



## REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

# Toronto Hydro Corporation - Annual General Meeting and 2021 Audited Financial Statements

**Date:** June 27, 2022

**To:** Executive Committee

**From:** City Manager and Chief Financial Officer and Treasurer

**Wards:** All Wards

### **REASON FOR CONFIDENTIAL INFORMATION**

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Some attachments to this report involve the security of property belonging to the City of Toronto or Toronto Hydro Corporation.

This report deals with personal matters about an identifiable person.

### **SUMMARY**

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This report transmits materials submitted to the City by the Board of Directors of the Toronto Hydro Corporation (THC). No independent review or analysis has been performed by City staff. Management of THC has confirmed all financial information was made available to the auditors for the performance of the audit.

This report contains recommendations for actions necessary to comply with the requirements of the Business Corporations Act, (Ontario) R.S.O. 1990, c.B.16 (OBCA) for holding the Annual General Meeting of the Shareholder of Toronto Hydro Corporation including receipt of Toronto Hydro Corporation's audited annual consolidated financial statements (Statements) for 2021 and appointment of the auditor for Toronto Hydro Corporation for 2022.

Toronto Hydro Corporation's 2021 Statements were audited by KPMG LLP and received an unqualified opinion stating that the financial statements present fairly, in all material respects, the THC financial position as at December 31, 2021 and the 2021 results of operations. The THCs financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

This report contains recommendations for receipt at the Annual General Meeting of the Shareholder of information disclosing the individual compensation of executive officers employed by Toronto Hydro Corporation in 2021.

## **RECOMMENDATIONS**

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The City Manager and Chief Financial Officer and Treasurer recommend that:

1. City Council treat the portion of the City Council meeting at which this report is being considered as the Annual General Meeting of the Shareholder for Toronto Hydro Corporation, by:

a. approving the "Resolution of the Sole Shareholder Re-appointing Auditor" in Attachment 1b in order to re-appoint KPMG LLP as the auditor for Toronto Hydro Corporation for 2022 until the close of the next annual meeting of the Shareholder, or until a successor is appointed, at such remuneration as may be fixed by the Corporation's Board;

b. receiving the "Toronto Hydro Corporation 2021 Annual Report," "Toronto Hydro Corporation 2021 Annual Financial Report and Audited Consolidated Financial Statements," "Toronto Hydro Corporation Annual Information Form 2021," "Toronto Hydro Corporation CEO and CFO Certifications of Annual Filings 2021," "Toronto Hydro Corporation First Quarter Financial Report 2022," and the "Toronto Hydro Corporation Statement of Board Remuneration and Expenses 2021," forming Attachments 2a, 2b, 3, 5, 7, 8a and 8b respectively to this report;

c. receiving the "Toronto Hydro Corporation Environmental Performance Report 2021," "2021 Toronto Hydro Environmental, Social Responsibility and Governance Report," and "2021 Toronto Hydro Environmental, Social Responsibility and Governance Metrics," forming Attachments 4a, 4b and 4c respectively to this report;

d. receiving the "Toronto Hydro Corporation Shareholder Report 2021, including Non-Consolidated Financial Statements 2021 and 2020," "Toronto Hydro-Electric System Limited Financial Statements 2021 and 2020," and "Toronto Hydro Energy Services Inc. Financial Statements 2021 and 2020," forming Confidential Attachments 2, 3 and 4 respectively to this report; and

e. receiving the two-part report "Toronto Hydro Corporation Executive Compensation Disclosure 2021" forming Attachment 6 and Confidential Attachment 1 to this report.

2. City Council direct that Confidential Attachment 1 remain confidential in its entirety as it deals with personal information about identifiable individuals.

3. City Council direct that Confidential Attachments 2, 3, and 4 remain confidential in their entirety due to the security of the property of the City and securities requirements

arising from Toronto Hydro Corporation's status as an offering corporation under the Business Corporations Act, (Ontario) R.S.O. 1990, c.B.16, Toronto Hydro Corporation's status as a reporting issuer under the Securities Act, (Ontario) R.S.O. 1990, c.S.5, and the application by the Ontario Securities Commission of National Instrument 51-102.

4. City Council direct the City Clerk to forward a copy of the "Toronto Hydro Corporation Consolidated Financial Statements December 31, 2021 and 2020," included as part of Attachment 2b to this report, to the Audit Committee for information.

