TORONTO HYDRO Corporation

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2023

March 28, 2024

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PART 1 - FORWARD-LOOKING INFORMATION

Certain information included in this AIF constitutes "forward-looking information" within the meaning of applicable securities legislation. The purpose of the forward-looking information is to provide the Corporation's current expectations regarding future results of operations, performance, business prospects and opportunities and may not be appropriate for other purposes. All information, other than statements of historical fact, which address activities, events or developments that we expect or anticipate may or will occur in the future, are forward-looking information. The words "anticipates", "believes", "budgets", "can", "committed", "continual", "could", "estimates", "expects", "focus", "forecasts", "further notice", "future", "impact", "increasingly", "intends", "may", "might", "once", "plans", "propose", "projects", "schedule", "seek", "should", "trend", "will", "would", "objective", "ongoing", "outlook" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking information, although not all forward-looking information contains these identifying words. The purpose of the forward-looking information (including any financial outlook) contained herein is to provide the Corporation's current expectations regarding future results of operations, performance, business prospects and opportunities and readers are cautioned that such information may not be appropriate for other purposes. All forward-looking information is given pursuant to the "safe harbour" provisions of applicable Canadian securities legislation.

Specific forward-looking information in this AIF includes, but is not limited to, the statements relating to:

- expectations regarding LDC's ability to continuously enhance the distribution system and its operations;
- ongoing and planned projects and/or initiatives, including Transform TO, Toronto Hydro's climate action plan, and Climate Advisory Services;
- expectations related to workforce demographics;
- expectations regarding Toronto Hydro's electricity distribution assets reaching the end of their operating lives;
- expectations regarding changes in future energy consumption; and
- legal proceedings in which Toronto Hydro is currently involved.

The forward-looking information reflects the Corporation's current beliefs and is based on information currently available to the Corporation. The forward-looking information is based on estimates and assumptions made by the Corporation's management in light of past experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management believes to be reasonable in the circumstances, including, but not limited to, the amount of indebtedness of the Corporation, changes in funding requirements, the future course of the economy and financial markets, no unforeseen delays and costs in the Corporation's capital projects, no unforeseen changes to project plans, no significant changes to the seasonal weather patterns in accordance with historical seasonal trends because of climate change, no unforeseen changes in the legislative and operating framework for electricity distribution in Ontario, the receipt of applicable regulatory approvals and requested rate orders, no unexpected delays in obtaining required approvals, the ability of the Corporation to obtain and retain qualified staff, materials, equipment and services in a timely and cost efficient manner, continued contractor performance, compliance with covenants, the receipt of favourable judgments, no unforeseen changes in electricity distribution rate orders or rate setting methodologies, no unfavourable changes in environmental regulation, the ratings issued by credit rating agencies, the level of interest rates and the Corporation's ability to borrow and no significant event occurring outside the ordinary course of business. These factors are not intended to represent a complete list of the factors that could affect the Corporation; however, these factors should be considered carefully and readers should not place undue reliance on forward-looking information made herein.

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:

- risks associated with the execution of LDC's capital and maintenance programs necessary to maintain the performance of aging distribution assets and make required infrastructure improvements, including to deliver a modernized grid and meet electrification requirements to achieve government net zero GHG emissions targets;
- risks associated with capital projects;
- risks associated with electricity industry regulatory developments and other governmental policy changes including factors relating to LDC's distribution activities and to climate change;
- risks associated with increased competition from regulated and unregulated entities;
- risks associated with information system security and with maintaining complex information technology systems;
- risks associated with maintaining the security of Toronto Hydro's information assets, including but not limited to the collection, use and disclosure of personal information;
- risks associated with the failure of critical IT systems;
- risk of external threats to LDC's facilities and operations posed by unexpected weather conditions caused by climate change and other factors;
- risks associated with changing weather patterns due to climate change and resultant impacts to electricity consumption based on historical seasonal trends, terrorism and pandemics, and LDC's limited insurance coverage for losses resulting from these events;
- risk to Toronto Hydro's employees or the general public of serious/fatal injuries and illnesses relating to or impacting upon Toronto Hydro's activities; risks of municipal government activity, including the risk that the City could introduce rules, policies or directives, including those relating to net zero GHG emissions targets, that can potentially limit Toronto Hydro's ability to meet its business objectives as laid out in the Shareholder Direction principles;
- risks related to the available labour markets and the changing expectations of potential employees, and Toronto Hydro's potential inability to attract, train and retain skilled employees;
- risks of being unable to retain necessary qualified external contracting forces relating to its capital, maintenance and reactive infrastructure program;
- risk that Toronto Hydro is not able to arrange sufficient and cost-effective debt financing to repay maturing debt and to fund capital expenditures and other obligations;
- risk that the Corporation is unable to maintain its financial health and performance at acceptable levels;
- risk that insufficient debt or equity financing will be available to meet the Corporation's requirements, objectives, or strategic opportunities;
- risk of downgrades to the Corporation's credit rating;
- risks related to the timing and extent of changes in prevailing interest rates and discount rates and their effect on future revenue requirements and future post-employment benefit obligations;
- risks arising from inflation, the course of the economy and other general macroeconomic factors;
- risk associated with the impairment to the Corporation's image in the community, public confidence or brand;
- risk associated with the Corporation failing to meet its material compliance obligations under legal and regulatory instruments;
- risk that the presence or release of hazardous or harmful substances could lead to claims by third parties and/or governmental orders, and
- other factors which are discussed in more detail under Part 8 "Risk Factors" in this AIF.

The Corporation cautions the reader that the above list of factors is not exhaustive, and there may be other factors that cause actual events or results to differ materially from those described in forward-looking information. Some of the other factors are discussed more fully under Part 8 "Risk Factors" in this AIF.

All of the forward-looking information included in this AIF is qualified by the cautionary statements. Furthermore, unless otherwise stated, the forward-looking information contained herein is made as of the date hereof and the Corporation undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise, except as required by law.

PART 2 - GLOSSARY OF DEFINED TERMS

In addition to terms defined elsewhere in this AIF, the below defined terms shall have the following meanings:

2020-2024 CIR Decision and Rate Order – has the meaning set forth under section 5.2 entitled "Rate Applications".

Affiliate Relationships Code – refers to the Affiliate Relationships Code for Electricity Distributors and Transmitters that was published by the OEB and became effective on April 1, 1999, as amended.

AIF – refers to the Corporation's Annual Information Form for the year ended December 31, 2023.

Board – refers to the board of directors of the Corporation.

BOMA BEST – refers to the Canadian environmental assessment and certification program launched by BOMA Canada in 2005.

BOMA Canada – refers to the Building Owners and Managers Association of Canada.

Building Emissions Reduction – refers to a measure of the reduction of GHG emissions from Toronto Hydro occupied work centres (measured in tonnes of carbon dioxide equivalent).

CAIDI – refers to the Customer Average Interruption Duration Index and is a measure (in hours) of the average duration of interruptions experienced by customers, not including MED. CAIDI represents the quotient obtained by dividing SAIDI by SAIFI.

Canadian Environmental Protection Act – refers to the *Canadian Environmental Protection Act, 1999* (Canada), as amended.

Capital Assets – refers to the sum of property, plant and equipment and intangible assets, net of accumulated depreciation and amortization. See note 6 and note 7 to the Consolidated Financial Statements.

CDM – refers to conservation and demand management.

CDS – refers to CDS Clearing and Depository Services Inc, a subsidiary of the Canadian Depository for Securities Limited, a for-profit corporation owned by the TMX Group.

CEO – refers to the President and Chief Executive Officer of the Corporation.

CFO – refers to the Executive Vice-President and Chief Financial Officer.

CIR – refers to Custom Incentive Rate-setting.

City – refers to the *city incorporated under the City of Toronto Act, 1997* (Ontario), as amended.

City Council – refers to Toronto City Council.

City Councillor – refers to a councillor of Toronto City Council.

Climate Advisory Services – refer to a new, unregulated business of the Corporation to support the realization of the City's net zero strategy by facilitating and stimulating the growth of emerging local cleantech markets.

Consolidated Financial Statements – refers to the audited consolidated financial statements of the Corporation together with the auditors' report thereon and the notes thereto as at and for the years ended December 31, 2023 and December 31, 2022, a copy of which is available on the SEDAR website at www.sedarplus.ca.

Consumer Price Index – refers to the index measuring price movements published by Statistics Canada.

Copeland Station – refers to the Clare R. Copeland transformer station, formerly called "Bremner Station".

Corporation – refers to Toronto Hydro Corporation.

COVID-19 – refers to Coronavirus Disease 2019 and its variants.

CPAB – refers to Canadian Public Accountability Board.

CP Program – refers to the commercial paper program established by the Corporation under which the Corporation issues commercial paper. See section 9.3 entitled "Credit Facilities".

DBRS – refers to DBRS Limited, a credit rating agency.

Debentures – has the meaning set forth under section 9.2 entitled "Debentures".

DERs – refers to Distributed Energy Resources.

Distribution System Code – refers to the Distribution System Code that was published by the OEB on July 14, 2000, as amended.

EBITDA – refers to earnings before interest, taxes, depreciation and amortization.

EC – refers to Electricity Canada (formerly the Canadian Electricity Association).

ECA – refers to the Energy Conservation Agreement between Toronto Hydro and IESO, dated July 1, 2017.

EHSMS – refers to the Environment, Health and Safety Management System.

Electricity Act – refers to the *Electricity Act, 1998* (Ontario), as amended.

Electricity Property – refers to a municipal corporation's or an MEU's interest in real or personal property used in connection with generating, transmitting, distributing or retailing electricity.

Energy Competition Act – refers to the *Energy Competition Act, 1998* (Ontario), as amended.

Energy Consumer Protection Act – refers to the *Energy Consumer Protection Act, 2010* (Ontario), as amended.

Environmental Policy – refers to the policy applicable to all Toronto Hydro employees and contractors performing work on behalf of Toronto Hydro covering, amongst other things, core environmental principles by which Toronto Hydro is committed to conducting its business, as approved by the Board most recently at August 24, 2022 meeting.

Environmental Protection Act – refers to the *Environmental Protection Act, 1990* (Ontario), as amended.

ERM – refers to Enterprise Risk Management.

ESG – refers to environmental, social, and governance criteria that are factored into LDC's investment processes and decision-making.

Fire Protection and Prevention Act – refers to the *Fire Protection and Prevention Act, 1997* (Ontario), as amended.

Fleet Electrification – refers to the percentage of Toronto Hydro's fleet that is an electric vehicle, plug-in hybrid electric vehicle, or hybrid vehicle.

GAAP – refers to Generally Accepted Accounting Principles.

GHG – refers to Greenhouse Gas.

GRI – refers to Global Reporting Initiative.

Hydro One – refers to Hydro One Limited, Hydro One Inc. or Hydro One Networks Inc. and their respective subsidiaries, as appropriate.

ICD.D – refers to the designation granted by the Institute of Corporate Directors, through the Directors Education Program jointly developed by the Institute of Corporate Directors and the University of Toronto's Rotman School of Management.

ICM – refers to Incremental Capital Module. See section 4.3(e)(i) entitled "Rate Setting Mechanism" for more information.

Idling Time – refers to the number of hours Toronto Hydro vehicles spend idling without a power take-off engaged.

IEEE – refers to the Institute of Electrical and Electronic Engineers.

IESO – refers to the Independent Electricity System Operator. Through amendments to the Electricity Act, the operations of the IESO and the OPA were merged under the name Independent Electricity System Operator on January 1, 2015, bringing together real-time operations of the grid with long-term planning, procurement and conservation efforts.

IFRS – refers to International Financial Reporting Standards.

IRM – refers to Incentive Regulation Mechanism. See section 4.3(e)(i) entitled "Rate Setting Mechanism" for more information.

ISO – refers to the International Organization for Standardization.

ISO 14001:2015 – refers to ISO 14001:2015 Environmental Management Systems.

ISO 26000 – refers to ISO 26000 Social Responsibility.

ISO 45001:2018 – refers to ISO 45001:2018 Occupational Health and Safety Management Systems.

ISO 55001 – refers to ISO 55001:2014 Asset Management Systems.

IT – refers to Information Technology.

ITA – refers to the *Income Tax Act, 1985* (Canada), as amended.

J.D. – refers to the Juris Doctor degree.

KPI – refers to Key Performance Indicator.

kW – refers to a kilowatt, a common measure of electrical power equal to 1,000 Watts.

kWh – refers to a kilowatt-hour, a standard unit for measuring electrical energy produced or consumed over time. One kWh is the amount of electricity consumed by ten 100-Watt light bulbs burning for one hour.

LDC – refers to the Corporation's wholly-owned subsidiary, Toronto Hydro-Electric System Limited.

LL.B. – refers to the Bachelor of Laws degree.

LL.M. – refers to the Master of Laws degree.

Management's Discussion and Analysis or **MD&A** – refers to Management's Discussion and Analysis of Financial Condition and Results of Operations of the Corporation for the year ended December 31, 2023, a copy of which is available on the SEDAR website at www.sedarplus.ca.

MED – refers to Major Event Days as defined by IEEE Std 1366-2012, IEEE Guide for Electric Power Distribution Reliability Indices.

MEU – refers to a Municipal Electricity Utility in the Province of Ontario.

Moody's – refers to Moody's Canada Inc, a credit rating agency.

MTN Program – refers to the medium term note program established by the Corporation under which the Corporation issues debentures pursuant to a short form base shelf prospectus filed by the Corporation from time to time. See section 9.2 entitled "Debentures" for the debentures currently outstanding.

Named Executive Officer or **NEO** – means, collectively, the Corporation's CEO, the CFO, and/or a person serving in either of those capacities during the year and the three most highly compensated executive officers of Toronto Hydro who were serving as executive officers as at December 31, 2023, and each individual who would be amongst the three most highly compensated executive officers for Toronto Hydro, but for the fact that such individual was not an executive officer on December 31, 2023, if any.

Oakville Hydro – refers to Oakville Hydro Electricity Distribution Inc.

OBCA – refers to the *Business Corporations Act, 1990* (Ontario), as amended.

Occupational Health and Safety Policy – refers to the policy applicable to all Toronto Hydro employees and contractors performing work on behalf of Toronto Hydro covering, amongst other things, a commitment to providing safe and healthy working conditions, as approved by the Board most recently at its August 24, 2022 meeting.

OEB – refers to the Ontario Energy Board.

OEB Act – refers to the *Ontario Energy Board Act, 1998* (Ontario), as amended.

OEFC – refers to the Ontario Electricity Financial Corporation.

OHSAS – refers to the Occupational Health and Safety Assessment Series.

OHSAS 18001 – refers to BS OHSAS 18001:2007, British Standard Occupational Health and Safety Assessment Series.

OMERS – refers to the Ontario Municipal Employees Retirement System, a multi-employer, contributory, defined benefit pension plan established in 1962 by the Province for employees of municipalities, local boards and school boards in Ontario.

OPA – refers to the Ontario Power Authority. Through amendments to the Electricity Act, the operations of the IESO and the OPA were merged under the name Independent Electricity System Operator on January 1, 2015, bringing together real-time operations of the grid with long-term planning, procurement and conservation efforts.

Open Access – refers to the opening of the Province's wholesale and retail electricity markets to competition pursuant to the requirement under the Electricity Act that transmitters and distributors of electricity in the Province provide generators, retailers and consumers with non-discriminatory access to their transmission and electricity distribution systems. Open Access commenced on May 1, 2002.

OPG – refers to Ontario Power Generation Inc.

OREC Act – refers to *Ontario Rebate for Electricity Consumers Act, 2016* (Ontario).

OSC – refers to the Ontario Securities Commission.

PCBs – refers to polychlorinated biphenyls, a synthetic chemical compound consisting of chlorine, carbon and hydrogen. PCBs are used primarily as insulating and cooling elements in electrical equipment. Secondary uses include hydraulic and heat transfer fluids, flame proofing adhesives, paints, sealants and cable insulating paper.

PILs – refers to the Payments In Lieu of Corporate Taxes regime contained in the Electricity Act pursuant to which MEUs that are exempt from tax under the ITA and the TA are required to make, for each taxation year, payments in lieu of corporate taxes to the OEFC. See note 25(n) and note 20 to the Consolidated Financial Statements.

PP&E – refers to property, plant and equipment.

Province – refers to the Province of Ontario.

PWU – refers to the Power Workers' Union.

Recycling Rate – refers to the percentage amount of solid, non-hazardous waste diverted from the landfill through recycling at work centres and stations.

Retail Settlement Code – refers to the Retail Settlement Code that was published by the OEB on December 13, 2000 and became effective on the commencement of Open Access (except with respect to "Service Agreements", as that term is defined in the Retail Settlement Code, which came into effect on March 1, 2001), as amended.

Revolving Credit Facility – refers to the Corporation's credit agreement with a syndicate of Canadian chartered banks which established a revolving credit facility. See section 9.3 entitled "Credit Facilities".

S&P Global Ratings – (previously Standard & Poor's) refers to a credit rating agency and a division of S&P Global.

SAIDI – means System Average Interruption Duration Index and is a measure (in hours) of the annual system average interruption duration for customers served, not including MED. SAIDI represents the quotient obtained by dividing the total customer hours of interruptions longer than one minute by the number of customers served.

SAIFI – means System Average Interruption Frequency Index and is a measure of the frequency of service interruptions for customers served, not including MED. SAIFI represents the quotient obtained by dividing the total number of customer interruptions longer than one minute by the number of customers served.

SEDAR – refers to the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval. SEDAR's website is www.sedarplus.ca.

Shareholder Direction – refers to the Shareholder Direction adopted by the Council of the City with respect to the Corporation, as amended and/or restated from time to time, pursuant to which the City has set out certain corporate governance principles with respect to the Corporation.

Smart Meter – refers to a metering device capable of recording and transmitting hourly consumption information of a residential or general service customer.

Standard Supply Customers – refers to persons connected to an electricity distributor's distribution system who are not served by retailers or whose retailer is unable to sell them electricity or who request the distributor to sell electricity to them.

Standard Supply Service – refers to an electricity distributor's obligation to sell electricity to Standard Supply Customers, or to give effect to such rates as determined by the OEB under section 79.16 of the OEB Act.

Standard Supply Service Code – refers to the Standard Supply Service Code for Electricity Distributors that was published by the OEB on December 8, 1999 and became effective on the commencement of Open Access, as amended.

Stewardship Ontario – refers to a not-for-profit organization which operates the Blue Box and Orange Drop Programs under the authority of the *Waste-Free Ontario Act, 2016* (Ontario).

TA – refers to the *Taxation Act, 2007* (Ontario), as amended.

Technical Standards and Safety Act – refers to the *Technical Standards and Safety Act, 2000* (Ontario), as amended.

TH Energy – refers to the Corporation's wholly-owned subsidiary, Toronto Hydro Energy Services Inc.

Toronto Hydro – refers to Toronto Hydro Corporation and its subsidiaries.

Total Recordable Injury Frequency – refers to the number of recordable injuries multiplied by 200,000 divided by exposure hours, as per EC standards.

TOU – refers to Time-Of-Use.

Transfer By-law – refers to By-law No. 374-1999 of the City made under section 145 of the Electricity Act pursuant to which the Toronto Hydro-Electric Commission and the City transferred their assets and liabilities and employees in respect of the electricity distribution system to LDC and in respect of electricity generation, co-generation and energy services to TH Energy. The Transfer By-law permits the Treasurer of the City to adjust the fair market value of the assets and the consideration paid in respect of the electricity distribution assets transferred to LDC as a consequence of OEB rate orders and permitted rates of return for 2000 or any subsequent year.

TransformTO – refers to the City's TransformTO Net Zero Strategy, which outlines a pathway to achieve net zero emissions in Toronto by 2040.

Transportation of Dangerous Goods Act – refers to the *Transportation of Dangerous Goods Act, 1992* (Canada), as amended.

