensure that suppliers share the same values and labour practices and require them to abide by any and all applicable laws.

A competitive bidding process for the selection and screening of vendors is an integral part of the Toronto Hydro Procurement Policy and central to Toronto Hydro's commitment to fair operating practices in the supply chain. In accordance with ISO 26000:2010, Toronto Hydro's request for proposal (RFP) process includes the consideration of a potential vendor's human rights policies, governance, and rules concerning conflict of interest and non-collusion. The bidding process evaluates health and safety compliance and ability to adhere to Toronto Hydro's workplace policies and procedures. Additionally, suppliers must provide information about recycling programs, sustainability programs, and environmentally-friendly products and packaging.

All new competitively bid suppliers are screened using the above environmental and labour practices criteria. To help ensure that suppliers are following responsible labour practices, Toronto Hydro evaluates their corporate policies and procedures, and often performs more detailed assessments with regard to the supplier's location or in absence of requested documentation.

New products purchased by Toronto Hydro are also reviewed to ensure they do not contain chemicals included in the Rotterdam Convention or Stockholm Convention. If the products contain chemicals listed in these conventions, which have not been banned in Canada, alternatives must be considered and used if practicable.

Monitoring Supplier Performance

Each business unit is responsible for monitoring and managing the suppliers under the framework of the negotiated contract. A vendor management program is in place to monitor the performance of selected suppliers on a number of key indicators such as delivery, quality, price, service and sustainability. The sustainability metric specifically rates suppliers on environmental performance and business continuity.

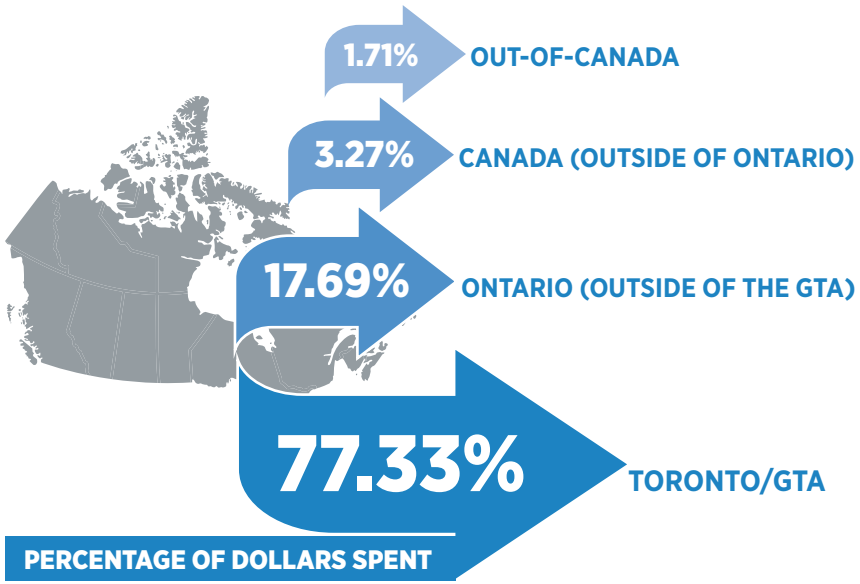
Supplier scorecards, key performance indicators, and regular interval meetings are used to manage vendors delivering goods and services. Quality of the goods and services delivered are monitored through internal groups or external contractors hired to perform quality audits of the services rendered.

SUPPLIER SAFETY ASSESSMENT

A strong sustainability program also requires companies to take a life cycle approach to evaluating their operations which can lead to an increased focus on the health and safety performance of Toronto Hydro's supply chain. Contractors working for Toronto Hydro are required to disclose their health and safety metrics at the beginning of their contract. Suppliers of goods are also required to provide documentation of their health and safety program during the evaluation process. Through these measures Toronto Hydro has influenced the improvement of health and safety in its supply chain. A study conducted between 2015 and 2017 found Toronto Hydro's contractors with superior safety programs have had a 29% lower total recordable injury frequency (TRIF) than contractors that did not meet Toronto Hydro's safety program requirements. Toronto Hydro's contractor safety performance was then compared to the performance of contractors working for peer companies in the Utilities industry. This study found that Toronto Hydro's contractors had the third lowest TRIF of the 13 companies reviewed.

Using local suppliers

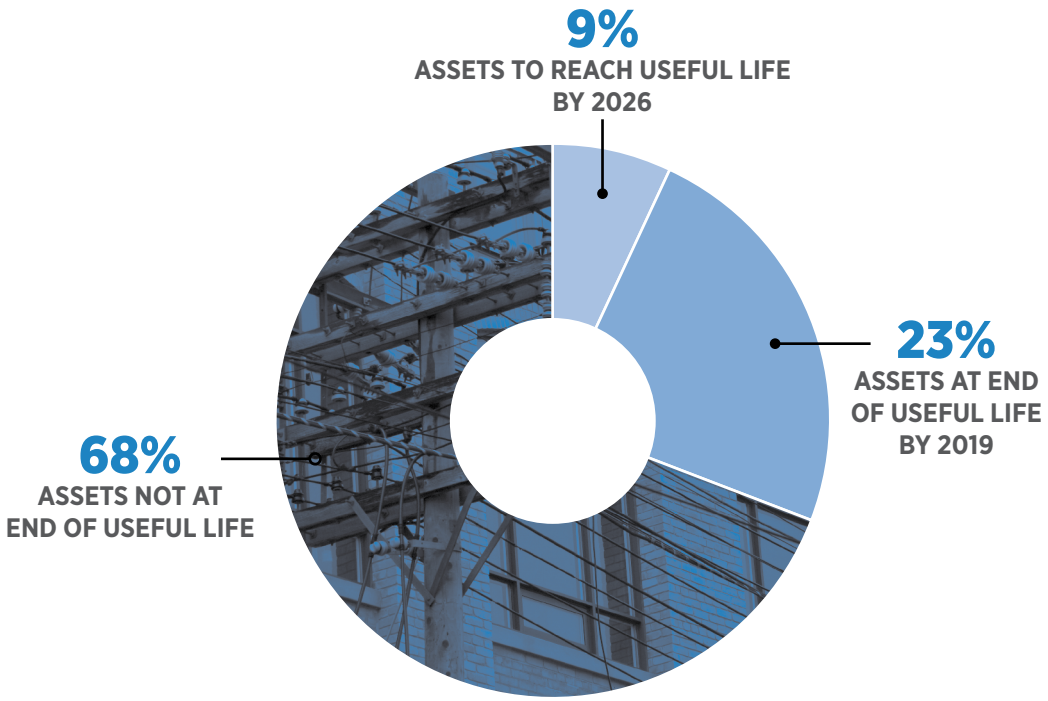
The majority of Toronto Hydro's contracts are awarded to local vendors within the Greater Toronto Area, as outlined below.



Management approach to availability and reliability of electricity

Toronto Hydro is working to ensure reliable electricity service to all areas of the city through investments in the distribution grid, development and execution of plans for future growth, and inspection and maintenance of assets to prolong their life.

Toronto Hydro's infrastructure includes a significant backlog of aging equipment and this indicates a need for continued proactive replacement and renewal of the highest risk assests in order to continue to provide safe and reliable service. At the end of 2018, approximately 23% of Toronto Hydro's distribution assets were past their useful life.



Investing in the grid — capital expenditure plan

Renewing the grid and replacing aging, deteriorating, obsolete and failing distribution equipment, while meeting the needs of a growing city, is a costly and complex endeavour. To address these challenges, Toronto Hydro develops and implements capital expenditure plans, which outline investment needs and explain how planned investments will achieve outcomes that deliver value for customers.

The capital expenditure plan consists of four main investment categories: system access, system renewal, system service and general plant.

1. **Investments in the System Access category** are driven by statutory and regulatory obligations to provide customers with access to Toronto Hydro's distribution system. This includes investments to connect renewable energy generation facilities, and metering-related investments to maintain compliance with regulations.
2. **Investments in the System Renewal category** target the renewal and refurbishment, of distribution assets that have failed or are operating with an unacceptable level of performance risk. These programs focus on remediating assets that pose significant safety, reliability and environmental risks to customers, employees and the general public.
3. **Investments in the System Service category** target system-wide critical issues such as capacity and operational constraints, security-of-supply, safety, system reliability and other considerations for the effective operation of the distribution grid.
4. **Investments in the General Plant category** are essential to Toronto Hydro's 24/7 day-to-day operational activities. These investments include the renewal and upgrade of critical software and hardware systems, vehicles and associated equipment, and facilities.

Investing in the distribution grid

In 2017 and 2018 combined, Toronto Hydro spent more than a billion dollars in capital expenditures. These investments notably include:

- Renewing aging, deteriorating, obsolete, and failing underground and overhead infrastructure
- Providing additional capacity in the downtown core through Copeland Transformer Station
- Expanding and enhancing the distribution system to connect new customers
- Consolidating and modernizing Toronto Hydro's work centres in east and west areas of the city

The following table summarizes Toronto Hydro's capital expenditures for the periods indicated (in millions of Canadian dollars).

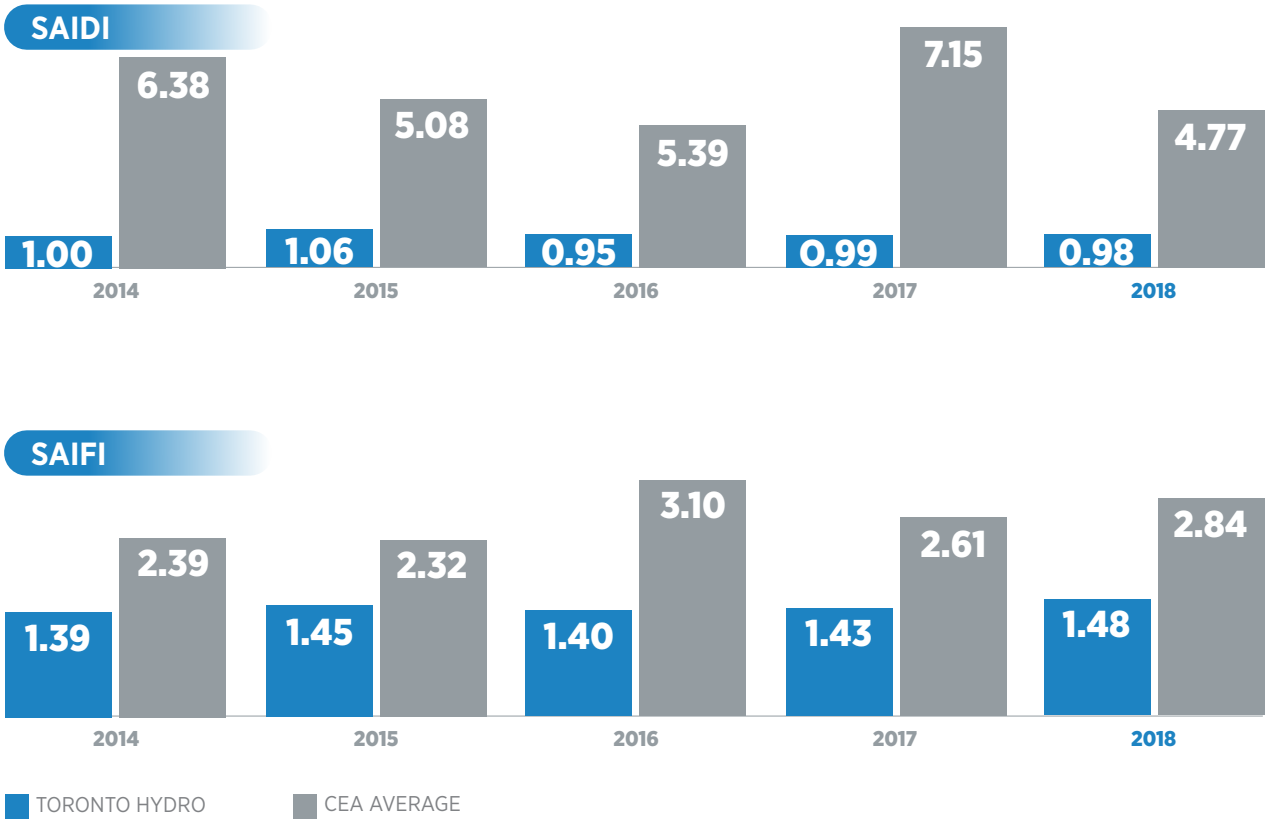
	YEAR ENDED DECEMBER 31	
	2018	2017
	$	$
Regulated local distribution company		
Distribution system		
Planned[1]	369.7	373.0
Reactive	63.8	48.1
Copeland Station	9.9	23.2
Facilities consolidation	-	35.2
Technology assets	54.4	54.9
Other[2]	4.0	10.5
Regulated capital expenditures	**501.8**	**544.9**
Unregulated capital expenditures[3]	9.5	8.0
Total capital expenditures	**511.3**	**552.9**

1 Includes, among other initiatives, the replacement of underground and overhead infrastructures, stations programs and the delivery of customer connections.
2 Includes fleet capital and buildings.
3 Primarily relates to street lighting and generation equipment.

Reliability

Toronto Hydro evaluates service reliability through two main measures: duration and frequency of outages. System Average Interruption Duration Index (SAIDI) is a measure of the annual average duration of outages for customers (in hours). System Average Interruption Frequency Index (SAIFI) is a measure of the frequency of interruptions .

In 2018 relative to 2017, Toronto Hydro saw a reduction in the average duration of outages, however the frequency increased. Toronto Hydro's average interruption duration was more than four times lower than the national average (as reported by CEA) while Toronto Hydro's frequency of interruption is nearly half the national average (as reported by CEA).



COPELAND TRANSFORMER STATION

One of the most significant investments in infrastructure over 2017 and 2018 has been the construction of Copeland Transformer Station (Copeland Station). Copeland Station is the first transformer station built in downtown Toronto since the 1960's and is the second underground transformer station in Canada. The station provides electricity to buildings and neighbourhoods in the central-southwest area of Toronto. During 2018, Toronto Hydro successfully energized one of two Copeland Station power transformers, as well as the station service transformer and equipment. The second power transformer and associated switchgear was energized in April of 2019.

The construction of Copeland Station is one of the most complex projects ever undertaken by Toronto Hydro. The station has been built with state-of-the-art electrical distribution equipment which will provide additional capacity and improve the reliability of electrical service in the downtown core of Toronto. The additional capacity provided by Copeland Station will allow Toronto Hydro to make necessary repairs to two other transformer stations in downtown Toronto. The impacts of extreme weather events on Copeland Station were also considered and mitigated. For example, the control equipment for the station was installed above grade to mitigate potential impacts from flooding.

Copeland Station is located at the John Street Roundhouse (the Roundhouse) which is a designated National Historic Site of Canada. Toronto Hydro completed a heritage interpretation strategy to ensure the historical value of the area was understood and maintained throughout the project. Experts on the Roundhouse were consulted throughout the design of the project. The machine shop located at the Roundhouse was required to be torn down in order to construct the station below ground. In order to maintain the heritage of the site, Toronto Hydro preserved the bricks, windows and doors from the machine shop and restored the building to its historical condition following the completion of the underground construction.

Green roofs have been installed on buildings associated with the project where practicable. A park was constructed at the southwest corner of the property with seating and decorative lighting system which illuminates an art installation depicting a historic rail viaduct in the area of the Roundhouse. The park also features native and drought-tolerant plants. These features ensure the historic property can be enjoyed by all residents of Toronto.

