

OUR WORKFORCE

Health and safety is an important focus at Toronto Hydro and we are constantly striving to improve processes with the goal of building a skilled, safe and productive workforce.





Achieving ISO 14001 and OHSAS 18001 Certification

In 2012, one of our goals was to achieve certification of our integrated Environment, Health and Safety Management system to the international standards ISO 14001 and OHSAS 18001. Through tremendous efforts and commitment by staff at all levels, supported by an organization-wide engagement and communication plan, we successfully completed the required audits and received confirmation of certification in early 2013.

Building an Engaged Workforce

776 employee engagement events were conducted in 2012 which equals about 10 sessions per employee.

Last year we continued our focus on employee outreach and kept staff informed about ongoing business changes through regular communications. Engagement sessions included training seminars kicked-off by senior management, leadership updates, and just-in-time information sessions that provided updates on regulations, safety, operations and customer service.

Renewing our Workforce

Approximately 650 employees — over 40 per cent of our workforce — will be eligible for retirement over the next 10 years. This group is comprised of highly skilled trades people and professionals. Approximately 60 per cent are in core jobs. They have acquired extensive knowledge of our complex aging distribution system during their careers.

Breakdown of
Toronto Hydro's
Workforce
Eligible for
Retirement
in 10 Years





Twenty-two Graduates from Ministry-Recognized Municipal Utility Trades Apprenticeship Program

Toronto Hydro invests approximately 4.5 to 6.5 years of training in every apprentice to prepare them to work competently and safely. At the Trades School, apprentices are instructed by veteran trades professionals in a combination of settings, which include in-class, job simulation and field training.

In 2012, 22 apprentices graduated from the utility Trades School. Eighty-eight apprentices currently attend the school.

At Toronto Hydro's provincially accredited utility Trades School, we manage certified professional trades programs for:

- power line technicians
- certified power cable persons
- distribution system technologists
- metering technicians
- power system controllers

Training and Development

Various training programs are available for employees to ensure the continuous development of our people. In 2012, we completed over 7,500 training days.

Training is comprised of compliance with legislated programs that focus on recertification, skill refreshment and workplace safety practices. Our legislated training includes first aid and CPR, confined space, Workplace Hazardous Materials Information System training, as well as Accessibility for Ontarians with Disabilities Act training. Almost all training is classroom-based. The curriculum has been expanded to include Occupational Health and Safety Act and is tailored to business unit requirements.



“ The Control Room is an exciting and rewarding place to work. Almost 24 years ago, I was the first woman hired to be an Electrical Distribution Operator (PSC today) at the former East York Hydro. They took a chance on an enthusiastic, young progressive woman who was willing to work in a male dominated trade. I now supervise one of the largest control rooms in North America. I hope in the near future that I'll have an opportunity to mentor other young women wanting to pursue a similar career path. ”

Susan Moher

Control Room Supervisor — Distribution Grid Operations



Supporting Diversity in our Community

To help the unemployed achieve self-reliance and economic self-sufficiency, we provide sponsorship support to MicroSkills, a multicultural, non-profit, community-based organization committed to assisting the unemployed. The organization gives priority to women, racial minorities, youth and immigrants.

We also attended the Toronto Region Immigrant Employment Council (TRIEC) job fair in 2012 to help new immigrants prepare for the labour market. TRIEC is a council that develops solutions to better integrate skilled immigrants into the job market.

Student Hiring and Collaboration

We are firm believers that co-op students enrich our workplace with new ideas, technical expertise and knowledge. The opportunity to work with students builds our talent pipeline and provides leaders with future options for resourcing. In 2012, we hired 138 students from a variety of local colleges and universities. Students are hired for the winter, summer and fall each year, for terms ranging from four to 16 months.

Through collaboration with colleges and universities across Ontario, Toronto Hydro provides work placement opportunities for students in a variety of disciplines including:

- Skilled Trades
- Engineers and Engineering Technologists
- Information Technology
- Finance
- Regulatory and Legal Services
- Organizational Effectiveness, Environment, Health and Safety
- Marketing, Communications and Public Affairs

Our collaboration with Georgian College began in 2010 and continues with participation at career fairs and recruitment events. We continue to support Georgian College's engineering facility (the Centre for Sustainable Technologies) which is used to:

- Train future Toronto Hydro employees
- Supply college training equipment
- Fund curriculum development
- Assist with marketing initiatives and co-operative education programs, and
- Support the development and delivery of corporate training at Toronto Hydro work sites

A Corporate Culture Built on Safety

Toronto Hydro has worked hard to develop a corporate culture committed to safety. We are continually evaluating our policies and procedures and taking strides to improve our health and safety processes. In 2012, we celebrated our best safety performance on record, achieving more than three million consecutive hours without a lost time injury.





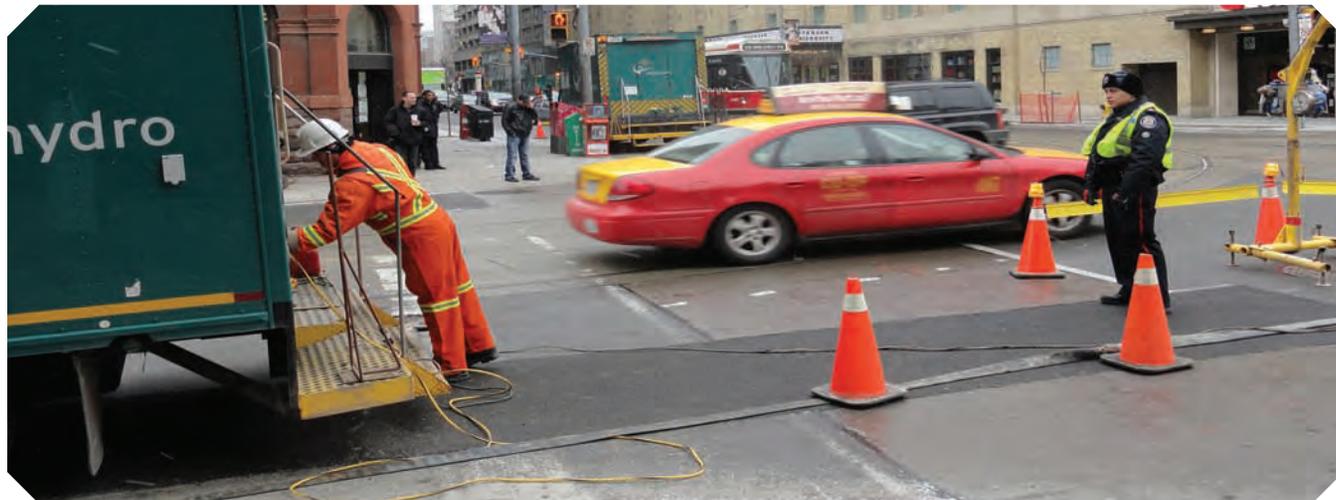
Safety Results

We have reduced total recordable injury frequency in the workforce by more than 66 per cent since 2007. A recordable injury is defined as any occupational injury/illness that results in an employee experiencing a fatality, lost time, medical treatment and/or other (restricted work, significant occupational injury, loss of consciousness). We achieved 2.15 days per 200,000 hours worked in 2012.