Unit Smart Meter – refers to a unit Smart Meter installed by LDC in a unit of a multi-unit complex where the multi-unit complex is not connected solely to a bulk meter, and includes such other meters as may be prescribed by the Energy Consumer Protection Act.

Watt or **W** – refers to a common measure of electrical power. One Watt equals the power used when one ampere of current flows through an electrical circuit with a potential of one volt.

Working Capital Facility – refers to a $20.0 million demand facility the Corporation entered into with a Canadian chartered bank for the purpose of working capital management. See section 9.3 entitled "Credit Facilities".

Unless otherwise specified, all references to statutes are to statutes of the Province and all references to dollars are to Canadian dollars.

PART 3 - CORPORATE STRUCTURE

3.1 Name, Address, Incorporation

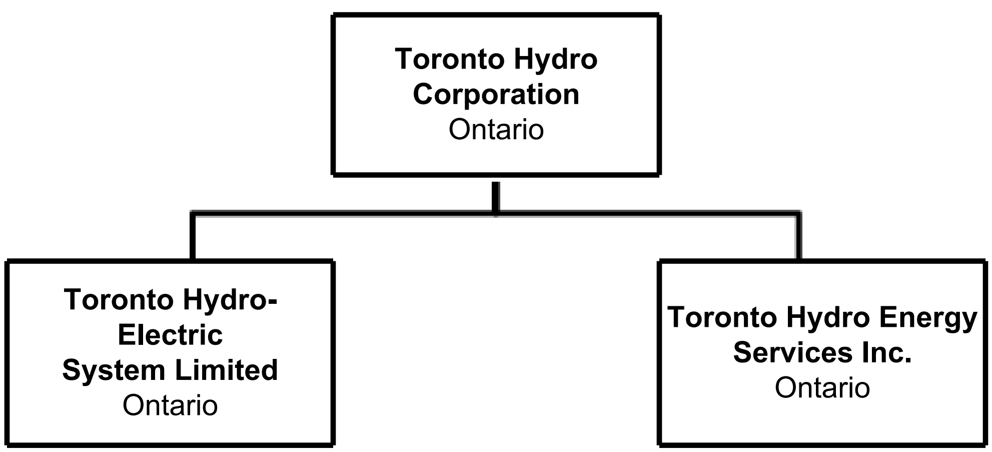
On January 1, 1998, the former municipalities of Metropolitan Toronto, Toronto, East York, Etobicoke, North York, Scarborough and York amalgamated to form the City. At the same time, the electric commissions of Toronto, East York, Etobicoke, North York, Scarborough and York were combined to form the Toronto Hydro-Electric Commission. Toronto Hydro is the successor to the Toronto Hydro-Electric Commission.

The Corporation, LDC and TH Energy were incorporated under the OBCA on June 23, 1999. Pursuant to the Transfer By-law, the Toronto Hydro-Electric Commission and the City transferred their assets and liabilities in respect of the electricity distribution system to LDC and electricity generation, co-generation and energy services to TH Energy.

The registered and head office of the Corporation is located at 14 Carlton Street, Toronto, Ontario, M5B 1K5.

3.2 Inter-corporate Relationships

The sole shareholder of the Corporation is the City. The Corporation, in turn, owns 100% of the shares of the subsidiaries listed below:



PART 4 - BUSINESS OF TORONTO HYDRO

4.1 Industry Structure

A traditional centralized electricity industry is generally comprised of three principal segments:

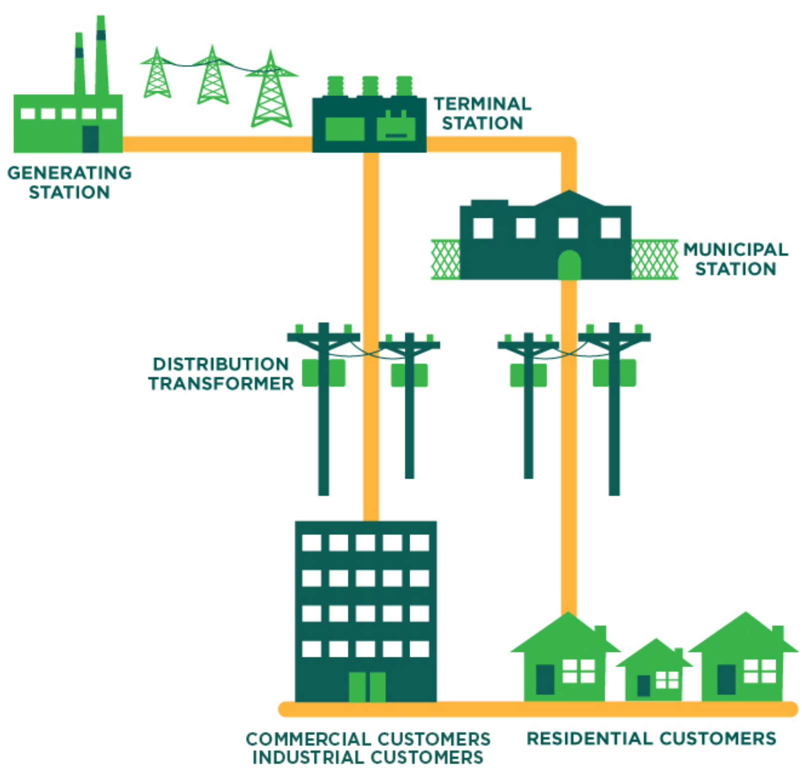
- Generation - the production of electricity at generating stations using nuclear, natural gas, hydro, solar, wind, biofuel or other sources of energy;

- Transmission - the transfer of electricity from generating stations to local areas using large, high-voltage power lines; and

- Distribution - the delivery of electricity to homes and businesses within local areas using relatively low-voltage power lines.

Electricity produced at generating stations is boosted to high voltages by nearby transformers so that the electricity can be transmitted long distances over transmission lines with limited power loss. The voltage is then reduced (stepped down) at terminal stations for supply to electricity distributors or large customers. Electricity distributors carry the electricity to distribution transformers that further reduce the voltage for supply to local customers. Electricity is distributed in the Province through a network of local electricity distributors that includes municipal electricity distributors, privately owned electricity distributors and Hydro One. This traditional structure is evolving and has the potential to become more decentralized as local customers invest in DERs such as behind-the-meter generation facilities and energy storage systems. DERs connected directly to local electricity distribution grids can serve various functions ranging from selling power to the bulk or local electricity grid to providing reliability services and voltage control.

The following diagram illustrates the basic structure of an electricity infrastructure system:



4.2 Toronto Hydro Corporation

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

- LDC – distributes electricity; and
- TH Energy – provides street lighting and expressway lighting services in the city of Toronto.

The Corporation supervises the operations of, and provides corporate, management services and strategic direction to its subsidiaries.

4.3 Toronto Hydro-Electric System Limited (LDC)

The principal business of Toronto Hydro is the distribution of electricity by LDC. LDC owns and operates $6.5 billion of Capital Assets comprised primarily of an electricity distribution system that delivers electricity to approximately 793,000 customers located in the city of Toronto. LDC serves the largest city in Canada and distributes approximately 18% of the electricity consumed in the Province.

(a) LDC's Electricity Distribution System

Electricity produced at generating stations is transmitted through transmission lines owned by Hydro One to terminal stations, at which point the voltage is then reduced (or stepped down) to distribution-level voltages. Distribution-level voltages are then distributed across LDC's electricity distribution system to distribution class transformers, at which point the voltage is further reduced (or stepped down) for supply to end use customers. Electricity typically passes through a meter before reaching a distribution board or service panel that directs the electricity to end use customers (and their circuits).

In addition to accommodating traditional power flows, LDC's distribution system is increasingly tasked with enabling the bi-directional flow of power due to the ongoing proliferation of DERs, including customer-owned solar installations and energy storage systems (e.g. lithium-ion battery systems) connected locally. To adapt to the operational complexities introduced by these technologies, LDC is continuously enhancing the distribution system and its control operations by implementing technologies (i.e. automated sensing and control technologies) that can manage real-time system performance (including safety and reliability) more efficiently and with greater precision.

LDC's electricity distribution system is serviced from two control centres and 37 terminal stations, and is comprised of approximately 16,920 primary switches, approximately 61,460 distribution transformers, 138 in-service municipal substations, approximately 15,364 circuit kilometres of overhead wires. These are supported by approximately 184,330 poles, approximately 13,930 circuit kilometres of underground wires, and approximately 93,500 Unit Smart Meters.

(i) *Control Centres*

LDC has two control centres. The control centres co-ordinate and monitor the distribution of electricity throughout LDC's electricity distribution assets, and provide isolation and work protection for LDC's construction and maintenance crews and external customers. LDC's control centres utilize supervisory control and data acquisition (SCADA) systems to monitor, operate, sectionalize and restore the electricity distribution system.

(ii) *Terminal Stations*

LDC receives electricity at its terminal stations which contain power transformers, high-voltage switching equipment, and lower-voltage equipment such as circuit breakers, switches and station busses.

One of LDC's largest capital initiatives is Copeland Station, construction of which was completed in 2019 in response to needs in the downtown core of the city of Toronto. Copeland Station is the first transformer station built in downtown Toronto since the 1960's and is the second underground transformer station in Canada. It provides electricity to buildings and neighbourhoods in the central-southwest area of downtown Toronto. Since construction was completed in 2019, continued growth in the downtown core necessitated an expansion of the station. This expansion was undertaken, and substantially completed in 2023.

(iii) *Distribution Transformers and Municipal Substations*

Electricity at distribution voltages is distributed from the terminal stations to distribution transformers that are typically located in buildings or vaults or mounted on poles or surface pads that are used to reduce or step down voltages to utilization levels for supply to customers. The electricity distribution system also includes in-service municipal substations that are located in various parts of the city of Toronto and are used to reduce or step down electricity voltage prior to delivery to distribution transformers. LDC also delivers electricity at distribution voltages directly to certain commercial and industrial customers that own their own substations.

(iv) *Wires*

LDC distributes electricity through a network of electrical circuits made up of a combination of overhead and underground wires.

(v) *Metering*

LDC provides its customers with meters through which electricity passes before reaching a distribution board or service panel that directs the electricity to end use circuits on the customer's premises. The meters are used to measure electricity consumption and/or demand. LDC owns the meters and is responsible for their maintenance and accuracy.

As part of its metering services, LDC also installs Unit Smart Meters in multi-unit complexes that fall within the OEB's Competitive Sector Multi-Unit Residential rate class.

(vi) *Reliability of Distribution System*

The table below sets forth certain industry recognized measurements of system reliability with respect to LDC's electricity distribution system and the composite measures reported by LDC and EC for the 12-month periods ended December 31 in the years indicated below.

	LDC 2023	**LDC 2022**	**EC 2022 (1)**
SAIDI	0.88	0.97	8.33
SAIFI	1.42	1.63	2.63
CAIDI	0.62	0.59	3.17

Note:

(1) Data was extracted from the EC's 2022 Service Continuity Report on Distribution System Performance in Electrical Utilities, for all Canadian utilities, excluding significant events. At the date of this AIF, such report for the year 2023 has not been published by EC.

(b) LDC's Service Area and Customers

LDC is the sole provider of electricity distribution services in the city of Toronto, and serves approximately 793,000 customers. The City is the largest city in Canada with a population of approximately 3.0 million. The City is a financial centre with large and diversified service and industrial sectors.

The table below sets out LDC's customer classes and certain operating data with respect to each class for each of the years in the two-year period ended December 31, 2023:

	Year ended December 31	
	2023	**2022**
Residential Service (1)		
Number of customers	710,000	707,178
kWh	5,259,685,752	5,394,320,650
Revenue	$1,006,241,100	$1,007,806,243
% of total service revenue	28.5%	28.9%
General Service (2)		
Number of customers	82,941	82,820
kWh	16,742,532,333	16,853,764,874
Revenue	$2,323,191,911	$2,309,827,994
% of total service revenue	65.9%	66.1%
Large Users (3)		
Number of customers	48	42
kWh	1,696,212,673	1,722,691,956
Revenue	$197,351,669	$174,411,972
% of total service revenue	5.6%	5.0%
Total		
Number of customers	792,989	790,040
kWh	23,698,430,758	23,970,777,480
Revenue	$3,526,784,680	$3,492,046,209

Notes:

(1) "Residential Service" means a service that is for domestic or household purposes, including single family or individually metered multi-family units and seasonal occupancy.

(2) "General Service" means a service supplied to premises other than those receiving "Residential Service" and "Large Users" and typically includes small businesses and bulk-metered multi-unit residential establishments. This service is provided to customers with a monthly peak demand of less than 5,000 kW averaged over a 12-month period.

(3) "Large Users" means a service provided to a customer with a monthly peak demand of 5,000 kW or greater averaged over a 12-month period.

(c) LDC's Real Property

The following table sets forth summary information with respect to the principal real property owned, leased or otherwise used by LDC as at December 31, 2023:

Property	Total
Terminal stations	37 sites
Municipal substations	138 sites
Decommissioned municipal substations	34 sites
Control centres (1)	2 sites
Operation centres (2)	4 sites
Other (3)	58 sites

Notes:

(1) LDC's control centres are located within its operation centres.

(2) LDC's operation centres accommodate office, staff, crews, vehicles, equipment and material necessary to operate and monitor the electricity distribution system.

(3) Other properties include locations under construction, small work centres, surplus properties, and solar photovoltaic electric energy generation sites.

Under the OEB Act, electricity distributors may apply to the OEB for authority to expropriate land required in connection with new or expanded electricity distribution lines or interconnections. If, after a hearing, the OEB is of the opinion that the expropriation of land is in the public interest, the OEB may make an order authorizing expropriation upon payment of specified compensation. The Electricity Act grandfathered thousands of existing unregistered easements, principally for distribution over third-party lands. The Electricity Act also authorizes electricity distributors to locate assets on, over or under public streets and highways.

(d) Regulation of LDC

(i) *Legislative Framework*

The Electricity Act and the OEB Act provide the broad legislative framework for the Province's electricity market.

The Electricity Act requires electricity distributors to provide generators, retailers, market participants, and consumers with non-discriminatory access to distribution systems in Ontario in accordance with distribution licences. Furthermore, an electricity distributor is required to connect to its distribution system any building that lies along its distribution lines upon request. The Electricity Act also requires an electricity distributor to sell electricity to every person connected to its distribution system, effectively acting as the electricity supplier of last resort, except where the person connected opts out of such supply by the distributor.

Additionally, the Electricity Act requires electricity distributors in the Province to keep their distribution businesses separate from their other businesses.

The business of LDC and other electricity distributors is regulated by the OEB, which has broad powers relating to licensing, standards of conduct and service, the regulation of electricity distribution rates charged by LDC and other electricity distributors, and transmission rates charged by Hydro One and other transmitters. The OEB Act states that, subject to certain exceptions, LDC and other electricity distributors shall not carry on any business activity other than the distribution of electricity, except through affiliated companies. As exceptions to the general restriction on its business activities, the OEB Act permits LDC to own and operate alternative, cleaner and renewable sources of energy and energy storage and provide additional services related to the promotion of CDM activities. See section 5.3 entitled “Conservation and Demand Management” for more information on LDC’s CDM activities. As well, the OEB may in particular cases and circumstances authorize LDC to carry on a non-distribution business activity.

The Energy Consumer Protection Act, which came into force in 2011, enables and sets out the requirements relating to LDC’s installation of Unit Smart Meters in multi-unit complexes and provides the rules regarding the manner in which Unit Smart Metered consumers are to be billed for their electricity consumption.

Since 2017, LDC has been providing financial assistance to eligible electricity consumers in accordance with the OREC Act. Pursuant to the applicable legislative requirements, LDC applies a credit (rebate) to the bills of eligible consumers and is reimbursed by the IESO for monthly total assistance amounts provided.

(ii) *Licences*

The OEB has granted LDC a distribution licence. On May 18, 2023, LDC filed an application to renew its distribution licence, which was approved by the OEB on June 27, 2023 and the licence was renewed until June 26, 2043. The licence allows LDC to own and operate an electricity distribution system in the city of Toronto. Amongst other things, the licence provides that LDC must allow non-discriminatory access to its distribution system by a consumer, generator or retailer upon request and sell electricity in accordance with the Electricity Act, must keep financial records associated with distributing electricity separate from its financial records associated with other activities, may not impose charges for the distribution of electricity except in accordance with distribution rate orders approved by the OEB, and must comply with industry codes established by the OEB.

(iii) Industry Codes

The OEB has established the Affiliate Relationships Code, the Distribution System Code, the Retail Settlement Code, and the Standard Supply Service Code. These codes prescribe minimum standards of conduct, as well as standards of service, for electricity distributors in the non-competitive electricity market, and have been assigned the following ranking in the event there is a conflict between them:

(1) Affiliate Relationships Code
(2) Distribution System Code
(3) Retail Settlement Code
(4) Standard Supply Service Code

These codes are summarized below.

Affiliate Relationships Code

The Affiliate Relationships Code establishes standards and conditions for the interaction between electricity distributors and their affiliated companies. It is intended to minimize the potential for an electricity distributor to cross-subsidize competitive or non-monopoly activities, protect the confidentiality of consumer information collected by an electricity distributor and ensure that there is no preferential access to regulated services. The Affiliate Relationships Code prescribes standards of conduct for an electricity distributor with respect to the following: the degree of separation from affiliates; sharing of services and resources; transfer pricing; financial transactions with affiliates; equal access to services; and confidentiality of customer information.

Distribution System Code

The Distribution System Code establishes the minimum conditions that an electricity distributor must meet in carrying out its obligations to distribute electricity under its licence and under the Energy Competition Act (which enacted the Electricity Act and the OEB Act), and has been amended as the regulatory environment has evolved. Generally, the Distribution System Code prescribes the rights and responsibilities of electricity distributors and electricity distribution customers with respect to the following: connections; connection agreements and conditions of service; expansion projects; alternative bids (available to customers for work otherwise done by an electricity distributor); metering; billing; distribution operations; disconnections and reconnections; customer service standards; security deposits; certain financial assistance programs; and regional planning.

Retail Settlement Code

The Retail Settlement Code outlines the minimum obligations of an electricity distributor with respect to its relationship with retail market participants such as retailers and consumers and the administration of service transaction requests where a competitive retailer provides service to a consumer, in accordance with the Electricity Act and the distribution licence. Under the terms of the Retail Settlement Code, an electricity distributor is required to do the following: unbundle the costs of competitive electricity services and non-competitive electricity services; record, in variance accounts, the difference between amounts billed by the IESO to the electricity distributor for competitive and non-competitive electricity services, and the aggregate amounts billed by the electricity distributor to consumers, retailers and others for the same services; provide electricity billing and settlement services to retailers and customers; process service transaction requests; and provide access to consumer information to retailers and consumers as prescribed.

Standard Supply Service Code

The Standard Supply Service Code requires an electricity distributor to act as a default supplier and provide Standard Supply Service to persons connected to the electricity distributor's distribution system in accordance with the Electricity Act. The Standard Supply Service Code also specifies the conditions and manner by which OEB approved Standard Supply Service rates are to be charged and billed to customers. Under the Standard Supply Service Code, an electricity distributor's rates for Standard Supply Service must be approved by the OEB and must consist of the price of electricity and an administrative charge that will allow the electricity distributor to cover its costs of providing the service.

(e) Distribution Rates

(i) *Rate Setting Mechanism*

The OEB's regulatory framework for electricity distributors is designed to support the cost-effective planning and operation of the electricity distribution network and to provide an appropriate alignment between a sustainable, financially viable electricity sector and the expectations of customers for reliable service at a reasonable price.