Planned capacity against projected electricity demand over the long term

Toronto Hydro has a responsibility to provide safe and reliable electrical power to its customers in an environmentally responsible manner at optimal costs. In addition to the maintenance of the existing system, this requires planning to develop distribution infrastructure in support of future growth. Toronto is growing at a rapid pace with a projection of approximately 283,700 additional people living in the city in 2022 compared to 2018. A single high-rise building — the "vertical city" — can consume as much electricity as a small town. For example, one high rise building could have an electricity demand as high as 12 MW, while the City of Kenora had a peak demand of approximately 19 MW in 2017[1]. Toronto Hydro makes plans taking all of these growing requirements into consideration and will fulfill its responsibilities to provide power to the residents of Toronto.

Toronto Hydro regularly forecasts peak electricity demand to ensure sufficient station capacity is available to meet long-term customer needs. This includes ensuring that new customers can be connected as required. These are important conditions of Toronto Hydro's distribution license. When capacity or operational constraints are identified or forecast, Toronto Hydro makes the necessary upgrades to stations or facilities jointly-owned with Hydro One Networks Inc. (Hydro One).

Demand forecasting is a critical input into the regional planning process conducted with the IESO and Hydro One, as it helps ensure that the transmission system supplying Toronto Hydro stations meets current and future requirements.

Planning for the electricity system in Ontario occurs at three levels:

- Bulk system planning — issues that impact the system on a provincial level
- Regional system planning — issues on a more regional or localized level where IESO conducts a planning exercise on a five-year cycle or as required
- Distribution system planning — issues on a more regional or localized level where Toronto Hydro conducts yearly assessments

Toronto Hydro conducts distribution system infrastructure planning, which includes local generation and Conservation and Demand Management (CDM) at the distribution level, and coordinates with Hydro One and the IESO on transmission supply facilities. New and enhanced transmission supply facilities are also coordinated for some stations.

1. https://www.oeb.ca/oeb/_Documents/RRR/2017_Yearbook_of_Electricity_Distributors.pdf

CLIMATE CHANGE ADAPTATION — INTEGRATION IN SYSTEM PLANNING

In addition to planning to meet the capacity demands of a growing city, Toronto Hydro has been planning and making investments to adapt to the challenges presented by climate change. The purpose of the improvements and collaboration is to help reduce the impacts of climate change on the residents of Toronto.

In 2015, Toronto Hydro completed a vulnerability assessment study following the Public Infrastructure Engineering Vulnerability Committee (PIEVC) protocol developed by Engineers Canada. The study conducted a risk assessment for the various components and areas of the distribution system that would be affected by climate change, and the results were used to develop a road map on climate adaptation initiatives.

The majority of the road map was completed by the end of 2017 and since then Toronto Hydro has continued to integrate considerations regarding the impact of climate change and the risks it presents into its operations. As an example, when planning new projects, Toronto Hydro has put in place procedures to ensure that climate risk is specifically considered in developing the project.

An example of a climate change consideration in the planning process are future temperature and climate projections. Toronto Hydro continually reviews sources of climate data to verify that the projections used for planning purposes continue to be valid and widely accepted. This review is currently completed on an ad hoc basis, however, the review will be a requirement of the system planning guidelines in the project planning process. For example, with this data, Toronto Hydro can mitigate climate risks to the grid by reviewing and updating equipment specifications, such as the use of tree-proof wire to reduce tree contact risks during storms and associated outages.

Management approach to demand-side management

Toronto Hydro delivered numerous CDM programs to customers in 2017 and 2018. The purpose of these programs is to reduce the peak demand, costs and environmental impacts associated with new generation, transmission, and distribution systems. This results in economic benefits to the customer and reduces the impact on the environment. Toronto Hydro tracked and reported progress against the CDM target established by the OEB to ensure programs are achieving the desired results. Toronto Hydro's role in the delivery of conservation programs will change in future years due to changes made by the provincial government (discussed in more detail below).

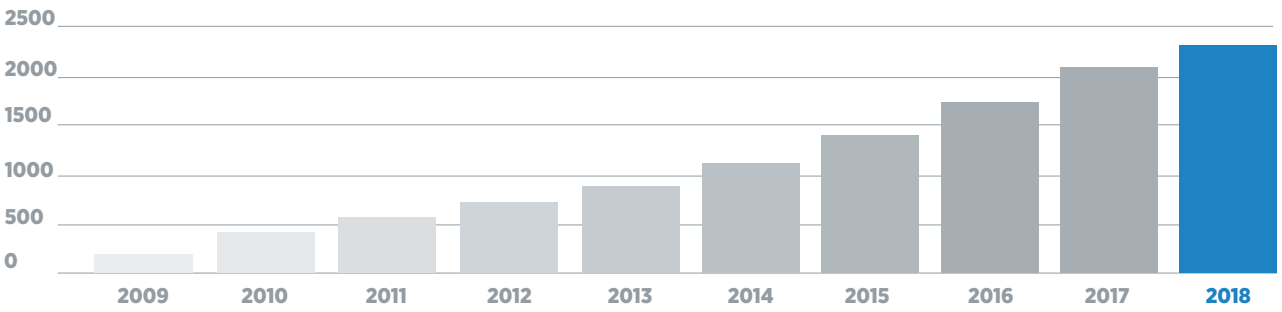
CDM Programs

In 2017 and 2018, Toronto Hydro delivered provincially-funded CDM programs to the following market segments:

- Residential customers including low-income
- Business customers
- Industrial customers

Toronto Hydro's 2018 CDM programs led to an estimated energy savings of more than 321,200 MWh and reduced summer peak demand by 41 MW. These initiatives also helped to reduce GHG emissions in the city by 10,566 tCO2e since 2017. In addition to reducing GHG emissions, less demand reduces the need to invest in additional generation, transmission and distribution assets throughout the province.

CDM CUMULATIVE ACHIEVEMENT



CDM HIGHLIGHTS

Retrofit Program

In 2018, Toronto Hydro's most successful initiative remained the Retrofit program. This program is the longest running CDM program in Ontario and consists of a wider range of eligible initiatives than any other CDM program. The program offers incentives to business customers to encourage investment in more energy-efficient equipment, including lighting, space cooling, ventilation, controls and various other measures. As a result of this program, approximately 369,000 MWh of electricity were conserved in 2017 and 2018. The GHG emissions reduction achieved between 2017 and 2018 through this program was approximately 14,000 tCO2e.

High Performance New Construction (HPNC)

HPNC is a program that offers incentives to building owners and design decision-makers (architects, engineers, consultants, etc.) to build beyond Ontario Building Code requirements. Toronto Hydro and the City of Toronto work together in the delivery of this program. The HPNC program achieved 9,400 MWh in energy savings in 2017 and 2018, resulting in approximately 360 tCO2e in GHG emissions.

Changes to Conservation Program Delivery

The Government of Ontario has made changes to the conservation programs in Ontario and directed the IESO to centrally deliver energy-efficiency programs until December 31, 2020 rather than Local Distribution Companies, like Toronto Hydro. Ontario businesses will therefore continue to have access to incentives for retrofits and other energy-efficiency projects to help lower their energy costs.

CDM HIGHLIGHT

Management approach to research and development activity

Toronto Hydro does not perform research and development work directly, but does support innovation by participating in pilot projects that test available technologies for system automation, demand response, protection, energy storage and electric vehicles.

Research and development pilot projects are selected based on technologies and/or processes that can provide near-term grid benefits, including load balancing, extended asset lifetime and improved power quality. These projects can result in economic benefits for the customer through cost avoidance and environmental benefits by reducing the amount of generation capacity required to meet electricity requirements of the city. The selection process also considers the internal resources required to complete the various projects.

An example of research and development at Toronto Hydro is the investigation of new and more efficient methods for connecting renewable technologies to the distribution grid. In 2018, the focus was on reviewing the impact of using enhanced inverters with renewable installations. These inverters would increase the ease of installation of renewable generation, as well as improving grid resiliency by providing power factor and load support as required.

Toronto Hydro collaborates with, among others, developers, government, and Ryerson University's Centre for Urban Energy (CUE), to assess what technologies or processes have applications for the distribution grid assets and customer needs.

LITHIUM ION BATTERIES IN VEHICLES

Toronto Hydro has identified that increasing battery life through the introduction of lithium ion batteries can lead to further idling reductions. In 2018, Toronto Hydro undertook Phase II of a pilot project to test the effectiveness of lithium ion batteries in vehicles. Phase I of the project was completed in 2017. This project was conducted in collaboration with Centennial College and eCamion. The lithium ion batteries last longer than the current lead acid batteries. This reduces the emissions associated with idling by optimizing the performance of the GRIP system to allow vehicles to operate off the battery for a longer period of time. The lithium ion batteries also have a longer lifespan compared to the lead acid batteries, which reduces the amount of wasted batteries. Another benefit of running vehicles off a battery for longer period of time is the reduction of engine noise and emissions.

Toronto Hydro also trialed the use of electric power take-off (ePTO) that eliminates the need to run the vehicle engine in order for the power take-off (PTO) to function. Bucket trucks require the engine to be running, resulting in emissions any time a bucket is used. The ePTO would run off a lithium-ion battery and has shown to greatly reduce the emissions from PTO use. As the ePTO technology evolves and becomes more cost-effective, Toronto Hydro will consider its use on more bucket trucks.

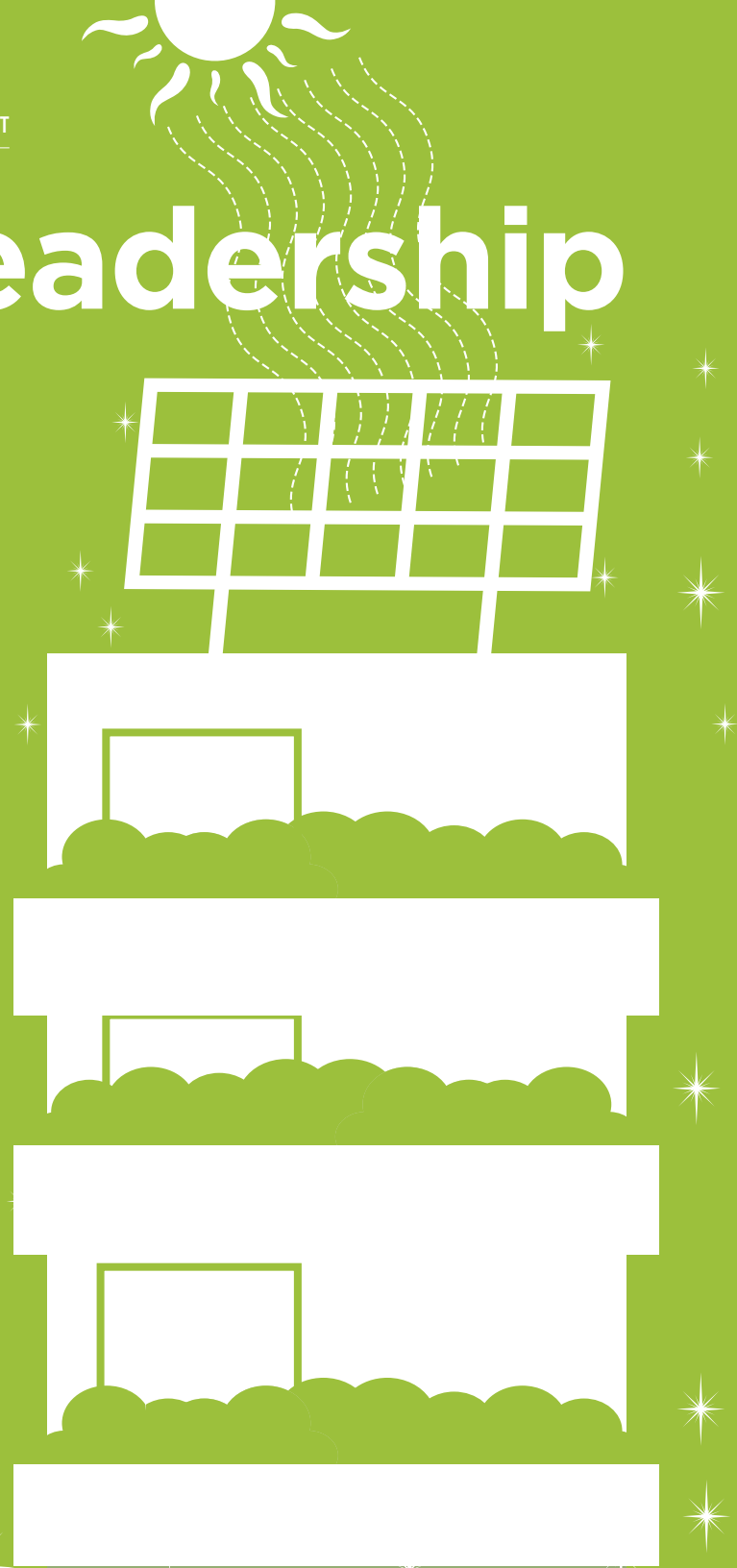
COMBINED SOLAR AND ENERGY STORAGE

Toronto Hydro is working together with the City of Toronto to pilot a combined solar and energy storage project at a Toronto Paramedic Services station. This is the first time that either Toronto Hydro or the City of Toronto will be piloting a project of this nature. The project will involve the installation of roof and wall-mounted solar panels on the station, which will be connected to a battery to store the generated electricity. The solar panels will have a generation capacity of over 8KW and the batteries will be capable of storing up to 27 kWh. A sufficient amount of electricity will be stored in the batteries to operate the critical equipment in the station during a power outage. The excess generated electricity will be connected to Toronto Hydro's distribution grid and used to offset the cost of electricity at the station. The project will help improve the ability of the station to respond to emergencies and provide a financial benefit to the City. Construction on this project was initiated in 2018 and the system was operational in early 2019.

BULWER BATTERY ENERGY STORAGE SYSTEM (BESS) PROJECT

The Bulwer BESS project is a 2MW/8MWh Ontario Smart Grid funded project that will be located at Bulwer Municipal Station (MS), a retired 4.16kV Toronto Hydro electrical substation located in downtown Toronto. This location was chosen as downtown Toronto is a highly populated area with ever increasing demands for electricity that lead to eventual strain on Toronto Hydro infrastructure. The BESS allows electricity to be provided to customers when there is an issue with usual electricity supply, and is thereby expected to increase reliability of service to customers. The BESS also reduces peak loads on distribution equipment, which enables the utility to defer more costly infrastructure investments which would otherwise be required to maintain electricity services for customers. The project is being completed with Renewable Energy Systems Canada. The project was originally expected to be completed by the end of 2018, however the expected completion has been delayed into 2020.

Environmental Leadership



The elimination of wasted natural resources is one of the core objectives of the sustainability program at Toronto Hydro. An extensive list of environmental aspects and impacts has been developed and is assessed with a cross-functional team annually to determine where resources need to be focused to protect natural resources including clean air, water, land and biodiversity. A precautionary approach is applied during this assessment. Environmental aspects and impacts in the supply chain are also identified and prioritized during the assessment as required by ISO 14001:2015. Toronto Hydro's significant environmental aspects are listed in the following chart. Programs and procedures are implemented to mitigate these aspects and are reviewed on a regular basis to ensure they continue to meet the needs of the environmental, health and safety management system (EHSMS) as well as to identify opportunities for continual improvement.