Lost Time Injury Severity (based on the total number of days lost beyond the day of the injury) — declined by 16 per cent in 2012 and is 1.34 days lost per 200,000 hours worked, well below the Canadian Electricity Association (CEA) average of 15.96 days lost per 200,000 hours worked.

Lost Time Injury Frequency Rate — reduced by 62 per cent based on the total number of lost time injuries related to occupational injuries, which occurred in the calendar year. In 2012, Toronto Hydro's rate was 0.06 lost time injuries per 200,000 hours worked, which was well below the CEA average of 0.79 per 200,000 hours worked.

In 2013, Toronto Hydro will strive to reduce total recordable injury frequency, lost time injury severity and frequency. We were proud to receive the Infrastructure Health and Safety Association (IHSA) President's Award for three million hours without a lost time injury. We continue to develop communications and training programs to raise awareness and educate employees on how to prevent further injury.





Contractor Safety

We view contractors working on our behalf as an extension of our workforce, and have rigorous programs in place to help ensure that they are working in a safe manner. Toronto Hydro conducts contractor pre-qualification. All companies requiring access to Toronto Hydro-owned confined spaces go through a confined space program documentation audit performed by a Toronto Hydro representative, an onsite equipment evaluation performed by a Toronto Hydro representative, and must complete the Infrastructure Health and Safety Association (IHSA) Toronto Hydro Confined Space Entry training program.

Prequalification and the confined space application processes also apply to third party companies that have infrastructure in our cable chambers and attach equipment and signage to our poles.

North American Occupational Safety and Health (NAOSH) Week

Every year, Toronto Hydro holds a series of events across our five main work centres to coincide with NAOSH week. Our goal is to provide employees with information about safety in the workplace and at home.

In 2012, event topics included:

- Personal protective equipment
- Electrical awareness
- Emergency preparedness
- ISO/OHSAS awareness, including communication about our EHS policies, environmental impacts and waste management
- Wellness pillars, which include physical activity, eating well, stress management, health indicators and smoking cessation

We also showcased the Life Quilt from Threads of Life, which honours and remembers young workers who have lost their lives on the job.

OUR ENVIRONMENTAL INITIATIVES

Preserving the environment is an important part of our business. At Toronto Hydro, informing our customers about conservation programs, supporting the City's urban tree canopy, and doing our part to reduce the risk of environmental spills and other impacts of our business, is all in a day's work.



Conservation and Demand Management

GOAL: Achieve 1,304 GWh of energy savings and 286 MW of summer peak demand savings between January 1, 2011 and December 31, 2014

PROGRESS: To date, we have achieved an estimated energy savings of 1,034 GWh and total demand reduction of 103 MW*.

* **PLEASE NOTE:** Figures provided are unverified. Final results will be available in 2014 following an audit by the Ontario Power Authority (OPA).



Conservation and Demand Management (CDM)

Electricity conservation is an important focus, not only for Toronto Hydro but the province of Ontario, too. As a condition of our distribution licence, we have been assigned conservation targets by the OPA.

Toronto Hydro has made considerable strides towards our conservation goals; in fact we have achieved 79 per cent of our energy savings target.

Conservation Program Results

saveONenergy Conservation Programs Results

		MW Saved*	MWh Saved*
FRIDGE & FREEZER PICK-UP	2,805 refrigerators and freezers collected	0.3	22,200
COUPONS	Bi-annual customer events and coupons for energy efficient products held at participating retailers	0.1	2,500
DEMAND RESPONSE CONTRACTUAL DR3	47 commercial and industrial customers contracted to reduce energy use at specified times	4.6	500
SMALL BUSINESS LIGHTING	3,643 lighting retrofits installed	3.3	13,200
HEATING & COOLING INCENTIVE	13,134 participants received an incentive for installing an ENERGY STAR® qualified central heating or cooling system	3.2	5,600
peaksaver PLUS®	30,104 enrolments	16.9	700
RETROFIT PROGRAM	1,227 project applications	18.9	75,700

Total 2012 Results: 116,900 MWh and a total demand reduction of 53.2 MW

*Please note: Figures provided are unaudited. Final results will be available in September 2014 following an audit by the OPA.

The OPA is responsible for the design, delivery and funding of CDM programs (also known as **saveONenergy**^{OM} programs within the province). These programs are available to licenced electricity distributors. As a registered participant, Toronto Hydro receives funding from the OPA to deliver these programs within Toronto Hydro's service territory. Through this funding model, Toronto Hydro invested approximately \$28.3 million in CDM programs last year.



VIDEO

Conservation and Demand Management (continued)

In June, we relaunched *peaksaver*® as *peaksaver PLUS*®, and more than **30,000 customers signed up** for the program.

- In 2012, we launched the Applicant Representative Initiative under the **RETROFIT PROGRAM**. This initiative provides incentives to the supply chain partners, who in turn, help their customers with the Retrofit Program application process. The representatives attended mandatory training sessions to become advocates of the Retrofit Program to the customer base. More than 200 participants have enrolled in the Applicant Representative Initiative. In addition, we placed 13 energy managers directly in large customer facilities to help them identify and execute conservation opportunities.

Conservation Conversations

- 21 community events attended, sparking conservation conversations with more than 57,000 people
- 130 people from commercial, institutional, multi-residential, academic and hospitality markets attended our information sessions to maximize the OPA's conservation incentive programs, and provide, including an overview of the application process and worksheets.



“ In 2012, Toronto Hydro’s conservation efforts yielded over 50MW of peak summer demand savings, which is the largest achievement by any local distribution company in the province. The incentives provided by the Conservation and Demand Management (CDM) programs are important because they allow our customers to invest in energy efficiency projects that help them control their energy costs. In addition, these projects support the provincial goal of deferring investment in expensive generation capacity and also contribute to the local economy by providing skilled jobs. It is truly rewarding to be able to assist our diverse customer base in achieving their energy efficiency goals. ”

Michael Marchant, P. Eng
Manager — CDM Technical Services



City-owned buildings get an injection of solar power

10 City buildings + 8,800 panels = 2,600 MWh of electricity
= 215 households = - 480 tonnes of greenhouse gas (GHG)s
= \$16M in gross revenues for the City of Toronto over 20 years.

In 2012, the City of Toronto and Toronto Hydro launched the first phase of a joint Solar Photovoltaic (PV) Project. The electricity is purchased under the terms of Feed-in Tariff (FIT) contracts with the OPA, and at least 60 per cent of the PV equipment will be made in Ontario, which will help support the growth of the solar energy industry locally.

Participating buildings include:

- Mimico Arena — 31 Drummond Street
- York Mills Arena — 2539 Bayview Avenue
- Goulding Park Community Centre/Arena — 45 Goulding Avenue
- Police College — 70 Birmingham Street
- Agincourt Park Arena — 31 Glen Watford Drive
- Victoria Village Arena — 190 Bermondsey Road
- Malvern Community Centre — 30 Sewells Road
- Grandravine Community Centre/Arena — 23 Grandravine Drive
- Roding Community Centre/Arena — 600 Roding Street
- McGregor Park Arena — 2231 Lawrence Avenue East



Feed-In Tariff (FIT) Program

Toronto Hydro receives approximately 11 per cent of all FIT applications in Ontario. To date, our FIT team has connected more than 400 homes and small businesses and 75 commercial projects, totalling more than 90 MW.