The OEB typically regulates the electricity rates for distributors using a combination of detailed cost of service reviews and custom index adjustments similar to IRM. A cost of service review uses a future test-year to establish rates, and provides for revenues required to recover the forecasted costs of providing the regulated service, and a fair and reasonable return on rate base (i.e., the aggregate of approved investment in PP&E and intangible assets excluding work in progress, less accumulated depreciation and amortization and unamortized capital contributions from customers, plus an allowance for working capital). Custom index adjustments are typically used for one or more years following a cost of service review and provide for adjustments to rates based on an inflationary factor net of a productivity factor and an efficiency factor as determined relative to other electricity distributors.

Administratively, the OEB currently regulates the electricity rates for distributors through one of three specific rate-setting methods: Price Cap Incentive Rate-setting (typically applicable to most distributors), CIR (typically applicable to distributors with large or highly variable capital requirements), and the Annual Incentive Rate-setting Index (typically applicable to distributors requiring limited rate adjustments). Under each of these methods, the OEB also allows recovery of costs arising from significant events satisfying certain criteria which are considered external to the regulatory regime and beyond the control of management.

Under the Price Cap Incentive Rate-setting method, rates are set on a single forward test-year cost of service basis for the first year and indexed for four subsequent years through an industry-standard IRM adjustment. Under this method, the ICM is available to apply for incremental funding to address any additional capital investment needs that may arise during the term.

Under the CIR method, rates are set for a minimum period of five years, typically on a forward test-year cost of service basis for the first year with subsequent annual adjustments based on a distributor-specific custom index. The particular mechanics through which rates are set and adjusted are proposed by utilities and determined by the OEB on a case-by-case basis.

Under the Annual Incentive Rate-setting Index method, rates are set through an industry-standard IRM adjustment (using a limited form of the industry standard IRM formula) for one or more years.

Under each method, actual operating conditions may vary from forecasts such that actual achieved returns can differ from approved returns. Approved electricity rates are generally not adjusted as a result of actual costs or revenues being different from forecasted amounts, other than for certain prescribed costs that are eligible for deferral for future collection from, or refund to, customers.

See section 5.2 entitled “Rate Applications” for more information on LDC’s rate applications.

(f) Competitive Conditions

The OEB distribution licence issued to LDC stipulates a service area that reflects the territory within the city of Toronto. By law, only the OEB can grant such a licence for a service area and only an entity with such a licence can provide licensed services to the public-at-large within a service area. The OEB has not granted any other distribution licence that permits distribution within LDC’s service area. In addition to this regulatory barrier to entry, there are other barriers to entry, including the cost of constructing an electricity distribution system, physical space limitations within and legal access to the right-of-way, the specialized skills associated with the distribution business, the level of expertise required to achieve operational and regulatory compliance, and LDC’s relationships with its customers. Notwithstanding the existing barriers to entry, other regulated and unregulated entities have competed with LDC and its predecessors to provide customers with other sources of energy, including electricity. The pervasiveness of this competition and its particular effects on LDC’s distribution business have varied over time and are expected to continue to vary based on many factors, including the relative price of energy sources (e.g., natural gas, grid-supplied electricity, behind-the-meter generation), government-based policy and incentives (e.g., green energy generation and DERs), and technology advancements (e.g., micro-grids, behind-the-meter generation facilities, energy storage systems, virtual power).

4.4 Toronto Hydro Energy Services Inc.

TH Energy owns and operates \$62.9 million of Capital Assets as of December 31, 2023. TH Energy owns certain street lighting assets located in the city of Toronto, and has an agreement with the City to provide street lighting system maintenance and capital improvement services to the City. TH Energy sub-contracts street lighting services to LDC.

4.5 Environmental Matters

(a) 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 incorporate procedures and training for dealing with any spills of flammable or combustible liquids. The provincial Transportation of Dangerous Goods 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 environment.

(b) Financial and Operational Effects of Environmental Protection Requirements

In 2023, LDC spent approximately $2.2 million to meet environmental protection requirements. This includes costs for hazardous and non-hazardous waste disposal, testing, asbestos abatement, site remediation, wood and concrete pole removal, manifest and tonnage fees, and Stewardship Ontario fees.

Toronto Hydro recognizes a liability for its best estimate of the future removal and handling costs for contamination in electricity distribution equipment in service. The liability is recognized when there is a present obligation, a probable outflow of resources and the amount can be estimated reliably. Actual future environmental costs may vary from the estimates used in the calculation.

(c) 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 addressed through Toronto Hydro's Environment, Health and Safety department and Sustainability and Training department led by the Executive Vice-President and Chief Human Resources, Environment & Safety Officer. The content of the Environmental Policy is reviewed and approved annually by the Board.

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

- Mitigation of the potential adverse effects of climate change and other environmental conditions on the organization, and action to eliminate or reduce, as far as practicable, any potentially adverse environmental impacts through the implementation of policies, programs and procedures;
- Commitment to achieve net zero direct greenhouse gas emissions by 2040;
- Commitment from leadership to provide suitable and sufficient resources for the environmental management system;

- Compliance with all applicable laws, codes and standards;
- Continual improvement of environmental performance through the establishment of annual objectives, targets and programs;
- Employee engagement through education, training and providing general awareness of the Environmental Policy requirements and the environmental management system;
- Stakeholder engagement including consultation and engagement of environmental issues within the community and various stakeholders such as suppliers, customers, regulators, industry and the public; and
- Integration of environmental considerations into Toronto Hydro business processes.

LDC manages its environmental aspects in conformance with ISO 14001:2015 and was re-certified on December 6, 2021 as meeting the requirements of the ISO 14001:2015 standard by a third-party auditor. The certificate is valid until February 4, 2025. Throughout the certification period, Toronto Hydro undertakes annual third-party surveillance audits to verify the ISO 14001:2015 requirements continue to be met. The latest verification occurred on December 21, 2023, with the auditors confirming the management system remained in conformance with the requirements.

Legislative environmental reporting for federal, provincial and municipal governments is compiled and submitted in accordance with applicable obligations and authorities. Third party environmental compliance audits are also conducted biennially in conformance with LDC's environment, health and safety audit plan.

Toronto Hydro's environmental policies, programs and procedures are reviewed and approved by management. Information on environmental performance, environmental risks, mitigation strategies and other material environmental matters are presented to the Human Resources and Environment Committee of the Board as part of Toronto Hydro's regular update on ESG performance.

(d) Environmental, Social and Governance

Toronto Hydro operates substantially in conformance with ISO 26000, an internationally recognized social responsibility standard. The focus of Toronto Hydro's ESG and sustainability actions is guided in part by an external materiality study and may be supplemented with information obtained through customer surveys. Toronto Hydro's Board receives updates on Toronto Hydro's ESG performance through the Human Resources and Environment Committee of the Board. This includes updates on performance on climate change metrics and targets and progress towards Toronto Hydro ESG-related goals, including those that are climate-related.

In 2023, the key areas of Toronto Hydro's ESG and sustainability activities were:

- Climate change mitigation and adaptation;
- Reduction of GHG emissions;
- Occupational health, safety and wellness;
- Transportation electrification;
- Ethics and integrity;
- Diversity, equity and inclusion;
- Service reliability; and
- Customer relationships and support.

In 2014, Toronto Hydro was one of the earliest Canadian electrical utilities to receive the prestigious "Sustainable Electricity Leader" designation. This designation is issued by EC to organizations following a successful third-party assessment of documented evidence that demonstrates an organization's conformance to ISO 26000, ISO 14001:2015, and integration of ESG and sustainability requirements into the organization's supply chain. Toronto Hydro has maintained this designation continuously since 2014. Further details on Toronto Hydro's activities in respect of ISO 14001:2015 can be found in section 4.5(c) entitled "Environmental Policy and Oversight".

Starting in 2013-2014, Toronto Hydro has reported publicly on its ESG and sustainability performance, substantially in conformance with the requirements of the GRI and electric utility sector-specific guidelines. The GRI Sustainability Reporting Standards are generally considered to be the most widely adopted global standards for sustainability reporting. In 2020, Toronto Hydro began reporting substantially in conformance with the requirements of the GRI on an annual basis and has begun to include metrics from the Sustainability Accounting Standards Board. In 2023, Toronto Hydro began reporting substantially in conformance with the recommendations from the Task Force on Climate-Related Financial Disclosures.

Specifically, with respect to its environmental objectives, these reports aim to aid stakeholders in understanding how oversight processes may translate into tangible climate-related accomplishments and details the Corporation's activities in:

- Enabling climate action;
- Reducing GHG emissions;
- Leading environmental initiatives;
- Renewable energy (and enabling infrastructure);
- Energy security;
- Climate change adaptation; and
- Emergency preparedness.

Toronto Hydro has a robust process for establishing and approving key metrics to challenge the performance of the organization and support the drive for continual improvement. Toronto Hydro has met the established targets for the following ESG metrics since 2017: Recycling Rate, Total Recordable Injury Frequency, Idling Time and SAIDI. Since 2022, Toronto Hydro has monitored its progress to achieving net-zero GHG emissions by 2040 through two metrics: Building Emissions Reduction and Fleet Electrification.

Since 2018, Toronto Hydro has been a signatory to Electricity Human Resources Canada's Leadership Accord on Diversity, Equity and Inclusion and since 2021, a supporter of Catalyst, a global non-profit organization. These partnerships, affirm the organization's commitment to advance governance, education and best practices to achieve an equitable and diverse workforce with opportunities for growth and development. In 2023, Toronto Hydro completed the delivery of an unconscious bias training program for front-line leaders. In addition, leading and creating a culture of inclusivity has been incorporated into leadership development program design for all leadership levels.

Through collaborations with EC and local colleges and universities, the focus of Toronto Hydro's continuous efforts has been on the promotion and mentorship of women to pursue educational programs in electrical engineering fields of study to avail a gender diverse talent pipeline to fulfill short and long-term workforce staffing and succession management requirements.

As at the date of this AIF, 55% (6 out of 11) of the members of the Corporation's Board, 67% (2 out of 3) of the executive officers of the Corporation and 50% (3 out of 6) of the executive officers of LDC are female. As of December 31, 2023, 29% of the workforce is female, inclusive of the executive officers.

Toronto Hydro has received recognition for its leadership in ESG and sustainability and climate change adaptation from multiple sources for several years, including being recognized 19th in 2023 on the Corporate Knights' Best 50 Corporate Citizens in Canada list and third amongst electricity transmission and distribution companies. Also, three of Toronto Hydro's four work centres have been certified as meeting BOMA Canada's requirements for building environmental standards (BOMA BEST).

Overall, Toronto Hydro continues to strive to achieve zero injuries and remain a sustainable electricity company. Toronto Hydro regularly monitors and assesses aspects of its environmental performance in an effort to reduce its environmental footprint and improve efficiency. Toronto Hydro also enables customers to be part of the shift to a sustainable economy by connecting renewable power and energy storage to the grid; facilitating the use of electrified transportation; and offering online billing to reduce paper consumption.

4.6 Additional Information Regarding Toronto Hydro

(a) Employees

At December 31, 2023, Toronto Hydro had approximately 1,325 employees. Included in Toronto Hydro's employees are 514 members of bargaining units represented by PWU and 78 professional engineers and 72 IT professionals represented by the Society of United Professionals. The Society of United Professionals Engineers ratified a new Collective Agreement in December 2023, which covers a five-year period, from January 1, 2024, expiring December 31, 2028. The PWU collective agreements governing inside and outside employees for a five-year period beginning February 1, 2022 and expiring January 31, 2027. The IT professionals represented by the Society of United Professionals have a five-year collective agreement for a period beginning January 1, 2021 and expiring December 31, 2025.

Full time employees of Toronto Hydro are required to participate in the OMERS pension plan. Both participating employers and participating employees are required to make equal plan contributions based on participating employees' eligible contributory earnings. Optional participation has been expanded by OMERS to all fixed term contract employees, including students of Toronto Hydro. Plan benefits are determined based on a formula that considers the highest 5-year average contributory earnings and the number of years of service. For benefits earned prior to January 1, 2023, the pension benefits at retirement are indexed to increases in the Consumer Price Index, subject to an annual maximum of 6%. Any increase in the Consumer Price Index above 6% per year is carried forward for later years. Effective January 1, 2023, OMERS introduced Shared Risk Indexing, and pension payments from benefits earned on or after January 1, 2023 will be subject to indexation as determined by OMERS based on the financial health of the OMERS plan. All obligations to make payments to retirees under the OMERS pension plan are the responsibility of OMERS.

In addition to OMERS, Toronto Hydro provides other employment and post-employment benefits to employees, including medical, dental and life insurance benefits. See note 25(l) and note 13 to the Consolidated Financial Statements.

(b) Specialized Skills and Knowledge

Certified and skilled trades and designated and technical professional roles are important in the safe and reliable design, construction, maintenance, restoration and customer connections to support the LDC's electricity distribution system operations. Toronto Hydro hires a mix of experienced workers and new graduates to perform a variety of technician, technologist, engineering, information technology and corporate professional roles. Technician and technologist apprenticeships require between 4 and 6 years to become fully competent and capable of performing all aspects of their job. LDC provides specialized knowledge and technical programs, on the job learning and legislative and compliance training to support entry to the organization and throughout the apprenticeship program for required skills and knowledge outcomes.

(c) Health and Safety

Toronto Hydro is committed to a healthy, safe and injury free work environment for all employees, contractors, visitors and the public. LDC manages its health and safety management system in conformance with ISO 45001:2018 and was re-certified on December 6, 2021 as meeting the requirements of the ISO 45001:2018 standard by a third-party auditor. The certificate is valid until February 4, 2025. Throughout the certification period, Toronto Hydro undertakes annual third-party surveillance audits to verify the ISO 45001:2018 requirements continue to be met. The latest verification occurred on December 21, 2023, with the auditors confirming the management system remained in conformance with the requirements.

Through LDC's EHSMS, LDC maintains and reviews procedures, programs and the Occupational Health and Safety Policy which outlines several core principles including:

- Compliance
- Continual improvement
- Engagement and consultation
- Communication
- Accountability
- Risk management
- Contractor management
- Incident investigation
- Performance monitoring
- Wellness

The content of the Occupational Health and Safety Policy is reviewed and approved annually by the Board.

Toronto Hydro's health and safety performance, occupational health and safety risks, mitigation strategies and other occupational health and safety matters are reviewed periodically by the Human Resources and Environment Committee of the Board as part of Toronto Hydro's regular update on ESG performance.

The Total Recordable Injury Frequency rate for 2023 was 0.30, the most successful performance on record and 36% better than the previous year (0.47).

LDC'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 health and safety compliance and management system audits conducted in conformance with LDC's environmental, health and safety audit plan.

Toronto Hydro's occupational health and safety policies, programs and procedures are reviewed and approved by management.

(d) Code of Business Conduct and Whistleblower Procedure

All employees, officers and directors of Toronto Hydro are required to comply with the principles set out in the Code of Business Conduct and Whistleblower Procedure (the Code), which was originally implemented by Toronto Hydro in 2003, and is reviewed, revised and approved by the Board from time to time. The Code provides guidance to all employees in situations of potential perceived conflict of interest. All employees, officers and directors of Toronto Hydro are required to complete training in respect of the Code and sign an attestation in accordance with the Code upon commencement of employment and every three years thereafter.

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. Where the complaint involves the conduct of a director or officer of Toronto Hydro, the Ethics Officer is required to report it to the Chair of the Human Resources and Environment Committee of the Board, or, where such conduct relates to questionable auditing or accounting matters, to the Chair of the Audit Committee of the Board, who oversees the investigation of that complaint. In addition to the provisions of the Code, the Ethics Officer reports quarterly to the Human Resources and Environment Committee of the Board on the nature of complaints received and the Director, Internal Audit and Compliance reports quarterly to the Audit Committee on matters related to audit and accounting. A copy of Toronto Hydro's Code of Business Conduct and Whistleblower Procedure is available on the SEDAR website at www.sedarplus.ca.

(e) Insurance

Toronto Hydro's current insurance policies provide coverage for a variety of losses and expenses which might arise from time to time, including:

- comprehensive general liability insurance;
- all risk property, boiler and machinery insurance;
- automobile liability insurance;
- directors and officers' liability insurance;
- cyber insurance;
- crime insurance; and
- insurance covering loss or damage on certain physical assets.

Toronto Hydro believes that the coverage, amounts and terms of its insurance arrangements are consistent with industry practice.

(f) Intangible Property

The Corporation owns various intangible assets, such as computer software systems used in the course of business, and intellectual property, including the "Toronto Hydro" brand name and the trademark Toronto Hydro & Star Design. The Corporation also owns the trademark POWERSHIFT®.

(g) Seasonal Effects

Toronto Hydro's revenues, all other things being equal, are impacted by temperature fluctuations and unexpected weather conditions, including increased frequency of extreme weather events as a result of climate change, such as heat waves, intense rain events, snow storms and higher average temperatures. Generally, revenues would tend to be higher in the first quarter as a result of higher energy consumption for winter heating, and in the third quarter due to air conditioning/cooling. Toronto Hydro's revenues are also impacted by fluctuations in electricity prices and the timing and recognition of regulatory decisions.

(h) Cybersecurity

Toronto Hydro, as an operator of critical infrastructure, is exposed to risks related to cyberattacks, information security breaches and unauthorized access to its systems. As Toronto Hydro focuses on modernizing its distribution system and increasing its automation and interactivity, the incorporation of a greater level of technology and information systems into its infrastructure could make the distribution system more susceptible to external cyberattack. Toronto Hydro has implemented security controls substantially aligned with industry best practices and standards, including the National Institute of Standards and Technology Cybersecurity Framework and the OEB's Ontario Cyber Security Framework, and maintains cyber insurance.

Preventative controls are employed to protect information and technology assets against cyberattacks and mitigate their effects. Toronto Hydro maintains close coordination with industry partners, agencies and technology vendors who provide near real-time threat intelligence. Detective controls are also employed to continuously monitor information systems so that Toronto Hydro can respond appropriately to minimize the damage in the event of a cyberattack. Additionally, in respect of Toronto Hydro's operational technology systems in general, controls are in place which mitigate against wider systemic risk to business systems. In addition, Toronto Hydro has developed robust processes for assessment of third-party providers and contractors that interact with its information technology systems, and has contractual protection and technical safeguards in place to safeguard against third-party risks. In connection with overseeing the management of these risks, Toronto Hydro's Audit Committee receives comprehensive updates on the cybersecurity environment and Toronto Hydro's cybersecurity program and responses.

PART 5 - GENERAL DEVELOPMENT OF THE BUSINESS

5.1 Business Operations

(a) Three Year History

The following table sets forth selected annual financial information of the Corporation for the three years ended December 31, 2023, 2022 and 2021. This information has been derived from the Consolidated Financial Statements and is presented in millions of dollars.

	Year ended December 31		
	2023	2022	2021
Net income after net movements in regulatory balances	$139.9	$163.9	$141.0
Capital expenditures	$755.0	$722.7	$647.4
Total assets and regulatory balances	$7,594.5	$6,947.0	$6,413.8
Total equity	$2,103.6	$2,062.0	$1,982.7

(b) Business Operations

Over the past three years, Toronto Hydro continues to focus its business operations on LDC's core business of distributing electricity.

5.2 Rate Applications

On December 19, 2019, the OEB issued its 2020-2024 CIR Decision and on February 20, 2020, the OEB issued its CIR Final Rate Order, both in relation to the rate application filed on August 15, 2018 (together, the 2020-2024 CIR Decision and Rate Order). The 2020-2024 CIR Decision and Rate Order approved funding for capital and operating expenditures of approximately $3.8 billion for the 2020-2024 period. The 2020-2024 CIR Decision and Rate Order approved subsequent annual rate adjustments based on a custom index for the period commencing on January 1, 2021 and ending on December 31, 2024. The financial considerations of the OEB's 2020-2024 CIR Decision and Rate Order are reflected in the Consolidated Financial Statements including disclosure of approved disposition for a number of requested rate riders. See note 8 to the Consolidated Financial Statements.

