

INTRODUCTION AND CORPORATE PROFILE



1.0 Introduction and Corporate Profile

Message from the Chairman and from the President and Chief Executive Officer
Independent Reviewers' Report

Introduction:

Company Description and Operating Companies

Corporate Overview

Some of Our Largest Customers

Governance, Compliance and Business Conduct

Stakeholder Engagement

Stakeholder Engagement Matrix

About this Report:

Corporate Responsibility Indicators and Governance

2010 Indicators

Materiality

New Features for 2010

CR Governance

Corporate Responsibility and Corporate Strategy

2.0 Economic Performance

3.0 Environmental Responsibility

4.0 Social Responsibility

5.0 Feedback on this Report

6.0 Legal Disclaimer

Global Reporting Initiative ("GRI") – Index

Independent Reviewers' Report

Independent Assurance Report

To the Board of Directors and Management of Toronto Hydro Corporation ("Toronto Hydro"):

We have reviewed selected quantitative performance indicators (the "Subject Matter") presented in Toronto Hydro's Corporate Responsibility Report (the "Report") for the year ended December 31, 2010. We did not review all information included in the Report.

Subject Matter

We reviewed the selected quantitative indicators listed below:

- Community involvement expenditures
- Customer electricity conservation and demand management
- Energy use
- Total direct and indirect GHG emissions

The selected quantitative performance indicators were chosen by Toronto Hydro primarily on the basis of perceived external stakeholder interest. We did not review the narrative sections of the Report, except where they incorporated the Subject Matter.

Responsibilities

Toronto Hydro management is responsible for collection and presentation of the Subject Matter set out in the Report. Our responsibility is to express a conclusion, based on our assurance procedures, as to whether anything has come to our attention to suggest that the Subject Matter is not presented fairly in accordance with the relevant criteria.

Methodology & Assurance Procedures

We conducted our work in accordance with the International Standard on Assurance Engagements ("ISAE") 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Federation of Accountants. As such, we planned and performed our work in

order to provide limited assurance with respect to the Subject Matter. We obtained and evaluated evidence using a variety of procedures including:

- Interviewing relevant Toronto Hydro management and staff responsible for data collection and reporting
- Obtaining an understanding of the management systems, processes, and controls used to generate, aggregate and report the data
- Reviewing relevant documents and records on a sample basis
- Testing and re-calculating quantitative information related to the selected performance indicators on a sample basis
- Assessing the information collected for completeness, accuracy, adequacy and consistency
- Reviewing and discussing the final version of the Report with Toronto Hydro management to confirm that it reflected our findings

Our evidence-gathering procedures were more limited than required for a reasonable assurance engagement and, consequently, we do not express an audit opinion on the Subject Matter.

We carried out our work on the selected performance indicators at Toronto Hydro's head office in Toronto, Ontario. Our assurance criteria comprised the Global Reporting Initiative Sustainability Reporting Guidelines (2006), industry standards, and Toronto Hydro internal management definitions as disclosed in the Report, informed by relevant regulations.

Conclusion

Based on our work as described in this report, nothing has come to our attention that causes us to believe that the Subject Matter is not, in all material respects, presented fairly in accordance with the relevant criteria.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Toronto, Ontario, Canada

May 24, 2011

INTRODUCTION AND CORPORATE PROFILE



1.0 Introduction and Corporate Profile

Message from the Chairman and from the President and Chief Executive Officer
Independent Reviewers' Report

Introduction:

Company Description and Operating Companies

Corporate Overview

Some of Our Largest Customers

Governance, Compliance and Business Conduct

Stakeholder Engagement

Stakeholder Engagement Matrix

About this Report:

Corporate Responsibility Indicators and Governance

2010 Indicators

Materiality

New Features for 2010

CR Governance

Corporate Responsibility and Corporate Strategy

2.0 Economic Performance

3.0 Environmental Responsibility

4.0 Social Responsibility

5.0 Feedback on this Report

6.0 Legal Disclaimer

Global Reporting Initiative ("GRI") – Index

Company Description and Operating Companies



Toronto Hydro Corporation is a holding company, which wholly owns two principal subsidiaries:

TORONTO HYDRO-ELECTRIC SYSTEM LIMITED ("THESL")*

The principal business and main business focus of Toronto Hydro is the distribution of electricity by THESL, which owns and operates \$2.2 billion of capital assets comprised primarily of an electricity distribution system that delivers electricity to approximately 700,000 customers located in the City. THESL is the largest municipal electricity distribution company in Canada and distributes approximately 19 per cent of the electricity consumed in Ontario.

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

The sole shareholder of Toronto Hydro is the City.

The registered head office of Toronto Hydro is located at 14 Carlton Street, Toronto, Ontario, M5B 1K5. The only geographic market in which Toronto Hydro conducts business is the City.

**THESL is a long-standing member of the Canadian Electricity Association ("CEA") and the Electricity Distributors Association ("EDA") and adheres to these associations' codes of safety and performance.*

TORONTO HYDRO ENERGY SERVICES INC.

Toronto Hydro Energy Services Inc. owns and operates street lighting assets located in the City of Toronto.