Walking the Talk

We have two solar projects at our Commissioners location. Together, they generate more than 900 MWh of electricity at our Commissioners location and save approximately 165 tonnes of carbon dioxide annually.

Greenhouse Gas (GHG) Emissions

We measure our greenhouse gas (GHG) emissions from four key sources: our fleet, our facilities, line losses and Sulfur Hexafluoride (SF_6) gas in equipment. Since 2007, we have reduced our total emissions by 30 per cent.

Toronto Hydro reports GHG emissions through Scope 1 and Scope 2 definitions outlined by the Greenhouse Gas Protocol.

- Scope 1 GHG emissions are generated by sources that we own and control.
- Scope 2 GHG emissions result from the generation of our purchased electricity, and physically occur at the facility where they are generated.



Changes in Emission Levels

In 2012, we generated 110,300 tonnes of carbon dioxide equivalent (tCO₂e); year-over-year variances include:

- **Fleet** — We saw a **5** per cent reduction in emissions over 2011, which can be explained by a reduction of capital work, fewer vehicles in our fleet, and increased use of biodiesel fuel.
- **Line Loss** — We saw a **30** per cent increase in emissions over 2011 due to the higher provincial emission factor used to calculate GHG.
- **Facilities** — We saw a **22** per cent reduction in natural gas emissions and a 27 per cent increase in electricity emissions. This increase is attributed to the higher provincial emission factor.

Why Toronto Hydro's GHG Emissions are Calculated Using Federal and Provincial Emission Factors

Toronto Hydro calculates our GHG emissions using the carbon dioxide intensity figure for the province of Ontario, as published in *Environment Canada's National Inventory Report 1990-2010: Greenhouse Gas Sources and Sinks in Canada*. Emission intensity figures are based on the supply mix used to generate electricity for the Province of Ontario and measured in tonnes of carbon dioxide equivalent emissions per gigawatt-hour.

Electricity generation methods include coal, refined petroleum products, natural gas, nuclear, hydro, biomass and renewables. The more energy efficient the method of generation is, the lower the emission intensity. The Province of Ontario has replaced most of its coal-fired generation with wind, solar, natural gas and hydro-electric resources. However, from 2009 to 2010 there was an increase in the use of natural gas and coal generation in Ontario's supply mix. As a result, there was an increase in Ontario's electricity emission intensity from 1.0 in 2009 to 1.3 in 2010. To be consistent with our methodology of using the latest emission factors published by Environment Canada and for the purposes of this report, we have used the higher electricity emission intensity figure of 1.3 to calculate our GHG emissions.



Our Total Reportable GHG Emissions (tCO₂e)

SCOPE 1 (Sources we own and control)

	2007	2008	2009	2010	2011	2012
Facilities Consumption of natural gas at our facilities.	3,200	3,000	2,700	2,600	2,700*	2,100
Fleet Fuel consumed by our fleet.	4,500	4,500	4,500	4,500	4,400	4,200
SF₆ <ul style="list-style-type: none"> Used to insulate and de-ionize our electrical transformers, compact electrical switchgear and switch interrupting devices. The gas helps prevent electrical arcs that can damage our equipment and injure workers. 	500	500	500	500	1,100	1,300

*Please note: The 2011 GHG emissions for our facilities were updated to reflect more accurate data results for our 2011 natural gas consumption.



Our Total Reportable GHG Emissions (tCO₂e)

SCOPE 2 (Emissions generated from purchased electricity we distribute to our service territory)

	2007	2008	2009	2010	2011	2012
Facilities	4,600	4,100	4,700	3,500	2,200	2,800
Consumption of electricity at our facilities.						
Line Loss	144,000	140,600	166,400	123,800	77,000	99,900
Electricity lost while travelling across power lines from transmission or distribution systems.						
Total GHG Emissions	156,800	152,700	178,800	134,900	87,400	110,300
(Figures have been rounded separately. Toronto GHG emissions are not a direct summation of the rounded figures. Transmission stations are not included in this inventory).						



SF₆ Gas Management

In 2012, Toronto Hydro continued to calculate emissions resulting from SF₆ gas using an assumed leak rate. We have researched best practices for managing SF₆ gases and will implement the *Canadian Electricity Association and Environment Canada's Emission Estimation and Reporting Protocol for Electric Utilities*.

Fleet

Last year, following the utility's restructuring, we reduced our fleet of vehicles by approximately 10 per cent. Still, our vehicles spent approximately 118,722 hours idling in 2012. In an effort to reduce fleet emissions, we have set a target to reduce 2013 idling by 10 per cent over the 2012 baseline.

Biodiesel Fuel

We continue to use biodiesel fuel in our fleet whenever possible and last year we began purchasing B30 fuel. We used 74,433 litres (L) of biodiesel fuel, avoiding approximately 16 tCO₂e emissions relative to petroleum diesel.

Resetting our Long-Term Strategy

In our 2009 Corporate Responsibility Report, we introduced a target to reduce our GHG emissions by 87 per cent by 2014 (against a baseline established in 2007) through a combination of fleet innovation, asset modernization and facilities efficiencies, as well as through the Ontario government's decision to close coal-fired generation plants. While our carbon footprint remains a priority, we are no longer working towards the targets set out in 2009, as the funding to complete our fleet innovation and facilities efficiencies is not available under current economic conditions. As we work towards establishing a new carbon strategy, we are focussing our attention on conducting energy audits and identifying areas of improvement, reducing fleet idling time and increasing our consumption of biodiesel fuel.



Waste Streams

In 2012, we sent approximately 57 metric tonnes of non-hazardous materials to landfill. We have set a target to reduce our non-hazardous waste by 10 per cent in 2013.

Waste to Landfill

2011	Approximately 68 metric tonnes
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2012	Approximately 57 metric tonnes
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Hazardous Waste

Toronto Hydro's hazardous liquid waste includes petroleum distillates, industrial waste, oil skimmings, sludges, Polychlorinated biphenyl (PCBs) and lubricants. Liquid waste accounts for approximately 95 per cent of our total hazardous wastes.

2009	1,011,496 L
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2010	1,113,227 L
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2011	1,197,910 L
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2012*	741,210 L
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*This decline is attributed to a reduction in capital construction work in 2012.

