

## **Toronto Hydro Corporation Annual General Meeting and 2023 Audited Financial Statements**

**Date:** July 2, 2024

**To:** Executive Committee

**From:** Conrad Sheppard, Corporate Secretary

**Wards:** All

### **SUMMARY**

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Toronto Hydro provides this report:

- In combination with the attached 2023 Annual Report in satisfaction of City staff's request, by way of email dated March 8, 2024, that Toronto Hydro Corporation provide a cover report that highlights key financial information for Executive Committee and City Council consideration.
- To comply with the requirements of subsection 94(1) of the OBCA, the directors of Toronto Hydro Corporation are required to call an annual meeting of its shareholder (i.e. the City of Toronto) by no later than fifteen (15) months after holding the last preceding annual meeting. The preceding annual meeting was held on July 11, 2023.
- To comply with the requirements of subsection 149(2) of 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.
- To comply with the requirements of subsection 154(1) of the OBCA and section 9.7 of the City's Shareholder Direction, the directors of Toronto Hydro Corporation are required to place before each annual meeting of the shareholder:
  - 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;
  - the report of the auditor, if any, to the shareholders; and
  - any further information respecting the financial position of Toronto Hydro Corporation and the results of its operations required by the articles, the by-laws or any shareholder direction.

Toronto Hydro Corporation 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**

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The Board of Directors of Toronto Hydro Corporation recommends that:

1. City Council treat the portion of the City Council meeting at which this report is considered as the Annual General Meeting of the Shareholder for Toronto Hydro Corporation.
2. City Council approve and adopt the shareholder resolution attached in Attachment 2 to this report to re-appoint the auditor of Toronto Hydro Corporation to hold office until the close of the next annual meeting of the shareholder and to authorize the directors of Toronto Hydro Corporation to fix the auditor's remuneration;
3. City Council receive the following documents for information:
  - a. Attachment 1a – Toronto Hydro Corporation 2023 Annual Report;
  - b. Attachment 1b – Toronto Hydro 2023 Climate Action Plan Status Report;
  - c. Attachment 2 – Resolution of the Sole Shareholder – City of Toronto, Re-appointing Auditor;
  - d. Attachment 3 – Toronto Hydro Corporation 2023 Annual Financial Report for the Year Ended December 31, 2023 including Toronto Hydro Corporation's audited consolidated financial statements for 2023 and the auditor's report related thereto;
  - e. Attachment 4 – Toronto Hydro Corporation Annual Information Form for the Year Ended December 31, 2023;
  - f. Attachment 5 – Toronto Hydro Corporation 2023 Environmental Performance Report;
  - g. Attachment 6 – Toronto Hydro 2023 Environmental, Social and Governance Report;
  - h. Attachment 7 – Toronto Hydro Corporation CEO and CFO Certification of Annual Filings;
  - i. Confidential Attachment 8(a) – Executive Compensation Disclosure of Toronto Hydro Corporation for 2023 (Part 1, NEO's);

- j. Confidential Attachment 8(b) – Executive Compensation Disclosure of Toronto Hydro Corporation for 2023 (Part 2, All);
- k. Confidential Attachment 9 – Toronto Hydro Corporation Report to the Shareholder for the Year Ended December 31, 2023 and Toronto Hydro Corporation Non-Consolidated Financial Statements for the year ended December 31, 2023;
- l. Confidential Attachment 10 – Financial Statements of Toronto Hydro-Electric System Limited for the Years Ended December 31, 2022 and December 31, 2023;
- m. Confidential Attachment 11 – Financial Statements of Toronto Hydro Energy Services Inc. for the Years Ended December 31, 2023 and December 31, 2022;
- n. Attachment 12 – Toronto Hydro Corporation’s First Quarter Report for the Quarter Ended March 31, 2024 including Toronto Hydro Corporation’s unaudited consolidated financial statements for the first quarter of 2024;
- o. Attachment 13(a) – Statement of Remuneration and Expenses for Council Appointees for the Year Ended December 31, 2023 (Form 1);
- p. Attachment 13(b) – THC Statement of Board Remuneration and Expenses 2023 (Form 2)

4. City Council direct that Confidential Attachments 8(a), 8(b), 9, 10 and 11 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 (the “OBCA”), 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.

5. City Council authorize and direct appropriate City officials to take the necessary action to give effect to City Council’s decision.

## **FINANCIAL IMPACT**

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There are no financial implications as a result of adopting this report.

## **DECISION HISTORY**

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On February 28, 2024, the Board of Directors approved the 2023 Audited Financial Statements for Toronto Hydro. The Board of Directors recommended the appointment of KPMG as auditors for the year ending 2024.

On July 19, 2023, that portion of the City Council meeting where EX6.19 Toronto Hydro Corporation Annual General Meeting and 2022 Audited Financial Statements and as Shareholder was approved by Council, was considered the previous Annual General Meeting of the Shareholder for Toronto Hydro Corporation.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX6.19>

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>

## **COMMENTS**

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### **Annual Shareholder Meeting**

In accordance with Toronto Hydro Corporation'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 by-laws 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.