2018 SIGNIFICANT ENVIRONMENTAL ASPECTS

Land and vegetation alteration
Land contamination
Handling and disposal of liquid hazardous waste
Handling and disposal of solid hazardous waste
Storage and handling of Polychlorinated Biphenyls (PCBs)
Reuse and recycling of hazardous materials
Reuse and recycling of non-hazardous office materials
Reuse and recycling of non-hazardous operational materials
Operation of vehicles and mobile equipment
Line losses
Operation/maintenance of Sulphur Hexafluoride (SF6) filled equipment
Operation of natural gas fired equipment for heating
Renewable energy generation
Pumping water from vaults and cable chambers
Spills from underground transformers
Conservation and demand management

Some of these aspects are discussed in further detail in the following sections and throughout the report as they have been determined to be material to Toronto Hydro's stakeholders.

Management approach to greenhouse gas emissions

The Environmental Policy at Toronto Hydro requires the development of objectives, procedures and other actions to protect the environment, including minimizing the release of greenhouse gas (GHG) emissions. In respect of this policy, Toronto Hydro sets targets for the reduction of GHGs and monitors the performance against the targets on a monthly basis. The target was achieved by installing anti-idling technology on select vehicles and continued anti-idling communications campaigns. These and other GHG reduction initiatives are described in greater detail below.

Toronto Hydro's GHG emissions are below the reporting threshold for Environment Canada's National Pollutant Release Inventory (NPRI). The NPRI represents public disclosure of Toronto Hydro's carbon footprint.

GHG accounting

Toronto Hydro tracks and reports Scope 1 and 2 GHG emissions. The GHG inventory includes all Toronto Hydro-owned and controlled (leased) facilities and vehicles. Scope 3 emissions are also not included in this GHG inventory.

	SOURCE	GASES INCLUDED
SCOPE 1 EMISSIONS	Direct emissions from stationary combustion (facilities), mobile combustion (vehicle fleet) and fugitive sources (gas insulated transformers)	Carbon Dioxide (CO_2), Methane (CH_4), Nitrogen Oxide (N_2O), Sulphur Hexafluoride (SF_6)
SCOPE 2 EMISSIONS	Indirect emissions from the use of purchased electricity (facilities and line losses)	Carbon Dioxide (CO_2), Methane (CH_4), Nitrogen Oxide (N_2O)

The GHG inventory is compiled in accordance with national and provincial GHG reporting guidelines, and the GHG Protocol — Corporate Accounting and Reporting Standard. The emission factors used to calculate the GHGs are the provincial values representative of Ontario's energy supply mix. All emissions are converted and reported in tonnes of carbon dioxide equivalent ($tCO2_e$). The data from 2014 represents Toronto Hydro's greenhouse gas base year for comparison purposes. The base year for comparison of GHG emissions was chosen to be 2014 as the methodology for calculating SF6 emissions was changed in 2014.

Data sources used to calculate GHG emissions

Energy consumption data (electricity and natural gas) is collected from utility providers for all Toronto Hydro facilities included in the organizational boundaries described above.

The following information is used to complete the GHG calculations:

- Fuel consumption of fleet — documented with fuel supplier data and billing statements
- SF_6 — emission calculations were based on vendor top-up reports, including the kilograms of SF_6 gas used during equipment top-ups and losses during equipment decommissioning
- Energy consumption of facilities — collected from digital files on electricity, natural gas billing statements, and consolidated billing files from third-parties for leased buildings
- GHGs from refrigerant leaks are not included in the calculations as they were deemed immaterial (<0.05% of emissions)

Data assurance

A third-party review of select electricity and natural gas bill entries, fuel consumption data, SF_6 emission data and line loss data (electricity purchases and sales) was conducted to assure GHG data. Please see Appendix A for the independent assurance statement.

Changes to organizational boundaries

Since the last Corporate Responsibility report in 2016, Toronto Hydro moved out of a leased facility at 601 Milner Avenue into a fully renovated facility at 715 Milner Avenue. Additionally, work locations at 5800 Yonge Street and 60 Eglinton Avenue were officially closed. These changes resulted in a reduction of energy consumed.

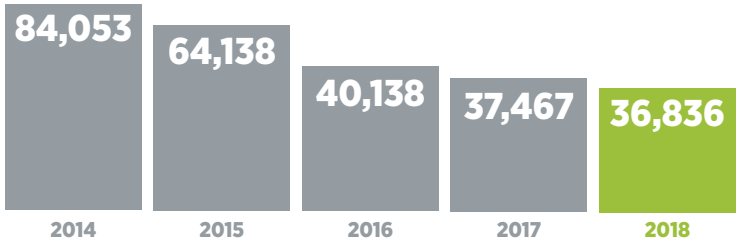
Toronto Hydro's carbon footprint

Toronto Hydro measures GHG emissions from four key sources: vehicle fleet, facilities, lines losses, and SF_6 gas releases from equipment. In 2018, Toronto Hydro generated a total of 36,836 t CO_2e, which represents a 56% decrease over 2014 (22% decrease in Scope 1 emissions, 60% decrease in Scope 2 emissions). In 2017, a total of 37,467 t CO_2e was generated.

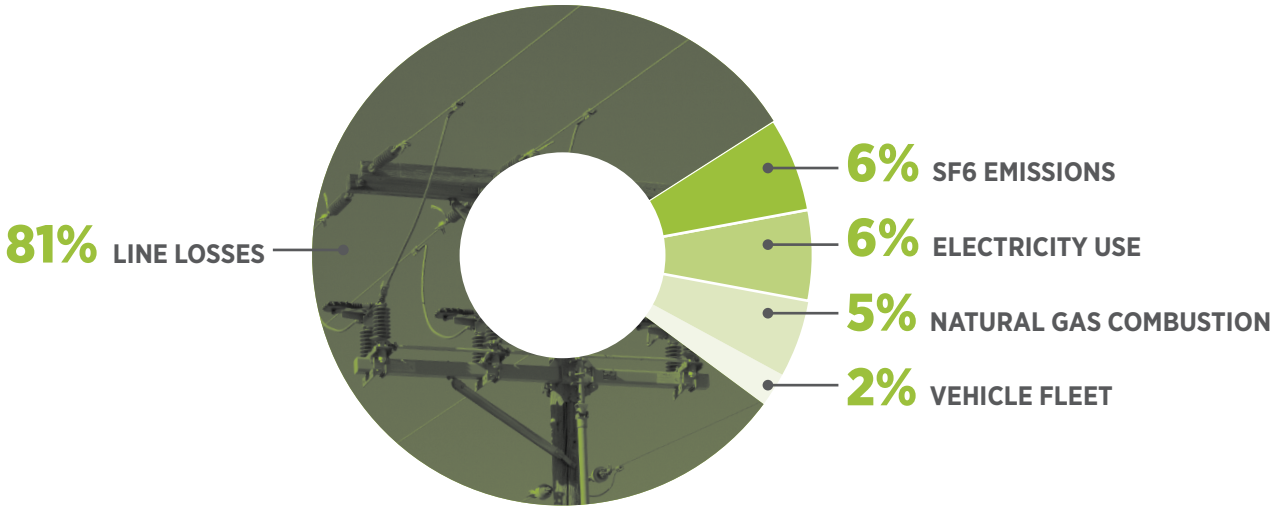
REDUCTION OF TOTAL GREENHOUSE GASES BY

56%

TOTAL GREENHOUSE GAS (GHG) EMISSIONS TONNES CO_2e



2018 CARBON FOOTPRINT



Facilities improvements

Emissions from electricity use (in kWh) and natural gas use (in m3) in Toronto Hydro facilities decreased by **77%** and **41%**, respectively from 2014. These improvements were largely due to the completion of the Operating Centres Consolidation Program (OCCP). This program reduced the number of Toronto Hydro facilities from nine to five. The largest portion of the project involved moving operations from two leased facilities to buildings that are owned by Toronto Hydro. Owning these buildings allowed Toronto Hydro to completely renovate the buildings, including the installation of highly efficient fixtures and building automation systems to help reduce the amount of energy consumed. The two renovated buildings achieved BOMA BEST Gold Certification in 2018 as a recognition of the resource efficiency and environmental programs implemented.

The 77% decrease in total GHGs from electricity use is also partially attributed to the lower provincial emission factor (the electricity mix in Ontario was less GHG intensive in 2018 relative to 2014).

BOMA BEST GOLD CERTIFICATION

In 2018, Toronto Hydro achieved BOMA BEST Gold certification at the David M. Williams centre (71 Rexdale Blvd.) and the 715 Milner Ave. work centre from the Building Owners and Managers Association of Canada (BOMA Canada). In 2017, the Toronto Hydro facility at 500 Commissioners St. achieved BOMA BEST Silver certification. BOMA BEST certification is a nationally recognized voluntary framework for assessing the environmental performance and management of existing buildings of all sizes. The independent third-party certification assesses the policies, programs and procedures in place at a building, as well as the physical conditions. One of the components of the certification application was a water usage assessment. During the assessment, Toronto Hydro identified a significant underground water leak, which was subsequently repaired. The relatively quick identification and repair of the leak was one of the many benefits realized throughout the application process.

Vehicle fleet improvements

Emissions from electricity use (in kWh) and natural gas use (in m3) in Toronto Hydro facilities Toronto Hydro operates a fleet of vehicles, which are a potential source of environmental impacts. Vehicle operation can lead to waste, such as waste vehicle fluids and waste vehicle components (e.g. batteries, engine parts, etc.) and the emission of GHGs. Toronto Hydro has undertaken a number of initiatives to help reduce engine operation, thereby decreasing the associated waste and emissions while increasing the life cycle of vehicles. These initiatives provide value to the residents of Toronto by reducing pollution, engine noise, odours and aim to increase value to the shareholder and ratepayers by extending the life cycle of vehicles and reducing repair and maintenance costs.

The fleet fuel consumption and associated emissions decreased by approximately **33%** relative to 2014. This is the result of continued efforts to reduce the number of vehicles and optimize their use, the implementation of the Idle Management System (Governor to Reduce Idle and Pollution — GRIP), as well as the creation of portable and satellite work sites which reduce the amount of driving required to reach a worksite.

Anti-Idling technologies

In 2018, Toronto Hydro continued its use of the Governor to Reduce Idle and Pollution (GRIP) technology on Toronto Hydro vehicles. The GRIP system functions by shutting the engine off after one minute of idling, in accordance with the City of Toronto bylaw, and switching to the auxiliary battery power source requiring long-lasting batteries in order to fully optimize the GRIP system's use. The GRIP technology has been installed on 29 cube vans, 19 bucket trucks and five pick-up trucks since the use of the technology began in 2014. This has led to an approximately 30% decrease in idling time for cube vans compared to other cube vans without the GRIP technology. Similar results have not been found on the pick-up trucks and bucket trucks with the GRIP system installed. As such, Toronto Hydro intends to use the GRIP technology only on new cube vans moving forward.

Bio-diesel

Toronto Hydro uses combined bio-diesel and standard diesel to reduce the emissions from its fleet. Bio-diesel generates approximately **8%** less GHG emissions upon combustion than standard diesel. In total, the use of bio-diesel eliminated approximately 13.1 tCO2e over 2017 and 2018.

Line losses

GHG emissions from line losses in 2018 decreased by 59% from 2014. This decrease is largely attributed to the lower provincial emission factor. Additionally, a multi-year program to increase the efficiency of the distribution system has contributed to reduced GHG emissions from line losses. Toronto Hydro is replacing less efficient 4.16 kilovolt (kV) infrastructure with a more efficient 13.8 kV and 27.6 kV infrastructure (line losses decrease with higher voltages).

Management approach to effluents, waste and compliance

Toronto Hydro has made a commitment to consider the environment in business practices. This commitment is core to the Environmental Policy at Toronto Hydro and requires the effective management of all environmental aspects of the organization. For example, Toronto Hydro undertakes a number of activities to prevent spills including the proactive replacement and maintenance of assets, routine inspections, employee training and awareness, and conducting spill drills to ensure all groups within the organization are prepared for a spill event.

The generation and disposal of effluents and waste could have negative environmental impacts if managed improperly. To address and effectively manage this potential risk, policies, programs and procedures are in place. Plans for additional system-wide measures to improve environmental management and reduce negative impacts to the natural environment include:

1. Improving the reporting of discharges to the environment to allow for prompt reporting and to ensure appropriate actions are taken in a timely manner to reduce the risk of further potential contamination.
2. Revising standard inspection forms to include additional information regarding transformer condition, including detailed information related to oil leaks.
3. Documenting all transformer defects, including oil leaks, with pictures and issuing work orders to repair the defects as necessary.
4. Ensuring all facilities have appropriate labelled waste bins available and accessible to allow for segregation and diversion of recyclable material from landfill.
5. Facilitating communication campaigns aimed at discussions with employees regarding available provisions for recycling and the difficulties they may encounter when disposing of material.
6. Expanding the organics recycling program.

As discussed earlier, Toronto Hydro has developed a list of significant environmental aspects as required by ISO 14001:2015. When activities, products or services of the business are identified as a significant environmental aspect, programs and procedures are implemented to manage the environmental aspect.

Three significant environmental aspects have been identified for effluents and waste:

- Handling and disposal of liquid hazardous and non-hazardous waste from field operations and work centres
- Handling and disposal of solid hazardous and non-hazardous waste from field operations and work centres
- Spills of oil, specifically containing PCBs with a concentration of greater than two parts per million (ppm)

Detailed tracking

All spills are managed following Toronto Hydro's spill response and reporting procedure. Spill data is tracked and reported to senior management on a monthly basis. Also, in 2018, all recyclable material was tracked on a monthly basis, against a target which is linked to performance pay for employees. The data is used to track performance, effectiveness of controls, and to determine if improved plans are required.

Waste management

Waste is generated at Toronto Hydro through its operations and in the office environment. This includes both hazardous and non-hazardous waste. The handling and disposal of hazardous waste is strictly legislated. All hazardous waste is transferred and disposed of using provincially registered waste shipping and disposal companies. These companies use the appropriate disposal techniques based on the type of waste in compliance with the applicable legislation.

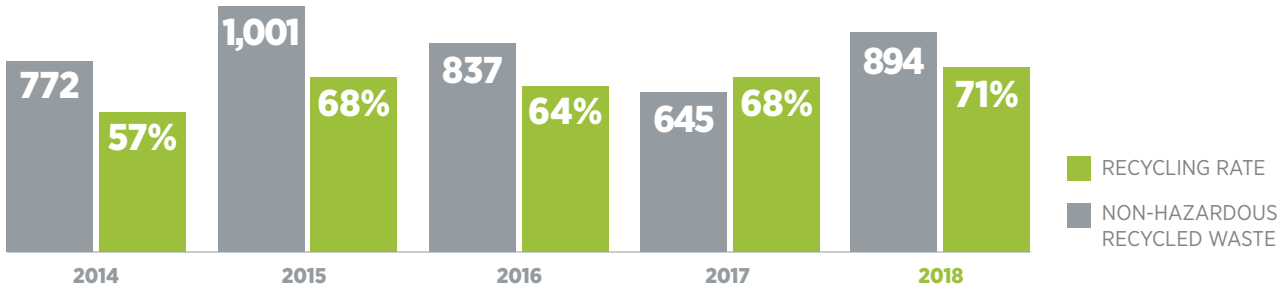
Non-hazardous waste

Various streams of non-hazardous waste are generated at Toronto Hydro including paper, organic waste, coffee cups, plastic bottles, metal cans, plastic shopping bags and paper towels. A non-hazardous waste management program and waste reduction work plans have been developed in order to reduce the amount of waste generated and sent to landfill. The program includes signage at all waste and recycling bins to assist in recycling, regular audits, employee education, increased awareness and employee feedback. Additionally, recycling rate metrics have been developed to monitor the effectiveness of the program.