Toronto Hydro's hazardous solid waste includes PCBs

2009	38,909 kilograms (kg)
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2010	108,215 kg
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2011	90,812 kg
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2012	87,132 kg
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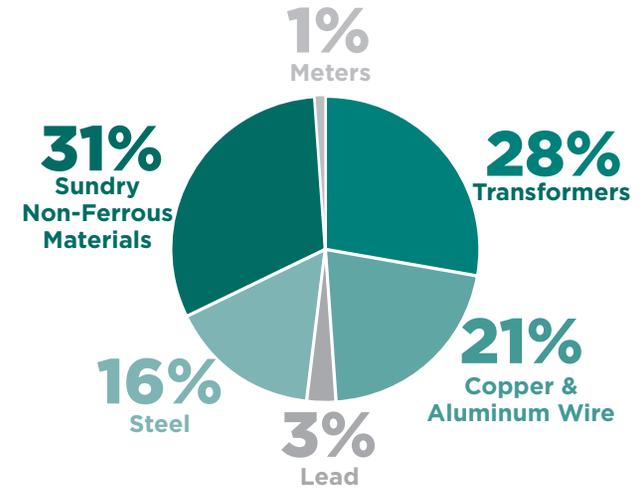


Waste Recovery

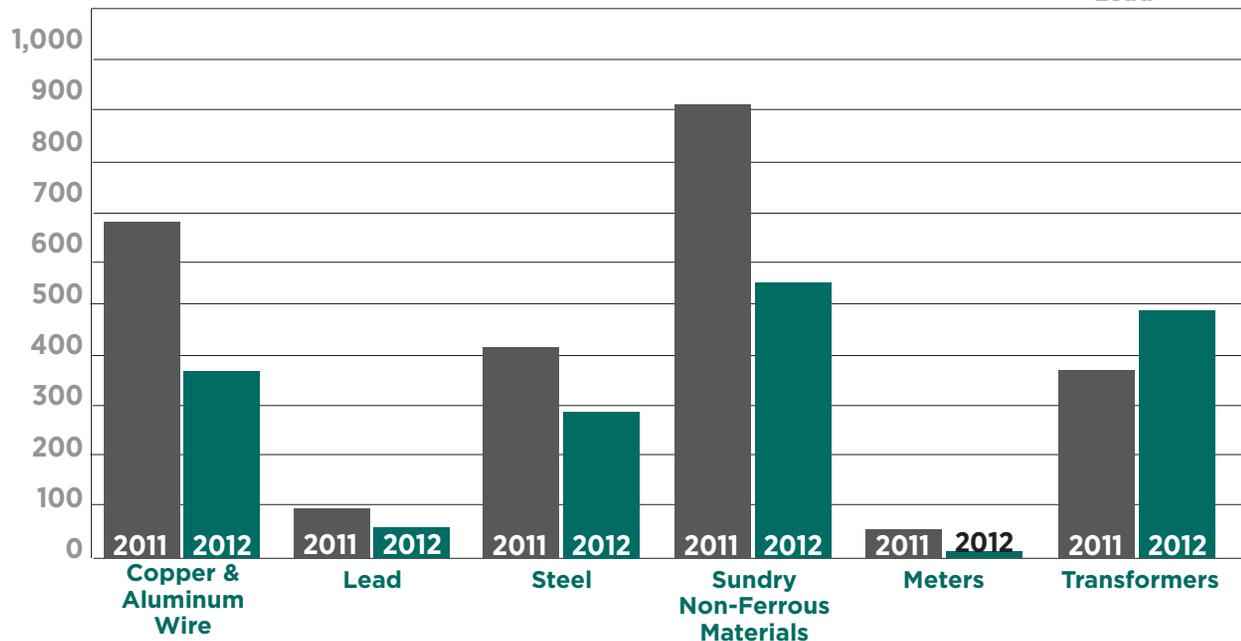
Toronto Hydro continued on with our investment recovery program to reduce the amount of non-hazardous material sent to landfill. In 2012, we recovered more than 2,138 metric tonnes of materials and earned approximately \$3.1 million by selling these scrap materials back to the marketplace.

In 2012, we recovered:

- 379 metric tonnes of copper and aluminum wire/cable
- 58 metric tonnes of lead
- 287 metric tonnes of steel
- 559 metric tonnes of sundry non-ferrous materials
- 19 metric tonnes of meters
- 493 metric tonnes of transformers



Materials Diverted from Landfill





Environmental Spills

At Toronto Hydro, we strive to reduce our environmental spills through the replacement of aging assets, completion of scheduled maintenance and inspections, employee training, and awareness. When a spill occurs, we are committed to responding in a safe and environmentally responsible manner. Reportable spills for electric utilities typically involve transformer oil and hydraulic liquid spills of more than 100 litres as a result of aging assets, overheated transformers, or motor vehicle accidents involving distribution equipment.

Our field staff is required to complete spill response training on a yearly basis to ensure conformance with Toronto Hydro's procedures.

In 2012, there were two reportable spills made to the Ministry of the Environment and the City of Toronto, as required by provincial regulations and municipal by-laws.

Biodiversity — Protecting Toronto's Urban Forest and Service Reliability

- Five per cent of outages in 2012 were caused by tree contacts.
- This represents approximately 84,171 customers interrupted for a total duration of 4,019,843 customer minutes.
- In 2012, we pruned approximately 43,000 trees.

We do our best to preserve the City's urban forest while protecting service reliability for our customers. We have implemented a cycle pruning program and trees are typically trimmed once every three years. Our forestry representatives collaborate with our designers and construction crews to develop projects that minimize our impact to neighbourhood trees. While installing new underground infrastructure, we protect roots from damage through vacuum excavation, root pruning and deep root fertilization, and direction boring.



Planting New Roots

Our annual tree planting event continued at Centennial Park in Etobicoke. We planted 200 trees and shrubs including white spruce, red maple, bur oak chokecherry, grey dogwood and pasture rose species.

More than 150 employees accompanied by 25 volunteers from LEAF – Local Enhancement and Appreciation of Forests and the City of Toronto spent the day digging, planting and mulching. Since 2004, Toronto Hydro employees have planted 2,755 trees in various parks across the City.

Due to the devastation caused by invading species like the Emerald Ash Borer and the Asian Longhorn Beetle, Toronto Hydro has been focused on planting a variety of native species to strengthen our urban canopy's defences against these types of infestations.

We also support Ontario Forestry Association's (OFA) Annual Tree Bee Competition, a tree identification and conservation contest for Grade 4-6 students. Tree Bee is a great opportunity to get kids excited about trees, forests and nature. Learn about OFA and Tree Bee, visit oforest.ca



VIDEO





“Toronto Hydro is one of our longest-standing partners! Their support has enabled LEAF to offer planting and education programs that have made a difference for thousands of Torontonians and for our urban forest.”

Janet McKay

Executive Director — LEAF
(Local Enhancement and Appreciation of Forests)



Sponsoring FLAP Canada

Toronto Hydro is proud to sponsor Fatal Light Awareness Program (FLAP) Canada, a not-for-profit organization that works to safeguard migratory birds in the environment through education, research, rescue and rehabilitation. Since 1993, more than 54,000 birds from 164 species have died from collisions with buildings in the Greater Toronto Area. With an increasing number of towers being built in the downtown core, it remains an important cause. For more information, please visit flap.org

Clean Air Commute®

Once again, Toronto Hydro participated in Pollution Probe's Clean Air Commute to encourage our employees to use more environmentally friendly means of travelling to work. More than 180 employees participated, avoiding approximately 6.9 million grams of GHGs from entering the atmosphere. In 2013, our goal will be to have at least 200 participants.