On August 20, 2021, LDC filed the 2022 rate application seeking the OEB's approval to finalize distribution rates and other charges for the period commencing on January 1, 2022 and ending on December 31, 2022. On December 9, 2021, the OEB issued a decision and rate order approving LDC's 2022 rates and providing for other deferral and variance account dispositions.

On August 23, 2022, LDC filed the 2023 rate application seeking the OEB's approval to finalize distribution rates and other charges for the period commencing on January 1, 2023 and ending on December 31, 2023. On December 8, 2022, the OEB issued a decision and rate order approving LDC's 2023 rates and providing for other deferral and variance account dispositions.

On August 25, 2023, LDC filed the 2024 rate application seeking the OEB's approval to finalize distribution rates and other charges for the period commencing on January 1, 2024 and ending on December 31, 2024. On December 14, 2023, the OEB issued a decision and rate order approving LDC's 2024 rates and providing for other deferral and variance account dispositions.

On November 17, 2023, LDC filed a CIR application seeking the OEB's approval of electricity distribution rates and charges effective January 1, 2025, and subsequent annual rate adjustments based on a custom index specific to LDC for the period commencing on January 1, 2026 and ending on December 31, 2029. The application requests distribution rate increases necessary to fund a capital expenditures plan of approximately $3.9 billion and an operational expenditures plan of approximately $1.9 billion over the 2025-2029 period subject to inflationary adjustments via a custom index. The rate application also seeks approval to include in LDC's rate base capital amounts that were incurred during the 2020-2024 period.

5.3 Conservation and Demand Management

The IESO is responsible for delivery of CDM programs; however, LDC remains responsible for its obligations under participant agreements with customers for many of the programs under its previous joint CDM plan with Oakville Hydro Electricity Distribution Inc. that were in effect before April 1, 2019. On June 10, 2021, the Government of Ontario issued ministerial directives to the IESO to extend the deadline by which participants were to complete the projects from June 30, 2021 to December 31, 2021, and on December 9, 2021, the deadline was further extended to August 31, 2022. The ministerial directives also allowed for the completion deadline to be further extended for participants who completed projects prior to December 31, 2022 to be eligible for funding upon submission of their claims, if certain conditions were met. Amounts received from the IESO for the funding of the projects under the participant agreements, but not yet spent, are presented on the Corporation's consolidated balance sheets under current liabilities as deferred conservation credit.

5.4 Toronto Hydro Climate Action Plan

In April 2021, City Council requested that Toronto Hydro prepare an action plan regarding what more Toronto Hydro could do to support the City's TransformTO vision and climate action targets. Toronto Hydro submitted its Climate Action Plan in September 2021 and its first Climate Action Plan Status Report in June 2022. In July 2022, City Council adopted the recommendations of these reports, including a request that Toronto Hydro establish a new climate advisory services business. At this meeting, City Council also directed that Toronto Hydro and the City enter into a memorandum of understanding with respect to coordinating City and Climate Advisory Services' climate mitigation efforts. The memorandum of understanding was signed in April 2023 and presented to City Council in May 2023.

Climate Advisory Services is designed to facilitate reductions in GHG emissions via electrification by reducing stakeholder-identified barriers that prevent or inhibit customers from participating in the energy transition. The Climate Action Plan sets out examples of these services to customers, including to: identify their situation-specific opportunities; help in choosing particular climate actions and the timing of implementation; provide recommendations on potential clean tech products and services to vendors; assist in applying for government or institutional funding such as grants and/or loans; remove barriers faced by low income customers; as well as assist with monitoring implementation and evaluating the results. In sum, Toronto Hydro employees use their knowledge and experience to ease and support the energy transition for customers.

For the year ended December 31, 2023, operating costs relating to Climate Advisory Services were $4.3 million and were funded through revenues and net income within LDC, not from electricity distribution rates.

PART 6 - RELATIONSHIP WITH THE CITY

6.1 Shareholder Direction

As sole shareholder of the Corporation, the City has adopted the Shareholder Direction that sets out the following corporate governance principles with respect to Toronto Hydro:

- the objectives and principles that govern the operations of Toronto Hydro;
- the matters in addition to those set out in the OBCA that require the approval of the City as the sole shareholder of the Corporation; and
- certain financial and administrative arrangements between the Corporation and the City.

The Shareholder Direction requires Toronto Hydro to conduct its affairs and govern its operations in accordance with such rules, policies, directives or objectives as directed by City Council from time to time, subject to Toronto Hydro's requirements under law.

(a) Shareholder Objectives and Principles

The Shareholder Direction provides that the following objectives and principles shall govern the operations of Toronto Hydro:

- to operate Toronto Hydro on an efficient and commercially prudent basis;
- to optimize the City's return on equity as the sole shareholder of the Corporation and operate Toronto Hydro with a view to meeting the financial performance objectives of the City as set out in the Shareholder Direction;
- to provide a reliable, effective and efficient electricity distribution system that supports the electricity demands of residents and businesses in the City;
- to operate Toronto Hydro in an environmentally responsible manner consistent with the City's energy, climate change and urban forestry objectives and, as appropriate, utilizing emerging green technologies;
- to ensure that the business is managed in material compliance with all law; and
- to engage in recruitment and procurement practices designed to attract employees and suppliers from the City's diverse community.

The Shareholder Direction provides that the Board is responsible for determining and implementing the appropriate balance among these objectives and principles and for causing Toronto Hydro to conduct its affairs in accordance with the same.

(b) Shareholder Approval

In addition to those matters set out in the OBCA, the following matters, among others, require the approval of the City as the sole shareholder of the Corporation:

- subject to certain exceptions in the case of LDC, creating any security over the assets of the Corporation or LDC;

- in the case of LDC, providing any financial assistance to any person other than in accordance with the Shareholder Direction;
- in the case of the Corporation and LDC, making any investment in or providing any financial assistance to any subsidiary of the Corporation (other than LDC), other than trade payables incurred in the ordinary course of business on customary terms and an investment in or financial assistance to a subsidiary that originally was an investment in or financial assistance to LDC, in excess of 12% of the shareholder's equity of LDC as shown in its most recent financial statements; and
- acquiring any interest in the electricity distribution system, undertaking or securities of a distributor operating outside the City unless, among other things, the acquisition does not adversely affect the dividend payable to the City and there is no dilution of the City's shareholding in the Corporation.

The City has authorized the Corporation to provide financial assistance to its subsidiaries for the purpose of enabling them to carry on their respective businesses, including, in the case of LDC, for the purpose of satisfying the prudential requirements of the IESO. The Shareholder Direction limits the financial assistance that may be provided by the Corporation to its subsidiaries to an aggregate amount of $500.0 million, except in the case of LDC, which financial assistance is unlimited.

(c) Financial Performance

The Shareholder Direction provides that the Board will use its best efforts to ensure that Toronto Hydro meets certain financial performance standards, including those relating to the credit rating and dividends.

(d) Credit Rating

The Shareholder Direction provides that the Corporation will obtain and maintain a rating of A minus or higher (or its equivalent rating, depending on the credit rating agency) on its senior debt securities, as rated by two accredited credit rating agencies in Ontario (which include S&P Global Ratings, DBRS and Moody's). See section 9.4 entitled "Credit Ratings" for more information on the Corporation's credit ratings as at December 31, 2023.

(e) Dividends

Subject to applicable law, the Shareholder Direction provides that the Corporation will pay dividends to the City each year amounting to 60% of the Corporation's consolidated net income after net movements in regulatory balances for the prior fiscal year. The dividend is declared quarterly, subject to the discretion of the Board and is payable to the City by the last business day of each fiscal quarter.

The Corporation declared and paid dividends to the City totaling $70.3 million in 2021, $84.6 million in 2022, and $98.3 million in 2023.

On February 28, 2024, the Board declared a dividend in the amount of $21.0 million, payable to the City by March 28, 2024.

LDC declared and paid dividends to the Corporation of $0.6 million in 2021, $nil in 2022 and $25.3 million in 2023. On February 27, 2024, the Board of Directors of LDC declared a dividend in the amount of $23.8 million, payable to the Corporation by March 28, 2024.

TH Energy declared and paid $nil dividends to the Corporation in 2021, 2022, and 2023.

6.2 Services Provided to the City

Toronto Hydro provides certain services to the City at commercial and regulated rates, including street lighting services. Ongoing street lighting services are provided by TH Energy and sub-contracted to LDC. See section 4.4 entitled "Toronto Hydro Energy Services Inc." for more information. See note 22 to the Consolidated Financial Statements.

6.3 Shareholder Engagement

The Corporation believes that regular and constructive engagement with the City, its sole shareholder, is an important part of creating an open, candid and informed dialogue. In addition to the Corporation's annual shareholder meetings, representatives of the Corporation engage with the City through formal attendance at City Council meetings and other engagements with the Mayor, City Councillors and City management throughout the year as required. Other means of communications with the City include the Corporation's annual and quarterly financial and management reports, and ward-specific updates.

PART 7 - TAXATION

7.1 Tax Regime

The Corporation is exempt from tax under the ITA, if not less than 90% of its capital is owned by the City and not more than 10% of its income is derived from activities carried on outside the municipal geographical boundaries of the City. In addition, the Corporation's subsidiaries are also exempt from tax under the ITA provided that all of their capital is owned by the Corporation and not more than 10% of their respective income is from activities carried on outside the municipal geographical boundaries of the City. A corporation exempt from tax under the ITA is also exempt from tax under the TA.

The Electricity Act provides that an MEU that is exempt from tax under the ITA and the TA is required to make, for each taxation year, a PILs payment to the OEFC in an amount equal to the tax that it would be liable to pay under the ITA and the TA if it were not exempt from tax. The Corporation and each of its subsidiaries are MEUs for purposes of the PILs regime contained in the Electricity Act, and therefore, the Corporation is required to make PILs to the OEFC.

If the Corporation or a subsidiary ceases to be exempt from tax under the ITA and the TA, it will become subject to tax under those statutes, will no longer be required to make PILs payments to the OEFC, and will be deemed to have disposed of its assets for proceeds of disposition equal to their fair market value at that time and to have reacquired its assets at the same amount with the result that:

- such corporation would become liable to make a PILs payment in respect of any income or gains arising as a result of these deemed dispositions; and

- the amount of annual taxes payable by the corporation under the ITA, and the TA may be different from the PILs payment that would be payable without a loss of tax-exempt status to reflect, among other things, the consequences of these deemed dispositions and acquisitions.

The Electricity Act also provides that a municipal corporation or an MEU is required to pay a transfer tax when it transfers Electricity Property. An interest in Electricity Property includes any interest in a corporation, partnership or other entity that derives its value in whole or in part from Electricity Property. The transfer tax is the prescribed percentage (22% for transfers occurring between January 1, 2016 and December 31, 2024, and 33% for transfers occurring thereafter) of the fair market value of the interest transferred. The amount of transfer tax payable where the interest that is transferred is an interest in a corporation, partnership or other entity, is calculated in accordance with a special rule. The amount of transfer tax payable by an MEU on a transfer of Electricity Property may be reduced by:

- any PILs payment made by the MEU in respect of the part of the taxation year up to and including the date that the transfer takes place or a previous taxation year;

- any amount that the MEU has paid as tax under Part III of the TA in respect of the part of the taxation year up to and including the date of the transfer or a previous taxation year; and

- any amounts that the MEU would be liable to pay as tax under Part I of the ITA in respect of the taxation year if that tax were computed on the basis that the MEU had no income other than the capital gain realized on the transfer of its interest in the property.

Transfers of Electricity Property will be an excluded transfer and thereby exempt from the transfer tax if made to an MEU, Hydro One or OPG, or a subsidiary of either of them if the transferee is exempt from tax under the ITA at the time of transfer. Capital gains arising from a transfer of Electricity Property occurring between January 1, 2016 and December 31, 2024 are also exempt from the transfer tax.

In addition, a refund of transfer tax may be made where such tax had been paid on the sale or transfer of Electricity Property and where the proceeds of that transfer were reinvested in certain other capital or depreciable assets used in connection with generating, transmitting, distributing or retailing electricity in Ontario and, subject to certain deeming rules, before the end of the second taxation year following the taxation year in which the liability to pay the transfer tax arose.

PILs payments are deductible in computing the transfer tax only to the extent that they have not been previously applied to reduce transfer tax payable by a municipal corporation or an MEU.

7.2 PILs Recoveries through Rates

The OEB's Filing Requirements for Electricity Distribution Rate Applications provides for electricity distribution rate adjustments to permit recoveries relating to PILs payments. These recoveries are recalculated and submitted for recovery by LDC in each cost of service or rebasing distribution rate application. LDC is also generally at risk for variances between forecasted and actual PILs paid, excluding variances arising from changes in tax legislation not assumed in the setting of rates for the period in question, which variances are disposed of through deferral accounts under cost of service, IRM or CIR. See note 8(j) to the Consolidated Financial Statements.

PART 8 - RISK FACTORS

Risk Management

Toronto Hydro faces various risks that could impact the achievement of its strategic objectives. It adopts an enterprise-wide approach to risk management, based on an overall enterprise risk philosophy, and consolidates the various outlooks of risk across the enterprise via a risk governance structure. The Board annually reviews Toronto Hydro's risk philosophy and is responsible for approving any new enterprise risk areas. Key risks and associated mitigation strategies are periodically reviewed by the Executive and Senior Leadership Team.

The Corporation's ERM framework utilizes industry best practices and international guidelines, and enables the attainment of its strategic goals and objectives through a systematic, disciplined approach towards identifying, evaluating, treating, monitoring and reporting of risks.

Toronto Hydro's key risk areas are described in the following sections. The strategic risk areas are identified as the governance, oversight and franchise risks, while the key functional risks are the financial, cybersecurity, safety, operations, human capital and compliance risks. There can be no assurance that any steps Toronto Hydro takes to manage risks will avoid future loss.

Governance Risk

Risk that municipal activity (laws, policies, or intervention) impedes Toronto Hydro's effective performance, and ability to meet its objectives and serve its customers.

The Corporation is a government-controlled enterprise whose sole shareholder is the City. The operations of Toronto Hydro are influenced by the broad by-law enactment and enforcement powers of the City. The City is also responsible for developing policies and municipal initiatives of general application and there is no guarantee that such policies, including climate change and energy policies, will align with Toronto Hydro's strategic objectives or long-term financial health. The City may also implement additional requirements relating to reduction in GHG emissions and adaptation to climate change as part of initiatives such as the City's TransformTO. In this respect, City Council passed resolutions in 2022 to support the implementation of Toronto Hydro's climate action plan to assist the City in meeting its 2040 net zero GHG emission objective, and the City and Toronto Hydro have entered into a Memorandum of Understanding concerning these matters. See section 5.4 entitled "Toronto Hydro Climate Action Plan". The City, as sole shareholder, may require Toronto Hydro to make additional investments in infrastructure and/or undertake activities which necessitate additional time, money and effort to be expended related to compliance with the City's TransformTO that are inconsistent with Toronto Hydro's proposed climate action plan. Additionally, due to its authority to put in place oversight bodies which may have or be given jurisdiction over Toronto Hydro as a government-controlled enterprise, the City may also empower certain of its agencies to investigate or audit Toronto Hydro, which could lead to significant reputational, operational or financial harm.

The City also plays a role as a municipal asset manager and construction entity and could substantially impact Toronto Hydro's operations and impose material costs through its infrastructure work plans and policies (e.g., asset relocation costs, work restrictions, climate change adaptation, etc.). The City may also impact Toronto Hydro when elected officials take actions as community representatives whereby such actions are contrary to the strategic objectives or necessary operational functions of Toronto Hydro.

As the Corporation's sole shareholder, the City has set out the governing objectives and principles, including financial objectives, for the Corporation through the Shareholder Direction, as described in section 6.1 entitled "Shareholder Direction". Under the Shareholder Direction, the City has the power to direct Toronto Hydro to conduct its affairs and govern its operations in accordance with such rules, policies, directives or objectives as are directed by City Council from time to time, subject to applicable law. Certain conflicts may arise where the City's goals and objectives in implementing such rules, policies, directives or objectives differ from or amend the Shareholder Direction principles, create new governing objectives and principles, or restrict the ability of the Board to oversee the operations of the Corporation and management's ability to take strategic or functional action, and therefore could materially adversely affect Toronto Hydro's business, operations, financial condition or prospects. The City may not provide or support equity investment or net income reinvestment in the Corporation to enable Toronto Hydro to maintain the financial objectives under the Shareholder Direction as it undertakes its strategic plan and implements OEB-approved rate decisions and orders. Additionally, as sole shareholder of the Corporation, the City may not appoint directors on a timely basis with sufficient competencies and experiences to provide effective strategic direction to and oversight of Toronto Hydro.

Toronto Hydro engages on a systematic basis with the City Mayor, City Councillors, the City Manager's office, and other departments and agencies to ensure a sharing of perspectives on the vital interests of Toronto Hydro and its customers.

Oversight Risk

Risk that provincial government or regulator activity (laws, frameworks or policies) impedes Toronto Hydro's effective performance, and its ability to meet its objectives and serve its customers.

Toronto Hydro is subject to the risk that its business activities may be impeded through the actions of governmental or regulatory authorities or by changes in regulation. There is a risk that future changes to Ontario's electricity regulatory model, manner of regulation, application of regulatory principles, and/or broader climate change and energy policy framework does not align with Toronto Hydro's business direction and could materially adversely affect Toronto Hydro's strategic goals and financial results.

Ontario's electricity industry regulatory and other energy policy developments may affect the electricity distribution rates charged by LDC, the costs LDC is permitted to recover and the activities LDC and others, including those parties offering alternative or additional services to the electricity distribution grid, may undertake and how such activities are supported. This may in turn have a material adverse effect on the financial performance of the Corporation and/or LDC's ability to deliver effective and efficient operations and reliable service to its customers, as well as create barriers to LDC achieving its strategic objectives. Among other things, there can be no assurance that:

- the OEB will approve LDC's electricity distribution rates at levels that will permit LDC to maintain safe and reliable service to its customers and earn a commercially reasonable rate of return on the investment in the business;

- the OEB will approve and permit recovery through rates of past and future expenditures incurred by LDC in providing distribution services to customers, including costs arising from an increased inflationary environment and pass-through costs, including those relating to the electricity commodity, in either case as fully as expected and in a timely manner or at all;

- governmental authorities will pursue net zero GHG policies that optimally utilize electrification or adequately support local distribution companies in facilitating electrification;

- the OEB will approve and permit recovery through rates of past and future expenditures incurred by LDC in preparing for or expanding electricity distribution service to meet increased electricity demand or other requirements resulting from net zero GHG emission policies and growth in the City;

- the OEB will adopt other rate-setting principles, formulae, inputs and cost recovery methodologies in a manner consistent with well-established regulatory principles that result in rates that properly support LDC's activities;

- the regulatory instruments that are made available to LDC will be sufficient to address LDC's operations, needs and circumstances in respect of future applications for electricity distribution rates; and

- the OEB, IESO or other governmental authority will not permit, enable or facilitate other parties in providing distribution services in LDC's licensed area, or permit loads within LDC's service area to become served by a means other than through LDC's electricity distribution system.

Any future regulatory decision to disallow or limit the recovery of costs could lead to potential asset impairment and charges to results from operations, which could have a material adverse effect on Toronto Hydro.

Additionally, the policy priorities of provincial and federal governments and regulatory bodies beyond those specifically applicable to the climate change and energy space, including policies of more general application, and the implementation of policies by such bodies, may impact Toronto Hydro's ability to deliver effective and efficient operations, meet business objectives, report on its activities and capitalize upon new opportunities. Developments and changes in any of the laws, rules, regulations, policies, permits, or directives applicable to the businesses carried on by Toronto Hydro, and the manner of implementation and application of the same, could materially adversely affect Toronto Hydro. This may include developments with respect to labour and employment laws, changes to accounting standards and financial reporting requirements and environmental obligations, among others. This may also include changes to public safety rules, such as restrictive measures affecting the mobility or availability of human and/or non-human resources associated with infectious diseases or other adverse public health developments.