Discretionary recycling rate

The recycling rate is the percentage of total waste generated that is sent for recycling. Toronto Hydro's discretionary recycling rate includes the waste prescribed in O. Reg. 103/94: Industrial, Commercial and Institutional Source Separation Programs. Thanks to committed employees, effective source separation has led to an improvement in this recycling rate from 57% in 2014 to 71% in 2018.

DIVERTED NON-HAZARDOUS WASTE



Corporate recycling rate

Toronto Hydro also measured a corporate recycling rate which includes a broader pool of waste, such as metals from transformers and cables, wood poles removed from service, fluorescent lights and batteries. The waste included in the discretionary recycling rate is also included in corporate recycling rate. The purpose of this rate is to provide a more comprehensive picture of the diversion efforts of the company. An annual target is established and performance is monitored on a monthly basis. Toronto Hydro exceeded the 2018 target of 90% with a year-end corporate recycling rate of 92%. The corporate recycling rate was not formally tracked in 2017.

Recycling treated wood poles

Sections of wood poles have historically been treated with preservation compounds in order to increase the lifespan of the poles. A study conducted in 1989 found that untreated red pine wood poles had a lifespan of approximately 4.5 years, while poles that had been treated had a lifespan of 40 to 48 years. Extending the lifespan of poles is environmentally responsible as it reduces the amount of resources (i.e. trees) required to replace old poles. Treated wood poles, however, complicate the disposal process as they cannot be recycled in the same manner as untreated wood.

Rather than sending used treated wood poles to a landfill, Toronto Hydro ships the waste to a company that specializes in the transformation of treated wood. The poles are either reused for construction materials or crushed into wood shavings for use in co-generation applications, cement works and the paper industry, among other uses.

Hazardous waste

Hazardous waste management programs are in place for the handling and disposal of liquid and solid hazardous waste. The programs are intended to ensure compliance with applicable provincial and federal legislation. Employees receive training on how to safely handle hazardous waste. Topics include personal protective equipment, how to store waste, how to transport waste safely, how to complete the appropriate shipping documents, and emergency response. The hazardous waste management program is evaluated through regular audits with the results reported to senior management.

In 2017, approximately **2.16** million litres and **252** metric tonnes of hazardous waste were sent for destruction or recovery. In 2018, approximately **1.54** million litres and **397** metric tonnes of hazardous waste were sent for destruction or recovery.

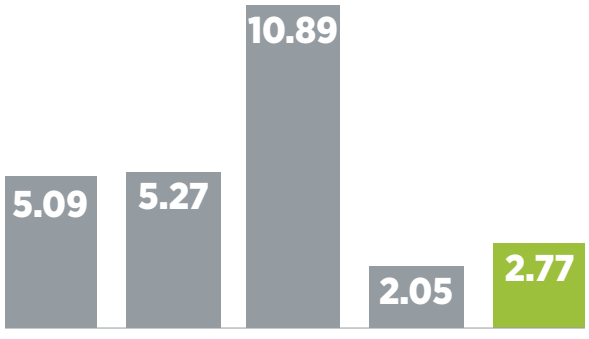
Polychlorinated Biphenyls (PCB)

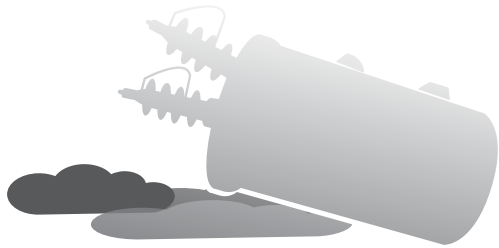
Similar to most electrical utilities in Canada, Toronto Hydro owns and operates equipment that has oil containing polychlorinated biphenyls (PCBs). The operation of this equipment is compliant with the current PCB Regulations under the Canadian Environmental Protection Act, 1999. In preparation for legislation coming into effect in 2025, Toronto Hydro is proactively removing and arranging for the safe destruction of equipment and oil containing PCBs to ensure compliance with the new legislation.

This removal and destruction has been accelerated in recent years and has been enabled by proactive inspections of equipment suspected of having oil containing PCBs and testing of oil in equipment for the presence of PCBs. In addition, Toronto Hydro completed a set of dedicated capital projects in 2018 to replace submersible transformers in the distribution system that were manufactured prior to 1986 (i.e. submersible transformers suspected of containing oil with PCBs). The objective of these projects was to mitigate the risk of submersible transformers leaking oil containing PCBs into the natural environment. The following graph illustrates how the dedicated submersible transformer replacement projects have been successful in reducing the amount of PCBs leaking from Toronto Hydro's equipment into a waterway.

The submersible transformer replacement project have likely contributed to an increase in the amount of PCB material shipped for safe destruction in 2018. The amount of material sent for destruction increased by approximately **9,200** kilograms compared to 2017. In total, approximately **21,800** kilograms of material and **8,600** litres of liquids containing PCBs were shipped for destruction in 2018. Approximately **16,300** kilograms and **4,900** litres of waste containing PCBs were sent for destruction in 2017.

TOTAL PCBs (g) ENTERING WATER





REPLACEMENT OF LEAD CABLE

Historically, paper insulated lead covered (PILC) cable was installed in some areas of Toronto to distribute electricity. The use of PILC cables presents an environmental risk from the presence of PCBs in the cable as well as the health and safety risk associated with lead. In order to reduce these risks, Toronto Hydro has been removing lead cable and replacing it with cross-linked polyethylene (XLPE) cable. While XLPE is a more environmentally sound and safer alternative, it cannot be used to replace PILC in all situations. XLPE has a wider diameter than PILC and therefore does not fit in all ducts where PILC is used.

Toronto Hydro continued a project in 2017 and 2018 to find an environmentally sound and safe cable to replace PILC in the areas where XLPE could not be used. This project involved extensive research and identified ethylene propylene rubber (EPR) cable as a viable alternative. In 2018, Toronto Hydro completed the specification for the EPR cable, identified a vendor and received the first order of EPR cable. The first installation of EPR cable will be used as a pilot project. Once this installation has been properly evaluated, Toronto Hydro will determine if EPR cable can be installed system wide.

In total, over 16 design standards were review and revised to accommodate the EPR cable. Additionally, accessory (e.g. cable splices, elbows and terminations) compatibility was reviewed and it was determined which accessories could be used and what new accessories may be needed to accommodate the new cable.

As EPR cable is easier to repair than PILC. This extensive project will help reduce outage time. It will also allow Toronto Hydro to remove more lead cable from the City of Toronto and reduce the environmental impact.

Spills

Toronto Hydro is required to report priority spills annually to the CEA. The CEA defines a priority spill as:

- A petroleum spill that is more than 500 litres
- A spill containing more than one (1) gram of PCBs
- Any volume of petroleum based or PCB contaminated substance that enters a water body

Priority spills

In 2017 and 2018, Toronto Hydro incurred a total of **42** (approximately 3,300 litres) and **118** (approximately 4,770 litres) priority spills, respectively. In 2018, the spill identification process was improved and included internal reporting for spills found during inspections. Specifically, signs such as staining near electrical transformers and in the area of a drain began to be reported as spills that could have entered a water body. The expanded internal reporting process allowed Toronto Hydro to address smaller deficiencies before they became a large spill. As a result of this cautious approach to spill reporting, the majority (**65%**) of the priority spills in 2018 were less than ten litres.

None of the priority spills in 2017 or 2018 were over **500** litres. In 2017, two spills were of oil containing more than one gram of PCBs, while only one such spill occurred in 2018.

INSPECTION PROCESS TO REDUCE SPILLS

Toronto Hydro has a rigorous transformer inspection program to identify corroded transformers and prevent spills before the transformer fails. This program includes inspections of each submersible transformer and its underground vault by qualified personnel once every three years. The program also includes more frequent condition-based inspections (i.e. more than once every three years) for transformers that are showing signs of deterioration or are approaching their end-of-life.

Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

Toronto Hydro did not receive any fines or non-monetary sanctions for non-compliance with environmental laws and regulations in 2017 and 2018.

ELECTRIC BUSES

Toronto Hydro is supporting the Toronto Transit Commission's (TTC) move to electric buses. In order to meet the City of Toronto's TransformTO climate change targets, the TTC is planning to eliminate emissions from its entire fleet by 2040. Transportation currently is the largest source of greenhouse gas emissions in Ontario. With Ontario's relatively clean electricity generation mix, electric transportation provides a much more environmentally sound alternative to fossil fuel based transportation.

Toronto Hydro has assisted the TTC with the technical requirements for adopting electric buses and with the selection of the first locations for the electric bus program. The first TTC garages that will be used for charging were selected considering their geographical location as well as the available electrical capacity. Toronto Hydro will accommodate the future growth of electric buses by enhancing the electrical infrastructure required for the new bus charging equipment.

The initial purchase of electric buses is underway and is expected to be a total of up to 60 buses in 2020. Toronto Hydro is also assisting the TTC in implementing energy management and energy storage projects at TTC facilities.

DATA CENTRE FACILITY IMPROVEMENTS

With changing technology infrastructure, Toronto Hydro data centres are constantly adapting and implementing best practices to keep pace with the changing IT and industry standards and requirements.

Power distribution, efficiency, reliability, safety and energy savings are the key components in the Toronto Hydro IT infrastructure platform.

In 2018, Toronto Hydro took on a project that focused on energy savings initiatives and improvements to the power usage efficiency across its Data centres.

The project plan implemented changes such as:

- Reducing the wasted energy from air mixing by optimizing the floor layout and installing directional airflow raised floor panels
- Improving the thermal envelope to operate in the most energy-efficient mode without impacting reliability
- Continuous monitoring of temperature/ humidity to ensure optimal conditions
- Installation of cold aisle containment to eliminate hot spots and reduce humidification/dehumidification costs
- Upgrades to air conditioning units that allow the use of features such as optimized aisle temperature controls and teaming mode operation
- Air conditioner sensors were positioned to optimize supply temperature requirements at each Data centre
- Improvements in the usage and maintenance schedules for the air conditioning units to extend each unit's lifetime by reducing wear and tear

This project is expected to save 95,600 kWh in energy costs and to reduce GHG emissions up to four tCO2e yearly.

ELECTRIC VEHICLES

One of the largest sources of GHGs in Toronto are vehicles. In fact, the City of Toronto has stated that approximately one-third of the GHG emissions in Toronto are from vehicles. The City has also indicated that the transition to electric vehicles is one of the primary actions from the City's plan to achieve the 2050 goal of reducing GHG emissions to net zero. Toronto Hydro is supporting the transition to electric vehicles by increasing the availability of charging stations for electric vehicles to the residents of Toronto, as well as Toronto Hydro employees.

In an effort to remove some of the barriers to electric vehicle ownership, Toronto Hydro has installed charging stations at three of its work centres. While users are required to pay for the use of these stations, the availability of charging infrastructure removes a major barrier to the adoption of electric vehicles. Four charging stations are currently operational at the 500 Commissioners St. and 715 Milner Ave. locations, while ten are available for employees at 71 Rexdale Blvd.

Toronto Hydro is also demonstrating leadership in the electrification of transportation through a project initiated to replace small cars in the Toronto Hydro fleet with fully electric vehicles. In 2018, eight fully electric Chevrolet Bolts were purchased and introduced into Toronto Hydro's fleet to replace hybrid cars that were at the end of their useful life. In addition to the environmental benefits, the transition to electric vehicles is expected to provide financial savings from decreased fuel consumption and reduced vehicle maintenance.

Toronto Hydro is working with various industry and government agencies to develop strategies and policies that enable the adoption of electrified transportation. At the municipal level, Toronto Hydro collaborates on the development of electrified transportation projects with agencies such as the Toronto Transit Commission, Toronto Parking Authority and the Transportation Services division of the City of Toronto. At the Federal level, Toronto Hydro provides input to electric vehicle forums facilitated by Natural Resources Canada. Participation in various electric vehicle projects and associations has allowed Toronto Hydro to establish a leadership position in the electrification of transportation.

ANIMAL GUARDS

There is significant biodiversity within the city of Toronto. Toronto Hydro understands the importance of taking conservation into consideration when planning construction. Animal guards are an example of this conservation which is used to prevent power outages, equipment damage and protect wildlife.

To demonstrate these benefits, ten animal guards were installed on a trial basis on specific Toronto Hydro assets in 2018. The trial is planned to run until 2020 to monitor and determine effectiveness. The expectation is that these animal guards will reduce the number of outages due to animal contact and increase the overall reliability of the distribution system while protecting wildlife.

Social Responsibility

Management approach to customer health and safety

When mitigating public safety risk, Toronto Hydro considers various safety hazards, which include:

- Wires down
- Fire and explosions
- Low wires
- Tree canopy contact
- Vehicle collisions
- Leaning and falling poles
- Contact voltage

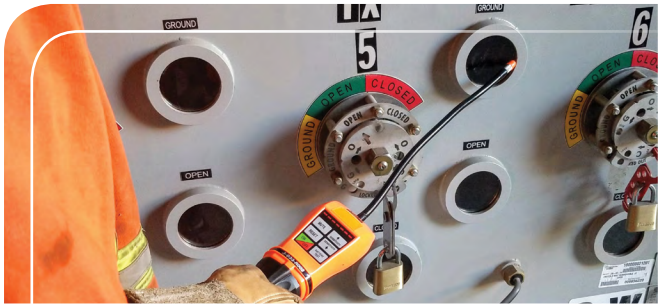
Toronto Hydro manages these risks by establishing improvement targets, and monitoring the risk mitigation strategies discussed above to ensure that desired results are achieved.

This multi-pronged approach allows identification, communication and mitigation of risks to public safety. Much of this work is manifested through the overhead circuit renewal and box construction programs, wood pole inspection and treatment program, and through day-to-day customer communications. Additionally, a vegetation management program is in place to reduce the likelihood of tree canopy contact.

Improving equipment standards to reduce safety risks

Due to the nature of the Corporation's business of operating and maintaining its distribution system, Toronto Hydro is subject to the risk of public injuries or fatalities. Toronto Hydro mitigates risks to public safety through equipment inspection, replacement and maintenance, employee training, communications programs and reactive and emergency work. Toronto Hydro also has developed specific construction standards and design practices and new products for use in the distribution system go through a thorough review and introduction process. The selection process for new products and the development of standards promotes customer health and safety.

Toronto Hydro has adopted specific construction standards and design practices to ensure consistency in the construction of the distribution grid. New products for use in the distribution system go through an in-depth review and introduction process. The selection process for new products and the development of standards promotes customer health and safety. This process also provides environmental benefits through the consideration of the lifecycle impacts of the new products.



Complying with provincial safety regulations

Toronto Hydro must comply with the Electrical Distribution Safety requirements set out in Ontario Regulation 22/04. The regulation establishes safety requirements for the design, construction and maintenance of electrical distribution systems. To ensure compliance, Toronto Hydro is subject to an annual audit conducted by a third-party approved by the Electrical Safety Authority. The purpose of the audit is to:

- Assess adherence to Sections 4 to 8 of Ontario Regulation 22/04;
- Evaluate the appropriateness of processes to comply with the safety standards set out in the regulation; and
- Determine if Toronto Hydro follows its internal processes.

