

Toronto Hydro Corporation Report May 19, 2020

Addressed to the Executive Committee of City Council
from Conrad Sheppard, Corporate Secretary
Toronto Hydro Corporation

2019 Annual Shareholder Meeting – Toronto Hydro Corporation

Purpose

1. To comply with the requirements of subsection 149(2) of the Business Corporations Act (Ontario), R.S.O. 1990, c.B.16 (the "OBCA"), the shareholder shall, at each annual meeting, appoint one or more auditors to hold office until the close of the next annual meeting. Pursuant to subsection 149(7) of the OBCA, the remuneration of an auditor appointed by the shareholder shall be fixed by the shareholder, or by the directors if they are authorized to do so by the shareholder.
2. To comply with the requirements of subsection 154(1) of the OBCA and section 9.7 of the City of Toronto's Amended and Restated Shareholder Direction Relating to Toronto Hydro Corporation (the "Shareholder Direction"), the directors of Toronto Hydro Corporation ("THC") are required to place before each annual meeting of the shareholder:
 - (a) the financial statements required to be filed under the *Securities Act* (Ontario) and the regulations thereunder relating separately to: (i) the period that began immediately after the end of the last completed financial year and ended not more than six months before the annual meeting; and (ii) the immediately preceding financial year;
 - (b) the report of the auditor, if any, to the shareholders; and
 - (c) any further information respecting the financial position of THC and the results of its operations required by the articles, the by-laws or any shareholder direction.

THC therefore hereby submits and recommends that this report and attached documents be received by the Executive Committee and the attached shareholder resolution be approved by the City Council.

Recommendations

It is recommended that City Council, as the sole shareholder of THC:

- (1) hold an annual shareholder meeting;
- (2) approve and adopt the shareholder resolution attached as Attachment 1 to this report to re-appoint the auditor of THC to hold office until the close of the next annual meeting of the shareholder and to authorize the directors of THC to fix the auditor's remuneration;
- (3) receive for its information, the following documents:
 - (a) Attachment 1 – Resolution of the Sole Shareholder - City of Toronto, Re-appointing Auditor;

- (b) Attachment 2 – Toronto Hydro Corporation 2019 Annual Report; Toronto Hydro Corporation 2019 Annual Financial Report dated December 31, 2019 including THC's audited consolidated financial statements for 2019 and the auditor's report related thereto;
 - (c) Attachment 3 – Toronto Hydro Corporation Annual Information Form for the Year Ended December 31, 2019;
 - (d) Attachment 4 – Toronto Hydro Corporation 2019 Environmental Performance Report;
 - (e) Attachment 5 – Toronto Hydro Corporation CEO and CFO Certification of Annual Filings;
 - (f) Attachment 6(a) - Executive Compensation Disclosure of Toronto Hydro Corporation for 2019 (Part 1, NEO's);
 - (g) Confidential Attachment 6(b) – Executive Compensation Disclosure of Toronto Hydro Corporation for 2019 (Part 2, All);
 - (h) Confidential Attachment 7 – Toronto Hydro Corporation Report to the Shareholder for the Year Ended December 31, 2019 and Toronto Hydro Corporation Non-Consolidated Financial Statements dated December 31, 2019;
 - (i) Confidential Attachment 8 - Financial Statements of Toronto Hydro-Electric System Limited dated December 31, 2019 and December 31, 2018;
 - (j) Confidential Attachment 9 - Financial Statements of Toronto Hydro Energy Services Inc. dated December 31, 2019 and December 31, 2018;
 - (k) Attachment 10 – Toronto Hydro Corporation's First Quarter Report dated March 31, 2020 including THC's unaudited consolidated financial statements for the first quarter of 2020;
 - (l) Attachment 11 - Statement of Remuneration and Expenses for Council Appointees for the Year Ended December 31, 2019; and
- (4) authorize and direct appropriate City officials to take the necessary action to give effect to the above.

Background

The City of Toronto is the sole shareholder of THC.