### **Climate Action Plan Status Report**

The Climate Action Plan 2023 Status Report is attached to this report in compliance with Sections 1 and 5 of the City Council resolution dated July 19, 2022, which requires Toronto Hydro Corporation to report to the City of Toronto the status of the provincially regulated expanded grid capacity for growth, electrification and incremental local renewable generation in relation to helping the City of Toronto achieve its TransformTO: Net Zero Strategy goals, as well as the progress, key performance indicators, and next steps of Climate Advisory Services to the City.

### **Re-appointment of Auditor and Re-authorization of Toronto Hydro Corporation Directors to Fix Remuneration**

At the preceding annual shareholder meeting, the shareholder resolved to appoint KPMG LLP, Chartered Professional Accountants, as the auditor for Toronto Hydro Corporation 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 Toronto Hydro Corporation to fix the auditor's remuneration.

KPMG LLP has been Toronto Hydro Corporation's auditor since 2011. The appointment of KPMG LLP as Toronto Hydro Corporation's auditor was the result of a request for proposals process undertaken by Toronto Hydro Corporation in late 2010. At its August

18, 2019 meeting, the Audit Committee of Toronto Hydro Corporation approved an Engagement Letter with KPMG LLP to provide audit and assurance services to Toronto Hydro Corporation and its subsidiaries for audit years 2020 through to and including 2024. At the February 28, 2024 Toronto Hydro Corporation Board of Directors meeting, it was resolved that the Toronto Hydro Corporation Board of Directors recommend to its sole shareholder that KPMG LLP be appointed as the auditor of Toronto Hydro Corporation for the 2024 audit year or until the appointment of a successor auditor.

## **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 Toronto Hydro Corporation to the City Chief Financial Officer for review:

- Toronto Hydro Corporation's audited consolidated financial statements for 2023 and the auditor's report related thereto;
- Toronto Hydro CEO and CFO Certification of Annual Filings; and
- Toronto Hydro Corporation's unaudited consolidated financial statements for the first quarter of 2024.

Toronto Hydro Corporation's 2023 Consolidated Financial Statements were audited by KPMG LLP and received an unqualified opinion stating that the financial statements present fairly, in all material respects, the Toronto Hydro Corporation financial position as at December 31, 2023 and the 2023 results of operations in accordance with International Financial Reporting Standards.

## **Financial Information Reporting**

Sections 9.7 and 9.8 of the Shareholder Direction also require Toronto Hydro Corporation 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 Toronto Hydro Corporation's active subsidiaries. In accordance with Section 9.8 of the Shareholder Direction, the audited financial statements and accompanying information were provided to the City Manager and City Chief Financial Officer. The following documents are attached to this report and are confidential 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 OBCA, 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 (Continuous Disclosure Obligations).

- Toronto Hydro Corporation Report to the Shareholder for the Year Ended December 31, 2023;
- Toronto Hydro Corporation Non-Consolidated Financial Statements for the year ended December 31, 2023;

- Financial Statements of Toronto Hydro-Electric System Limited for the years ended December 31, 2023 and 2022; and
- Financial Statements of Toronto Hydro Energy Services Inc. for the years ended December 31, 2023 and 2022.

Additional financial performance information and financial highlights can be found on pages 8 and 9 of Toronto Hydro Corporation's 2023 Annual Report and relevant financial ratios can be found on page 9 of Toronto Hydro Corporation's Report to the Shareholder for Year Ended December 31, 2023.

## **Executive Compensation**

Section 9.8 of the Shareholder Direction also requires Toronto Hydro Corporation 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 Toronto Hydro Corporation. Toronto Hydro Corporation's 2023 Executive Compensation Disclosure is being submitted in two parts. The first part contains information about Named Executive Officers that has been disclosed in Toronto Hydro Corporation's Annual Information Form, in accordance with National Instrument 51-102. The second part contains information about the remaining officers of the Toronto Hydro Corporation and is confidential as it contains personal information about identifiable individuals.

## **Future Outlook**

As a reporting issuer that is subject to provincial securities legislation, Toronto Hydro Corporation discloses forward-looking information only in accordance with applicable legislation and the terms of its Shareholder Direction.

Pursuant to the terms of the Shareholder Direction, Toronto Hydro Corporation previously provided the Chief Financial Officer of the City of Toronto with Toronto Hydro Corporation's 2024-2026 Business Plan, as approved by the company's Board of Directors on November 15, 2023. The 2024-2026 Business Plan was provided confidentially in accordance with the required terms of the Shareholder Direction.

Toronto Hydro Corporation is also periodically required to file certain types of forward-looking information with the Ontario Energy Board (OEB) as part of the process for setting its electricity distribution rates. A copy of Toronto Hydro Corporation's regulatory filings that were filed with the OEB as part of its 2025-2029 rates application can be found [here](#).

## **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:

- Toronto Hydro Corporation's 2023 Annual Report;
- Toronto Hydro Corporation's 2023 Environmental Performance Report;
- Toronto Hydro Corporation's 2023 Environmental, Social and Governance Report;
- Toronto Hydro Corporation's 2023 Annual Information Form; and
- Statement of Remuneration and Expenses for Council Appointees for the Year Ended December 31, 2023

## **CONTACT**

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## **SIGNATURE**

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Conrad Sheppard  
Corporate Secretary

## **ATTACHMENTS**

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