Financial Risk

Risk that Toronto Hydro is unable to maintain its financial health and performance at acceptable levels.

Market Economic Risk

Toronto Hydro is directly and indirectly subject to various macroeconomic and local market forces, which could have material adverse impacts. As a consequence of uncertainties in the recovery of economic and market conditions in a post COVID-19 world, LDC remains exposed to inflationary pressures, an elevated interest rate cost environment, indeterminate levels of customer consumption, credit risk with respect to customer non-payment of electricity bills, and related challenging operating and infrastructure development costs. The current, and potential future, uncertain economic climate affected by factors including but not limited to macroeconomic conditions like a global recession may lead to material adverse changes in cash flows, working capital levels and/or debt balances, which may also have a negative impact on the Corporation's operating results and financial position.

Capital Structure

Toronto Hydro strives to target an optimal capital structure and cash to debt ratio range to access capital markets at the lowest rates. This is necessary for Toronto Hydro to finance its capital plans, including those related to meeting increased electricity demand resulting from net zero GHG emission policies (such as the City's TransformTO). Toronto Hydro relies on debt financing through the Corporation's MTN Program, CP Program and existing credit facilities to finance Toronto Hydro's daily operations, repay existing indebtedness, and fund capital expenditures. The Corporation's ability to arrange sufficient and cost-effective debt financing could be materially adversely affected by a number of domestic and local factors, including financial market conditions, inflationary pressure, Bank of Canada policy decisions, regulatory processes that affect the timeliness for the approval and clearance of variance accounts, and macroeconomic concerns around the health of the economy and consumer. In addition, any of the above factors are also affected by financial and geopolitical events in the global economy. Toronto Hydro's business, operations, financial condition or prospects, or compliance with its contractual debt covenants, in each case could be materially adversely affected by the ratings assigned to the Corporation or the debentures issued under the Corporation's MTN Program by credit rating agencies, the rating assigned to short-term borrowings under the CP Program by a credit rating agency, and the Corporation's access to and availability of the debt capital and commercial paper markets. In the event the Corporation is unable to maintain a sufficient credit rating for its CP Program, the Corporation's ability to access short-term capital and pay its obligations as they become due could be materially adversely affected. In addition, if the Corporation cannot maintain attractive credit ratings for its MTN Program, debt capital under such program may become too costly or availability may be restricted, which could materially adversely affect the Corporation's financial health and performance. There can be no assurance that debt or equity financing will be available or sufficient to meet Toronto Hydro's requirements, objectives, or strategic opportunities. If and when financing is available, there can be no assurance that it will be on acceptable terms to Toronto Hydro. As the City is the sole shareholder of the Corporation, it is dependent on the City for new equity, the timing and amount of which is subject to availability. Therefore, the Corporation's debt to equity capital structure may not be maintained at an optimal level in alignment with the OEB's deemed capital structure for rate making purposes (60% debt : 40% equity) as further indebtedness is incurred to finance Toronto Hydro's capital program and climate action plan.

Credit and Liquidity Risk

LDC is exposed to credit risk with respect to customer non-payment of electricity bills. Actions by the provincial government or regulatory authorities may impede LDC's ability to mitigate the risk of customer non-payment using means normally permitted by law at certain times of the year, including security deposits (i.e., letters of credit, surety bonds, cash deposits or lock-box arrangements, under terms prescribed by the OEB), late payment penalties, pre-payment, pre-authorized payment, load limiters or disconnection. LDC may have no option in certain cases but to assume the amount of any default, whether in whole or in part, and LDC's security interest or other measures, if any, may not provide sufficient protection. Increases in outstanding receivables due to reduced or delayed customer payments as a result of economic conditions could also contribute to liquidity risk for LDC as it continues to be charged for electricity commodity, transmission and other charges, which are intended to be flow-through items to customers. The global economic situation continues to be dynamic and uncertain and the ultimate duration and magnitude of the impact on Toronto Hydro's business cannot be determined with certainty at this time.

Demand Risk

Toronto Hydro's financial health and performance may also be adversely affected by events or measures, as well as changes in economic, policy, customer preference or technological conditions, that reduce the demand for electricity. Such events or measures may include, but are not limited to, closures of businesses and other institutions such as schools and government operations as a result of extreme storms and other weather conditions, natural disasters, terrorism, and pandemics. A reduction in demand for grid-supplied electricity distribution may also arise from conservation measures. Additionally, the adoption by customers of newer technologies in the electricity industry, including those related to self-generation, could reduce customer demand for grid-supplied electricity distribution. Toronto Hydro is focused on investing in its infrastructure to modernize the grid to drive resiliency, reliability, customer effectiveness and efficiency. See section 4.5(d) entitled "Environmental, Social and Governance" for more information on Toronto Hydro's ESG and sustainability activities.

Interest Rate Risk

Toronto Hydro is exposed to short-term interest rate risk on the short-term borrowings under its CP Program and Working Capital Facility, as well as customer deposits, while most of its remaining obligations for the recently completed financial year were either non-interest bearing or bear fixed interest rates, and its financial assets for the recently completed financial year were predominately short-term in nature and mostly non-interest bearing. Toronto Hydro seeks to manage interest rate risk by monitoring its mix of fixed and floating rate instruments, and taking action as necessary to maintain an appropriate balance as established under its treasury policies. Toronto Hydro estimates that a 25 basis point increase (decrease) in short-term interest rates, with all other variables held constant, would result in an increase (decrease) of approximately $1.3 million to annual finance costs.

Toronto Hydro is also exposed to fluctuations in interest rates for the valuation of its post-employment benefit obligations. Toronto Hydro estimates that a 100 basis point increase in the discount rate used to value these obligations would decrease the accrued benefit obligation of Toronto Hydro, as at December

31, 2023, by $31.4 million, and a 100 basis point decrease in the discount rate would increase the accrued benefit obligation, as at December 31, 2023, by $39.0 million.

Foreign Exchange Risk

As at December 31, 2023, Toronto Hydro had limited exposure to the changing values of foreign currencies. While Toronto Hydro purchases goods and services which are payable in United States dollars, and purchases United States currency to meet the related commitments when required, the value of such purchases is not significant to Toronto Hydro and as such the impact of foreign exchange fluctuations would not be expected to have a material effect on the consolidated financial statements.

Franchise Risk

Risk that restrictions in LDC's business model and/or external conditions impede its ability to maintain and grow its legal right to be the sole provider of electricity distribution and connection services in the city of Toronto (its franchise) and serve electricity customers. Toronto Hydro is subject to the risk that it is displaced from its strategic position or fails to gain a strategic advantage to effectively facilitate and serve local electricity demand, which could materially adversely affect Toronto Hydro's strategic goals and financial results.

The OEB has the authority to grant municipal distribution licences, has issued to LDC a licence stipulating a service area that reflects the territory within the City, and has not granted any other distribution licence that permits distribution within LDC's service area. In addition, there is a legal framework in place that establishes LDC, as the holder of the municipal distribution licence in the City, to be the sole provider of distribution activities across municipal rights of way. There is no assurance that these frameworks will continue to exist sufficiently or at all in order to provide LDC the opportunity to be the comprehensive distribution provider in the city of Toronto.

Other regulated and unregulated entities have and continue to compete with LDC and its predecessors, and new parties continue to emerge to provide customers with other sources of energy, including electricity and energy services. Additionally, customers have made choices to provide their own electricity or other sources of energy for their use and/or sale back into the distribution grid. The pervasiveness of this competition and the presence of alternatives to Toronto Hydro's distribution services, and the resultant effects on LDC's distribution business, have varied over time and continue to vary based on many factors. These factors may include the relative price and relevant costs of energy source (e.g., natural gas, solar photovoltaic, grid-supplied electricity, behind-the-meter generation, district energy), climate change policy, technology development (e.g., energy storage, energy efficiency, demand response), ability of customers to access transmission-direct connections, economic trends, real estate prices, workplace arrangements, government-based incentives, regulatory frameworks and compliance frameworks especially for non-utility entities, load development, and the state of the marketplace and economy in general. Toronto Hydro also faces the risk of its franchise being diminished by the possibility of an overall reduction in the use of electricity in its service territory.

There can be no assurance that the future nature, prevalence, or effects of these forms of competition, arising from the transition to net zero GHG emissions or otherwise, will be comparable to current or historic experience. Failure to effectively review and understand our external and internal environment and take appropriate action could lead to missed business opportunities and loss of competitive advantage. In particular, the clean energy transition to net zero GHG emitting energy sources may create both risks and opportunities and there can be no guarantee that Toronto Hydro has the correct strategic direction to capitalize on the associated policy changes or technological advancements or that it will be able to effectively mitigate losses from these developments.

Risks to Toronto Hydro's franchise interests may also result from impairment to Toronto Hydro's reputation in the community, public confidence or brand. Toronto Hydro is committed to delivering safe and reliable electricity to its customers in an environmentally responsible manner at optimal costs. Negative views regarding this commitment, as well as the merit, pace, effectiveness and cost of electrification and energy transition, could impact the public's perception of Toronto Hydro. In addition, events and/or external factors that draw negative media attention to Toronto Hydro could cause reputational damage and impact Toronto Hydro's business and relationship with its stakeholders. These factors could lead customers, governments and regulators to look more favourably to alternative services and service providers as compared to utility-based electricity distribution.

Cybersecurity Risk

Risk that Toronto Hydro is unable to adequately safeguard digital information assets, connections to digital infrastructure, physical assets and people from threats or vulnerabilities.

Toronto Hydro's ability to operate effectively is also in part dependent on the development, maintenance and management of complex information technology and operational technology systems across the electricity distribution grid, as well as Toronto Hydro's financial, customer billing and business systems.

LDC's electricity distribution infrastructure and technology systems are potentially vulnerable to damage or interruption from cyberattacks, breaches or other compromises, which could result in business interruption, service disruptions, theft of intellectual property and confidential information (about customers, suppliers, counterparties and employees), additional regulatory scrutiny, litigation and reputational damage. The cybersecurity threat landscape is continually evolving and actors are using more sophisticated methods to penetrate information technology systems. In particular, the utilities sector, as operators of critical infrastructure and providers of essential services with large customer bases, is a target for cybersecurity activity. Toronto Hydro has implemented security controls substantially aligned with industry best practices and standards, including the National Institute of Standards and Technology Cybersecurity Framework and the OEB's Ontario Cyber Security Framework, and maintains cyber insurance. Even with these measures in place, since the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may only be detected once a cyber incident has initiated, Toronto Hydro may be unable to anticipate these techniques or to implement adequate preventative measures on a timely basis. Cyberattacks, breaches or other compromises of electricity distribution infrastructure and technology systems could result in service disruptions and system failures, including as a result of a failure to provide electricity to customers, property damage, data corruption, and/or loss of confidential employee, supplier, counterparty or customer information. A significant breach could have a material adverse effect on the financial performance of Toronto Hydro or its reputation and standing with customers, regulators and in the financial markets. It could also expose Toronto Hydro to third-party claims.

Toronto Hydro must also comply with legislative and licence requirements relating to the collection, use and disclosure of personal information (including the personal information of customers), as well as information provided by suppliers, employees, counterparties, and others. Such information could be exposed in the event of a cybersecurity incident or other unauthorized access, which could have a material adverse effect on Toronto Hydro and could also result in third-party claims against Toronto Hydro.

As Toronto Hydro focuses on modernizing its distribution system and increasing its automation and interactivity, the incorporation of a greater level of technology and information systems into its infrastructure, may make the distribution system inherently more prone to external cyberattack. As such, there can be no assurance that mitigative measures taken will be effective in protecting LDC's electricity distribution infrastructure or assets, or the personal information of its customers or employees, from a cyberattack or the effects therefrom.

Safety Risk

Risk to Toronto Hydro employees or the general public of critical/fatal injuries and illnesses relating to or impacting upon Toronto Hydro activities.

Toronto Hydro's work environment can be inherently hazardous, thereby creating a risk to the health and safety of both the public and employees, as well as possible resultant operational and/or financial impacts. Utility infrastructure is vulnerable to natural disasters such as earthquakes, floods, hurricanes, or wildfires. These events could damage or destroy infrastructure, disrupting essential services and compromising public safety. As utility infrastructure ages, it may deteriorate, leading to potential hazards.

Potential and existing health and safety risks related to worksites and tasks being performed by Toronto Hydro are regularly assessed and where identified, hazards are removed and/or mitigated to continually improve health and safety for Toronto Hydro employees, customers and members of the public. The most serious workplace incidents arising from workplace hazards could cause and/or contribute to critical injuries, fatal injuries, and occupational illnesses, as defined by provincial health and safety legislation.

The nature of the work performed in electrical utilities operations requires that employees receive extensive training on health and safety, including the use of personal protective equipment and the implementation of workplace safety procedures and protocols. This is due to the hazards inherent to electrical utilities work, which, depending on the required task, can include electrical contact, arc flash, working in confined spaces, fires or explosions, slips, trips and falls, motor vehicle incidents, occupational illnesses, and biological hazards such as infectious diseases.

Toronto Hydro is subject to compliance with provincial health and safety legislation. Findings of a failure to comply with these requirements could result in penalties and reputational risk. Toronto Hydro's management approach to occupational health and safety is to meet, and often where possible, exceed legal compliance requirements and seek to eliminate or safeguard known occupational hazards and risks.

Operations Risk

Risk that Toronto Hydro is not able to effectively meet the needs of its customers and a growing city, and maintain the security and reliability of the distribution grid at acceptable levels. The primary factors driving Toronto Hydro's operations risk relate to asset management, business interruption, supply chain, customer management, and physical security.

Asset Management Risk

Toronto Hydro may be unable to maintain reasonable levels of reliability for its customers due to failure of existing distribution infrastructure and assets (including assets not directly involved in electricity distribution such as facilities and information technology systems), access to the supply of electricity from the provincial and local generation and transmission systems, and the inability to replace or expand distribution infrastructure in an optimal timeframe.

LDC estimates that over a quarter of its electricity distribution assets have already exceeded or will reach the end of their expected operating lives over the next five years (i.e., by 2029). Asset condition assessment demographics also indicate substantial asset investment needs for a number of critical assets during this period. At the same time, Toronto is one of the fastest growing cities in North America and LDC must make additions and upgrades to keep pace with urban intensification, new connections and electrification, optimize flexibility of connection to generation and transmission systems, including DERs, and ensure good stewardship of the distribution system in a manner that accounts for a changing climate. Further, extreme weather is no longer an infrequent experience, and has instead become a regular condition of operating a distribution system. Toronto Hydro has experienced several extreme weather events in recent years, including ice storms, freezing rain, extreme wind and flooding, that have led to a significant number of customers experiencing electricity outages and challenges to maintaining access to electricity supply from the transmission system.

In addition, as the City, provincial government and the Government of Canada implement policies and programs to respond and adapt to climate change, including greater electrification through the adoption of electric vehicles, DERs, building heating and cooling retrofits and energy efficiency/demand management technologies, the pressures and demands on Toronto Hydro's system are expected to increase significantly. Such factors drive a need for incremental capital expenditures for system upgrades and new technologies to increase grid capacity and resilience in order to reliably handle increased loads, higher power quality requirements and multi-directional flows. As Toronto Hydro adopts novel technologies or equipment to enhance the capabilities of its electricity distribution grid, despite system contingency, there can be no guarantee that these technologies or equipment will be effective or that they will not increase the incidence or duration of outages.

LDC's ability to continue to provide a safe work environment for its employees and a reliable and safe distribution service to its customers and the general public will depend on, among other things, the ability of Toronto Hydro to fund additional infrastructure investments, and the OEB allowing recovery of costs in respect of LDC's maintenance program and capital expenditure requirements for distribution plant refurbishment, expansion and replacement.

Toronto Hydro's equipment performance will degrade should Toronto Hydro become subject to significant unforeseen equipment failures, or is unable to access sufficient supplies or human resources. Such degradation may compromise the reliability of distribution assets, climate change readiness, the ability to deliver sufficient electricity and/or customer supply security, including in response to government net zero GHG policies and public goals, and increase the costs of operating and maintaining these assets. Similarly, there is no certainty that regional planning efforts controlled by external governing agencies and regulators will address all electricity supply matters as identified by LDC.

Business Interruption Risk

Toronto Hydro may be unable to maintain continuing and sustainable business operations, or recover from business interruption, after the impact of a major or critical incident. Toronto Hydro's operations are exposed to the effects of natural and other unexpected occurrences, including, but not limited to, extreme storm and other weather conditions, natural disasters, loss of the supply of electricity from the provincial and local generation and transmission system, as well as terrorism and pandemics. LDC is also exposed to risks that informational and operational technology systems may not operate as anticipated, including as a result of a cybersecurity incident, and could result in sustained interruptions to key systems that would have a substantial impact on continuing normal business operations. Costs and operational changes, associated with such business interruption events may have a material adverse effect on Toronto Hydro's business and operations in both the short and longer term. These impacts may also include limiting Toronto Hydro's ability to build, repair and maintain capital infrastructure, with resultant impacts on reliability and revenue.

Although Toronto Hydro's facilities and operations are constructed, operated and maintained with such occurrences in mind, there can be no assurance that they will successfully withstand such occurrences in all circumstances. Any major damage to Toronto Hydro's facilities or interruption of Toronto Hydro's operations arising from these occurrences could result in lost revenues and repair costs that can be substantial. Although Toronto Hydro has maintained insurance which it considers to be consistent with industry practice, there is no guarantee that insurance will continue to be available at reasonable rates for certain types of coverage and policy limits. If Toronto Hydro sustained a large uninsured loss caused by natural or other unexpected occurrences, LDC may apply to the OEB for the recovery of the loss related to the electricity distribution system. There can be no assurance that the OEB would approve, in whole or in part, such an application.

Supply Chain Risk

Toronto Hydro’s ability to operate effectively is in part dependent upon timely access to equipment, materials and service suppliers. Loss or delay of key equipment, materials and service suppliers and the reputational and financial risk exposures of key vendors could affect Toronto Hydro’s operations and execution of capital projects.

Disruptions to Toronto Hydro's supply chain, driven by the geopolitical environment, terrorist attacks, inflation, shifts in demand, and labour shortages, may result in increased lead times, increased costs, and more variability in on-time and in-full deliveries for key assets like transformers, cables, and switchgear. These capacity concerns may affect grid reliability, storm management and recovery, or lead to delays or cancellation of electrification projects.

Customer Management Risk

Toronto Hydro may also fail to accurately measure customer electricity consumption, respond to and address customer service issues or bill customers correctly or on time (including meter to cash management). As a result of net zero GHG emissions policies, LDC may need to accelerate capital investments to accommodate increasing electrification. These system enhancements may lead to material customer bill increases and a more challenging customer relationship environment for Toronto Hydro, as well as customer backlash against the energy transition and related expenditures by Toronto Hydro. Any of these consequences could have a material adverse effect on Toronto Hydro.

Physical Security Risk

Toronto Hydro also faces external threats to its physical and perimeter security. This includes the security of Toronto Hydro’s facilities including office buildings and distribution stations. In order to safeguard its assets and staff, Toronto Hydro has developed policies and guidelines around physical and perimeter security and facilities related emergency preparedness.

Human Capital Risk

Risk that Toronto Hydro is unable to maintain necessary resource talent and skilled resources.

Toronto Hydro is subject to the risk that human resources with the necessary knowledge, skills and education may not be available to support Toronto Hydro’s future talent requirements. This risk could be heightened in economic conditions where inflation rates are elevated as this may result in pressure on wages and salaries, and where employee expectations with respect to work-life balance and flexibility are evolving.