INTRODUCTION AND CORPORATE PROFILE



1.0 Introduction and Corporate Profile

Message from the Chairman and from the President and Chief Executive Officer

Independent Reviewers' Report

Introduction:

Company Description and Operating Companies

Corporate Overview

Some of Our Largest Customers

Governance, Compliance and Business Conduct

Stakeholder Engagement

Stakeholder Engagement Matrix

About this Report:

Corporate Responsibility Indicators and Governance

2010 Indicators

Materiality

New Features for 2010

CR Governance

Corporate Responsibility and Corporate Strategy

2.0 Economic Performance

3.0 Environmental Responsibility

4.0 Social Responsibility

5.0 Feedback on this Report

6.0 Legal Disclaimer

Global Reporting Initiative ("GRI") – Index

At a Glance – Corporate Overview

Assets

Electricity delivered – gigawatt-hours ("GWh")	24,746
Peak load – megawatts ("MW")	4,786
Control centre	1
Operations centres	8
Municipal substations	170
Poles	140,000
Underground vaults	16,200
Cable chambers	11,200
Length of overhead wires (kms)	15,000
Length of underground wires (kms)	10,400
Primary switches	24,400
Distribution transformers	60,500
Street and expressway lights	164,400
Vehicles in fleet	617
Smart meters	674,000

People

Number of customers (approximately)	700,000
Residential service customers	620,100
General service with monthly demand of 0–5,000 kiloWatt ("kW")	79,850
Large users with monthly demand over 5,000 kW	50
Employees – Toronto Hydro Corporation	4
Employees – Toronto Hydro-Electric System Limited	1,700
Employees – Toronto Hydro Energy Services Inc.	3
Labour unions	CUPE Local One, Society of Energy Professionals
Workforce belonging to collective bargaining agreements (%)	73
Customer call volume	637,000

Performance

Average duration of customer power interruptions (hours)	1.29
Average number of customer power interruptions	1.77
Community involvement expenditures	\$658,000
Net revenues (\$ millions)	\$549
Operating expenses (\$ millions)	\$223
Conservation and Demand Management ("CDM")	
Reduction (MW)	34
Savings (MWh)	126,800
Greenhouse gas ("GHG") emissions Scope 1 and 2; tonnes of carbon dioxide equivalent ("tCO ₂ e")	134,900
Energy consumption	
Total electricity consumed (MWh)	795,300
Total fuel consumed; gigajoule ("GJ")	118,400

INTRODUCTION AND CORPORATE PROFILE



1.0 Introduction and Corporate Profile

Message from the Chairman and from the President and Chief Executive Officer
Independent Reviewers' Report

Introduction:

Company Description and Operating Companies

Corporate Overview

Some of Our Largest Customers

Governance, Compliance and Business Conduct

Stakeholder Engagement

Stakeholder Engagement Matrix

About this Report:

Corporate Responsibility Indicators and Governance

2010 Indicators

Materiality

New Features for 2010

CR Governance

Corporate Responsibility and Corporate Strategy

2.0 Economic Performance

3.0 Environmental Responsibility

4.0 Social Responsibility

5.0 Feedback on this Report

6.0 Legal Disclaimer

Global Reporting Initiative ("GRI") – Index

Some of Our Largest Customers

Toronto Hydro's grid powers some of Toronto's major buildings and institutions including:

Irving Tissue Corporation

University of Toronto

Atlantic Packaging Products

Metro Toronto Works Department

Owens Corning Canada Limited

Toronto Dominion Centre

First Place Tower Brookfield Properties

Toronto Eaton Centre

151 Front West Inc.

BCE Development Corporation

Sunnybrook Hospital

Scotia Plaza

Praxair Products Inc.

Toronto General Hospital

Awards and Recognition



INTRODUCTION AND CORPORATE PROFILE



1.0 Introduction and Corporate Profile

Message from the Chairman and from the President and Chief Executive Officer
Independent Reviewers' Report

Introduction:

Company Description and Operating Companies
Corporate Overview
Some of Our Largest Customers
Governance, Compliance and Business Conduct
Stakeholder Engagement
Stakeholder Engagement Matrix

About this Report:

Corporate Responsibility Indicators and Governance
2010 Indicators
Materiality
New Features for 2010
CR Governance
Corporate Responsibility and Corporate Strategy

- 2.0 Economic Performance
- 3.0 Environmental Responsibility
- 4.0 Social Responsibility
- 5.0 Feedback on this Report
- 6.0 Legal Disclaimer
- Global Reporting Initiative ("GRI") – Index

Governance, Compliance and Business Conduct

Board of Directors

The Board of Directors of Toronto Hydro is responsible for supervising the business and affairs of Toronto Hydro and providing strategic guidance to management. The Board of Directors of Toronto Hydro is composed of eight independent directors and three city councillors. All directors are appointed by the sole shareholder of Toronto Hydro. The Board of Directors has five regularly scheduled meetings each year but meets as often as is necessary to fulfill its responsibilities to Toronto Hydro.

The Board of Directors of Toronto Hydro has established four committees:

- The Audit Committee is responsible for overseeing the adequacy and effectiveness of financial reporting, accounting systems and internal controls.
- The Corporate Governance Committee is responsible for considering and making recommendations to the Board with respect to matters relating to the corporate governance of Toronto Hydro, including board and committee composition and mandates, guidelines for assessing the effectiveness of the Board and its Committees and procedures to ensure that the Board functions independently from management.
- The Compensation Committee is responsible for reviewing the performance and remuneration of senior executives and succession planning for senior management positions.
- The Health and Safety Committee is responsible for considering and making recommendations to the Board with respect to matters of health and safety.

For more information about the Board of Directors and its committees, see the [2010 Annual Report](#).