“ The Fatal Light Awareness Program is proud to have a long-standing relationships with Toronto Hydro in both energy and bird conservation. From creative educational campaigns like Kill a Watt. Save a Bird. and Lights Out Toronto!, to sponsorship of FLAP’s programs like bird rescue and rehabilitation, Toronto Hydro is a leader in the utility industry. They’re making the important connection between preserving migratory birds, reducing light pollution, saving energy and money, and creating a healthier environment for all of us. ”

Michael Measure

Executive Director — FLAP
(Fatal Light Awareness Program Canada)



“ Toronto Hydro’s commitment to improving the health of its employees and the community really comes through in its ability to encourage such high levels of employee participation in Pollution Probe’s Clean Air Commute®. In 2012, over 15,000 employees from 257 workplaces across Canada participated, preventing the release of 555 tonnes of air pollutants over one week. Pollution Probe congratulates Toronto Hydro on helping to improve the air we breathe! ”

Bob Oliver

Chief Executive Officer — Pollution Probe

OUR COMMUNITY OUTREACH

Whether it was donning pink wigs and running for breast cancer or growing moustaches for men's health, in 2012 Toronto Hydro employees once again demonstrated their commitment to causes that matter. Together, our staff, suppliers, friends and families raised more than \$380,000 for charities across the City.



We surveyed employees in 2012 and 75 per cent of respondents said they felt it was very important to work for a company that supports involvement in the community.

Celebrating Men's Health with Movember

In 2012, Toronto Hydro employees showed their support for prostate cancer and men's mental health by participating in the popular moustache campaign, Movember. More than 168 employees, friends and family members registered to raise funds for this important cause. Sixteen teams of men and women were formed across the organization. While the actual growing of moustaches was left to the men, women participated with equal zest. With individual fundraising efforts and the Brighter Days® Matching Program, we collectively raised more than \$23,000 for Movember Canada.

The Community Involvement team also launched a social media contest to raise awareness about Movember. Twelve Hydro vehicles were outfitted with giant moustaches and our Twitter followers were asked to spot the moustache and tweet a picture for a chance to win a prize.

Supporting Breast Cancer Research

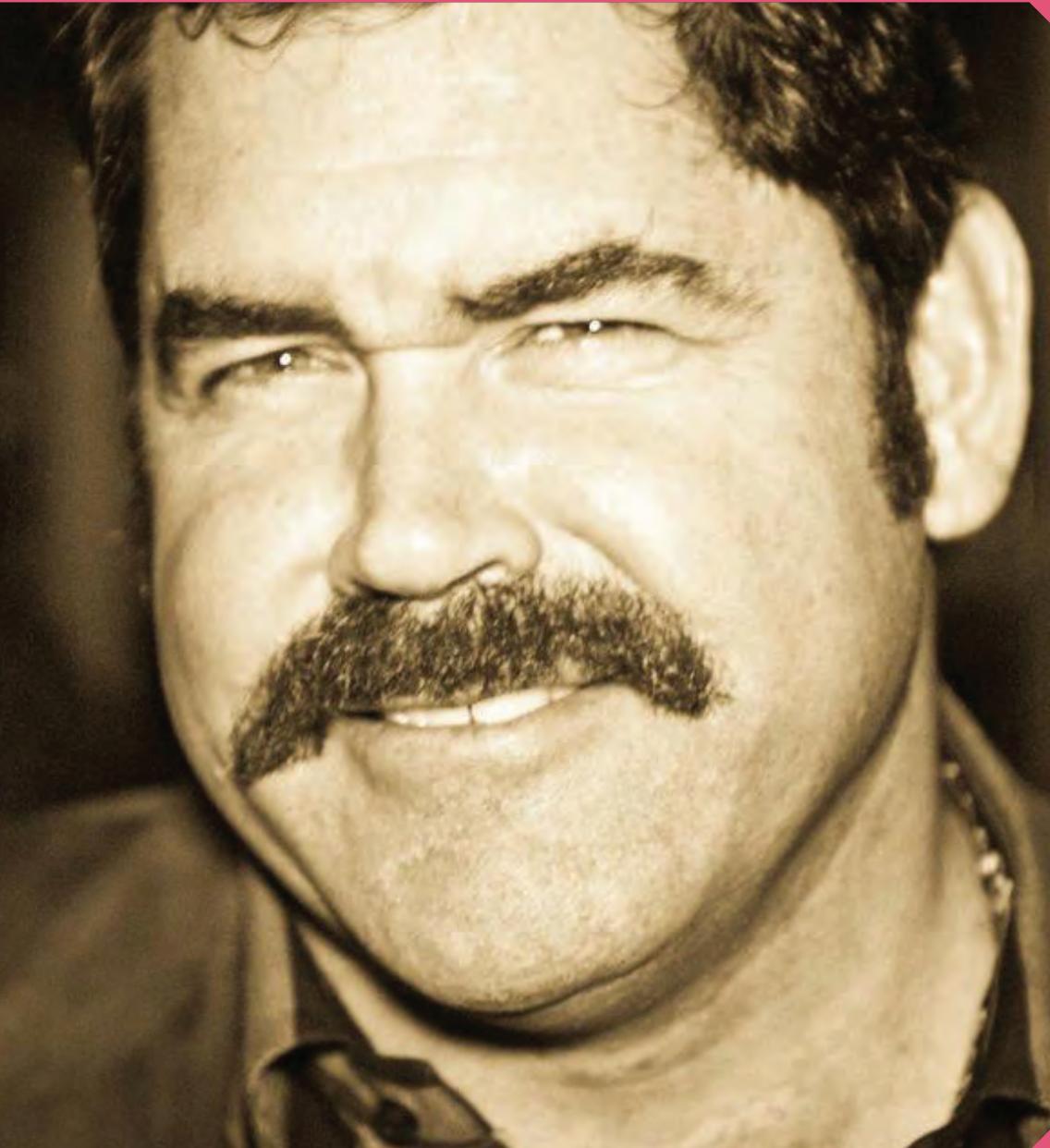
The fight against breast cancer is a cause close to many hearts and it certainly resonates among Toronto Hydro employees. Approximately 80 employees, friends and family participated in the 2012 Canadian Breast Cancer Foundation CIBC Run for the Cure. Participants raised approximately \$12,000 as a team and through Toronto Hydro's matching program, the Corporation donated \$4,895. In total we donated approximately \$17,000 to the Canadian Breast Cancer Foundation, surpassing our 2011 contribution by 40 per cent.

To raise awareness about the cause and thank employees for their participation, Toronto Hydro produced three videos, two of which documented the personal stories of employees whose lives have been touched by breast cancer.



VIDEO





“ The teams at Toronto Hydro have been awesome members of the Movember family. Whether recruiting Mo Bros and Mo Sistas, growing bountiful moustaches or helping to raise crucial funds, they really rocked it. Through the support of great people like this, Movember is able to fund education and awareness, research and survivorship programs for prostate cancer and male mental health initiatives. We are truly grateful for their ongoing support and passion for helping to change the face of men’s health. ”

Pete Bombaci

National Country Director — Movember Canada

Putting a Spotlight on Neighbourhood Safety with Brighter Nights™

Toronto Hydro co-hosted 17 Brighter Nights™* community events in 2012 to help increase safety and energy efficiency in neighbourhoods across the City. The program, formerly known as Light the Night, is a joint effort with the City of Toronto's Community Crisis Response Program, Toronto Community Housing, Toronto Police Service and local volunteers.