## **FINANCIAL IMPACT**

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There are no financial implications to the City resulting from the approval of recommendations in this report.

Toronto Hydro Corporation has provided City staff with information with respect to 2021 fiscal year operations, which is provided in this section of the report.

Toronto Hydro Corporation pays the City dividends, calculated based on 60% of the prior year's net income after net movements in regulatory balances, in accordance with the City's Shareholder Direction to Toronto Hydro Corporation, subject to legal requirements. Toronto Hydro Corporation paid the City \$70.3 million in dividends in 2021, along with a first quarter dividend of \$21.2 million for 2022.

Additional financial information can be found in Toronto Hydro Corporation's 2021 Annual Report, including a summary of highlights, customer service level achievements, information on delivery of its capital program, and impacts from COVID-19 (Attachment 2a of this report), and in their 2021 Annual Financial Report and Consolidated Financial Statements (Attachment 2b of this report).

## **DECISION HISTORY**

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On July 14, 2021, that portion of the City Council meeting where EX25.13: Toronto Hydro Corporation - Annual General Meeting and 2020 Audited Financial Statements and as Shareholder was approved by Council, was considered the previous Annual General Meeting of the Shareholder for Toronto Hydro Corporation.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX25.13>

On July 11, 2012, City Council approved a requirement that Shareholder Directions for all wholly-owned City corporations be amended to require public disclosure to the extent permitted by law of individual executive compensation as part of the annual reporting to the Shareholder and where required obtain consent from executives.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX21.19>

## **ISSUE BACKGROUND**

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Toronto Hydro Corporation AGM and 2021 Audited Financial Statements

Toronto Hydro Corporation was incorporated under the Business Corporations Act (Ontario) (OBCA) in June 23, 1999 pursuant to the requirements of the Electricity Act, 1998. The City is the sole shareholder.

Subsection 94(1) of the OBCA requires that the directors of Toronto Hydro Corporation call an annual meeting of its Shareholder no later than fifteen months after holding the last preceding annual meeting. The last annual meeting was held by City Council on July 15, 2021. Subsection 154(1) of the OBCA requires that the Shareholder receive Toronto Hydro Corporation audited annual financial statements required to be filed under the Securities Act and the regulations thereunder and the report of the auditor at the annual meeting of the Shareholder.

Section 149(2) of the OBCA requires that the Toronto Hydro Corporation Shareholder at each annual meeting appoint one or more auditors to hold office until the close of the next annual meeting, and allows the Shareholder to authorize the directors to fix the auditor's remuneration.

In addition to the requirement of the OBCA to hold an annual general meeting, Section 9.8 of the Shareholder Direction requires Toronto Hydro Corporation to provide an annual report outlining:

- a) the Corporation's accomplishments during the fiscal year along with explanations, notes and information required to explain and account for any variances between the Corporation's actual results and the Business Plan in effect for the year;
- b) the progress made, using quantifiable performance data, towards accomplishing the principles to operate Toronto Hydro in an environmentally responsible manner consistent with the City of Toronto's energy, climate change and urban forestry objectives and, as appropriate, utilizing emerging green technologies;
- c) the Executive Compensation Information, as permitted by Law, which the Shareholder agrees it will receive and use in accordance with all Law including all applicable privacy law;
- d) a copy of the Corporation's Annual Information Form; and
- e) an annual report detailing the total remuneration and expenses paid by the Corporation for each member of the Board.

## **COMMENTS**

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## **1. Appointment of Auditor**

The auditor is selected by Toronto Hydro Corporation based on a competitive process, subject to Shareholder approval. KPMG LLP has been selected by Toronto Hydro Corporation as the external auditor for the 2022 calendar year and for completion of the 2022 year-end audit in 2023.

It is recommended that City Council, acting as Shareholder, approve the Shareholder Resolution in Attachment 1b to this Report, which includes the Shareholder Resolution to appoint KPMG LLP, as the auditor for Toronto Hydro Corporation for 2022 and to authorize the Board of Directors of Toronto Hydro Corporation to fix the auditor's remuneration.

## **2. Key Toronto Hydro Corporation Achievements in 2021**

Toronto Hydro Corporation's 2021 Annual Report (Attachment 2a) highlights key achievements in 2021. Toronto Hydro Corporation's Environmental Performance Report, 2021 Environmental, Social Responsibility and Governance Report, and 2021 Environmental, Social Responsibility and Governance Metrics (Attachments 4a, 4b and 4c) provides details on the Corporation's environmental performance.