Toronto Hydro must submit an annual Declaration of Compliance to the Electrical Safety Authority certifying compliance with sections 3,9,10, 11 and 12 of Ontario Regulation 22/04.

In 2017 and 2018, Toronto Hydro successfully completed both the Audit and Declaration of Compliance and for the fifth and sixth consecutive years, Toronto Hydro achieved full compliance (without any findings of non-compliance or areas in need of improvement).

Addressing safety concerns from the ESA

The ESA conducts random inspections on Toronto Hydro's electrical infrastructure across the city. If an inspection raises a potential safety concern, the ESA will issue a formal letter with a required date of response. No non-compliances were identified during these inspections.

Additionally, Toronto Hydro receives reports of potential safety concerns from the public through the ESA. In 2017 and 2018, Toronto Hydro resolved 20 potential safety concerns raised by the ESA within the prescribed timelines. Concerns varied in nature and included situations like damage to Toronto Hydro's equipment by a snowplough.

Management approach to occupational health and safety

Toronto Hydro works collaboratively to proactively identify hazards, quantify risk and eliminate or control the hazards. The company recognizes the importance of a strong safety culture, and uses leadership and management systems to achieve safety excellence. The Corporation also uses an IRS (Internal Responsibility System) to clearly define responsibility and accountability for safety at each level of the organization.

Strong leadership is developed and nurtured at Toronto Hydro through recruitment, education, training and performance management practices that encourage the application of corporate values, including safety. This is further discussed in the management approach sections for employment and training, education and career development.

Toronto Hydro has demonstrated its commitment to occupational health and safety by establishing and maintaining an occupational health and safety management system registered to OHSAS 18001:2007. This management system was initially certified in 2013 and has been maintained through annual independent third-party audits.

The occupational health and safety management system is an integral part of a larger management system which includes the environmental management system. Integration of the two management systems enables efficiencies when managing related subjects (e.g. training, audits, inspections, emergency response, risk assessments, planning, etc.). The scope of the EHSMS includes all activities and operations associated with the distribution of electricity throughout the City of Toronto which can present occupational health and safety hazards to Toronto Hydro employees or, impacts to the environment, and over which Toronto Hydro has control. This includes any department within the company and services that may be contracted to a third-party workforce.

The establishment and maintenance of the EHSMS demonstrates Toronto Hydro's commitment to the occupational health and safety of staff, as well as concern for the environment. The EHSMS also provides a mechanism for the early detection and mitigation of risks. This aids Toronto Hydro in achieving corporate health, safety and environmental performance objectives. The EHSMS is consistent with the risk management model adopted by Toronto Hydro under ISO 31000:2009, and aligns with other management systems that allow for proactive planning, monitoring, reporting, and responding.

Risk-based approach to safety management

Toronto Hydro employs a risk-based approach in managing employee health and safety. This requires the identification of safety hazards and quantifying the risk associated with each hazard. The quantification of the risk allows Toronto Hydro to prioritize and put the appropriate controls in place to mitigate the risk. A list of the hazards and risks is reviewed on an annual basis. The top 10 priority risks are summarized in the following table. This is not an exhaustive list of all the risks at Toronto Hydro.

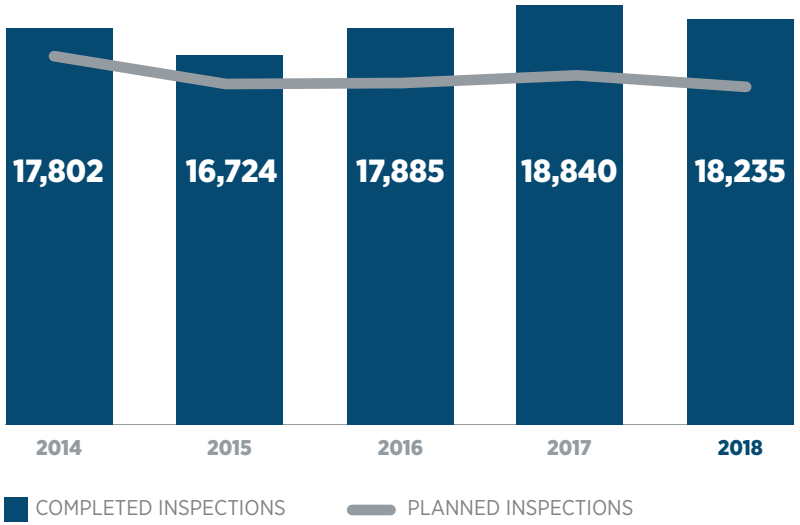
2018 TOP 10 HEALTH AND SAFETY RISKS
Exposure to pandemic and infectious disease
Working alone and lack of detection/response
Repetitive use of tools/equipment
Exposure to high pressure gases/fluids
Crushed/struck by mobile work equipment
Exposure to public traffic/vehicles
Driving
Electrical contact >750 volts
Electrical contact <750 volts
Working in a confined space

Mechanisms for monitoring, reporting and taking corrective action

In order to maintain the EHSMS Toronto Hydro uses a variety of strategies and tools. These strategies and tools require the commitment of all staff ranging from frontline employees to senior leaders and executives. This also includes the Corporation's Board of Directors, as the Board's Human Resources and Environment Committee reviews occupational health and safety performance on a quarterly basis. Below are some examples of processes that support the EHSMS:

Audits and inspections — Periodic audits are conducted to ensure compliance and conformance with requirements, and to verify that adequate controls are in place to mitigate identified risks. Proactive inspections of employees and work areas are conducted by leaders throughout the organization. These inspections are a leading indicator and allow for identification and correction of potentially hazardous situations before an injury can occur. The following graph illustrates the number of proactive safety inspections Toronto Hydro leadership has completed since 2014.

SAFETY LEADERSHIP INSPECTION RESULTS



Incident investigations — Investigations into near misses, occupational injuries and illness, motor vehicle accidents and environmental spills are conducted across the organization in order to determine root causes and implement permanent, corrective actions.

Performance indicators — A variety of leading and lagging performance indicators that gauge the effectiveness of the EHSMS are tracked and reported on. This allows trends to be identified and corrected or preventive measures to be implemented.

Communications — A variety of tools and media are used to provide timely communications to all employees, management, and Board of Directors. This includes:

- Safety meetings held at the departmental or divisional level on monthly or quarterly basis depending on the risks to the specific group. These meetings discuss a variety of issues including recent incidents and the corrective measures assigned to prevent a recurrence
- Monthly posters are internally created to highlight a specific theme that aligns with the topics discussed at safety meetings. The posters reinforce the preventative measures for identified high risks
- Safety bulletins specific to Toronto Hydro are issued as needed, to alert employees of recently identified hazards and their corresponding protective measures
- Internal digital signage at each Toronto Hydro location is used to communicate the information from the processes mentioned previously as well as reinforce occupational health, safety and wellness messages
- Monthly Operational Status Review meetings held at the departmental, divisional and corporate levels include the review of safety performances, risks and mitigations, and emerging issues
- Quarterly Environment, Health and Safety reports are provided to the Corporation's Board of Director's Human Resources and Environment Committee. This report includes occupational safety and environmental performance data and analysis
- Serious incident reviews are conducted with executives on a monthly basis to communicate the corrective actions implemented, the results of occupational health and safety audits with the corrective actions of the audit findings, identified risks and mitigations, and emerging issues

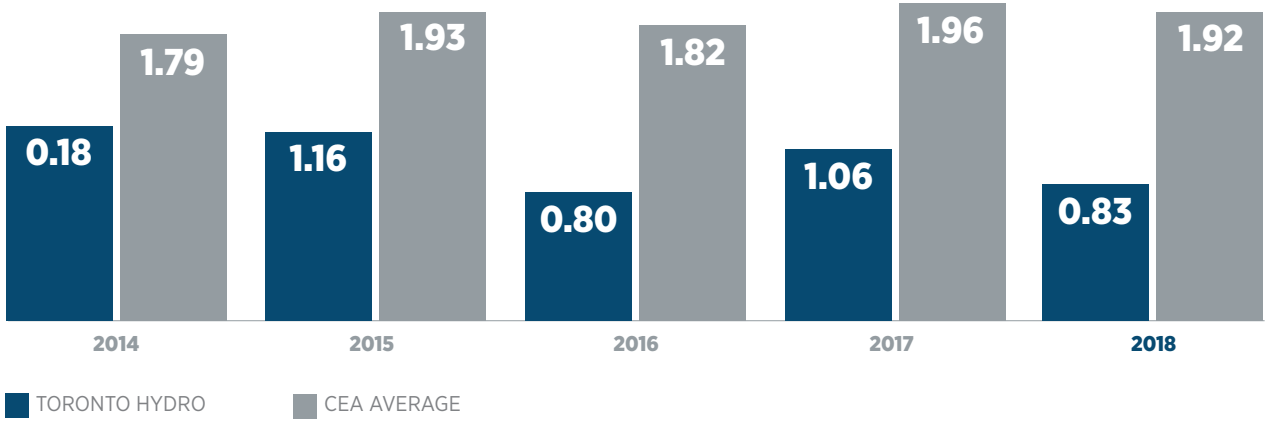
Formal Joint Management — Worker Health and Safety Committees

There are approximately 42 members in the Joint Health and Safety Committees, of which 17 represent the employer and 25 represent workers. These committees represent 100% of Toronto Hydro's workforce.

Total Recordable Injury Frequency Rate (TRIF)

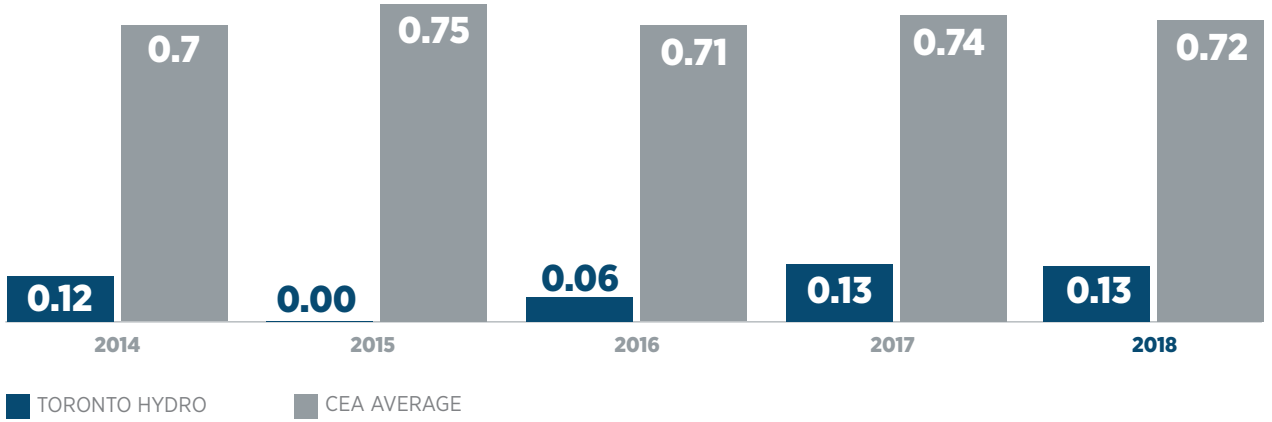
The total number of recordable injuries per 200,000 hours worked.

TOTAL RECORDABLE INJURY FREQUENCY

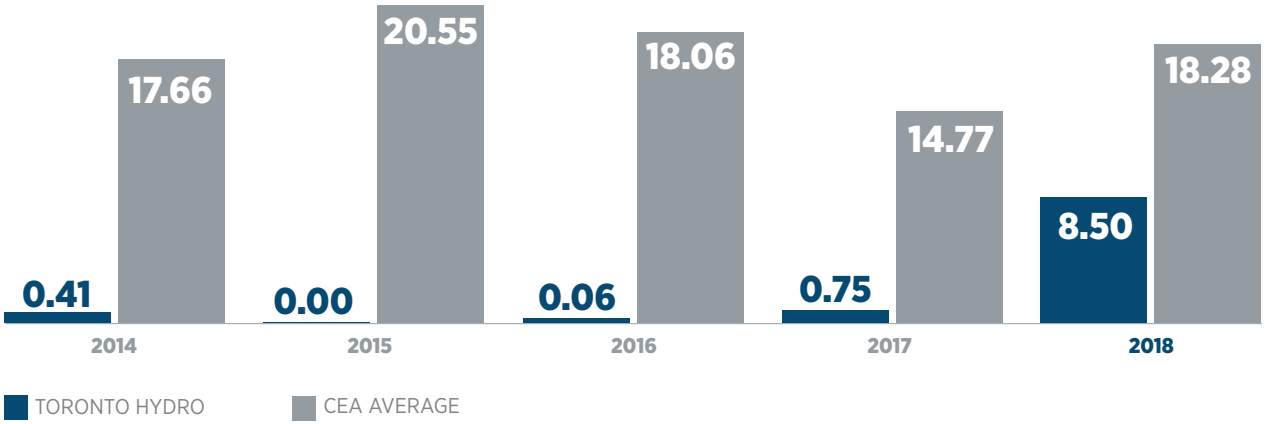


Since 2014, occupational injuries have been reduced by 35%. In addition to the TRIF rate, Toronto Hydro also measures injuries that result in employees missing scheduled work days (lost time injuries) or being unable to complete the full requirements of the job (restricted work injuries). The following charts demonstrate the lost time severity (i.e. days lost per 200,000 hours worked) and frequency (i.e. lost time injuries per 200,000 hours worked), as well as the restricted work severity (i.e. restricted work days per 200,000 hours worked). All calculations are based on CEA standards for recording and measuring occupational injuries (CEA-A-2-2012).