Armed with energy efficient light bulbs, volunteers and agency representatives swept through neighbourhoods from March through August to replace old incandescent bulbs. Residents were informed about the benefits of leaving their outside lights on throughout the night. Compact fluorescent light bulbs use about 75 per cent less electricity than standard bulbs and at off-peak hours, cost about a penny a day to light the night.

The program also included the repair and replacement of broken street lamps, and the installation of lighting fixtures to brighten dark corners, which can be vulnerable to criminal activity and violence.

Thanks to this program, Toronto Hydro and over 200 volunteers replaced approximately 3,000 energy guzzling incandescent bulbs.

*Our Brighter Nights program was formally called Light the Night in 2012.





Supporting Employee Volunteerism

We believe that good corporate citizenship is achieved through an engaged workforce. At Toronto Hydro, we encourage our employees to give back to the community and support social causes they are passionate about. Our Brighter Days® Matching Program continued throughout 2012 and 186 employees participated. The program benefited a range of charitable causes including children's sports and various non-profit health associations. The Corporation matched individual employee donations made to registered charitable organizations up to a maximum of \$200 annually.



Assisting Low Income Customers

Toronto Hydro delivers the Low-Income Energy Assistance Program (LEAP) developed by the Ontario Energy Board. This grant program helps families and individuals living below the poverty line with their electricity bills. In 2012, LEAP helped approximately 1,250 households with electricity bill payment. For more information, please visit torontohydro.com/leap

Lending a Hand to United Way

Toronto Hydro employees are strong supporters of United Way Toronto. We executed another successful campaign in 2012, raising approximately \$335,000 and surpassing our goal of \$300,000. Approximately 174 participants served as United Way ambassadors and volunteers, running activities, and canvassing their colleagues to support the organization. Since 2005, our employees and suppliers have generously donated approximately \$1.7 million to United Way Toronto.





“ Year after year, Toronto Hydro goes above and beyond to support United Way. Their employees embody the very best of community values. They are compassionate and committed to ensuring that everyone in our city has the opportunities they need to build a better life. This dedication is found throughout the organization: from the generosity of frontline employees to the leadership of CEO Anthony Haines. We couldn't do our work without them. ”

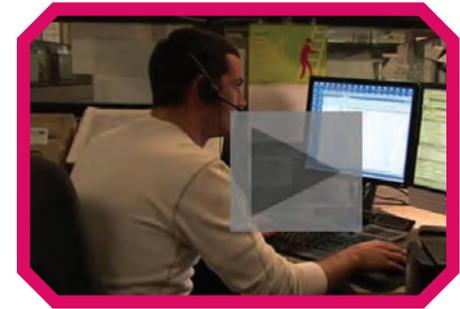
Julia Gorman

Vice President, Resource Development — United Way Toronto



Taking Our Grade Nines to Work

Eighty-five grade nine students were taken on a behind-the-scenes tour of Toronto Hydro for the annual Take Our Kids to Work Day. As Canada's largest municipal electric utility, there were many areas of the business to showcase to the students, including our warehouse, glove testing lab, fleet of electric vehicles, and trades school. Students were even provided a crash course on media relations and participated in an open forum about job preparation and career opportunities. For our efforts, Toronto Hydro received an honourable mention in The Learning Partnership's Canada's Outstanding Employer Awards. This is the second year in a row that Toronto Hydro was recognized by The Learning Partnership. View highlights from the event at youtube.com/torontohydro



Building a Lively City

We're committed to helping make Toronto a vibrant and healthy, world-class city. In 2012 Toronto Hydro sponsored a number of events including:

- Clean Air Commute®
- Toronto Science Fair
- TREC Education's Co-operative Kids' World of Energy Festival
- Leslieville Tree Festival
- 100th Grey Cup Festival



“ Toronto Hydro has been a tremendous supporter of The Learning Partnership’s “Take Our Kids to Work” program for many years. The goal of this popular national program is to show young people the many career options available to them and to encourage them to stay in school. Toronto Hydro achieves this every November on Take Our Kids to Work day. Management and employees go to great lengths to engage and excite dozens of visiting Grade 9 students. Toronto Hydro has been acknowledged for their exceptional efforts by The Learning Partnership’s Canada’s Outstanding Employers Awards for the past two years. ”

Akela Peoples, M. Ed.

President and CEO — The Learning Partnership

OUR ECONOMIC PERFORMANCE

We strive to make a positive contribution to the City of Toronto by maintaining financial strength and delivering value to our rate payers.



Our Economic Performance

Consolidated net income for the year ended December 31, 2012 was \$86.0 million compared to net income of \$95.9 million for the comparable periods in 2011. The decrease in net income was primarily due to restructuring costs incurred in conjunction with cost reduction initiatives at Toronto Hydro recognized in the first quarter of 2012 (\$27.8 million), lower net revenues (\$9.6 million) and lower gain on disposals of property, plant and equipment (\$2.1 million). These unfavourable variances were partially offset by lower operating expenses (\$17.1 million), lower depreciation and amortization expense (\$9.5 million), lower income tax expense (\$1.7 million) and lower net financing charges (\$1.3 million).

The decrease in regulated capital expenditures for the year ended December 31, 2012 amounted to \$141.5 million. The decrease was primarily due to the uncertainty surrounding Toronto Hydro's capital work program as a result of the Ontario Energy Board's (OEB) decision to impose the Incentive Rate Mechanism (IRM) framework for 2012.

Highlights of our Financial Performance:

NET INCOME:

\$86.0 million in 2012⁺
\$95.9 million in 2011^{**}
\$66.1 million in 2010^{***}

NET REVENUES:

\$577.3 million in 2012⁺
\$586.9 million in 2011^{**}
\$549.4 million in 2010^{***}

CAPITAL EXPENDITURES:

\$290.4 million in 2012⁺
\$437.1 million in 2011^{**}
\$390.8 million in 2010^{***}

⁺The Corporation's consolidated financial statements were prepared in accordance with Part V of Canadian GAAP until December 31, 2011. Selected financial information from comparative consolidated financial statements for 2011 have been adjusted retroactively from the consolidated financial statements previously filed to conform to the presentation of the Corporation's 2012 consolidated financial statements prepared in accordance with US GAAP.

^{**}The Corporation's consolidated financial statements were prepared in accordance with Part V of Canadian GAAP until December 31, 2011. Selected financial information from comparative consolidated financial statements for 2011 have been adjusted retroactively from the consolidated financial statements previously filed to conform to the presentation of the Corporation's 2012 consolidated financial statements prepared in accordance with US GAAP.

^{***}The Corporation's consolidated financial statements for 2010 were prepared in accordance with Canadian GAAP.

⁺The Corporation's consolidated financial statements were prepared in accordance with Part V of Canadian GAAP until December 31, 2011. Selected financial information from comparative consolidated financial statements for 2011 have been adjusted retroactively from the consolidated financial statements previously filed to conform to the presentation of the Corporation's 2012 consolidated financial statements prepared in accordance with US GAAP.

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^{***}The Corporation's consolidated financial statements for 2010 were prepared in accordance with Canadian GAAP.