Code of Business Conduct

All employees, officers and directors of Toronto Hydro are required to comply with the principles set out in the Code of Business Conduct (the "Code"), which was implemented by Toronto Hydro in 2004. The Code provides for the appointment of an Ethics and Compliance Officer and establishes a direct hotline to the Ethics and Compliance Officer by which perceived violations of the principles set out in the Code may be reported, anonymously or otherwise. The Ethics and Compliance Officer reports quarterly to the Audit Committee on the nature and status of complaints received, including those related to audit and accounting matters. Where the complaint involves the conduct of a director or officer of Toronto Hydro, the Ethics and Compliance Officer is required to report it to the Chair of the Audit Committee, who oversees the investigation of that complaint.

Regulatory Framework and Legislation

The OEB has regulatory oversight of electricity matters in the Province of Ontario. The *Ontario Energy Board Act, 1998* sets out the OEB's authority to issue distribution licences which must be obtained by owners or operators of a distribution system in Ontario. The OEB prescribes licence requirements and conditions including, among other things, specified accounting records, regulatory accounting principles, separation of accounts for separate businesses and filing process requirements for rate-setting purposes.

The OEB's authority and responsibilities include the power to approve and set rates for the transmission and distribution of electricity, the power to provide continued rate protection for rural and remote electricity customers and the responsibility for ensuring that electricity distribution companies fulfil their obligations to connect and service customers.

INTRODUCTION AND CORPORATE PROFILE



1.0 Introduction and Corporate Profile

Message from the Chairman and from the President and Chief Executive Officer
Independent Reviewers' Report

Introduction:

Company Description and Operating Companies
Corporate Overview
Some of Our Largest Customers
Governance, Compliance and Business Conduct
Stakeholder Engagement
Stakeholder Engagement Matrix

About this Report:

Corporate Responsibility Indicators and Governance
2010 Indicators
Materiality
New Features for 2010
CR Governance
Corporate Responsibility and Corporate Strategy

2.0 Economic Performance

3.0 Environmental Responsibility

4.0 Social Responsibility

5.0 Feedback on this Report

6.0 Legal Disclaimer

Global Reporting Initiative ("GRI") – Index

Governance, Compliance and Business Conduct (continued)

Environmental Framework and Legislation

Toronto Hydro is subject to extensive Canadian 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 polychlorinated biphenyls ("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 to them.

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 airborne contaminant discharge monitoring and reporting. 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 incorporate procedures and training for dealing with any spills of flammable or combustible liquids. The provincial *Dangerous Goods Transportation Act* also prescribes safety standards and requirements for the transportation of dangerous goods on provincial highways and sets out the necessary inspection requirements.

Municipal by-laws regulate discharges of industrial sewage and storm water run-off to the municipal sewer system.

Toronto Hydro's Environmental Stewardship Policy was approved by the Board of Directors on March 5, 2010. This policy establishes specific commitments to continuously monitor and improve Toronto Hydro's management of environmental protection requirements. The Environmental Stewardship Policy

is monitored and administered by THESL's Vice-President, Organizational Effectiveness, Environment, Health and Safety, and its implementation is overseen by THESL's Environment, Health and Safety department. The content and compliance with the Environmental Stewardship Policy is reviewed annually by the Board of Directors.

THESL has established various programs designed to identify and manage environmental impacts associated with the distribution of electricity and to aid in the improvement of environmental performance. THESL's environmental programs include: Total Recycled Waste Program (i.e. copper, aluminum, sundry nonferrous, steel); PCB Cable Disposal Program; Spill Response; Waste Management Program (i.e. oils, gas, etc.) and Recycling and Conservation at Work Program (i.e. paper, office blue bin). THESL's environmental programs are reviewed and updated periodically by the Health and Safety Committee of the Board.

The *Green Energy and Green Economy Act* ("Green Energy Act") came into force on May 14, 2009. The *Green Energy Act*, among other things: permits electricity distribution companies to own renewable energy generation facilities; obligates electricity distribution companies to provide priority connection access for renewable energy generation facilities; empowers the OEB to set CDM targets for electricity distribution companies as a condition of licence; and requires electricity distribution companies to accommodate the development and implementation of a smart grid in relation to their systems.

On November 12, 2010, the OEB amended THESL's distribution licence to incorporate the implementation of regulations under the *Green Energy Act*. The amendments require THESL, as a condition of its licence, to achieve 1,304 GWh of energy savings and 286 MW of summer peak demand savings, through CDM activities, over the period beginning January 1, 2011 through December 31, 2014.

INTRODUCTION AND CORPORATE PROFILE



1.0 Introduction and Corporate Profile

Message from the Chairman and from the President and Chief Executive Officer
Independent Reviewers' Report

Introduction:

Company Description and Operating Companies
Corporate Overview
Some of Our Largest Customers

Governance, Compliance and Business Conduct
Stakeholder Engagement
Stakeholder Engagement Matrix

About this Report:

Corporate Responsibility Indicators and Governance
2010 Indicators
Materiality
New Features for 2010
CR Governance
Corporate Responsibility and Corporate Strategy

2.0 Economic Performance

3.0 Environmental Responsibility

4.0 Social Responsibility

5.0 Feedback on this Report

6.0 Legal Disclaimer

Global Reporting Initiative ("GRI") – Index

Governance, Compliance and Business Conduct (continued)

International Protocols and Standards

Following are some of the key international protocols and standards that Toronto Hydro uses to guide its activities:

Global Reporting Initiative – G3 Guidelines, Electric Utilities Sector Supplement

ISO 31000 Risk Management – Principles and Guidelines

ISO 26000 Social Responsibility – Guidance for Social Responsibility

Risk Management

In 2010, Toronto Hydro adopted an Enterprise Risk Management Program (the "ERM Program") to provide a consistent and disciplined methodology for the identification, assessment, monitoring and reporting of risks applicable to Toronto Hydro. The ERM Program follows industry best practices and emphasizes a top-down approach to integrate risk management with strategic planning. To ensure strong oversight over the risk management process and alignment with the Shareholder Direction, a risk governance structure is in place, consisting of regular reporting to the Board, and regular meetings of an executive Risk Oversight Committee. Toronto Hydro's ERM Program plays an important role in managing and maintaining Toronto Hydro's brand and reputation and in assuring overall risk identification and management.