## **3. Toronto Hydro Corporation 2021 Audited Financial Statements**

The Statements of Toronto Hydro Corporation for the fiscal year ended December 31, 2021 are provided in Attachment 2b to this Report, reflecting the consolidated operations of Toronto Hydro Corporation and of its wholly-owned subsidiaries, as required under Section 9.7 of the Shareholder Direction and Subsection 154(1) of the OBCA

Toronto Hydro Corporation's principal business is electricity distribution to approximately 781,000 customers in Toronto, through its distribution subsidiary (Toronto Hydro-Electric System Limited, or "THESL"). Toronto Hydro Energy Services Inc. ("THESI") is a smaller Toronto Hydro Corporation subsidiary having only a minor impact on the Toronto Hydro Corporation consolidated financial results. The business of this subsidiary includes the provision of street lighting services to the City of Toronto. THESL is regulated by the Ontario Energy Board.

Toronto Hydro Corporation's 2021 Report to the Shareholder and its confidential financial statements, including the non-consolidated statements of Toronto Hydro Corporation and its subsidiary companies, are provided in Confidential Attachments 2, 3 and 4.

Toronto Hydro Corporation is also a "reporting issuer" under the Securities Act, (Ontario) R.S.O. 1990, c.S.5, and the application by the Ontario Securities Commission of National Instrument 51-102, as a result of its issuance of debentures in the public marketplace. Attachment 5 to this Report provides the Ontario Securities Commission forms that certify Toronto Hydro Corporation's filings.

#### **4. 2021 Executive Compensation**

The compensation of Toronto Hydro Corporation Named Executive Officers (NEOs) is set out in the Annual Information Form in Attachment 3. The Annual Information Form is a public document published annually by Toronto Hydro Corporation as a public debt issuer in accordance with Ontario Securities Commission requirements.

In addition to the executive compensation reported through the Annual Information Form, City Council as the Shareholder has also directed that executive compensation, including compensation for executives other than NEOs, be disclosed annually to City Council as permitted by law.

This information is provided in two parts. The compensation disclosure for NEOs, which is already public information through the Annual Information Form, forms Attachment 6 to this Report. Reporting of additional executive compensation information includes personal information about identifiable individuals and this information is contained in Confidential Attachment 1 to this Report. The protection of individual privacy is required by the Municipal Freedom of Information and Protection of Privacy Act (MFIPPA). Specific compensation data of individual employees is private information under MFIPPA.

#### **CONTACT**

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#### **SIGNATURE**

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Heather Taylor  
Chief Financial Officer and Treasurer

Chris Murray  
City Manager

#### **ATTACHMENTS**

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Attachment 1a - Toronto Hydro Corporation Report on the 2022 Annual Shareholder Meeting

Attachment 1b - Resolution of the Shareholder Re-appointing Auditor

Attachment 2a - Toronto Hydro Corporation 2021 Annual Report

Attachment 2b - Toronto Hydro Corporation 2021 Annual Financial Report and Consolidated Financial Statements

Attachment 3 - Toronto Hydro Corporation Annual Information Form 2021

Attachment 4a - Toronto Hydro Corporation Environmental Performance Report 2021

Attachment 4b - Toronto Hydro Corporation 2021 Environmental, Social Responsibility and Governance Report

Attachment 4c - Toronto Hydro Corporation 2021 Environmental, Social Responsibility and Governance Metrics

Attachment 5 - Toronto Hydro Corporation CEO and CFO Certification of Annual Filings 2021

Attachment 6 - Toronto Hydro Corporation Executive Compensation Disclosure 2021 (Part 1, NEOs)

Attachment 7 - Toronto Hydro Corporation First Quarter Financial Report 2022

Attachment 8a - Toronto Hydro Corporation Statement of Board Remuneration and Expenses 2021 (Form 1)

Attachment 8b - Toronto Hydro Corporation Statement of Board Remuneration and Expenses 2021 (Form 2)

Confidential Attachment 1 - Toronto Hydro Corporation Executive Compensation Disclosure 2021 (Part 2, All Executives)

Confidential Attachment 2 - Toronto Hydro Corporation Shareholder Report 2021, including Non-Consolidated Financial Statements

Confidential Attachment 3 - THESL Financial Statements 2021 and 2020

Confidential Attachment 4 - THESI Financial Statements 2021 and 2020