THC is a holding company which wholly-owns two subsidiaries:

- (1) Toronto Hydro-Electric System Limited, which distributes electricity; and
- (2) Toronto Hydro Energy Services Inc., which provides street lighting and expressway lighting services in the City.

Comments

(1) Annual Shareholder Meeting

In accordance with THC's By-Law 1.1, the City of Toronto as shareholder is empowered to call an annual meeting of the shareholder.

In addition, despite any provision in a corporation's bylaws or constating documents, a shareholder meeting may be held virtually or electronically and a shareholder participating by such means is deemed to be present at the meeting.

(2) Re-appointment of Auditor and Re-authorization of THC Directors to Fix Remuneration

At the preceding annual shareholder meeting, the shareholder resolved to appoint KPMG LLP, Chartered Accountants, as the auditor for THC until the close of the next annual meeting of the shareholder, or until a successor is appointed, and further resolved and authorized the directors of THC to fix the auditor's remuneration.

KPMG LLP has been THC's auditor since 2011. The appointment of KPMG LLP as THC's auditor was the result of a request for proposals process undertaken by THC in late 2010. At its August 20, 2019 meeting the Audit Committee of THC approved an Engagement Letter with KPMG LLP to provide audit and assurance services to THC and its subsidiaries for audit years 2020 through to and including 2024. At the March 27, 2020 THC meeting, it was resolved that the THC Board of Directors recommends to its sole shareholder that KPMG be appointed as the auditor of Toronto Hydro Corporation effective for the 2020 audit year or until the appointment of a successor auditor.

(3) Audited Financial Statements and Auditor's Report

The following documents are attached to this report in compliance with the requirements of subsection 154(1) of the OBCA and Sections 9.7 and 9.8 of the Shareholder Direction, which documents have also been previously delivered by THC to the Chief Financial Officer for review:

- a) THC's audited consolidated financial statements for 2019 and the auditor's report related thereto;
- b) Toronto Hydro CEO and CFO Certification of Annual Filings; and
- c) THC's unaudited consolidated financial statements for the first quarter of 2020.

(4) Other Financial Information

Sections 9.7 and 9.8 of the Shareholder Direction also require THC to submit to the Executive Committee, through the City Manager and the City Chief Financial Officer, the annual audited consolidated Financial Statements of each of THC's active subsidiaries. Section 9.8 of the Shareholder Direction requires The following documents were provided previously to the City Chief Financial Officer in compliance with the Shareholder Direction and are confidential due to the security of the property of the City, and securities requirements arising from THC's status as an offering corporation under the OBCA, THC'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 (Continuous Disclosure Obligations).

- a) Toronto Hydro Corporation Report to the Shareholder for the Year Ended December 31, 2019;
- b) Toronto Hydro Corporation Non-Consolidated Financial Statements dated December 31, 2019;
- c) Financial Statements of Toronto Hydro-Electric System Limited dated December 31, 2019 and 2018; and
- d) Financial Statements Toronto Hydro Energy Services Inc. dated December 31, 2019 and 2018.

(5) Executive Compensation

Section 9.8 of the Shareholder Direction also requires THC to submit to the City Executive Committee, through the City Manager's office and City CFO, certain executive compensation information for all of the officers of THC. THC's 2019 Executive Compensation Disclosure is being submitted in two parts. The first part contains information about Named Executive Officers that has been disclosed in THC's Annual Information Form, in accordance with National Instrument 51-102. The second part contains information about the remaining officers of the THC and is confidential as it contains personal information about identifiable individuals.

(6) Additional Reports

The following documents are attached to this report in compliance with Section 9.8 of the Shareholder Direction and the general requirement of paragraphs 154(1)(c) and 154(1)(d) of the OBCA:

- (a) THC's 2019 Annual Report;
- (b) THC's 2019 Environmental Performance Report;
- (c) THC's 2019 Annual Information Form; and
- (d) Statement of Remuneration and Expenses for Council Appointees for the Year Ended December 31, 2019.

THC Contact

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