“Toronto Hydro's Environmental Stewardship Policy was approved by the Board of Directors on March 5, 2010. It establishes specific commitments to continuously monitor and improve Toronto Hydro's management of environmental protection requirements.”

INTRODUCTION AND CORPORATE PROFILE



1.0 Introduction and Corporate Profile

Message from the Chairman and from the President and Chief Executive Officer
Independent Reviewers' Report

Introduction:

Company Description and Operating Companies
Corporate Overview
Some of Our Largest Customers
Governance, Compliance and Business Conduct
Stakeholder Engagement
Stakeholder Engagement Matrix

About this Report:

Corporate Responsibility Indicators and Governance
2010 Indicators
Materiality
New Features for 2010
CR Governance
Corporate Responsibility and Corporate Strategy

- 2.0 Economic Performance**
- 3.0 Environmental Responsibility**
- 4.0 Social Responsibility**
- 5.0 Feedback on this Report**
- 6.0 Legal Disclaimer**
- Global Reporting Initiative ("GRI") – Index**

Stakeholder Engagement

Toronto Hydro is directly engaged with multiple parties including the following stakeholders:



Toronto Hydro engages with these parties in order to understand, support and implement government policy in the energy sector; to build strong relationships that support the implementation of the Shareholder Direction; and to maintain a diverse, safe and high-performing work environment.

Toronto Hydro takes an active role in a number of recognized industry associations and coalitions to ensure that the best interests of its customers are advanced to government, consumers groups and other interested parties. As noted earlier, executives participate on the Board of Directors and various committees of the EDA, the CEA, and the Ontario Energy Network. THESL is also a founding member of the Coalition of

Large Distributors ("CLD"), which includes Horizon Utilities Corporation, Hydro Ottawa Limited, PowerStream Inc. and Veridian Connections and, since 2010, Hydro One Inc., Union Gas Limited and Enbridge Gas Distribution Inc. The addition of these companies expands the group's reach to most energy customers in Ontario. Together, the CLD serves almost all of Ontario's electricity and natural gas consumers.

The accompanying chart illustrates the nature of Toronto Hydro's relationships with these various parties. Throughout this report, 'impact statements' from select stakeholders have also been included as a way of helping readers to gauge the significance of Toronto Hydro's engagement process.

INTRODUCTION AND CORPORATE PROFILE



1.0 Introduction and Corporate Profile

Message from the Chairman and from the President and Chief Executive Officer
Independent Reviewers' Report

Introduction:

Company Description and Operating Companies

Corporate Overview

Some of Our Largest Customers

Governance, Compliance and Business Conduct

Stakeholder Engagement

Stakeholder Engagement Matrix

About this Report:

Corporate Responsibility Indicators and Governance

2010 Indicators

Materiality

New Features for 2010

CR Governance

Corporate Responsibility and Corporate Strategy

2.0 Economic Performance

3.0 Environmental Responsibility

4.0 Social Responsibility

5.0 Feedback on this Report

6.0 Legal Disclaimer

Global Reporting Initiative ("GRI") – Index

Stakeholder Engagement (continued)

Key Stakeholders

Building Owners and Managers Association
Canadian Electricity Association
Canadian Solar Industries Association
Canadian Union of Public Employees Local One
Canadian Wind Energy Association
City of Toronto's Environment Office
City of Toronto's Mayor's Office
City of Toronto's Office of Emergency Management
City of Toronto's Office of Energy Efficiency
City of Toronto's Planning Department
City of Toronto's Public Health
City of Toronto's Transportation Department
City of Toronto's Urban Forestry Department
Coalition of Large Distributors and Gas Companies
Conference Board of Canada
– National Council on Emergency Management
– National Pandemic Working Group
Electric Mobility Canada
Electrical & Utilities Safety Authority
Electricity Distributors Association
Energy Policy Institute of Canada
Environment Canada
Exhibition Place
Greater Toronto Civic Action Alliance
Hydro One Inc.
Independent Electricity System Operator
Issues Media Group
Ministry of Energy
Ministry of Environment
Ministry of Finance
Ministry of Labour
Ministry of Natural Resources
Natural Resources Canada
Office of the Premier of Ontario
Ontario Energy Board
Ontario Energy Network
Ontario Power Authority
Ontario Restaurant Hotel and Motel Association
Ontario Securities Commission

Ontario Society of Professional Engineers
Ontario Sustainable Energy Association
Retail Council of Canada
Social Housing Services Corporation
Toronto Atmospheric Fund
Toronto Board of Trade
Toronto City Council
Toronto Community Housing Corporation
Toronto Environmental Alliance
Toronto Renewable Energy Co-operative
Workplace Safety and Insurance Board