⁺The Corporation's consolidated financial statements were prepared in accordance with Part V of Canadian GAAP until December 31, 2011. Selected financial information from comparative consolidated financial statements for 2011 have been adjusted retroactively from the consolidated financial statements previously filed to conform to the presentation of the Corporation's 2012 consolidated financial statements prepared in accordance with US GAAP.

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^{***}The Corporation's consolidated financial statements for 2010 were prepared in accordance with Canadian GAAP.



Restructuring Costs

In the first quarter of 2012, the Corporation's Board of Directors approved a workforce restructuring program aimed at reducing operating expenditures. The program was approved following the decision by our regulator, the OEB, to deny our request to set electricity distribution rates for 2012, 2013 and 2014 under the Cost of Service framework. In preparing our revised application using the Incentive Regulation Mechanism framework, we concluded that significant cost reductions were necessary to manage our business within the confines of the expected allowed electricity distribution rates provided by the IRM framework. The main component of these operating cost reduction initiatives was a workforce restructuring program, which included the severance of management employees and a voluntary exit incentive program for targeted unionized positions.

Restructuring costs for the year ended December 31, 2012 were \$27.8 million compared to \$nil for the comparable period in 2011. This balance was comprised of ongoing termination charges of \$23.7 million and one-time termination incentive charges of \$4.1 million, of which \$12.0 million remains unpaid as at December 31, 2012.

Our 2012 Rate Application

In April 2013, Toronto Hydro received the OEB's Decision and Order for our application for the 2012 and 2013 capital infrastructure plan and also for our application for a new transformer station in downtown Toronto.

The OEB has strongly endorsed our capital investment program, its methodology and execution. Citing the strength of our evidence, the OEB supports the investment program which is intended to enhance safety and reliability of the distribution system for the benefit of customers and employees. The decision provides for an increase in capital spending to address aging electricity distribution infrastructure, and allows for the construction of the new transformer station in downtown Toronto to relieve existing stations and provide for future load growth in the area. The new station will be the first transformer station built in downtown Toronto in many decades.

Productivity

Our financial strength is a credit to the productivity and efficiency gains we made year over year since our amalgamation in 1998. We are committed to delivering value to all of our stakeholders and financial prudence is a large part of how this is accomplished. In 2012, we commissioned research to measure our productivity and efficiency against an American peer group.



VIDEO





“ Toronto Hydro is truly committed to being more productive and efficient. It is inspiring to see how many initiatives we have and how these efforts are making a real difference in the company’s performance. Recent research studies shows that Toronto Hydro has one of the best records in safety and attendance in the industry; our productivity is significantly better than average compare to U.S. companies and a peer group of utilities that serve dense urban centres. However, we are always looking for ways to improve. To remain a leader in productivity, we will continue our efforts to provide value to our customers by conducting business in the most productive way. ”

Alex Bakulev

Manager — Event Management and Business Optimization

OUR GOVERNANCE, COMPLIANCE AND BUSINESS CONDUCT

The Corporation has developed sound corporate governance practices. The Corporation's Board of Directors and management believe that strong corporate governance is essential for creating shareholder value and maintaining investor confidence.





Our Board of Directors

The Board consists of eleven directors, all of whom are appointed by the sole shareholder of the Corporation, the City.

Pursuant to the Shareholder Direction, in appointing directors to the Board, the City gives due regard to the qualifications of a candidate, including: experience or knowledge; commercial sensitivity and acumen; independence of judgment; and personal integrity. The City seeks candidates with experience and knowledge in: public utility commissions or boards of major corporations or other commercial enterprises; corporate finance; corporate governance; market development; large system operation and management; urban energy industries; and public policy issues and laws relating to Toronto Hydro, the electricity industry; environmental matters; labour relations and occupational health and safety issues.

Board Members (As of December 31, 2012):

- Clare R. Copeland (ceased to be Chairman and a Director on April 14, 2013)
- Patricia Callon (ceased to be a Director on April 14, 2013)
- Brian Chu (ceased to be a Director on April 14, 2013)
- Derek Cowbourne
- Paulette Kennedy
- Shoba Khetrupal (ceased to be a Director on April 14, 2013)
- David Williams (appointed Chairman effective April 15, 2013)
- Vincent Brescia
- Councillor Shelley Carroll
- Councillor Josh Colle
- Councillor Ron Moeser (ceased to be a Director on December 31, 2012)

*Effective January 1, 2013, Councillor Gloria Lindsay Luby was appointed a Director

*Effective April 15, 2013, Glenna Carr, Isabel Meharry, Colum Bastable and Sara Gelgor were appointed as Directors.



Committees

The board has established four standing committees:

Audit Committee

The Audit Committee is responsible for overseeing the adequacy and effectiveness of financial reporting, accounting systems and 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 securities offerings or required by applicable regulatory authorities, reviews the audit plans of the external auditors, oversees the internal audit of the Corporation, reviews officers' personal expenses on an annual basis and recommends the external auditor for appointment by the Corporation's sole shareholder.

Corporate Governance Committee

The Corporate Governance Committee is responsible for considering and making recommendations to the Board with respect to matters relating to the corporate governance of the Corporation, 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. Management undertakes orientation and education programs for new directors.

Compensation Committee

The Compensation Committee is responsible for reviewing and assisting the Board in overseeing Toronto Hydro's compensation program.

Health and Safety Committee

The Health and Safety Committee is responsible for considering and making recommendations to the Board with respect to matters of health and safety.

Code of Business Conduct

All employees, officers and directors of the Corporation and Toronto Hydro are required to comply with the principles set out in the Code of Business Conduct, which was implemented by the Corporation in 2004 and is reviewed and approved by the Board from time to time. The Code provides for the appointment of an Ethics Officer and establishes a direct hotline to the Ethics Officer by which perceived violations of the principles set out in the Code may be reported, anonymously or otherwise. The Ethics Officer reports quarterly to the Audit Committee of the Board on the nature of complaints received including those related to audit and accounting matters. Where the complaint involves the conduct of a director or officer of the Corporation, the Ethics Officer is required to report it to the Chair of the Audit Committee, who oversees the investigation of that complaint. A copy of the Corporation's Code of Business Conduct is available on the SEDAR website at sedar.com.



Environmental Protection Requirements

Toronto Hydro is subject to extensive federal, provincial and local regulation relating to the protection of the environment. The principal federal legislation is the Canadian Environmental Protection Act which regulates the use, import, export and storage of toxic substances, including PCBs and ozone-depleting substances. Toronto Hydro is also subject to the federal Transportation of Dangerous Goods Act which prescribes safety standards and requirements for the handling and transportation of hazardous goods including PCBs and sets reporting, training and inspection requirements relating thereto.

The principal provincial legislation is the Environmental Protection Act which regulates releases and spills of contaminants, including PCBs, ozone-depleting substances and other halocarbons, contaminated sites, waste management, and the monitoring and reporting of airborne contaminant discharge. The provincial Technical Standards and Safety Act also applies to Toronto Hydro's operations with respect to the handling of and training related to compressed gas, propane and liquid fuels. The provincial Fire Protection and Prevention Act requires Toronto Hydro to implement procedures and training for dealing with any spills of flammable or combustible liquids. The provincial Dangerous Goods Transportation Act prescribes safety standards and requirements for the transportation of dangerous goods on provincial highways and sets out inspection requirements related thereto.