Furthermore, Toronto Hydro expects that labour force availability for certain positions will be restricted, resulting in increased competition and turnover for certain skilled employees, which may negatively impact knowledge management and business continuity at Toronto Hydro.

Development and retention of talent to meet the evolving needs of the business, particularly those related to the adoption of new technologies central to a modernized distribution grid requires Toronto Hydro to focus on a series of proactive activities and programs to mitigate these risks, such as strategic workforce planning, promotion of apprenticeship programs, diversity and inclusiveness awareness and training, investments in colleges and universities, succession planning, knowledge transfer and a robust training program. See section 4.5(d) entitled “Environmental, Social and Governance” for more information on Toronto Hydro’s ESG and diversity activities. The failure to attract, retain and deploy qualified personnel for Toronto Hydro’s business could have a material adverse effect on Toronto Hydro.

Constraints on executive compensation may hinder Toronto Hydro’s ability to attract and retain executive level talent. Failure to attract and retain executive level talent that have the skills and experience necessary to help Toronto Hydro achieve its strategic goals could have a material adverse effect on Toronto Hydro's business and operations.

Toronto Hydro's ability to operate successfully in the electricity industry in Ontario will continue to depend in part on its ability to make changes to existing work processes and conditions in order to adapt to changing circumstances, including limitations and restrictions placed on human resources as a result of external environment factors such as infectious diseases or erosion of social cohesion. Toronto Hydro's ability to make such changes or adapt, in turn, will continue to depend in part on its relationship with its labour unions, including negotiating collective bargaining agreements with the Society of United Professionals and PWU. There can be no assurance that Toronto Hydro will be able to secure the support of its labour unions. There can also be no assurance that Toronto Hydro will be able to secure collective agreements without work stoppages by its unionized work forces.

Toronto Hydro's ability to develop its work processes to meet changing circumstances, deliver upon grid modernization and address electrification, also depends on its ability to access adequate resources from its external contractor community with advanced developed skills. Toronto Hydro's ability to successfully access and benefit from third party service providers will depend, in part, on minimizing any disruption that may be caused by competitive market and other factors, including infectious diseases. If such disruption occurs, there may be a material adverse effect on Toronto Hydro's business and operations.

Compliance Risk

Risk that Toronto Hydro does not meet its material compliance obligations under legal and regulatory instruments.

Toronto Hydro is subject to the risk that it may not be in material compliance with applicable future laws, rules, regulations and policies at all times. Constraints on access to human and materials resources due to competitive market factors and global supply chain challenges may create risk of completion of compliance activities in accordance with mandated timelines. Failure by Toronto Hydro to comply with applicable laws, rules, regulations and policies may subject Toronto Hydro to civil or regulatory proceedings that could have a material adverse effect on Toronto Hydro. The OEB may not allow recovery in rates for the costs of coming into or maintaining compliance with these laws, rules, regulations and policies.

PART 9 - CAPITAL STRUCTURE

9.1 Share Capital

The authorized capital of the Corporation consists of an unlimited number of common shares without par value, of which 1,200 common shares are issued and outstanding as at the date of this AIF. See note 16 to the Consolidated Financial Statements.

9.2 Debentures

As at December 31, 2023, the Corporation had the following debentures (the Debentures) outstanding, which have been issued pursuant to its MTN Program:

- $200.0 million of 5.54% Series 6 senior unsecured debentures due May 21, 2040;
- $245.0 million of 3.96% Series 9 senior unsecured debentures due April 9, 2063;
- $200.0 million of 4.08% Series 10 senior unsecured debentures due September 16, 2044;
- $200.0 million of 3.55% Series 11 senior unsecured debentures due July 28, 2045;
- $200.0 million of 2.52% Series 12 senior unsecured debentures due August 25, 2026;

- $200.0 million of 3.485% Series 13 senior unsecured debentures due February 28, 2048;
- $200.0 million of 2.43% Series 14 senior unsecured debentures due December 11, 2029;
- $200.0 million of 2.99% Series 15 senior unsecured debentures due December 10, 2049;
- $200.0 million of 1.50% Series 16 senior unsecured debentures due October 15, 2030;
- $150.0 million of 2.47% Series 17 senior unsecured debentures due October 20, 2031;
- $200.0 million of 3.27% Series 18 senior unsecured debentures due October 18, 2051;
- $300.0 million of 4.95% Series 19 senior unsecured debentures due October 13, 2052;
- $250.0 million of 4.61% Series 20 senior unsecured debentures due June 14, 2033; and
- $200.0 million of 5.13% Series 21 senior unsecured debentures due October 12, 2028.

The Debentures are not listed, posted for trading or quoted on any stock exchange or quotation system.

The Debentures have been issued under the CDS book entry system administered by CDS with BNY Trust Company of Canada as trustee. Accordingly, a nominee of CDS is the registered holder of the Debentures and beneficial ownership of the Debentures is evidenced through book entry credits to securities accounts of CDS participants (e.g., banks, trust companies and securities dealers), who act as agents on behalf of beneficial owners who are their customers, rather than by physical certificates representing the Debentures.

9.3 Credit Facilities

The Corporation is a party to a fourth amended and restated credit agreement dated November 17, 2023 (Credit Agreement) with a syndicate of Canadian chartered banks which provides for a revolving credit facility in an amount up to $1.0 billion (Revolving Credit Facility), of which up to $210.0 million is available in the form of letters of credit. On March 17, 2023, the amount available for borrowing under the Revolving Credit Facility was increased by $200.0 million from $800.0 million to $1.0 billion. Pursuant to the Credit Agreement, the maturity date of the Revolving Credit Facility was extended from September 17, 2027 to September 18, 2028. Borrowings under the Revolving Credit Facility bear interest at fluctuating rates plus an applicable margin based on the Corporation's credit rating.

The Revolving Credit Facility contains certain covenants, including a requirement that the Corporation's debt to capitalization ratio not exceed 75%. As at December 31, 2023, the Corporation was in compliance with all covenants included in its Revolving Credit Facility.

The Corporation has a CP Program allowing unsecured short-term promissory notes to be issued in various maturities of no more than one year. On March 24, 2023, the amount available for issuance under the CP Program was increased by $250.0 million from $750.0 million to $1.0 billion. The CP Program is supported by liquidity facilities available under the Revolving Credit Facility; hence, available borrowing under the Revolving Credit Facility is reduced by the amount of commercial paper outstanding at any point in time. Proceeds from the CP Program are used for general corporate purposes. Borrowings under the CP Program bear interest based on the prevailing market conditions at the time of issuance.

The amount available under the Revolving Credit Facility as well as outstanding borrowings under the Revolving Credit Facility and CP Program are as follows:

	Revolving Credit Facility Limit	Revolving Credit Facility Borrowings	Commercial Paper Outstanding	Revolving Credit Facility Availability
December 31, 2023	$ 1.0 billion	—	$ 421.0 million	$ 579.0 million
December 31, 2022	$ 800.0 million	—	$ 355.0 million	$ 445.0 million

Additionally, the Corporation is a party to a $100.0 million demand facility with a Canadian chartered bank for the purpose of issuing letters of credit.

The Corporation is a party to a $20.0 million demand facility with a second Canadian chartered bank for the purpose of working capital management.

For the year ended December 31, 2023, the average aggregate outstanding borrowings under the Corporation's Revolving Credit Facility, Working Capital Facility and CP program were $639.3 million with a weighted average interest rate of 4.91%.

As at December 31, 2023, $7.3 million had been drawn under the Working Capital Facility and $51.3 million of letters of credit had been issued.

9.4 Credit Ratings

As at December 31, 2023, the credit ratings of the Corporation were as follows:

	DBRS		S&P Global Ratings	
	Credit Rating	**Trend**	**Credit Rating**	**Outlook**
Issuer rating	A	Stable	A	Developing
Debentures	A	Stable	A	-
Commercial paper	R-1 (low)	Stable	-	-

DBRS rates long-term debt instruments by rating categories ranging from a high of "AAA" to a low of "D". All rating categories other than AAA and D also contain the subcategories "(high)" and "(low)" to indicate relative standing within the major rating categories. The absence of either a "(high)" or "(low)" designation indicates the rating is in the middle of the category. An A rating is the third highest of the ten rating categories. Long-term debt instruments which are rated in the "A" category by DBRS are considered to be of good credit quality, with substantial capacity for the payment of financial obligations. Entities in the "A" category may be vulnerable to future events, but qualifying negative factors are considered manageable.

DBRS rates short-term debt instruments by rating categories ranging from a high of "R-1 (high)" to a low of "D". An R-1 (low) rating is the third highest of the ten rating categories. Short-term debt instruments which are rated in the "R-1 (low)" category by DBRS are considered to be of good credit quality, with substantial capacity for the payment of financial obligations. Entities in the "R-1 (low)" category may be vulnerable to future events, but qualifying negative factors are considered manageable.

S&P Global Ratings rates long-term debt instruments by rating categories ranging from a high of "AAA" to a low of "D". Ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. An A rating is the third highest of the ten rating categories. Long-term debt instruments which are rated in the "A" category by S&P Global Ratings are considered somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories; however, the obligor's capacity to meet its financial commitment on the obligation is still strong.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agency.

For the years ended December 31, 2023 and 2022, payments were made to both DBRS and S&P Global Ratings for credit rating services only.

PART 10 - DIRECTORS AND OFFICERS

10.1 Changes to the Corporation's Board of Directors

Effective June 19, 2023, the City Council appointed Nicole Martin to the Board of Directors of the Corporation.

Effective August 10, 2023, the City Council appointed Councillor Dianne Saxe to the Board of Directors of the Corporation and Councillor Stephen Holyday ceased to be a Director of the Corporation.

10.2 Nomination of Directors

As at the date of this AIF, 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 electing 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. In appointing Directors, the City gives due regard to the qualifications of the candidates including but not limited to: experience on public utility commissions or boards of major corporations or other commercial enterprises and/or the completion of formal training in directorship / governance; 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. The City may also utilize the skills matrix prepared by Toronto Hydro as referenced in section 10.3(b) below. Each citizen director is elected to serve for a term of up to two years or until his or her successor is appointed, and may be elected for a maximum of four consecutive terms for a maximum of eight consecutive years or such longer term until a successor is appointed. The terms of all current citizen directors expire upon the effective date of the appointment of their successors unless re-appointed. Each City Councillor director is elected to serve for two years or until his or her successor is elected. The terms of the current City Councillor directors expire on December 31, 2024 or upon the effective date of the appointment of their successors. As at the date of this AIF, female directors constituted 55% (6 of 11) of the members of the Corporation's Board.

10.3 Committees of the Board of Directors

The Board had established three standing committees (Audit Committee, Corporate Governance and Nominating Committee, and Human Resources and Environment Committee) as shown in the following chart.

Board of Directors

Audit Committee	**Corporate Governance and Nominating Committee**	**Human Resources and Environment Committee**
Michael Nobrega (Chair) Nicole Martin James Hinds	Mary Ellen Richardson (Chair) Heather Zordel Howard Wetston Councillor Dianne Saxe	Michael Eubanks (Chair) Nicole Martin Councillor Jaye Robinson

(a) Audit Committee

The Audit Committee is responsible for overseeing the adequacy and effectiveness of financial reporting, accounting systems, 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 and related press releases prepared in connection with the requirements of applicable regulatory authorities, reviews the audit plans of the external auditors, oversees the internal audit of the Corporation, reviews and makes recommendations to the Board with respect to the payment of dividends or distribution of capital by the Corporation, and recommends the external auditor to the Board for appointment by the Corporation's sole shareholder. The Audit Committee also receives updates on cybersecurity related matters including management reporting on Toronto Hydro's cybersecurity programs and insurance program. See Part 11 entitled "Audit Committee" below for further information on the Audit Committee.

(b) Corporate Governance and Nominating Committee

The Corporate Governance and Nominating 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, and guidelines for assessing the effectiveness of the Board and its committees and procedures to ensure that the Board functions independently from management.

As part of its governance function, the Corporate Governance and Nominating Committee develops and reviews a skills matrix for all potential director candidates, which is then forwarded to the Corporation's sole shareholder by the Board for use in its director appointment process. The skills matrix incorporates best practice elements while considering the unique requirements of Toronto Hydro in order to identify key skills required of directors and help to ensure that these skills are accounted for among current and prospective directors. The skills matrix also takes into account diversity considerations, with a view to ensuring that the Board benefits from the broader exchange of perspectives made possible by diversity of backgrounds, as well as thought, skills and experience.

The Corporate Governance and Nominating Committee also nominates independent candidates for appointment to the Board of Directors of LDC for approval by the Corporation's Board as required by the Affiliate Relationships Code. The Corporate Governance and Nominating Committee reviews and approves orientation and education materials and programs for new and current directors undertaken by management.

Each of the current members of the Corporate Governance and Nominating Committee is independent within the meaning of applicable Canadian securities laws.

(c) Human Resources and Environment Committee

The Human Resources and Environment Committee is responsible for reviewing and assisting the Board in overseeing the recruitment and assessment of the CEO and the compensation of the CEO, reviewing and approving the compensation of the executive officers, and reviewing and making recommendations to the Board regarding the compensation structure and benefit plans and programs of Toronto Hydro. The Human Resources and Environment Committee is responsible for reviewing and approving for recommendation to the Board the parameters of collective bargaining negotiations. The Human Resources and Environment Committee is also responsible for the oversight of health and safety related matters and processes, and the oversight of environmental and climate change-related matters, processes and reporting of Toronto Hydro. Reporting on ESG performance and activities is also regularly provided to the Human Resources and Environment Committee. See section 12.1(a) entitled "Human Resources and Environment Committee" for further information on the Human Resources and Environment Committee.

(d) Other Committees

The Board also has a Steering Committee, consisting of the Chair of the Board and the Chairs of the respective standing committees, to assist the Board and its standing committees in fulfilling their responsibilities by providing timely guidance on emerging, time-sensitive, significant issues arising with respect to matters that overlap with the mandates of the standing Board committees. The Steering Committee does not replace any of the functions of the Board or its standing committees unless otherwise expressly delegated by the Board from time to time. The role of the Steering Committee is to provide advice and recommendations to the respective Board committees(s) that will enable them to successfully carry out their responsibilities and ultimately properly advise and make recommendations to the Board.

Further, the Board may establish ad-hoc committees from time to time for a specific task or subject matter.

10.4 Directors

The following summaries set forth, for each of the directors of the Corporation, the director's name, province and country of residence, the date on which the person became a director and the expiry date of the director's current term, the director's relevant education and experience, principal occupations within the five preceding years and board memberships with other reporting issuers. The following tables also summarize the attendance of individual directors at the Board and standing committee meetings held during 2023 and 2024 as of the date of this AIF. See section 10.1 entitled "Changes to the Corporation's Board of Directors" for more information on the Corporation's Board of Directors.

David McFadden, Chair of the Board
Ontario, Canada

Director since: December 10, 2015
Expiry of current term: April 8, 2024, or effective date of appointment of a successor director

Mr. McFadden is a former Partner and Counsel at Gowling WLG where his practice focused on the energy, infrastructure and financial services industries. He is a former member of Gowling's Board of Trustees and Executive Committee. Mr. McFadden currently serves as Chair of the Board of Directors of 407 International Inc., Makwa Development Corp. and PCI Geomatics Inc. He is a member of the MaRS Climate Innovation Board and of the Council for Clean & Reliable Energy. In the past, Mr. McFadden served as the Chair of the Board of Directors of the Ontario Energy Association. Mr. McFadden served as Chair of the Energy Transformation Network of the Independent Electricity System Operator and of the Electricity Transition Committee of the Ontario Government, and as a member of the Ontario Government's Electricity Distribution Sector Review Panel and the Electricity Conservation and Supply Task Force. Mr. McFadden was named the Energy Leader of the Year by the Ontario Energy Association in 2013. Mr. McFadden has been active in the higher education sector. He served as Chair of the Ontario Centres of Excellence from 2004-2010 and as a member of the Board of Governors of York University from 2013 to 2020. Mr. McFadden is the Chair of the Board of Directors of the Yonge Street Mission. Mr. McFadden holds a Bachelor of Laws at Osgoode Hall Law School and a Bachelor of Arts at the University of Toronto, and is a member of the Law Society of Ontario. Mr. McFadden received an Honorary Doctor of Laws from York University in 2012.

Mr. McFadden currently serves as Chair of the Board. He is also an ex-officio member of the Audit Committee, and Corporate Governance and Nominating Committee and has been appointed as a member of the Human Resources and Environment Committee effective November 5, 2022. Mr. McFadden has considerable experience in policy matters relating to renewable energy, decarbonization and climate change mitigation strategies through his work with the Energy Transformation Network and other bodies. Mr. McFadden also has considerable experience in executive compensation matters from his various Chair and Director roles. Through these roles at major organizations, he is familiar with the structure of compensation systems and related benefit programs, and is experienced in executive performance evaluation.

Principal Occupation:
Corporate Director

Board/Committee Membership	**2023 Attendance**	
Board	6 of 6	100%
Human Resources and Environment Committee	3 of 3 (1)	100%
	2024 Attendance (2)	
Board	1 of 1	100%

Board Memberships for other Reporting Issuers:
407 International Inc. (Reporting Jurisdictions: All provinces)

Notes:

(1) Mr. McFadden left as a formal member of the Human Resources and Environment Committee on August 16, 2023 but continues to serve as an ex officio member of the Committee. 2023 attendance was reported for the period Mr. McFadden was actively serving on the Committee.
(2) 2024 attendance is for the period of January 1, 2024 to the date of this AIF.

Heather Zordel, K.C.
Ontario, Canada

Director since: December 10, 2015
Expiry of current term: April 8, 2024, or effective date of appointment of a successor director

Ms. Zordel is a lawyer with extensive experience in corporate finance, securities regulatory compliance and corporate governance. Ms. Zordel is currently practicing law through Heather L. Zordel Professional Corporation and is a shareholder of at Enriched Investing Incorporated. Ms. Zordel: is a former partner in the Securities Group at Gardiner Roberts LLP, Chair of the Condominium Authority of Ontario, non-executive Chair of the OSC's Board of Directors and a past OSC Commissioner and Tribunal Member. She previously was a Bencher of the Law Society of Ontario and part-time adjudicator for the Law Society Tribunal and part-time adjudicator for the OSC Tribunal. Ms. Zordel is a former member of the federally-appointed Expert Panel on Securities Regulation and a past Chair of the Securities Advisory Committee to the Ontario Securities Commission. Academically, she is a past Co-Director and Course Director for the Osgoode Professional LL.M. program in securities law. Ms. Zordel has a Bachelor of Commerce from the University of Saskatchewan and a LL.B./J.D./LL.M. (Securities) from Osgoode Hall Law School.

Ms. Zordel currently serves as Chair of the Board of Directors of TH Energy.

Principal Occupation:
Lawyer, Heather L. Zordel Professional Corporation

Board/Committee Membership	**2023 Attendance**	
Board	6 of 6	100%
Corporate Governance and Nominating Committee	4 of 4	100%
	2024 Attendance (1)	
Board	1 of 1	100%
Corporate Governance and Nominating Committee	1 of 1	100%

Board Memberships for other Reporting Issuers:
None

Note:

(1) 2024 attendance is for the period of January 1, 2024 to the date of this AIF.