Community Organizations

Canadian Centre for Ethics and Corporate Policy
Earth Day Canada
Eva's Phoenix Print Shop
Fatal Light Awareness Program
George Brown College
Georgian College of Applied Arts and Technology
Humber College of Applied Arts and Technology
Local Enhancement and Appreciation of Forests
Ontario Forestry Association
Pollution Probe
Ryerson University – Centre for Urban Energy
Seneca College of Applied Arts and Technology
Toronto Association of Business Improvement Areas
Toronto Board of Trade
Toronto Canadian Tire stores
Toronto Catholic District School Board
Toronto District School Board
Toronto Parks and Trees Foundation
Toronto Sears stores
Toronto Staples stores
Toronto Walmart stores
United Way of Greater Toronto
– Neighbourhood Information Post
University of Toronto – Mowat Centre
WindShare
World Wildlife Fund – Earth Hour
YMCA of Greater Toronto

INTRODUCTION AND CORPORATE PROFILE



1.0 Introduction and Corporate Profile

Message from the Chairman and from the President and Chief Executive Officer
Independent Reviewers' Report

Introduction:

Company Description and Operating Companies
Corporate Overview
Some of Our Largest Customers
Governance, Compliance and Business Conduct
Stakeholder Engagement

Stakeholder Engagement Matrix

About this Report:

Corporate Responsibility Indicators and Governance
2010 Indicators
Materiality
New Features for 2010
CR Governance
Corporate Responsibility and Corporate Strategy

- 2.0 Economic Performance
- 3.0 Environmental Responsibility
- 4.0 Social Responsibility
- 5.0 Feedback on this Report
- 6.0 Legal Disclaimer
- Global Reporting Initiative ("GRI") – Index

Stakeholder Engagement Matrix

Stakeholder	Tools and Processes	Impact and Benefits
Shareholder	Office of the President	Attention to escalated issues and complaints
	Executive Environment Team, City of Toronto	Aligned with City of Toronto's Climate Change Plan; participate in monthly meetings
		Attend quarterly meetings of Corporate Energy Management Committee
		Decreased GHG emissions by 43,900 tonnes of CO ₂ e
	One-on-one meetings with Councillors	Coordinated 28 meetings with Councillors
	Annual briefing to City Council	Coordinated annual briefing and Q&A session for Mayor and Councillors
	Mayor's Office	Attend bi-monthly meetings in support of Live Green Sustainable Energy Plan
		Attend meetings with policy director and staff for newly-elected Mayor
	E-newsletter	Monthly updates to City Councillors
	Shareholder Direction	\$25.0 million in dividends paid to City of Toronto
Regulators		Total cash contributions (including dividends and debt repayment) of \$2.1 billion paid to the City since 2009
	Regulatory filings and submissions	Approval for funding of 2011–2014 Conservation & Demand Management programs; PowerUp infrastructure renewal plan
		Improved system reliability scores
Ontario Government, Ministries & Agencies		Ongoing capital plan: cumulative capital expenditures of approximately \$1.3 billion in electricity distribution assets since 2006
	Coalition of Large Distributors/Conservation & Demand Management working group	Expanded leadership role in program development
		Energy into Action conference with approximately 400 attendees

INTRODUCTION AND CORPORATE PROFILE



1.0 Introduction and Corporate Profile

Message from the Chairman and from the President and Chief Executive Officer
Independent Reviewers' Report

Introduction:

Company Description and Operating Companies
Corporate Overview
Some of Our Largest Customers
Governance, Compliance and Business Conduct
Stakeholder Engagement
Stakeholder Engagement Matrix

About this Report:

Corporate Responsibility Indicators and Governance
2010 Indicators
Materiality
New Features for 2010
CR Governance
Corporate Responsibility and Corporate Strategy

2.0 Economic Performance

3.0 Environmental Responsibility

4.0 Social Responsibility

5.0 Feedback on this Report

6.0 Legal Disclaimer

Global Reporting Initiative ("GRI") – Index

Stakeholder Engagement Matrix (continued)

Stakeholder	Tools and Processes	Impact and Benefits
Residential Customers	Office of the President	Attention to escalated issues and complaints
	PowerUp, direct-to-consumer communications	Approximately 36,000 notification letters to customers and Business Improvement Area representatives
		poweruptoronto.ca was launched to help inform customers about construction work in their neighbourhoods
		Launched Time-of-Use rates web presentment site and generated approximately 83% increase in web traffic (3.7 million visits)
		Continued contact voltage remediation program
		Saved approximately 1.2 MW through low-income housing program
	CDM Programs	34 megawatts reduction in peak demand
		Energy savings of approximately 126,800 MWh
	New 'Customer Experience' department	Began to operationalize 'Customer Experience' initiative
Commercial Customers	Office of the President	Attention to escalated issues and complaints
	PowerSavings Blitz small business program	Saved approximately 67,400 MWh
	Business Incentive Program	Saved approximately 34,300 MWh
	Data Centre Incentive Program	Saved approximately 10,500 MWh
	Trade shows to promote CDM programs	Participated in trade shows – BOMEX, PMExpo
Non-Governmental Organizations		
Toronto Association of Business Improvement Areas	Community outreach	Incandescent festive lighting exchange; savings of approximately 300 MWh
Civic Action	Sponsorship	Support for CDM low-income strategy
United Way	Employee engagement, volunteerism	Raised \$367,123 for United Way of Greater Toronto
Winter Warmth Fund	Newsletter, website	Helped approximately 3,900 families in need
Toronto Police Services	Light the Night awareness campaign	Support for CDM low-income strategy; provided approximately 5,000 energy-efficient compact fluorescent light bulbs
Local Community	Job fairs & recruitment drives	Approximately 2,000 direct and indirect person-years of employment in Ontario
		197 employee hires, an increase of 15 per cent over 2009
Employees	ZeroQuest health & safety program	Annual score of 95.59% on 'My Goal is Zero' safety program achieved vs 94% in 2008
		1.5 million hours worked without a lost-time injury
	Training	6.57 actual training days