Municipal by-laws regulate discharges of industrial sewage and storm water run-off to the municipal sewer system and the reporting of the release of certain toxic substances into the atmosphere.

Environmental Policy and Oversight

Toronto Hydro has a strong commitment to the environment through the enforcement of a well defined Environmental Policy. Conformance with the Environmental Policy is managed by the Environmental, Health and Safety department led by Toronto Hydro's Vice-President of Organizational Effectiveness, Environment, Health and Safety. The content of, and conformance with, the Environmental Policy is reviewed annually by the Board.

Toronto Hydro's Environmental Policy identifies several core environmental principles, which include:

- **COMPLY WITH LEGAL REQUIREMENTS**

At a minimum, comply with applicable environmental legislation and other environmental commitments approved by Toronto Hydro's executive.

- **CONTINUAL IMPROVEMENT**

Continually improve environmental performance through the establishment of annual objectives, targets and programs and issue regular progress reports to Toronto Hydro's management.

- **EMPLOYEE ENGAGEMENT**

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

- **COMMUNITY ENGAGEMENT**

Work constructively on environmental issues and with open dialogue with stakeholders including suppliers, customers, regulators, industry and the public.

- **PREVENTION OF POLLUTION**

Implement policies, programs, procedures or other actions for the prevention of pollution that may result from Toronto Hydro's activities.

- **CONSIDER THE ENVIRONMENT IN BUSINESS PROCESSES**

Integrate environmental considerations into our business processes.

Toronto Hydro manages its significant environmental aspects in conformance with ISO 14001 and was certified on February 5, 2013 as meeting the requirements of the ISO 14001 standard by a third party auditor.

All legislated environmental reporting requirements for federal, provincial and municipal governments are complied with. Management assurance that these requirements are met is accomplished by commissioning third party environmental compliance audits conducted in conformance with our environmental health and safety audit plan.

Toronto Hydro's environmental policies, programs and procedures are reviewed and approved by management. Quarterly updates are presented to the Board covering current environmental risks, environmental compliance audit findings, mitigation strategies and other material environmental matters.

Occupational Health and Safety

Toronto Hydro is committed to a safe and injury free work environment for all employees, contractors, visitors and the public. Toronto Hydro maintains and reviews procedures, programs and the Occupational Health and Safety (OH&S) Policy which outlines several core principles including:

- **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.
- **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.
- **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.
- **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.
- **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.
- **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 health and safety performance and ensure contractors and suppliers are aware of Toronto Hydro's health & safety rules and responsibilities as it relates to the OH&S management system. Contractors will be held accountable for significant safety incidents, regardless of outcome, which occurs while doing work for Toronto Hydro.
- **INCIDENT INVESTIGATION** — Toronto Hydro will report, investigate and implement corrective actions for all OH&S incidents.
- **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.



Occupational Health and Safety (continued)

The content of, and compliance with, the Occupational Health and Safety Policy is reviewed annually by the Board.

Toronto Hydro's health and safety performance is reviewed periodically by the Health and Safety Committee of the Board. In 2012, the Total Recordable Injury Frequency was reduced to 2.15 recordable injuries per 200,000 hours worked compared to 2.49 in 2011.

Toronto Hydro's legislated occupational health and safety requirements come under provincial jurisdiction exclusively and all legislated occupational health and safety reporting requirements are complied with. Management assurance that these requirements are met is accomplished by commissioning third party occupational health and safety compliance audits conducted in conformance with our environmental health and safety audit plan.

Toronto Hydro's occupational health and safety policies, programs and procedures are reviewed and approved by management. Quarterly updates are presented to the Board covering current occupational health and safety risks, performance, compliance audit findings, mitigation strategies and other occupational health and safety matters.

Board Oversight and Management of Risks

In 2010, the Corporation adopted an Enterprise Risk Management Program to provide a consistent and disciplined methodology for the identification, assessment, mitigation, monitoring and reporting of risks applicable to Toronto Hydro. The Enterprise Risk Management Program follows industry best practices and adopts a rigorous top-down and bottom-up approach to integrate risk management into the Corporation's strategic plan and to manage strategic, operational, financial, employee, health and safety, environmental and external risks.

To ensure strong oversight over the risk management process, a formal risk governance structure is in place. The Corporation's Enterprise Risk Management Program is administered under the supervision of Toronto Hydro's Vice-President, Strategic Management and Information Technology, who reports and makes recommendations to an executive Risk Oversight Committee consisting of all executive officers of the Corporation and Toronto Hydro. The executive Risk Oversight Committee provides quarterly reports to the Board regarding material risks. The Board is ultimately responsible for the oversight and management of the Corporation's risks.

Legal Disclaimer

The information in these materials is based on information currently available to Toronto Hydro Corporation and its affiliates, and is provided for information purposes only. Toronto Hydro does not warrant the accuracy, reliability, completeness or timeliness of the information and undertakes no obligation to revise or update these materials. Toronto Hydro (including its directors, officers, employees, agents and subcontractors) hereby waives any and all liability for damages of whatever kind and nature which may occur or be suffered as a result of the use of these materials or reliance on the information therein. These materials may also contain forward-looking information within the meaning of applicable securities laws in Canada (“Forward-Looking Information”). The purpose of the Forward-Looking Information is to provide Toronto Hydro’s expectations about future results of operations, performance, business prospects and opportunities and may not be appropriate for other purposes. All Forward-Looking Information is given pursuant to the “safe harbour” provisions of applicable Canadian securities legislation. The words “anticipates”, “believes”, “budgets”, “could”, “estimates”, “expects”, “forecasts”, “intends”, “may”, “might”, “plans”, “projects”, “schedule”, “should”, “will”, “would” and similar expressions are often intended to identify Forward-Looking Information, although not all Forward-Looking Information contains these identifying words. The Forward-Looking Information reflects the current beliefs of, and is based on information currently available to, Toronto Hydro’s management. The Forward-Looking Information in these materials includes, but is not limited to, statements regarding Toronto Hydro’s future results of operations, performance, business prospects and opportunities. The statements that make up the Forward-Looking Information are based on assumptions that include, but are not limited to, the future course of the economy and financial markets, the receipt of applicable regulatory approvals and requested rate orders, the receipt of favourable judgments, the level of interest rates, Toronto Hydro’s ability to borrow, and the fair market value of Toronto Hydro’s investments. The Forward-Looking Information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the Forward-Looking Information. The factors which could cause results or events to differ from current expectations include, but are not limited to, the timing and amount of future cash flows generated by Toronto Hydro’s investments, market liquidity and the quality of the underlying assets and financial instruments, the timing and extent of changes in prevailing interest rates, inflation levels, legislative, judicial and regulatory developments that could affect revenues, and the results of borrowing efforts. Toronto Hydro cautions that this list of factors is not exclusive. All Forward-Looking Information in these materials is qualified in its entirety by the above cautionary statements and, except as required by law, Toronto Hydro undertakes no obligation to revise or update any Forward-Looking Information as a result of new information, future events or otherwise after the date hereof.