The Honourable Howard Wetston
Ontario, Canada

Director since:	December 10, 2015
Expiry of current term:	April 8, 2024, or effective date of appointment of a successor director

The Honourable Mr. Wetston is a distinguished lawyer with a breadth of experience and expertise in competition law and policy, securities regulation, energy regulation and administrative law. In 2016, Mr. Wetston was awarded the Order of Canada for his significant contributions as a public servant, jurist and regulator. Mr. Wetston is a former Canadian Senator between November 10, 2016 and June 3, 2022. Mr. Wetston has served as Chair and Chief Executive Officer of the OSC, as Vice-Chair of the OSC, and as Chair and Chief Executive Officer of the OEB from 2003 to 2009. During his time as Chair and Chief Executive Officer of the OSC, Mr. Wetston played a significant role in Canadian and international securities regulatory bodies by serving as a senior member of the Canadian Securities Administrators and as a Vice Chair of the International Organization of Securities Commissions. Mr. Wetston has served as a Judge of the Federal Court of Canada, Trial Division, an ex-officio member of the Federal Court's Appeal Division, and Director of Investigations and Research at the Bureau of Competition Policy. Mr. Wetston is a Senior Fellow of the C.D. Howe Institute and has served on several Advisory Boards, including the Program on Ethics in Law and Business at the University of Toronto, and the Shannon School of Business at Cape Breton University. Mr. Wetston is a former Trustee of the International Valuations Standards Council. Mr. Wetston is a Member of the C.D. Howe Institute's Competition Policy Council. Mr. Wetston holds a Bachelor of Laws from Dalhousie University and a Bachelor of Science from Mount Allison University, and holds an ICD.D designation from the Institute of Corporate Directors. He has received special recognition as a Board Diversity Champion from Catalyst Canada Honours. Mr. Wetston holds honorary doctorate degrees from Cape Breton University and Dalhousie University and he is a recipient of the Queen Elizabeth II Diamond Jubilee Medal.

Mr. Wetston currently serves as Chair of the Board of Directors of LDC.

Principal Occupation:
Corporate Director

Board/Committee Membership	**2023 Attendance**	
Board	5 of 6	83%
Corporate Governance and Nominating Committee	4 of 4	100%
	2024 Attendance (1)	
Board	1 of 1	100%
Corporate Governance and Nominating Committee	1 of 1	100%

Board Memberships for other Reporting Issuers:
None

Note:

(1) 2024 attendance is for the period of January 1, 2024 to the date of this AIF.

Mary Ellen Richardson
Ontario, Canada

Director since:	December 11, 2016
Expiry of current term:	April 8, 2024, or effective date of appointment of a successor director

Ms. Richardson is a retired energy executive and independent board director in the energy sector, with extensive experience in the oil, natural gas, district energy and electricity industries. Ms. Richardson currently serves as Vice-Chair of the Board of Directors and Chair of the Human Resources and Governance Committee of Markham District Energy Inc. In the past, Ms. Richardson has served as President of the Canadian District Energy Association, Vice-President, Corporate Affairs and Vice-President, Conservation Programs and External Relations at the OPA, President of the Association of Major Power Consumers in Ontario, and was a member of the Board of Directors and Human Resources Committee of Guelph Municipal Holdings Inc. Ms. Richardson has also served on the management board of the Ontario Centre of Excellence in Energy, on the Board of Directors of Environmental Careers Organization of Canada, on the Ontario Government's Electricity Conservation and Supply Task Force, on the Executive of the Stakeholders' Alliance for Competition and Customer Choice, and on Hydro One's Customer Advisory Board. Ms. Richardson holds an Honours degree in Economics from the University of Calgary, and the ICD.D designation.

Ms. Richardson currently serves as a member of the Board of Directors of LDC.

Principal Occupation:
President, Mary Ellen Richardson Inc.

Board/Committee Membership	**2023 Attendance**	
Board	6 of 6	100%
Corporate Governance and Nominating Committee	4 of 4	100%
	2024 Attendance (1)	
Board	1 of 1	100%
Corporate Governance and Nominating Committee	1 of 1	100%

Board Memberships for other Reporting Issuers:
None

Note:

(1) 2024 attendance is for the period of January 1, 2024 to the date of this AIF.

Michael Anthony Eubanks
Ontario, Canada

Director since: November 27, 2020
Expiry of current term: April 8, 2024, or effective date of appointment of a successor director

Mr. Eubanks is an executive with significant experience in technology leadership. He is currently the Senior Vice-President Operations Support and Chief Information Officer of goeasy Ltd., a reporting issuer in all Canadian provinces, which provides leasing and lending services. Mr. Eubanks is also a member of the Board of Directors of Allstate Insurance Company of Canada. Prior to his employment with goeasy Ltd., Mr. Eubanks was the Chief Information Officer at the Liquor Control Board of Ontario (LCBO) and the Ontario Cannabis Store. Prior to that Mr. Eubanks served in progressive leadership roles focused on technology in the retail industry having worked for Canadian Tire Corporation and Best Buy International. Through his executive leadership roles at major organizations, he is familiar with the structure of compensation systems and related benefit programs, and is experienced in executive performance evaluation. Mr. Eubanks is a graduate of York University, ICD-Rotman Directors Education Program.

Mr. Eubanks is currently a member of the Board of Directors of TH Energy.

Principal Occupation:
Senior Vice-President Operations Support and Chief Information Officer of goeasy Ltd.
Former Senior Vice- President and Chief Information Officer of LCBO (Liquor Control Board of Ontario)

Board/Committee Membership	**2023 Attendance**	
Board	5 of 6	83%
Audit Committee	2 of 2 (1)	100%
Human Resources and Environment Committee	4 of 5	80%
	2024 Attendance (2)	
Board	1 of 1	100%
Human Resources and Environment Committee	1 of 1	100%

Board Memberships for other Reporting Issuers:
None

Notes:

(1) Mr. Eubanks left the Audit Committee on August 16, 2023. 2023 attendance was reported for the period Mr. Eubanks was actively serving on the Committee.
(2) 2024 attendance is for the period of January 1, 2024 to the date of this AIF.

Michael Nobrega, Vice-Chair of the Board
Ontario, Canada

Director since:	May 10, 2016
Expiry of current term:	April 8, 2024, or effective date of appointment of a successor director

Mr. Nobrega is a Chartered Professional Accountant with extensive experience in finance and business. Mr. Nobrega has served as President & Chief Executive Officer of OMERS, Chief Investment Officer of OMERS, and as President & Chief Executive Officer of Borealis (OMERS) Infrastructure. Mr. Nobrega acted as interim President and Chief Executive Officer of Waterfront Toronto, and is the former Chair of Ontario Centres of Excellence. Mr. Nobrega has served as the Chair of the Board of Directors of IBI Group Inc. In the past, Mr. Nobrega was also president of a merchant bank, a tax partner at Arthur Anderson, Chartered Accountants, and a member of the Board of Directors of the Global Risk Institute. Mr. Nobrega is the Chair of the Centre for the Commercialization of Regenerative Medicine. Mr. Nobrega earned an Honours Bachelor of Arts (Economics and Mathematics) from the University of Toronto, where, in 2002, he was honoured with the Arbor Award for outstanding community service. He holds a chartered accountancy designation from the Chartered Professional Accountants of Ontario (formerly the Institute of Chartered Accountants of Ontario) and Chartered Professional Accountants of Canada, and was named a Fellow of Chartered Professional Accountants of Ontario (formerly the Institute of Chartered Accountants of Ontario) in 2009. Mr. Nobrega has considerable experience in executive compensation matters from his years as the Chief Executive Officer of OMERS and Borealis (OMERS) Infrastructure. Through his executive leadership roles at major organizations, he is familiar with the structure of compensation systems and related benefit programs, and is experienced in executive performance evaluation. Mr. Nobrega also has considerable experience in climate change matters and developing climate-resilient strategies, including through his involvement in formalizing investment policies and supporting green energy projects at OMERS and participation on committees focusing on investments in technologies aimed at reducing the carbon footprint.

Mr. Nobrega currently serves as a member of the Board of Directors of LDC.

Principal Occupation:
Corporate Director
Former Interim President and CEO, Waterfront Toronto
Former Chair, Ontario Centres of Excellence

Board/Committee Membership	**2023 Attendance**	
Board	5 of 6	83%
Audit Committee	4 of 4	100%
	2024 Attendance (1)	
Board	1 of 1	100%
Audit Committee	1 of 1	100%

Board Memberships for other Reporting Issuers:
None

Note:

(1) 2024 attendance is for the period of January 1, 2024 to the date of this AIF.

James Hinds
Ontario, Canada

Director since:	April 6, 2022
Expiry of current term:	April 8, 2024, or effective date of appointment of a successor director

Mr. Hinds has many years of public service in Ontario's electricity sector, most recently as a director of Hydro One (2015-2018). Prior to that, he was Chair of the IESO and has also served as Chair of the former OPA (until its merger with the IESO in 2015). Prior to joining the OPA Board (2010-2015), he served as a Director on and as Chair of the IESO Board (2005-2010). Mr. Hinds is a retired investment banker, having specialized in public equity markets underwriting and advice. He previously served as Managing Director of TD Securities Inc. and has also held positions with CIBC Wood Gundy Inc. and Newcrest Capital Inc.

Mr. Hinds received an undergraduate degree in political economy from the University of Toronto, a Masters of Business Administration from the Wharton School of Business at the University of Pennsylvania, and a law degree from the University of Toronto.

Mr. Hinds currently serves as a member of the Board of Directors of LDC.

Principal Occupation:
Corporate Director

Board/Committee Membership	**2023 Attendance**	
Board	6 of 6	100%
Audit Committee	4 of 4	100%
	2024 Attendance (1)	
Board	1 of 1	100%
Audit Committee	1 of 1	100%

Board Memberships for other Reporting Issuers:
None

Note:

(1) 2024 attendance is for the period of January 1, 2024 to the date of this AIF.

Nicole Martin
Ontario, Canada

Director since:	June 19, 2023
Expiry of current term:	June 16, 2025, or effective date of appointment of a successor director

Ms. Martin is a former Senior Director at S&P Global Ratings, where she focused on credit rating analysis in the Canadian utility, energy and infrastructure sectors for more than 15 years. During her tenure at S&P, she was directly involved with the design and launch of their Environmental, Social and Governance (ESG) Evaluation. Ms. Martin's professional experience also includes two decades in the Ontario electricity sector, first working in various engineering and system planning roles at Ontario Hydro. When Ontario Hydro ceased operations, she joined Hydro One Inc. as Manager of Strategic Planning. After the corporatization of local distribution companies in Ontario, Ms. Martin advised the Hydro Ottawa Board and helped implement its first strategic performance management framework and scorecard. Ms. Martin currently provides credit and ESG consulting services, both independently and as a Senior Consultant for SwissThink. Through her roles at major organizations and in consulting, Ms. Martin is familiar with the development of balanced scorecards, and the structure of compensation systems and related benefit programs. She also has extensive experience in evaluating the ESG programs and activities of corporations as part of credit assessment, including matters relating to Climate Change. In the past, Ms. Martin has served on the Board of Directors of the Metro Toronto Convention Centre, Hydrokids and Talisker Players Chamber Music. She currently serves on the Board of the Grey County Historical Society. Ms. Martin holds a Bachelor of Applied Science from the University of Toronto and a Master of Engineering from McMaster University. She is licensed as a professional engineer in the province of Ontario.

Principal Occupation:
Corporate Director

Board/Committee Membership	**2023 Attendance**	
Board (1)	4 of 4 (2)	100%
Audit Committee (3)	1 of 1	100%
Human Resources and Environment Committee (4)	2 of 2	100%
	2024 Attendance (5)	
Board	0 of 1	—%
Audit Committee	1 of 1	100%
Human Resources and Environment Committee	0 of 1	—%

Board Memberships for other Reporting Issuers:
None

Notes:

(1) Ms. Martin was appointed to the Board on June 19, 2023.
(2) Four Board meetings occurred since date of Ms. Martin’s appointment to the Board.
(3) Ms. Martin was appointed to the Audit Committee on August 16, 2023. 2023 attendance was reported for the period Ms. Martin was actively serving on the Committee.
(4) Ms. Martin was appointed to the Human Resources and Environment Committee on August 16, 2023. 2023 attendance was reported for the period Ms. Martin was actively serving on the Committee.
(5) 2024 attendance is for the period of January 1, 2024 to the date of this AIF.

Jaye Robinson
Ontario, Canada

Director since:	November 24, 2022
Expiry of current term:	December 31, 2024, or effective date of appointment of a successor director

Councillor Robinson is the Mayor's designate to the Board. Councillor Robinson is the City Councillor for Ward 15 - Don Valley West and was previously City Councillor for Ward 25 - Don Valley West since 2010. Currently, Councillor Robinson serves as Vice-Chair of the Economic and Community Development Committee and on the Board of Directors for the Art Gallery of Ontario, Leaside Memorial Gardens Arena, and Toronto Symphony Orchestra. Councillor Robinson has also been named to a special role leading the 2026 FIFA World Cup in Toronto. Before running for municipal office, Councillor Robinson was a senior manager in economic development at the City of Toronto for over 20 years. With an entrepreneurial approach, Councillor Robinson successfully merged arts and community building initiatives with economic development strategies to launch a vibrant roster of annual events that generated significant financial benefits for the City. Her resume includes Nuit Blanche, Summerlicious, and Winterlicious.

From 2018-2022, Councillor Robinson served as Chair of the Toronto Transit Commission (TTC) and during the 2014-2018 City Council term, as Chair of the Public Works and Infrastructure Committee.

Principal Occupation:
Councillor, City of Toronto

Board/Committee Membership	**2023 Attendance**	
Board	4 of 6	67%
Human Resources and Environment Committee (1)	2 of 3	67%
	2024 Attendance (2)	
Board	1 of 1	100%
Human Resources and Environment Committee	1 of 1	100%

Board Memberships for other Reporting Issuers:
None

Notes:

(1) Councillor Robinson was appointed to the Human Resources and Environment Committee on March 1, 2023. 2023 attendance was reported for the period Councillor Robinson was actively serving on the Committee.
(2) 2024 attendance is for the period of January 1, 2024 to the date of this AIF.

Jennifer McKelvie
Ontario, Canada

Director since: November 24, 2022
Expiry of current term: December 31, 2024, or effective date of appointment of a successor director

Deputy Mayor McKelvie is a graduate of the University of Toronto Scarborough (B.Sc. Environmental Science) and a Professional Geoscientist (P. Geo. non-practicing). Her graduate (Ph.D. 2006) and postgraduate research was supported by numerous provincial, national and international awards, including the Natural Sciences and Engineering Research Council (NSERC) Canada Graduate Scholarship and the L'Oréal/United Nations Educational Scientific Organization (UNESCO) Women in Science Fellowship. Deputy Mayor McKelvie is currently serving as Chair of City Council's Infrastructure and Environment Committee, Striking Committee, Vice-Chair of City Council's Executive Committee, member of the Scarborough Community Council, and City Council's Committee of Revision. She is also a member of the Board of Management of the Toronto Zoo. Prior to becoming Councillor for Scarborough-Rouge Park, Deputy Mayor McKelvie managed industrial-academic partnerships and environmental research in the non-profit sector. Deputy Mayor McKelvie has a long-record of community service. She served as first President of the Scarborough Community Renewal Organization (2016-2018), and as President of the Centennial Community & Recreation Association (2015 to 2017). In this capacity, Deputy Mayor McKelvie worked collaboratively with stakeholders and residents to advocate for investment in Scarborough. Deputy Mayor McKelvie has also served as a member of the University of Toronto Scarborough Campus Council (2015-2018), as a citizen member of the Toronto Region Conservation Authority (2015-2018) and as a member of the Scarborough Women of Philanthropy (2015-2018), council in support of the Scarborough & Rouge Hospital Foundation.

Deputy Mayor McKelvie currently serves as a member of the Board of Directors of TH Energy.

Principal Occupation:
Deputy Mayor and Councillor, City of Toronto

Board/Committee Membership	**2023 Attendance**	
Board	6 of 6	100%
	2024 Attendance (1)	
Board	1 of 1	100%

Board Memberships for other Reporting Issuers:
None

Note:

(1) 2024 attendance is for the period of January 1, 2024 to the date of this AIF.

Dianne Saxe
Ontario, Canada

Director since: August 10, 2023
Expiry of current term: December 31, 2024, or effective date of appointment of a successor director

Councillor Saxe is the City Councillor for Ward 11 - University-Rosedale. Councillor Saxe was previously the Deputy Leader of the Green Party of Ontario, the last Environmental Commissioner of Ontario and the principal author of its Roadmap to Net Zero. Councillor Saxe is a member of City Council's Infrastructure and Environment Committee, the Toronto and East York Community Council, the Toronto Atmospheric Fund Board of Directors, the Toronto Transit Commission, the Toronto and Region Conservation Authority, the Board of Director of the 58 Cecil Street Community Centre Board of Management, and William H. (Bill) Bolton Arena Board of Management. Councillor Saxe holds multiple accreditations and awards, including a Ph.D. in Law and in Environmental Studies (Hon.), a Law Society Medal for exemplary leadership in environmental law, a Clean 50 award, an Osgoode Hall Law Alumni Gold Key for Lifetime Achievement, and a Global Competent Board Designation. She has successfully run her own small business, a multi-million-dollar public office, and sat on the boards of both charities and for-profit corporations. At the University of Toronto, she is a Senior Fellow of Massey College and was formerly adjunct faculty of the School of the Environment.

Principal Occupation:
Councillor, City of Toronto

Board/Committee Membership	**2023 Attendance**	
Board	3 of 3 (1)	100%
Corporate Governance and Nominating Committee	1 of 1 (2)	100%
	2024 Attendance (3)	
Board	1 of 1	100%
Corporate Governance and Nominating Committee	1 of 1	100%

Board Memberships for other Reporting Issuers:
None

Notes:

(1) Councillor Saxe was appointed to the Board on August 10, 2023. 2023 attendance was reported for the period Councillor Saxe was actively serving on the Board.
(2) Councillor Saxe was appointed to the Corporate Governance and Nominating Committee on August 16, 2023. 2023 attendance was reported for the period Councillor Saxe was actively serving on the Committee.
(3) 2024 attendance is for the period of January 1, 2024 to the date of this AIF.

10.5 Executive Officers

The following table sets forth the name, province and country of residence, office, and principal occupation for each of the executive officers of the Corporation as of December 31, 2023.

Name	Residence	Office	Principal Occupation
Anthony Haines(1)	Ontario, Canada	President and Chief Executive Officer	President and Chief Executive Officer, Toronto Hydro Corporation
Celine Arsenault(2)	Ontario, Canada	Executive Vice-President, Chief Financial Officer	Executive Vice-President, Chief Financial Officer, Toronto Hydro Corporation
Amanda Klein(3)	Ontario, Canada	Executive Vice-President, External Affairs, Corporate Development and Chief Legal Officer	Executive Vice-President, External Affairs, Corporate Development and Chief Legal Officer, Toronto Hydro Corporation

Notes:

(1) Mr. Haines has been the President of LDC since September 2006. He was also appointed the CEO of the Corporation effective October 1, 2009.

(2) Ms. Arsenault was appointed the Executive Vice President, Chief Financial Officer of the Corporation effective June 6, 2022. Ms. Arsenault was previously Vice-President, Finance at Livingston International from 2018 to 2022. Ms. Arsenault is an independent director of Heritage Cannabis Holdings Corp.

(3) Ms. Klein was Vice-President, Regulatory Affairs and General Counsel of the Corporation (from January 1, 2015 to August 31, 2016), then Executive Vice-President, Regulatory Affairs and General Counsel of the Corporation (from September 1, 2016 to September 30, 2018), and then Executive Vice-President, Public and Regulatory Affairs and Chief Legal Officer of the Corporation (from October 1, 2018 to April 30, 2023). Ms. Klein was named as the Corporation's Executive Vice-President, External Affairs, Corporate Development and Chief Legal Officer effective as of May 1, 2023.

10.6 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Mr. Nobrega was a director of CellCube Energy Storage Systems Inc. (now Saltbae Capital Corp.) when its shareholders, directors and officers were subject to a cease trade order. The cease trade order was issued by the Ontario Securities Commission on November 1, 2019 for the company's failure to file its corporation's annual audited financial statements, management's discussion and analysis and certification of the annual filings by the filing deadline under applicable law. The cease trade order remains in effect.