INTRODUCTION AND CORPORATE PROFILE



1.0 Introduction and Corporate Profile

Message from the Chairman and from the President and Chief Executive Officer
Independent Reviewers' Report

Introduction:

Company Description and Operating Companies
Corporate Overview
Some of Our Largest Customers
Governance, Compliance and Business Conduct
Stakeholder Engagement
Stakeholder Engagement Matrix

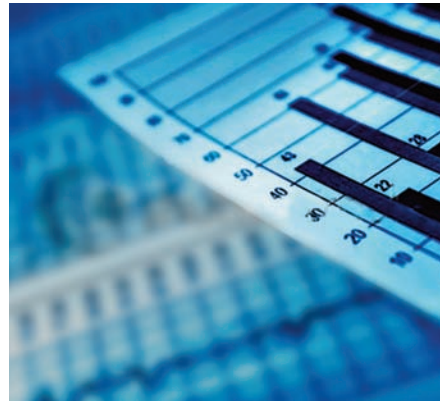
About this Report:

Corporate Responsibility Indicators and Governance
2010 Indicators
Materiality
New Features for 2010
CR Governance
Corporate Responsibility and Corporate Strategy

- 2.0 Economic Performance
- 3.0 Environmental Responsibility
- 4.0 Social Responsibility
- 5.0 Feedback on this Report
- 6.0 Legal Disclaimer
- Global Reporting Initiative ("GRI") – Index

About this Report – Corporate Responsibility Indicators and Governance

2010 Indicators



2.0 ECONOMIC

Net Revenues

Revenues minus the cost of purchased power and other, as reported in Toronto Hydro's Audited Consolidated Statement of Income

Operating Expenses

Operating expenses, as reported in Toronto Hydro's Audited Consolidated Statement of Income



3.0 ENVIRONMENTAL

Conservation and Demand Management ("CDM")

Total kilowatt-hours and kilowatts saved by customers due to conservation and demand management programs implemented by THESL

Energy Consumption

Includes electricity and natural gas consumed by facilities, fuels consumed by vehicles and equipment and line losses per year. It does not include propane or electricity generated from onsite sources such as solar panels

Greenhouse Gas Emissions

Greenhouse gas emissions (Scope 1 and 2) that occur within the boundaries of Toronto Hydro. Emissions are measured in tCO₂e.



4.0 SOCIAL

Community Involvement Expenditures

Charitable donations made to community-based organizations, including expenditures and donations. This indicator does not include in-kind contributions and department operational costs. It does include memberships and support activities

System Average Interruption Duration Index ("SAIDI")

System Average Interruption Frequency Index ("SAIFI")

Assured indicators include CDM, Energy Consumption, Greenhouse Gas Emissions and Community Involvement Expenditures. SAIDI and SAIFI, have been filed with the OEB.

INTRODUCTION AND CORPORATE PROFILE



1.0 Introduction and Corporate Profile

Message from the Chairman and from the President and Chief Executive Officer
Independent Reviewers' Report

Introduction:

Company Description and Operating Companies
Corporate Overview

Some of Our Largest Customers

Governance, Compliance and Business Conduct

Stakeholder Engagement

Stakeholder Engagement Matrix

About this Report:

Corporate Responsibility Indicators and Governance
2010 Indicators

Materiality

New Features for 2010

CR Governance

Corporate Responsibility and Corporate Strategy

2.0 Economic Performance

3.0 Environmental Responsibility

4.0 Social Responsibility

5.0 Feedback on this Report

6.0 Legal Disclaimer

Global Reporting Initiative ("GRI") – Index

About this Report – Corporate Responsibility Indicators and Governance (continued)

Materiality

In 2007, a cross-functional team of internal subject matter experts with training in the areas of the Global Reporting Initiative ("GRI"), the Dow Jones Sustainability Index, FTSE4Good and Jantzi Social Index selected the above-noted indicators for Toronto Hydro's first Corporate Responsibility Report. The indicators were considered material, with regard to its core business as well as to the objectives outlined in the City's Shareholder Direction ("Shareholder Direction").

The Shareholder Direction states that the business of Toronto Hydro is integral to the well-being and the infrastructure of the City and provides, among other things, that it is in the best interests of Toronto Hydro and the stakeholders affected by its business that Toronto Hydro conducts its affairs:

- on a commercially prudent basis, while engaging in recruitment practices designed to attract employees from the diverse community it serves and supporting the City's objectives where consistent with Toronto Hydro's business objectives, including procurement practices that encourage participation of equity-seeking groups in a manner consistent with the energy policies established by the City from time to time, in a socially responsible manner that supports priority objectives of the City that are consistent with Toronto Hydro's business objectives and in accordance with the financial performance objectives of the City;
- to provide a reliable and efficient electricity distribution system that meets changing demand using emerging green technologies as appropriate with an emphasis on customer satisfaction;
- in a safe and environmentally responsible manner while working with the City to achieve its climate change objectives; and

- in a manner that promotes energy conservation and environmental responsibility, works with the City to achieve its climate change objectives, keeps its property and facilities clean and well maintained and free from graffiti, and protects and enhances the City's urban forest.

The Shareholder Direction provides that the Board of Directors of Toronto Hydro is responsible for determining and implementing the appropriate balance among these principles.

The 2010 report marks the first time Toronto Hydro has presented information in accordance with GRI Application Level.

We have self-assessed our reporting to be Application Level B+.