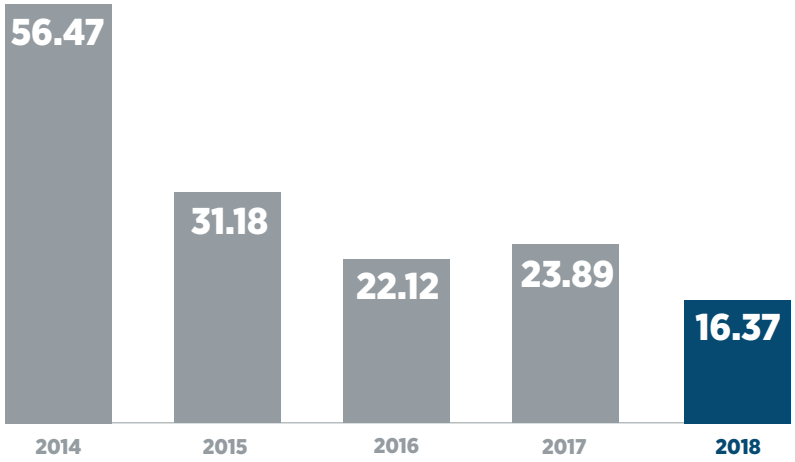
LOST TIME INJURY FREQUENCY RATE



LOST TIME INJURY SEVERITY RATE



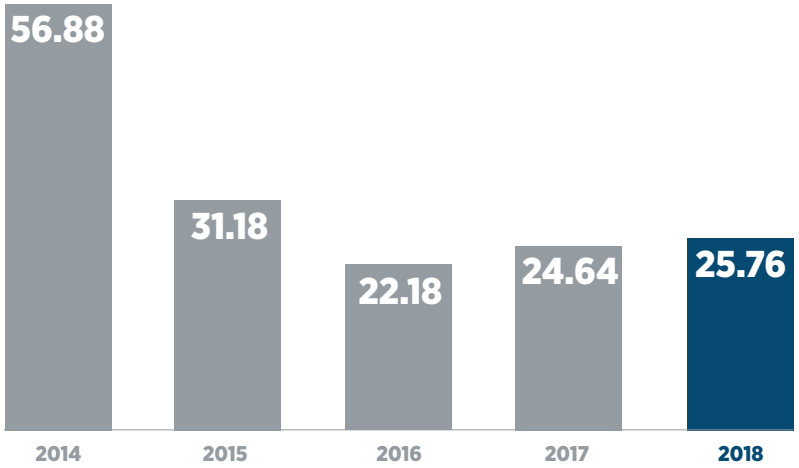
RESTRICTED WORK SEVERITY RATE



THE LINK BETWEEN SUSTAINABILITY REPORTING AND SAFETY

Toronto Hydro has placed emphasis on building a strong sustainability program. A key component of the sustainability program at Toronto Hydro is maximizing its human capital, including improving the health and safety of employees. An external benchmarking study of Toronto Hydro's 2014 Corporate Responsibility report recommended that more metrics related to occupational health and safety should be publicly disclosed as studies have found that companies that publicly disclose human capital metrics, typically have better corporate performance and risk mitigation. In the interest of continual improvement, Toronto Hydro has increased the public disclosure of health and safety performance including the number of proactive safety inspections, lost time injury frequency and severity and restricted work severity. Public disclosure of health and safety information in addition to existing sustainability metrics allows Toronto Hydro to benchmark against other organizations internal and external to our industry allowing us to find further ways to improve health and safety. It was identified through this process that an accurate representation of Toronto Hydro's return to work performance would be the Days Away, Restricted or Transferred (DART) rate. This was previously tracked as separate metrics (e.g. lost time and restricted work).

DAYS AWAY, RESTRICTED OR TRANSFERRED RATE



Award winning safety performance

In 2017 and 2018, Toronto Hydro was honoured by the Canadian Occupational Safety magazine as Canada's Safest Employer in the Utilities and Electrical Category. The Canada's Safest Employer awards recognize health and safety excellence across the country. Companies are judged on a wide range of occupational health and safety elements including leadership commitment, employee training, OHS management systems, incident investigation, emergency preparedness and innovative health and safety initiatives.

Additionally, Toronto Hydro received the CEA President's Award of Excellence for Employee Safety in the distribution category for leadership in all injury frequency and lost-time severity rates in 2018. Toronto Hydro has received this award for three consecutive years.

Contractor qualification and ongoing management

The safety performance of Toronto Hydro's contractors is evaluated through an external service. Insurance requirements and workers compensation coverage are also verified and monitored on an ongoing basis.

Contractor performance is graded and the results are shared with the contractors to increase understanding of the contractor's strengths and opportunities for improvement.

The contractor safety qualification service aids Toronto Hydro in communicating with contractors and helps ensure that contractors acknowledge they have reviewed key documents, including Occupational Health and Safety Policy (Appendix A), Environmental Policy (Appendix B), Workplace Violence and Harassment Policies, and the Code of Business Conduct and Whistleblower Procedure.

Management approach to employment

Toronto Hydro Corporation operates one of the largest municipal electric utilities in Canada, and depends on a highly-skilled employee base and contractors to provide reliable service to the growing city.

Similar to other utilities in Ontario, Toronto Hydro is facing workforce attrition. In response, Toronto Hydro, is actively recruiting new talent to replace these positions. Attention is being focused on certified and skilled trade positions, as well as designated and technical professional positions. These positions require a specialized skillset developed over years of experience, in order to design, build and maintain the distribution system safely. Through diverse apprenticeship programs, Toronto Hydro is working to ensure that seasoned trades professionals are able to transfer their knowledge to the next generation of employees.

Toronto Hydro's commitment to creating a positive work environment and corporate culture is central to the ability to attract and retain talent. The corporate culture at Toronto Hydro has been developed by acknowledging and leveraging the similarities and differences of employees; enabling employees to perform individually and collectively to their full capability; and supporting an environment in which talent, contribution and professionalism is cultivated to the benefit of Toronto Hydro, employees and customers.

Recruitment and Selection

Toronto Hydro Corporation has adopted a Recruitment and Selection Policy which ensures hiring practices are fair for both internal and external candidates. The policy outlines high-level principles in support of the organization's recruitment philosophy, including:

- Selecting the most qualified candidate to fill each vacancy; including consideration of qualified internal applicants first
- Attracting candidates from a diverse applicant pool (representing the City of Toronto and Toronto Hydro's customers)
- The inclusion of provisions to address nepotism as it relates to recruitment and selection

Toronto Hydro uses a variety of practices to maintain a bias and barrier-free environment throughout the hiring process. This includes the employment of a broad range of internal and external advertisements, the development of competency-based screening and selection criteria, and the inclusion of different methods for candidate performance assessments relative to the required identified competencies for the job.

TOTAL NEW HIRES

	2018	2017
UNDER 30	66	53
30 TO 50	52	48
OVER 50	3	8
MALE	38	67
FEMALE	83	42

TOTAL EMPLOYEE TURNOVER (NOT INCLUDING RETIREMENTS)

	2018	2017
UNDER 30	1.18%	1.08%
30 TO 50	2.65%	2.35%
OVER 50	0.49%	0.47%
MALE	3.13%	2.69%
FEMALE	1.25%	1.21%

Employee benefits

To help Toronto Hydro attract and retain the top talent in the electricity industry, a competitive comprehensive benefits program is offered to full-time employees.

The benefits program provides the following coverage:

- Medical coverage, including vision care, prescription drugs, and paramedical services
- Dental coverage
- Disability income protection
- Life insurance
- Paid parental leave
- Gym membership reimbursement
- Tuition reimbursement
- Employee and family assistance services

Full-time employees participate in the Ontario Municipal Employees Retirement System pension plan, a multi-employer defined benefit pension plan. Under this plan, both Toronto Hydro and employees make equal contributions to the plan based on eligible pensionable earnings.

Management approach to training, education and career development

Toronto Hydro provides employees with the necessary tools to perform their jobs competently while protecting themselves, co-workers and the public. In order to provide reliable power while ensuring employee safety, it is critical to provide employees with the skills, equipment, materials, knowledge and leadership required to safely and efficiently perform their jobs. As such, Toronto Hydro provides ongoing education and training to ensure employee competencies are kept up-to-date. Leadership courses, technical training, apprentice training and development opportunities are offered, tailored to individual job requirements.

There are two key performance indicators used to monitor Toronto Hydro's training program:

1. Training compliance — percentage of training delivered (attendance) versus total planned.
2. Training days — average training days per employee.
3. Session utilization — the percentage of employees registered vs the course capacity.
4. Training delivery — the percentage of employees registered vs the actual attendance.

Toronto Hydro reports completion of training through dashboards that report the percentage of employees in compliance with each training program based on attendance, participant success rate and whether an attestation has been signed. Employee feedback is measured on training programs through high impact evaluations. Enhancements to training programs are continually considered, evaluated and implemented where possible.

Annual training programs are determined by:

- Recertification dates of existing training programs
- New training needs identified by the organization as a result of legislative changes, audits, incident investigations, and changes to internal practices, procedures and systems
- Introduction of new procedures, tools, or equipment

Ministry accredited trades school provides specialized training for apprentices

The Toronto Hydro apprenticeship programs are designed to provide apprentices with the knowledge, and hands-on experience required to succeed at Toronto Hydro. In 2008, Toronto Hydro received Training Delivery Agent status by the Ministry of Training Colleges and Universities for the Power Line Technician Program. The apprentice curriculum at Toronto Hydro satisfies the in-school requirements dictated by the Ministry of Advanced Education and Skills Development, but also covers material specific to Toronto Hydro's distribution system.

Toronto Hydro invests approximately 4.5 to 6.5 years of training in each apprentice to prepare them to work competently and safely. Apprentices are instructed by journey person trades professionals in a combination of settings, which include in-class, job simulation and field training. Through 2017 and 2018, 17 apprentices completed the apprenticeship training program. There are currently 118 apprentices enrolled in the Toronto Hydro program, which will help offset the number of trades people set to retire over the coming years.

AVERAGE HOURS OF TRAINING BY EMPLOYEE CATEGORY

	2018	2017
SENIOR MANAGEMENT	26	27
SUPERVISOR	43	60
DESIGNATED & TECHNICAL PROFESSIONAL	25	15
CERTIFIED & SKILLED TRADES	50	64
ADMINISTRATIVE & SUPPORT	24	12

EMPLOYEES RECEIVING REGULAR PERFORMANCE REVIEWS

	ACTUAL	PLANNED
MANAGEMENT	1,103	1,103
SOCIETY OF ENERGY PROFESSIONALS	126	126
POWER WORKERS UNION	1,451	1,451

COMPLETION RATE
100%

LEARNING MANAGEMENT SYSTEM

Toronto Hydro utilizes an extensive Learning Management System (LMS) to maximize the training and development provided to employees. The LMS allows for a detailed training plan to be tailored to each employee's training and development needs. Leaders and employees are both able to track the completion of training plans through a convenient online portal. This visibility encourages employees to complete training on time and allows Toronto Hydro to identify and correct potential deficiencies with legislative training requirements.

The online portal has also reduced the administration required for each training course. The following administrative tasks are now automated or completed through the LMS:

- Knowledge tests and attestations
- Course registration
- Attendance tracking
- Analysis of training completion data

These improvements have allowed Toronto Hydro's training department to increase the variety of courses available to employees. Prior to the implementation of the LMS, the primary focus was on the delivery and administration of the apprenticeship program and trades related training. After implementing the LMS, Toronto Hydro has been able to provide new training courses throughout the entire organization.

The LMS has also allowed Toronto Hydro to offer online training courses. This gives employees the flexibility to complete the training on their own schedule, thereby increasing productivity. Online training eliminates the need for employees to drive to training courses, eliminating the emissions and safety risks associated with driving. Additionally, less paper is consumed as the training materials are delivered online. It is estimated that online training through the LMS will save Toronto Hydro over one million dollars by 2020.

Tuition reimbursement

A tuition reimbursement program is offered to employees interested in upgrading professional skills and knowledge through accredited educational programs delivered by academic institutions. Employees enrolled in courses that are aligned with their role and the needs of the organization are eligible for financial support. This approach which aligns with the goal of building a workforce committed to innovation and continual improvement.

Performance management

When it comes to career progression, employee development and performance is measured through a formal performance management process. Employee performance expectations are linked to key performance indicators and Toronto Hydro's corporate scorecard. Managers establish performance expectations with employees and monitor and evaluate performance throughout the year. A robust individual performance management system has been established that values goal setting, continual feedback, technical and behavioural competency assessments and development planning. Formal opportunities for managers to discuss performance with employees occur throughout the year. In 2017 and 2018, all employees received a formal performance review. This process is designed to ensure employees receive guidance and feedback to reach their maximum potential.

Management approach to marketing communications

Toronto Hydro aims to deliver marketing communications to customers in a manner that is timely, transparent and legally compliant. The communications programs advise customers about important information, including: rate changes, CDM programs, emergency preparedness, public safety, capital construction and power outages.

Toronto Hydro communicates this information using the following channels:

- Customer newsletters (printed bill inserts and digital)
- Direct mail
- Bill messages
- Website
- Social media
- Email blasts
- News releases
- Purchased and earned media
- City councillor outreach
- Face-to-face interactions at retail and community outreach events

Canada's Anti-Spam Legislation (CASL)

Toronto Hydro complies with the communications and marketing practices outlined in CASL. Extensive training was conducted with relevant personnel regarding CASL. Toronto Hydro monitors the Canadian Radio-television and Telecommunications Commission's enforcement of CASL and periodically reviews and updates internal procedures to ensure compliance. Any acute issues are dealt with in a prompt and thorough manner.

Marketing activities

As a regulated entity, Toronto Hydro's marketing activities are generally limited to providing information to customers regarding available services and conservation programs. Toronto Hydro also educates customers on safety hazards related to electricity use. More information about safety education, including safety at home can be found on the Toronto Hydro website at **torontohydro.com/electrical-safety**. Toronto Hydro's Conditions of Service describes its services, equipment and applicable safety legislation, and is posted on the Toronto Hydro website and communicated through bill messages and inserts.

The nature of direct customer communications, volume, and output of information that is provided to customers is regulated by the OEB through a combination of laws and other legal instruments, regular reporting requirements, compliance powers and quasi-judicial hearing processes. The OEB also has a consumer relations service, where customers who have questions or complaints can report them directly to the regulator (who will take action as appropriate).

Toronto Hydro measures the effectiveness of marketing and communications programs by commissioning market research via telephone surveys, online surveys, Customer Advisory Panels, and focus groups. Toronto Hydro also subscribes to a number of industry surveys including those conducted by JD Power, Simul and Canadian Electricity Association. Communications effectiveness are also monitored and tracked through media metrics, as well as online customer engagement metrics.

This research helps address specific requirements for customer feedback on topics like customer experience, reputation management, customer service, productivity and service reliability. Toronto Hydro communicates customer research findings and areas of opportunity across the company and reviews long-term marketing, communications and customer experience goals, establishes measurement processes and identifies strategies to achieve the goals and best practices.

Number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications

Toronto Hydro had no incidents of non-compliance with regulations and voluntary codes concerning marketing communications in 2017 or 2018.

Management approach to provision of information

As Toronto is a culturally diverse city, Toronto Hydro provides information in various languages and formats to ensure the information is accessible to people of a wide range of cultures and abilities. Toronto Hydro recognizes that the customer base is culturally diverse and, consequently, important communications are translated into various languages. Additionally, hazard warning signs posted on electrical equipment throughout the city have pictograms to ensure the warning can be understood by all.

Toronto Hydro has translated an Emergency Preparedness Kit into Chinese, Spanish, Somali, Tamil and Urdu to help educate a broader range of the customer base about the importance of emergency planning. An outage site has also been created and is available in a variety of languages. The site consolidates the information provided throughout major outages and emergencies in one accessible location.

In addition to translating communications materials, Toronto Hydro also advertises CDM programs in community papers and in multicultural media outlets across the city. Call Centre agents at Toronto Hydro also have access to an interpreter service to assist customers with language barriers.

Toronto Hydro is committed to complying with the Accessibility for Ontarians with Disabilities Act and has implemented a variety of tools to better serve customers with accessibility needs.

- **Website** — A third-party, complimentary service called Essential Accessibility is available on the Toronto Hydro website and provides a suite of tools to help make the website more accessible. Toronto Hydro is also continuously working to ensure our website achieves best practices and standards according to both the Accessibility for Ontarians with Disabilities Act (AODA) and the Web Content Accessibility Guidelines (WCAG) of the World Wide Web Con-sortium (W3C)
- **Call Centre** — TTY service is available through the Call Centre for hearing impaired customers
- **Billing** — Bills and bill inserts in accessible formats are provided for customers with visual impairments

- **Electric-powered Life Support Registry** — Customers who depend on electrically-powered life support systems can be added to a registry so they are identified as needing alternate sources of power in cases of power outages. This registry is updated annually. Customers are informed of any power outages scheduled by Toronto Hydro so they can make alternate arrangements to have sufficient back-up power to support their equipment.