New Features for 2010

With this report, Toronto Hydro has introduced several new features:

- **GRI.** This report was prepared in accordance with the Sustainability Reporting Guidelines developed by GRI, integrated with the additional disclosures required by the Electric Utilities Sector Supplement ("EUSS"). This standard is internationally recognized as the best practice in sustainability reporting. In 2010, Toronto Hydro applied the B+ level of the Guidelines. See GRI Index.
- **ISO 26000 Standard for Social Responsibility.** Toronto Hydro has reviewed the new ISO Standard for Social Responsibility reporting and has integrated several of the core indicators that are material to its business in this report, including: Protecting Public Health and Safety; Consumer Service, Support and Complaint and Dispute Resolution; Consumer Education and Awareness; Education and Culture; Employment Creation and Skills Development; Health; and Social Investment.

INTRODUCTION AND CORPORATE PROFILE



1.0 Introduction and Corporate Profile

Message from the Chairman and from the President and Chief Executive Officer
Independent Reviewers' Report

Introduction:

Company Description and Operating Companies
Corporate Overview
Some of Our Largest Customers
Governance, Compliance and Business Conduct
Stakeholder Engagement
Stakeholder Engagement Matrix

About this Report:

Corporate Responsibility Indicators and Governance
2010 Indicators
Materiality
New Features for 2010
CR Governance
Corporate Responsibility and Corporate Strategy

- 2.0 Economic Performance
- 3.0 Environmental Responsibility
- 4.0 Social Responsibility
- 5.0 Feedback on this Report
- 6.0 Legal Disclaimer
- Global Reporting Initiative ("GRI") – Index

About this Report – Corporate Responsibility Indicators and Governance (continued)

New Features for 2010 (continued)

As in previous years, Toronto Hydro's 2010 Corporate Responsibility Report ("CR Report") follows the standard format for corporate responsibility reporting, including updates in the three areas of economic, environmental and social responsibility. In order to help readers understand how its corporate strategy maps onto these three dimensions of CR reporting, Toronto Hydro has introduced a new Corporate Responsibility 'map'. The map, which can be found in the 'Corporate Strategy' section on page 1.17, will be updated with every subsequent Report.

The map illustrates that Toronto Hydro takes a broad view of sustainability, i.e. one that is consistent with the Canadian Electricity Association. Like many organizations, Toronto Hydro believes that to be sustainable, it must be both socially and environmentally responsible. This approach is consistent with the Shareholder Direction and with Toronto Hydro's overall mandate to maintain a reliable electricity grid in the City.

“By focusing on a three-pronged vision of sustainability – environment, society and the economy – the electricity industry takes a holistic approach to managing our impacts and securing its collective future.”

Canadian Electricity Association

CR Governance

Toronto Hydro produces a number of public reports each year. These include the Annual Report, which provides an update of its financial performance, and this Corporate Responsibility Report, which provides broad-based details on a number of economic, environmental and social responsibility-related initiatives.

The Annual Report includes audited consolidated financial statements, and as noted above, this Corporate Responsibility Report includes certain results that are either audited or assured by qualified third parties. Much of the information that is contained in the Annual Report and this Corporate Responsibility Report is also available in Toronto Hydro's Annual Information Form ("AIF"), which was posted on the System for Electronic Document Analysis and Retrieval ("SEDAR") on March 31, 2011.

Accountability for the production of this Corporate Responsibility Report is shared between THESL's Communications and Public Affairs team and the Enterprise Project Management Office ("EPMO"). Information is provided to the EPMO by internal subject matter experts, is also reviewed by Toronto Hydro's securities filing committee and is ultimately approved by Toronto Hydro's Board of Directors.

Toronto Hydro endeavours to follow best practices in corporate responsibility reporting and makes its report available to interested stakeholders in a variety of formats, including a full-length PDF which is posted on the website, and a shorter 'highlights' version which is distributed upon request.

INTRODUCTION AND CORPORATE PROFILE



1.0 Introduction and Corporate Profile

Message from the Chairman and from the President and Chief Executive Officer
Independent Reviewers' Report

Introduction:

Company Description and Operating Companies
Corporate Overview
Some of Our Largest Customers
Governance, Compliance and Business Conduct
Stakeholder Engagement
Stakeholder Engagement Matrix

About this Report:

Corporate Responsibility Indicators and Governance
2010 Indicators
Materiality
New Features for 2010
CR Governance
Corporate Responsibility and Corporate Strategy

- 2.0 Economic Performance
- 3.0 Environmental Responsibility
- 4.0 Social Responsibility
- 5.0 Feedback on this Report
- 6.0 Legal Disclaimer
- Global Reporting Initiative ("GRI") – Index

About this Report – Corporate Responsibility Indicators and Governance (continued)

Corporate Responsibility and Corporate Strategy

In the four years that Toronto Hydro has been producing a CR Report, there has been a gradual shift towards aligning Toronto Hydro's corporate strategy – based on Customer Service, Modernization of the Utility, Employee Health and Safety and Consistent Financial Performance – with the three over-arching tenets of corporate responsibility reporting: Economic, Environmental and Social.

The following chart maps out the linkages between the corporate strategy for 2010 and these corporate responsibility principles. More detailed information is found throughout the report.

Customer Service

Goal: Strive to be among the top quartile of companies in customer service.