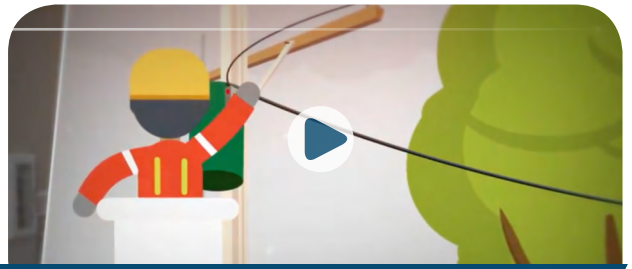
Toronto Hydro recognizes that there are still opportunities to improve the accessibility of customer service offerings and are continually making enhancements to better serve customers.

Management approach to disaster planning

Toronto is home to some of Canada's largest financial institutions, government agencies, hospitals, transportation hubs and water distribution and treatment facilities. During emergencies, Toronto Hydro has a responsibility to respond quickly and efficiently to help get the city back up and running as soon and as safely as possible. As such, Toronto Hydro has developed emergency response plans with emergency roles and responsibilities clearly identified for specific employees. Emergency response drills are conducted to ensure employees are prepared in the event of an actual emergency. In addition, Toronto Hydro work centres and radio towers have standby power systems available to ensure the critical infrastructure required to restore power are operational in an emergency.

Toronto Hydro is mandated by the IESO to prioritize restoration efforts during emergencies as follows:

1. **Critical loads** — Related to preservation of the bulk system and dictated by the IESO including telecommunications, generation stations, and transmission facilities.
2. **Priority loads** — Essential services related to the health and safety of Torontonians, which include services like water treatment facilities, hospitals and emergency responders such as police, fire and ambulance.
3. **Highest number of customers in the shortest period of time** — Large feeders followed by lateral feeders, followed by single service connection.



Grid Emergency Management (GEM)

Extreme weather events have been occurring more frequently, likely as a result of climate change. In 2017 and 2018, the City of Toronto experienced a number of significant weather events which resulted in impacts to Toronto Hydro's distribution system. The following chart summarizes the extreme weather events and their impacts on Toronto Hydro.

		RESTORATION DURATION	CUSTOMERS IMPACTED (APPROX.)
2017			
FEBRUARY 6	Freezing rain event resulting in many wires down throughout the city	**1 DAY**	**9,200**
OCTOBER 15	High winds with gusts in excess of 102km/hr resulting in many wires down throughout the city	**2 DAYS**	**43,000**
2018			
APRIL 4	High winds in excess of 98 km/hr resulting in many wires down throughout the city	**2 DAYS**	**24,000**
APRIL 14	Freezing rain and high winds in excess of 90 km/hr resulting in wires down and flooding throughout the city	**5 DAYS**	**51,000**
MAY 4	High winds in excess of 119 km/hr resulting in wires and poles down throughout the city	**6 DAYS**	**68,000**
JUNE 13	High winds in excess of 87 km/hr resulting in many wires down throughout the city	**2 DAYS**	**16,500**
SEPTEMBER 21	Thunderstorm with high winds in excess of 90 km/hr resulting in wires down throughout the city	**2 DAYS**	**8,600**

The timely and effective response to the extreme weather events has been attributed to the hard work of dedicated employees, as well as to the significant improvements to Toronto Hydro's disaster preparedness program and processes that have been introduced to the company.

In addition to increasing the resiliency of the grid to the impacts of extreme weather events, Toronto Hydro has developed a formal GEM program to help improve the response to disasters and large-scale emergencies impacting grid operations. This program is expected to continue to provide value to customers who expect reliable service delivery from Toronto Hydro, despite the city's changing hazard landscape.

The GEM program was established in 2014 to implement the recommendations identified by an independent review panel following Toronto Hydro's response to a massive ice storm in December 2013. Since the creation of the GEM program, Toronto Hydro has been implementing numerous initiatives to help ensure an efficient response to extreme weather events and other large-scale emergencies.

In 2018, the following initiatives were incorporated into the GEM program:

- Began aligning the company's disaster preparedness program to the Canadian Standard on Emergency and Continuity Program Management (CSAZ1600), which goes above and beyond the recommendations from the independent review panel
- Implemented emergency management software, DisasterLAN (DLAN), to streamline the communication during an emergency response
- Began development of a robust Employee Preparedness Program, which will equip employees with information to fulfill emergency response functions above and beyond their day-to-day duties

Employee, facility, and system response readiness — Training and emergency exercises are critical for ensuring Toronto Hydro is ready to respond to an emergency. Toronto Hydro's emergency management team has made it a priority to integrate Ontario's Incident Management System (IMS) methodology into the company's Emergency Response Organization (ERO) framework. The majority of Toronto Hydro's senior management and professional employees have received formal training on their functions within the ERO, and how Toronto Hydro would transition into incident response using the ERO under emergency conditions. The ERO framework has been tested through real-life scenarios, which has allowed Toronto Hydro to improve response and recovery efforts.

In 2018, six table-top emergency exercises were conducted, which included approximately 50 employees representing dozens of business units. These exercises tested specific training and processes and enabled Toronto Hydro to introduce improvements to company emergency response plans. Fewer exercises were scheduled in 2018 compared to previous years because the number of actual emergencies increased. This provided Toronto Hydro the opportunity to learn from real-life situations and eliminated the need for additional table-top exercises. Evaluation of each emergency situation (both simulations and real-time events) is completed through questionnaires with all participants in the emergency response. Numerous opportunities for improvement have been identified through these evaluations, including the implementation of the DLAN system noted above.

Working with the stakeholders — Toronto Hydro is a member of Edison Electric Institute's mutual assistance program, the North Atlantic Mutual Assistance Group (NAMAG). Toronto Hydro is also part of the Canadian Mutual Assistance Group (CanMAG), coordinated through the CEA.

Locally, Toronto Hydro participates in the City of Toronto's Emergency Management working group and the Toronto Emergency Management Program Committee, along with organizations including:

- City of Toronto's Office of Emergency Management
- Toronto Water
- Toronto Fire Services
- Toronto Transit Commission
- Toronto and Region Conservation Authority

Mutual Aid — Toronto Hydro understands how important it is to help support our neighbouring utilities who need post-storm restoration efforts. In 2018, Toronto Hydro travelled to New York to assist with the restoration following winter storms Riley and Quinn. Toronto Hydro also assisted with restoration effort in upstate New York in March 2017 and Tampa, Florida in September 2017. The mutual aid response to Tampa to assist in the aftermath of Hurricane Irma was one of the farthest distances that Toronto Hydro has travelled.

Ultimately, through a long-term sustained effort, Toronto Hydro aims to improve its ability to efficiently and effectively respond to and recover from major grid disruption events, and to do so while providing customers and the community with timely and accurate information.

Emergency preparedness for customers

Emergency preparedness is a top priority for customers. Toronto Hydro has provided customers with emergency preparedness advice and tips through direct outreach campaigns via newsletters, brochures and community events, and public relations campaigns. Additionally, Toronto Hydro distributed more than 2,970 emergency preparedness kits between 2017 and 2018 to low income residents of Toronto.

Communications channels for unplanned outages

Toronto Hydro's communication protocols vary according to the severity of the event. Information is provided to customers about small scale, unplanned power interruptions through:

- Call centre's interactive voice response system
- Outage map on **torontohydro.com**
- Twitter
- Media

Emergency communications

During widespread outages, the volume and frequency of Toronto Hydro's communications increases. Toronto Hydro understands that during an emergency or disaster, Toronto's citizens need to know the extent of the emergency and the estimated time to restore power so they can make informed decisions. To this end, Toronto Hydro exercises its responsibilities to communicate factually and frequently through:

- News conferences
- News releases
- Media interviews
- Twitter
- Facebook
- Call centre's interactive voice response system
- Website and outage map
- City councillors
- Email outage notifications

Internally, employees are kept up-to-date through

- Digital signage across each Toronto Hydro location
- Email messages and memos
- Face-to-face meetings
- Intranet site
- Bulletins
- Telephones
- Two-way radios

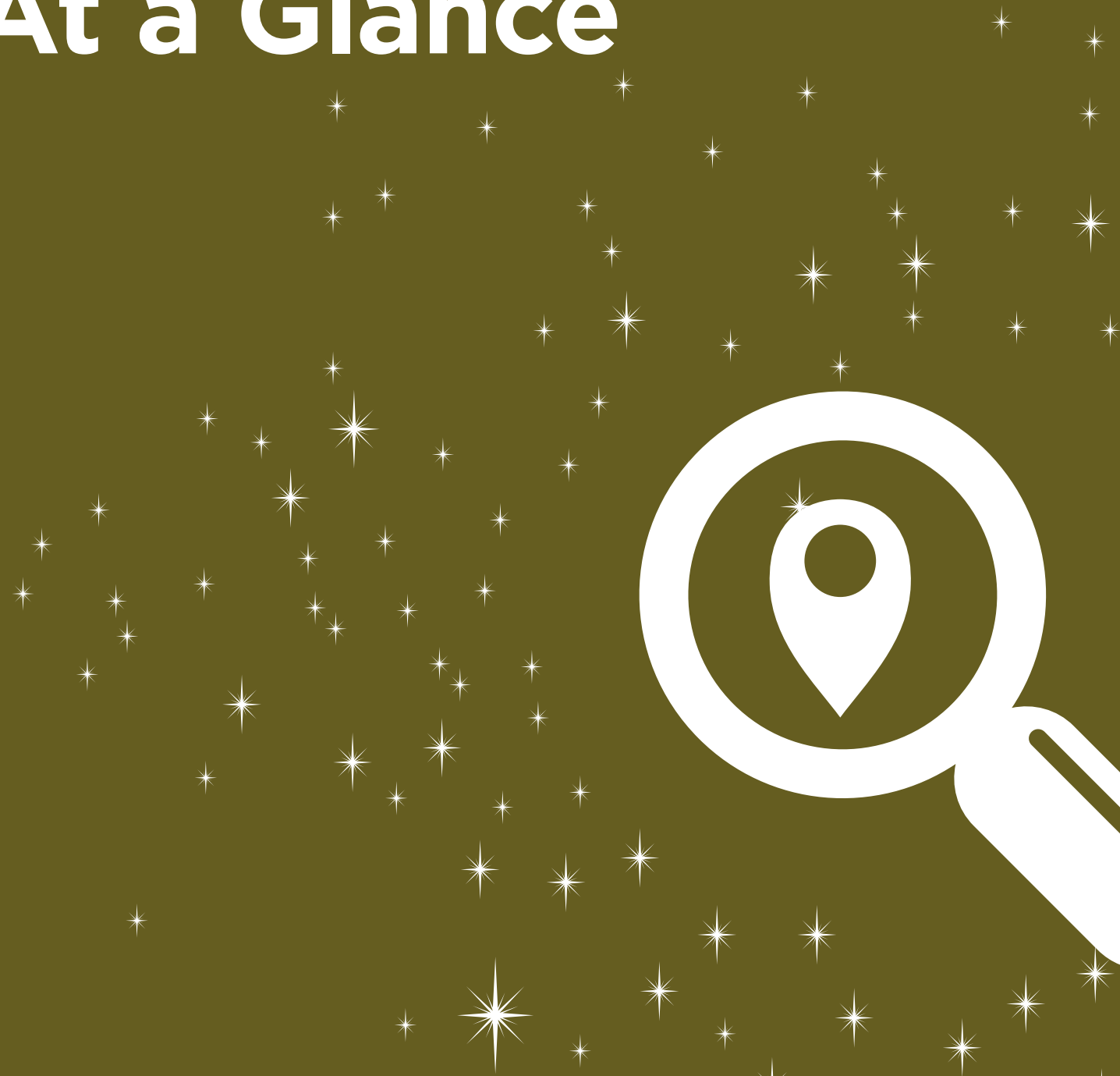
During emergencies, Toronto Hydro's Emergency Operations Centre is activated, and internal and external communications are coordinated centrally by a cross-functional team responsible for managing the emergency response.

Toronto Hydro also works with a broad base of municipal and provincial entities, as required, to provide regular updates and to coordinate response efforts. This includes the City of Toronto's Office of Emergency Management, IESO, Hydro One and the Ministry of Energy.

AWARD FOR LEADERSHIP IN EXTERNAL COLLABORATION

Toronto Hydro received the 2018 award for Leadership in External Collaboration and Partnerships by the CEA. This award was in recognition of Toronto Hydro's commitment to collaboration with local communities during the planning of a back-up power source for the Eglinton Crosstown Light Rail Transit (LRT) Project. Originally, the back-up power source was a gas fired Combined Heat and Power (CHP) plant. Discussions with the local community revealed concern about the environmental impact of the emissions from a gas-powered plant. The project was re-evaluated with input from the community, and an environmentally friendly battery storage facility was selected instead.

At a Glance



ABOUT US

Company Name;	Toronto Hydro Corporation
Bloomberg Company ID;	Toronto Hydro Corporation
Country;	Canada
GICS Industry;	Electric Utilities
Reporting Currency;	CAD

FINANCIAL

Additional information relating to the Corporation, including financial information provided in the Annual Information Form, Consolidated Financial Statements and Management's Discussion and Analysis, is available on the SEDAR website at **sedar.com**.

ENVIRONMENTAL	2018	2017	2016
Energy Use (GJ)	125,964	142,862	177,940
Renewable Energy Use (GJ)	20,937	15,001	18,972
GHG Emissions (metric tonnes CO2)	36,836	37,467	40,318
VOC Emissions (metric tonnes)	0.1	0.1	0.2
NOX Emissions (metric tonnes)	3.2	3.4	3.6
SOX Emissions (metric tonnes)	0.1	0.1	0.1
Total Particulate Matter Emissions (metric tonnes)	0.1	0.1	0.1
Water Use (m^3)	27,671	23,956	21,190
Waste Generated (metric tonnes)	1,261	949	1,316
Waste Recycled (metric tonnes)	894	645	837

SOCIAL	2018	2017	2016
HEALTH & SAFETY			
Lost Time Injury Frequency Rate (200,000 hrs)	0.13	0.13	0.06
Total Recordable Injury Frequency Rate (200,000 hrs)	0.83	1.06	0.80
Day Away, Restricted or Transferred (200,000 hrs)	25.76	24.64	22.18
Fatalities	0	0	0
EMPLOYEE TURNOVER			
Employee Turnover (%) includes all turnover with the exception of retirements	3.97	.538	4.92
PAY EQUITY			
CEO to Employee Pay Ratio	7.1 to 1	6.9 to 1	6.9 to 1
LEADERSHIP DIVERSITY			
Percentage of Women Board of Directors (%)	36.4	36.4	23.1
Percentage of Women in Executive Management (%)	50.0	33.3	37.5
PENSION			
Defined Benefit Pension Plan Contributions (CAD$)	18,100,000	17,600,000	17,600,000

Assurance Letter

Independent Assurance Statement

To the Board of Directors and Management of Toronto Hydro Electric-System System Limited (THESL).

Scope of Engagement

Integrated Management Solutions Ltd. (IMS) was retained by THESL to provide limited assurance of key environmental and social (i.e. safety) performance indicators selected by THESL as presented in the 2018 Corporate Responsibility Report (Report) for the year ending December 31, 2018.

Subject Matter

We have performed a limited assurance for the following environmental and safety performance indicators as presented in the Report.

- GRI 305-1, 305-2 and 305-5 Greenhouse Gas (GHG) emissions (Scope 1 and 2 emissions and reductions)
  - GHG emissions of 36,836 tonnes CO_2e for 2018 and 37,467 tonnes CO_2e for 2017
  - Decrease in electricity use (in kWh) and natural gas use (in m^3) in 2018 by 77% and 41%
  - Decrease in Fleet fuel consumption and associated emissions by approximately 33% relative to 2014
  - Use of bio-diesel eliminated approximately 13.1 tonnes CO_2e over 2017 and 2018
  - Decrease in GHG emissions from line losses in 2018 by 59% compared to 2014
- GRI 306-2 Hazardous and non-hazardous waste
  - Recycled or composted waste (894 metric tonnes in 2018 and 645 metric tonnes in 2017)
  - Landfilled waste (367 metric tonnes in 2018 and 304 metric tonnes in 2017)
  - Hazardous waste (approximately 1.54 million litres and 397 metric tonnes in 2018 and approximately 2.16 million litres and 252 metric tonnes in 2017)
  - PCB waste (approximately 21,800 kilograms and 8,600 litres in 2018 and approximately 16,300 kilograms and 4,900 litres in 2017)
- GRI 306-3 Significant spills
  - Priority spills in 2018: 42 (approximately 3,300 litres)
  - Priority spills in 2017: 118 (approximately 4,770 litres)
  - Majority (65%) of the priority spills in 2018 were less than ten litres
  - Priority spills over 500 litres in 2017 or 2018 (none)
  - Spills of oil containing more than one gram of PCBs (2 in 2017 and 1 in 2018)
- GRI 307-1 Non-compliance with environmental laws and regulations
  - No fines or non-monetary sanctions for non-compliance with environmental laws and regulations in 2017 and 2018
- GRI 403-1 Worker representation in formal joint management-worker health and safety committees
  - Approximately 42 members in the Joint Health and Safety Committees, of which 17 represent the employer and 25 represent workers
- GRI 403-2 Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities
  - Total Recordable Injury Frequency Rate (TRIF) of 0.83 (2018) and 1.06 (2017)
  - Reduction in occupational injuries by 35% since 2014

INTEGRATED MANAGEMENT SOLUTIONS LTD.
130 BRIDGELAND AVE., SUITE 424 • TORONTO, ONTARIO • M6A 1Z4 • TEL: 416.789.5044 • FAX: 416.789.5944
WWW.IMSOLUTIONS.CA

Criteria

THESL has prepared its performance data in accordance with the Global Reporting Initiative (GRI) GRI Sustainability Reporting Standards (GRI Standards).

THESL Management Responsibilities

THESL is responsible for the preparation and presentation of the Report, including all assertions, statements, and claims made in the Report. THESL is also responsible for maintaining adequate records and internal controls that are designed to support the reporting process.

IMS' Responsibilities

Our responsibility is to express a limited assurance conclusion on whether anything has come to our attention to indicate that the selected performance indicators are not stated, in all material respects, in accordance with the Criteria. We conducted our engagement using an approach that was consistent with the general principles stated in the AccountAbility AA1000 Assurance Standard 2008 and the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information".

We have planned and performed the work to obtain all evidence, information and explanations considered necessary in relation to the scope of engagement. Our assurance procedures included, by were not limited to:

- Interviewing relevant people with responsibilities for data collection, management and reporting related to the selected performance indicators.
- Obtaining an understanding of the management system, processes and the related controls used to generate, aggregate and report the data.
- Reviewing documents and records related to the selected performance indicators.
- Checking the accuracy of calculations performed related to the selected performance indicators on a sampling basis (which also involved checking the accuracy of calculations performed on a test basis).
- Evaluating the information in the Report for consistency of the Subject Matter.

Limitations of Work Performed

The scope of work did not include expressing conclusions in relation to:

- The materiality, completeness or accuracy of data or information related to areas other than the Subject Matter.
- Comparative figures for prior years, trends, variances and any other information not specifically mentioned in the Subject Matter.
- Information reported outside of the Report.
- Management's forward looking statements.

Independence and Competency Statement

IMS is an independent consulting company with over 20 years of history. IMS has conducted this assurance independently, and consistent with the Code of Ethics specified by the Canadian Environmental Certification Approvals Board (CECAB) Environmental Professional and the Auditing

Association of Canada, which was founded on the fundamental principles of honesty, professional competency and due care, confidentiality, independence and free of influences, objectivity and professional behavior.

Conclusion

Based on the procedures we have performed and the information we have obtained, nothing has come to our attention that causes us to believe that the selected performance indicators included in the 2018 Corporate Responsibility Report for the year ending December 31, 2018 are not, in all material respects, presented fairly in accordance with the relevant Criteria.

Restriction on Use

This assurance statement has been prepared solely for the Board of Directors and Management of THESL as defined by the engagement. We do not accept or assume responsibility to anyone other than to THESL for our work, except where terms are expressly agreed and with our prior consent in writing.

INTEGRATED MANAGEMENT SOLUTIONS LTD.

Tony Tarsitano, M.Eng., P.Eng., EP(EMSLA), EP(CEA), CHSMSA
President

Dated: May 16, 2019

Environmental Policy

Toronto Hydro, the City of Toronto's electricity distributor, is committed to conducting its business in a manner that minimizes impacts on the environment and embodies the principles of sustainability and continual improvement in conformance with the requirements of the ISO 14001:2015 Standard. This Environmental Policy (the "Policy") applies to all Toronto Hydro employees and contractors performing work on behalf of Toronto Hydro as everyone has an accountability for protecting the environment. Toronto Hydro will communicate this Policy to all employees and contractors employed or engaged by Toronto Hydro, and make it available to the public.

Toronto Hydro's core environmental principles are:

LEADERSHIP
Allocate suitable and sufficient resources needed for the environmental management system. Management are responsible for the implementation of the Policy and must ensure that environmental issues are given adequate consideration in the planning and day-to-day supervision of all work.

COMPLY WITH LEGAL REQUIREMENTS
At a minimum, fulfil the organization's compliance obligations related to applicable environmental legislation and other environmental-related commitments approved by Toronto Hydro's executive.

CONTINUAL IMPROVEMENT
Continually improve the environmental management system to enhance environmental performance through the establishment and monitoring of annual objectives and associated actions, verifying attainment and correcting identified non-conformities.

EMPLOYEE ENGAGEMENT
Engage and educate employees on the requirements of this Policy and the environmental management system, and provide required training.

STAKEHOLDER ENGAGEMENT
Work constructively on environmental issues and with open dialogue with stakeholders including suppliers, customers, regulators, industry and the public to consider and mitigate where practicable the effects that our operations may have on the community.

ENVIRONMENTAL PROTECTION
Develop objectives, implement procedures or other actions, where practicable, to protect the environment, mitigate the potential adverse effects of climate change and other environmental conditions on the organization, and to take action to eliminate or reduce, as far as practicable, any potentially adverse environmental impacts.

CONSIDER THE ENVIRONMENT IN BUSINESS PROCESSES
Integrate environmental risks and opportunities into our business processes considering a lifecycle perspective where possible.

Anthony Haines
President and Chief Executive Officer

David McFadden
Chair, Toronto Hydro Corporation Board of Directors

Occupational Health & Safety Policy Statement

Toronto Hydro Corporation and its affiliates ("Toronto Hydro"), including the City of Toronto's electricity distributor, is committed to preventing workplace injuries and providing a safe and injury free environment for its employees, contractors, visitors and the public. The Occupational Health & Safety ("OH&S") Policy applies to all Toronto Hydro employees, and contractors working on behalf of Toronto Hydro.

Toronto Hydro's OH&S core principles are:

Continual Improvement - Toronto Hydro is committed to improving its OH&S management system and overall OH&S performance by setting and reviewing annual OH&S objectives and programs.

Compliance - Toronto Hydro is committed to complying with applicable OH&S legal requirements and other requirements to which the organisation subscribes. Toronto Hydro will periodically evaluate compliance with these requirements and report the results to the Board of Directors.

Risk Management - Toronto Hydro will plan work relative to the identified risks and hazards and conduct work with effective barriers and measures in place to reduce risks to an acceptable level.

Contractor Management - Toronto Hydro will select Contractors and Suppliers based on their ability to meet pre-determined health and safety requirements and ensure Contractors and Suppliers are aware of Toronto Hydro's health and safety rules and policies. Contractors will be held accountable for significant safety incidents, regardless of outcome, which occurs while doing work for Toronto Hydro.

Communication - Toronto Hydro will make the OH&S Policy available to the public, and make employees, contractors and suppliers aware of the requirements of the OH&S Policy.

Incident Investigation – Toronto Hydro will report, investigate and implement corrective actions for all OH&S incidents.

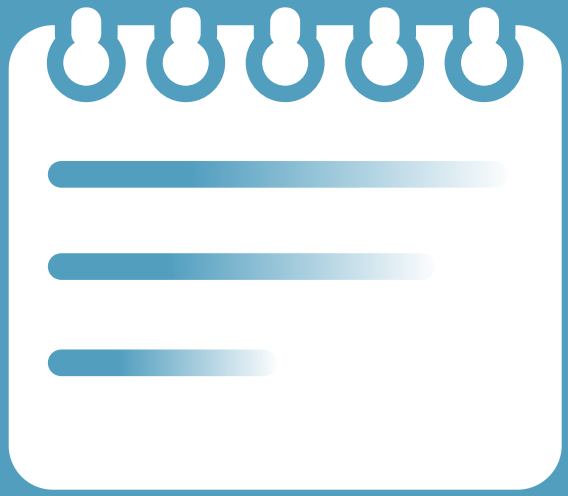
Engagement and Consultation - Toronto Hydro will, where appropriate, engage and consult with employees and other stakeholders where their workplace safety is involved. Employee involvement is essential.

Performance Monitoring – Toronto Hydro will regularly monitor and measure key aspects of OH&S performance, including the extent to which OH&S objectives are met and provide regular reports to management. Management and Supervisors will conduct planned workplace safety inspections on a frequency determined by Toronto Hydro executive and will be held accountable for meeting the requirements.

Accountability - Working safely is a condition of employment. All employees, contractors and visitors will be held accountable for their personal safety behaviour and adherence to legislative requirements, established rules, policies and procedures and other instructions.

Wellness – Toronto Hydro is committed to educating, motivating and empowering their employees to enhance their physical, psychological and emotional health.

GRI Table



GRI INDICATOR OR DMA

GENERAL STANDARD DISCLOSURES	PAGE	COMMENTS
STRATEGY		
102-14 — Message from the Chair and President and CEO	2	
ORGANIZATIONAL PROFILE		
102-1 — Name of organization	3	
102-2 — Activities, brands, products, and services	3	
102-3 — Location of headquarters	5	
102-4 — Location of operations	5	
102-5 — Ownership and legal form	3	
102-6 — Markets served	5	
102-7 — Scale of the organization	5	
102-8 — Information on employees and other workers	5	
102-9 — Supply chain	22	
102-10 — Significant changes to the organization and its supply chain	6	
102-11 — Precautionary principle or approach	38	
102-12 — External Initiatives	23, 38, 58	
102-13 — Membership of associations	12	
ETHICS AND INTEGRITY		
102-16 — Values, principles, standards and norms of behaviour	7	

GRI INDICATOR OR DMA

ELECTRIC UTILITY SECTOR DISCLOSURES	PAGE	COMMENTS
G4-EU3 — Number of customer accounts	5	
G4-EU4 — Length of distribution lines	6	
REPORTING PRACTICE		
102-45 — Entities included in the consolidated financial statements	21	
102-46 — Defining report content and topic boundaries	10	
102-47 — List of material topics	14	
102-48 — Restatements of information		None
102-49 — Changes in reporting		None
102-50 — Reporting period	10	
102-51 — Date of most recent report	10	
102-52 — Reporting cycle	10	
102-53 — Contact point for questions regarding the report	10	
102-54 — Claims of reporting in accordance with the GRI Standards	10	
102-55 — GRI content index	91	
102-56 — External assurance	11	
STAKEHOLDER ENGAGEMENT		
102-40 — List of stakeholder groups	12	
102-41 — Collective bargaining agreements	5	
102-42 — Identifying and selecting stakeholders	12	
102-43 — Approach to stakeholder engagement	12	
102-44 — Key topics and concerns raised	16	
GOVERNANCE		
102-18 — Governance structure	18	

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ECONOMIC	PAGE	COMMENTS
ECONOMIC PERFORMANCE		
GRI 201 Economic Performance Management Approach	21	
201-1 — Direct economic value generated and distributed	21	
AVAILABILITY AND RELIABILITY		
G4-DMA	25	
G4-EU10 — Planned capacity against projected electricity demand over the long term	30	
DEMAND-SIDE MANAGEMENT		
G4-DMA	32	
RESEARCH AND DEVELOPMENT		
G4-DMA	34	
PROCUREMENT PRACTICES		
GRI 204 Procurement Practices	22	
204-1 — Proportion of spending on local suppliers	24	
ENVIRONMENTAL		
EMISSIONS		
GRI 305 Emissions — Management Approach	39	
305-1 — Direct (Scope 1) GHG emissions	41	
305-2 — Energy indirect (Scope 2) GHG emissions	41	
305-5 — Reduction of GHG emissions	41	
EFFLUENTS AND WASTE		
GRI 306 Effluents and Waste — Management Approach	44	
306-2 — Waste by type and disposal method	46	
306-3 — Significant spills	50	

TOPICS

ENVIRONMENTAL	PAGE	COMMENTS
COMPLIANCE		
GRI 307 Compliance - Management Approach	38	
307-1 — Non-compliance with environmental laws and regulations	50	
SUPPLIER ENVIRONMENTAL ASSESSMENT		
GRI 308 Supplier Environmental Assessment — Management Approach	23	
308-1 — New suppliers screened using environmental criteria	23	
SOCIAL		
EMPLOYMENT		
GRI 401 Employment — Management Approach	66	
401-1 — New employee hires and employee turnover	67	
401-2 — Benefits provided to full-time employees that are not provided to temporary or part-time employees	68	
OCCUPATIONAL HEALTH AND SAFETY		
GRI 403 Occupational Health and Safety — Management Approach	58	
403-1 — Worker representation in formal joint management-worker health and safety committees	62	
403-2 — Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work related fatalities	62	
TRAINING AND EDUCATION		
GRI 404 Training and Education — Management Approach	68	
404-1 — Average hours of training per year, per employee	70	Partial (breakdown by gender and employee category not available)
404-3 — Percentage of employees receiving regular performance and career development reviews	70	Partial (breakdown by gender not available)

TOPICS

SOCIAL	PAGE	COMMENTS
SUPPLIER ASSESSMENT FOR LABOUR PRACTICES		
GRI 414 Supplier Environmental Assessment — Management Approach	23	
414-1 — New suppliers that were screened using social criteria	23	
DISASTER/EMERGENCY PLANNING AND RESPONSE (ELECTRIC UTILITIES SECTOR DISCLOSURES)		
G4-DMA	75	
CUSTOMER HEALTH AND SAFETY		
GRI 416 Customer Health and Safety — Management Approach	56	
416-2 — Incidents of non-compliance concerning the health and safety impacts of products and services	57	
MARKETING COMMUNICATIONS		
GRI 417 Marketing and Labelling — Management Approach	72	
417-3 — Total number of incidents of non-compliance concerning marketing communications	74	
ACCESS (ELECTRIC UTILITIES SECTOR DISCLOSURES)		
G4-EU28 — Average power outage frequency	28	
G4-EU29 — Average power outage duration	28	
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