Implementation:

Economic Performance:

- Invested approximately \$384.9 million in electricity distribution assets. (see section 2.1)

Environmental Responsibility:

- 'Storm hardening' strategy to prune tree limbs above power lines. (see section 4.1)
- Linked Time-of-Use customer communications and CDM customer communications. (see section 3.5)
- Introduced programs which helped reduce energy consumption in the City by approximately 126,800 MWh; energy savings since the start of CDM programs is approximately 784,300 MWh. (see section 3.1)

Social Responsibility:

- Introduced personalized Time-of-Use billing information for residential customers; improved access to www.torontohydro.com resulted in an approximate 83 per cent increase in customer visits (3.7 million visits). (see section 4.4)
- Over-achieved on Call Centre Service Index (answer calls within 30 seconds, at least 65 per cent of the time); target was 70% and 81% was achieved, despite an increase in call volumes. (see section 2.0)
- Introduced online registrations for conservation programs, power outage location maps and other self-service features. (see section 4.4)
- Together with Social Housing Services Corporation ("SHSC"), continued delivering CDM programs to Toronto residents in social housing helping to reduce electricity demand by approximately 1.2 MW. (see section 3.4)
- Together with Toronto Police Services, combined CDM communications with customer outreach in low-income Toronto neighbourhoods to make neighbourhoods safer by promoting the use of energy-efficiency lights for front and rear porch lights. (see section 3.4)

INTRODUCTION AND CORPORATE PROFILE



1.0 Introduction and Corporate Profile

Message from the Chairman and from the President and Chief Executive Officer
Independent Reviewers' Report

Introduction:

Company Description and Operating Companies

Corporate Overview

Some of Our Largest Customers

Governance, Compliance and Business Conduct

Stakeholder Engagement

Stakeholder Engagement Matrix

About this Report:

Corporate Responsibility Indicators and Governance

2010 Indicators

Materiality

New Features for 2010

CR Governance

Corporate Responsibility and Corporate Strategy

2.0 Economic Performance

3.0 Environmental Responsibility

4.0 Social Responsibility

5.0 Feedback on this Report

6.0 Legal Disclaimer

Global Reporting Initiative ("GRI") – Index

About this Report – Corporate Responsibility Indicators and Governance (continued)

Modernize Our Utility

Goal: Improve reliability and meet the objectives of the Green Energy Act by rebuilding the existing aging infrastructure and modernizing our electricity grid.

Implementation:

Economic Performance:

- Cumulative capital expenditures of approximately \$1.3 billion in electricity distribution assets since 2006. (see section 2.1)

Environmental Responsibility:

- Launched 'Toronto Hydro smart Experience' pilot to study driving patterns, charging habits and impact on electricity grid of 15 Toronto-area customers with **smart fortwo** electric vehicles. (see section 4.2)
- Reduced greenhouse gas ("GHG") emissions from line losses by 42,600 tonnes of CO₂e, compared to 2009. (see section 3.7)
- Reduced GHG emissions from electricity used by Toronto Hydro's facilities by 1,200 tonnes of CO₂e, compared to 2009. (see section 3.7)
- Reduced GHG emissions from natural gas used by Toronto Hydro's facilities by 100 tonnes of CO₂e, compared to 2009. (see section 3.7)

Social Responsibility:

- Average Duration of Customer Power Interruptions (SAIDI) was 1.29 hours (77.4 minutes) compared to 1.38 hours (82.6 minutes) in 2009. (see section 4.1)
- Average Frequency of Customer Power Interruptions (SAIFI) was 1.77 compared to 1.6 in 2009. (see section 4.1)
- To increase efficiency in grid operations, in approximately 10,000 households, linked communications and information technologies into the electricity grid to monitor the impact of new grid equipment and gauge the effectiveness of various automation techniques. (see section 4.2)

INTRODUCTION AND CORPORATE PROFILE



1.0 Introduction and Corporate Profile

Message from the Chairman and from the President and Chief Executive Officer
Independent Reviewers' Report

Introduction:

Company Description and Operating Companies

Corporate Overview

Some of Our Largest Customers

Governance, Compliance and Business Conduct

Stakeholder Engagement

Stakeholder Engagement Matrix

About this Report:

Corporate Responsibility Indicators and Governance

2010 Indicators

Materiality

New Features for 2010

CR Governance

Corporate Responsibility and Corporate Strategy

2.0 Economic Performance

3.0 Environmental Responsibility

4.0 Social Responsibility

5.0 Feedback on this Report

6.0 Legal Disclaimer

Global Reporting Initiative ("GRI") – Index

About this Report – Corporate Responsibility Indicators and Governance (continued)

Health & Safety of Employees

Goal: To have a fully-engaged and healthy workforce that works safely.

Implementation:

Economic Performance and Social Responsibility:

- Recognized by Infrastructure Health and Safety Association for achieving 1.5 million hours worked without a lost-time injury. (see section 2.2)
- Hired 197 employees, an increase of 15 per cent over 2009 hires. (see section 2.3)
- Created approximately 2,000 direct and indirect person years of employment in 2010 based on economic estimates from the Ontario Ministry of Finance. (see section 2.1)

Social Responsibility:

- Organized 37 engagement events for union and management staff. (see section 2.3)
- Recognized as one of Canada's Top 100 Employers. (see section 2.3)
- Provided an average of 6.57 actual training days compared to 6.44 planned training days in 2009. (see section 2.4)

Goal: Maximize financial performance with the existing regulatory framework.

Implementation:

Economic Performance: (see section 2.1)

- Declared and paid dividends to the City totalling \$25.0 million in 2010.
- Total cash contributions (including dividends and debt repayments) of \$2.1 billion paid to the City since 1999.
- Net income was \$66.1 million compared to \$42.1 million in 2009.
- Net revenues were \$549.4 million compared to \$504.3 million in 2009.
- The Corporation and the Corporation's debentures were rated "A (high)" by DBRS and "A" by Standard & Poor's ("S&P").