1. Except as noted above, no director or executive officer of the Corporation is, as at the date of this AIF, or has within ten years prior to the date of this AIF:

   (a) been a director, chief executive officer or chief financial officer of any company (including the Corporation) that was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation for a period of more than 30 consecutive days, where such order was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer;

   (b) been a director, chief executive officer or chief financial officer of any company (including the Corporation) that was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation for a period of more than 30 consecutive days, where such order was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;

2. No director, executive officer of the Corporation or, to the Corporation's knowledge, the City is, as at the date of this AIF, or has within ten years prior to the date of this AIF:

   (a) been a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

   (b) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of such director or executive officer.

3. No director, executive officer of the Corporation or, to the Corporation's knowledge, the City, has been subject to:

   (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

   (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

10.7 Independence

As at the date of this AIF, the Board consists of eleven directors, all of whom are appointed by the City in its capacity as sole shareholder of the Corporation. Three of the directors are Councillors of the City and are not considered independent because of their positions. None of the other directors have a direct or indirect material relationship with the Corporation and are independent within the meaning of applicable Canadian securities law.

No members of management sit on the Board. The Board meets regularly to discuss the management of the Corporation. A portion of each Board and Board committee meeting is reserved for Directors to meet without management present. Under its mandate, the Board is authorized to retain independent legal counsel and other advisors if it considers this appropriate. The mandate also provides that the Board shall have reasonable unrestricted access to the officers of the Corporation and is authorized to invite officers and employees of the Corporation and others to attend or participate in its meetings and proceedings if it considers this appropriate. The full text of the Board's written mandate is attached as Annex B.

The Corporation has developed a written position description for the Chair of the Board. The Chair is responsible for reporting to the Board, leading the directors and managing the day-to-day activities of the Board. The Chair is also responsible for engaging in discussions with the shareholder and its representatives as are necessary and desirable, maintaining an active and cooperative relationship with the CEO and other senior management of the Corporation, acting as the principal interface between the Board and the CEO of the Corporation, and providing advice and counsel to the CEO and other senior management of the Corporation.

The Board has also developed written position descriptions for the Chair of each Board committee and the CEO.

10.8 Board Orientation and Continuing Education

Each new director, upon joining the Board, is given orientation sessions with access to a comprehensive set of materials designed to provide a summary of the key organizational, financial, regulatory and operational aspects of Toronto Hydro. These materials also contain information on the various Toronto Hydro boards and committees. Sessions also focus on substantive topics relevant to the committee and subsidiary board areas of responsibility as applicable to individual directors.

On an ongoing basis, as part of regular and special board meetings, directors receive presentations, reports and training, from internal leaders and external advisors, on topics related to Toronto Hydro's businesses and the obligations and responsibilities of directors. Topics covered are either suggested by management or requested by the directors. As well, directors receive information from management in response to any actions arising at a board meeting or otherwise. Educational programs through external service providers are also made available to the directors and the directors have access to an on-line resource centre populated with materials relating to Toronto Hydro which is updated regularly.

10.9 Board, Committee and Director Assessments

The Corporate Governance and Nominating Committee oversees a process used to evaluate the effectiveness of the Board as a whole, its committees and the individual directors. The process may be facilitated by an independent consultant with expertise in board assessments as selected by the Board. Alternatively, the Board may complete an internal assessment. The process may consist of an in-person interview and/or a written evaluation questionnaire that are completed periodically by each director. The directors' responses to the questionnaire and/or interviews related to the operation of the Board and its committees are compiled into a summary report that is reviewed by the Chair of the Board. This report and recommended remedial actions are presented to the Board for review, consideration and implementation.

10.10 Board Oversight and Management of Risks

In accordance with its mandate, the Board is responsible for overseeing the identification of the principal risks of the business and implementation of appropriate systems to manage these risks. Toronto Hydro has an ERM program which is focused upon improving the Corporation's operations through enabling the attainment of its strategic goals and objectives. The ERM program helps the Corporation achieve this by bringing a systematic and disciplined approach towards identifying, evaluating, treating, monitoring and reporting of risks applicable to Toronto Hydro. Accordingly, ERM is an integral part of the strategic management of the Corporation's business and is routinely considered in forecasting, planning and executing key aspects of Toronto Hydro's operations.

See Part 8 entitled "Risk Factors – Risk Management" above for further information on ERM.

10.11 Indebtedness of Directors and Executive Officers

No director, executive officer, employee, former director, former executive officer or former employee or associate of any director or executive officer of the Corporation or any of its subsidiaries had any outstanding indebtedness to the Corporation or any of its subsidiaries except routine indebtedness or had any indebtedness that was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

PART 11 - AUDIT COMMITTEE

11.1 Composition, Independence and Financial Literacy

The Audit Committee comprises Michael Nobrega (Chair), James Hinds, and Nicole Martin, each of whom is independent and financially literate within the meaning of applicable Canadian securities laws.

For a description of the relevant education and experience of each member of the Audit Committee, please refer to each member's profile under the section entitled "Directors and Officers – Directors".

11.2 Audit Committee Charter

Under the terms of its charter, the Audit Committee is responsible for: managing the relationship between Toronto Hydro and its external auditors; overseeing the external audit; overseeing the internal audit; reviewing and recommending to the Board for approval the financial statements, management's discussion and analysis and interim reports of the Corporation and its subsidiaries, the annual information form, related press releases, and other public disclosure of financial information extracted from the financial statements of the Corporation; overseeing internal financial control structure and financial risk management systems; establishing and reviewing certain procedures, policies and reporting; reviewing policy reporting; and reviewing and making recommendations to the Board with respect to the payment of dividends or distribution of capital by the Corporation and insurance program.

The full text of the Corporation's Audit Committee Charter is attached as Annex A.

11.3 Policy on the Provision of Services by the External Auditors

The Audit Committee has developed a Policy on the Provision of Services by the External Auditors. Under the terms of the Policy:

- the external auditors may not provide services to Toronto Hydro that impair or have the potential to impair the independence and objectivity of the external auditors in relation to the external audit function (generally, prohibited services include services where the external auditors participate in activities that are normally undertaken by management of Toronto Hydro, are remunerated through a "success fee" structure, act in an advocacy role for Toronto Hydro or may be required to audit their own work);

- the Audit Committee has pre-approved certain audit and permitted non-audit services as services that the auditors may provide to Toronto Hydro, including: services that constitute the agreed scope of the external audit or interim reviews of Toronto Hydro; services that are outside the agreed scope of, but are consistent with, the external audit or interim reviews of Toronto Hydro; tax services that do not compromise the independence and objectivity of the external auditors in relation to the external audit; and other services of an advisory nature that do not compromise the independence and objectivity of the external auditors in relation to the external audit work; and

- an authorization process has been established which provides, among other things: the Chief Financial Officer may authorize in advance all engagements of the external auditors to provide pre-approved services (other than audit services) to Toronto Hydro up to a maximum of $50,000 for any engagement and up to a maximum of $100,000 for all engagements in any fiscal year (the Chief Financial Officer must report all such authorized engagements to the Audit Committee at its next meeting); the Chair of the Audit Committee may authorize in advance all engagements of the external auditors to provide pre-approved services (other than audit services) to Toronto Hydro up to a maximum of $100,000 for any engagement and up to a maximum of $250,000 for all engagements in any fiscal year (the Chair must report all such authorized engagements to the Audit Committee at its next meeting); and the Audit Committee must authorize in advance all engagements of the external auditors to provide pre-approved services to Toronto Hydro above the prescribed thresholds and all engagements to provide services that are not pre-approved services regardless of the dollar value of the services.

Exceptions can be made to this Policy where the exceptions are in the interests of Toronto Hydro and appropriate arrangements are established to ensure the independence and objectivity of the external auditors in relation to the external audit. Any exception must be authorized by the Audit Committee and must be reported to the Board.

11.4 External Auditors Service Fees

The table below sets out the fees charged by Toronto Hydro's external auditor, KPMG LLP, on an accrual basis, for each of last two fiscal years in respect of the services noted below.

	Year ended December 31	
	2023	**2022**
Audit fees (1)	$874,065	$725,257
Audit-related fees (2)	$54,554	$40,660
Tax fees (3)	$100,000	$50,000
All other fees (4)	$5,721	$5,549

Notes:

(1) Fees for audit services and interim reviews, excluding CPAB levy.
(2) Fees for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not reported under (1) above, specifically French translation.
(3) Fees for tax compliance services.
(4) Fees for compilation report.

PART 12 - EXECUTIVE COMPENSATION

12.1 Compensation Governance

(a) Human Resources and Environment Committee

(i) *Composition and Independence*

The Human Resources and Environment Committee, under the direction of the Board has oversight for Toronto Hydro's senior executive compensation program. The Human Resources and Environment Committee is comprised of Michael Eubanks (Chair), Nicole Martin, and Councillor Jaye Robinson. Michael Eubanks and Nicole Martin are each independent within the meaning of applicable Canadian securities laws. Since the City is the sole shareholder of the Corporation, Councillor Jaye Robinson is not independent within the meaning of applicable Canadian securities laws. The appointment of one of the Corporation's City Councillor directors to the Human Resources and Environment Committee is a requirement under the Shareholder Direction.

(ii) *Human Resources and Environment Committee Charter*

The Human Resources and Environment Committee operates under a written charter adopted by the Board. Under the terms of its charter, the Human Resources and Environment Committee is responsible for assisting the Board in fulfilling its responsibilities with respect to executive compensation, human resources, environmental and health and safety matters, including: the compensation of the CEO and the other senior executive officers of Toronto Hydro; the oversight of executive compensation and the compensation structure and benefit plans and programs and related public disclosure; the recruitment and assessment of the performance of the CEO; the oversight of human resources related matters and processes (such as talent development, engagement, diversity, equity and inclusion); the oversight of health and safety related matters and processes; and the oversight of environmental related matters and processes.

(b) Human Resources Risk Oversight

Toronto Hydro has a rigorous risk management and governance structure in place to assist the Board with its oversight and management of all of Toronto Hydro's risks, including risks related to Toronto Hydro's compensation policies and practices. While the Board and the Human Resources and Environment Committee have not conducted a formal assessment of the implications of risks specifically associated with Toronto Hydro’s compensation policies and practices, the Human Resources and Environment Committee has and continues to consider the Corporation's strategic objectives, plans and risk strategy in its review and recommendations regarding Toronto Hydro's compensation program. In addition to Toronto Hydro’s ERM program, the practices, processes and systems in place to identify and mitigate compensation policies and practices that could encourage an executive officer to take inappropriate or excessive risks include: the periodic review and audit of Toronto Hydro’s senior executive compensation program by Toronto Hydro’s internal auditor; the development and application of a management control reporting system providing transparency and control to compensation measures; the use of a balanced scorecard of corporate, divisional and individual performance objectives; the periodic benchmarking of Toronto Hydro’s compensation program; the review of Toronto Hydro’s compensation program by an independent compensation consultant and, from time to time, the OEB; and the application of maximum payout amounts for achievement of individual performance goals. See Part 8 under the heading “Risk Factors – Risk Management” and section 10.10 under the heading “Board Oversight and Management of Risks” for more information on Toronto Hydro’s ERM program, section 12.2(c)(ii) under the heading “Benchmarking” for more information on Toronto Hydro’s benchmarking of its compensation program, section 12.2(c)(iii) under the heading “Compensation Consultants and Advisors” for more information on the Corporation's compensation consultant and section 12.2(d)(ii) under the heading “Performance-Based Incentive Compensation” for more information on Toronto Hydro’s performance-based incentive compensation program.

Further, the Board may establish ad-hoc committees from time to time for a specific task or subject matter. The Board formed a CEO selection committee overseen by the Chair of the Human Resources Environment Committee since, under the terms of Mr. Haines retirement arrangement, Mr. Haines will cease active service as President and CEO effective December 31, 2024. The CEO selection committee has undertaken a detailed succession-planning process, and engaged an independent external advisor to assist the Board in its work. The process is expected to be completed prior to Mr. Haines’ scheduled retirement.

12.2 Compensation Discussion and Analysis

(a) Named Executive Officers

This Compensation Discussion and Analysis describes and explains all significant elements of compensation awarded to, earned by, paid to, or payable to the NEOs for the financial year ended December 31, 2023. The NEOs are:

(i) **Anthony Haines**
President and Chief Executive Officer, Toronto Hydro Corporation

(ii) **Celine Arsenault**
Executive Vice-President and Chief Financial Officer, Toronto Hydro Corporation

(iii) **Amanda Klein**
Executive Vice-President, External Affairs, Corporate Development and Chief Legal Officer, Toronto Hydro-Electric System Limited

(iv) **Sheikh Nahyaan**
Executive Vice-President and Chief Operating Officer, Toronto Hydro-Electric System Limited

(v) **Jodi Engel**
Executive Vice-President and Chief Human Resources, Environment and Safety Officer

(b) General Objectives of Compensation Program

Toronto Hydro's senior executive compensation program is designed to attract and retain executives who have the skills and experience to help Toronto Hydro achieve its strategic goals, to motivate executives to achieve such corporate goals and to reward senior executives for superior performance and achievement of corporate, divisional and individual objectives.

(c) Process for Establishing Compensation

(i) *Policies and Practices*

Toronto Hydro's overall senior executive compensation policy, structure and program is developed and supervised by the Human Resources and Environment Committee with the assistance of a compensation consultant, and approved by the Board. The senior executive compensation policy was reviewed and approved November 2023. Toronto Hydro's senior executive compensation policy aligns with the "City of Toronto Guiding Principles for Executive Compensation Policies at City Agencies and Corporations" which was adopted at City Council on July 19, 2023. See section 12.2(c)(iii) under the heading "Compensation Consultants and Advisors" for more information on the compensation consultant.

Pursuant to the terms of its charter, the Human Resources and Environment Committee has the responsibility to annually, and more frequently if appropriate, review and make recommendations to the Board with respect to the individual performance-based incentive compensation goals and objectives related to the compensation of the CEO and to assess the CEO's performance against those goals and objectives. The Human Resources and Environment Committee also makes recommendations to the Board with respect to the overall compensation and benefits of the CEO. The Board ultimately sets and approves the CEO's compensation.

The CEO has the responsibility to annually, and more frequently if appropriate, review and approve the individual performance-based incentive compensation goals and objectives related to the compensation of the other senior executive officers, including the NEOs, and assess the other senior executive officers' performance against those goals and objectives. The CEO proposes the other senior executive officers' performance-based incentive compensation and overall compensation, subject to the Human Resources and Environment Committee's review and approval.

(ii) *Benchmarking*

Toronto Hydro periodically benchmarks the compensation it provides to the NEOs to ensure reasonableness, competitiveness and effectiveness of Toronto Hydro's compensation program, including the level and type of compensation provided. The Human Resources and Environment Committee periodically engages a compensation consultant to conduct executive compensation benchmarking for the NEOs, to ensure that Toronto Hydro is able to attract, retain, and motivate high-performing senior executives in the markets in which it competes for talent.

Toronto Hydro's objective is to pay competitively with other Canadian utility and energy industry companies of comparable size and complexity. NEO compensation is generally benchmarked against:

- industry data of companies of comparable size and complexity to Toronto Hydro and with which Toronto Hydro competes for Executive talent;
- primary market comparator group includes industry organizations and revenues between ½ to 2x Toronto Hydro's distribution revenue (i.e. excluding Toronto Hydro's flow through revenue for electricity transmission and generation);
- industrial companies in the Greater Toronto Area;
- industrial companies in Canada;
- public sector organizations in Canada; and
- electrical / utilities organizations across Canada.

The benchmark data comes from proprietary compensation surveys, and publicly disclosed executive compensation information in Canada. For the purposes of benchmarking, a minimum of 8 Canadian organizations are included in the market comparators and the number of private sector organizations do not exceed one-third of the total comparator group.

The senior executive compensation information derived from the benchmarking analysis is designed to assist the Human Resources and Environment Committee in establishing, over a reasonable period of time, total cash compensation for NEOs in the range of the median total cash compensation of the benchmark data. Total cash compensation to NEOs may exceed the median of the marketplace when corporate, divisional and individual performance significantly exceeds objectives.

(iii) *Compensation Consultants and Advisors*

The Human Resources and Environment Committee has engaged the services of Willis Towers Watson (WTW) for senior executive compensation consulting services since 2016. The consulting services provided to the Human Resources and Environment Committee by WTW include providing advice on the competitiveness and appropriateness of Toronto Hydro's senior executive compensation program, compensation benchmarking services, and other compensation related matters that may arise from time to time. The Corporation also engages Willis Towers Watson for actuarial services. The Human Resources and Environment Committee or the Board is advised of any actuarial services Willis Towers Watson provides to Toronto Hydro in accordance with the Corporation's Policy on the Provision of Services by External Executive Compensation Advisors. The actuarial services provided by Willis Towers Watson do not present any conflicts with the services provided as compensation advisor to the Human Resources and Environment Committee.

The table below sets out the fees billed by Willis Towers Watson for each of last two fiscal years in respect of the services noted below.

		Year ended December 31	
		2023	**2022**
Executive Compensation – Related Fees [1]	Willis Towers Watson	$72,297	$44,606
All Other Fees [2]	Willis Towers Watson	$43,475	$122,841

Notes:

(1) Aggregate fees billed for consulting services to Toronto Hydro’s Human Resources and Environment Committee.
(2) Aggregate fees billed by Willis Towers Watson, or any of its affiliates, for services which include actuarial services that are not reported under note (1) above.

(d) Elements of Compensation

The principal components of compensation for NEOs are:

- base salary;
- performance-based incentive compensation;
- personal benefits and perquisites;
- pension plan;
- post-employment benefits; and
- retirement allowances.

As the Corporation has a single shareholder that is the registered and beneficial owner of all of its issued and outstanding shares, the Corporation is not able to offer an equity incentive plan or other stock-based compensation to its NEOs.

(i) *Base Salary*

In accordance with the general objectives and process for establishing compensation noted above, Toronto Hydro provides NEOs with a base salary to compensate them for services rendered during the fiscal year. Toronto Hydro provides reasonably competitive market-based base salaries to help attract, motivate, and retain NEOs who are critical to Toronto Hydro's success.

Annually, adjustments to base salaries for NEOs generally are driven by market benchmarking data and the NEO's individual performance rating. In the case of NEOs other than the CEO, the performance rating is determined by the CEO based on the achievement of performance-based incentive compensation objectives, knowledge, skills, and competencies related to day-to-day performance, as well as demonstration of desired corporate behaviours, subject to the Human Resources and Environment Committee's review and approval. In the case of the CEO, in accordance with the retirement arrangement the Human Resources and Environment Committee has set the annual adjustment at 3% annually until his retirement. See “12.3(b)(vii) Termination Payments”.

(ii) *Performance-Based Incentive Compensation*

All NEOs receive a portion of their annual compensation in the form of performance-based cash payments. The performance-based incentive compensation is designed to retain, motivate and reward NEOs for reaching corporate, divisional and individual performance objectives established at the beginning of each calendar year.

The annual performance-based incentive compensation is calculated as a percentage of the NEO's base salary for the year and, if earned, paid in one lump sum in the next fiscal year.

In order for an NEO to earn and receive the performance-based incentive compensation, the Corporation and the NEO must each achieve certain pre-determined performance objectives. Each NEO's performance-based incentive compensation is based on a weighting of corporate, divisional and individual performance objectives. Weightings and objectives are determined at the start of each year and vary by role to reflect the performance focus of the role. The weighting and objectives are reviewed and set each year in order to reflect the Corporation's overall strategy and objectives.

Each year the Board reviews and approves the Corporation's objectives. Each performance objective is weighted to reflect its relative importance and includes threshold, target and stretch expectations of performance. Specific performance targets are approved by the Board considering the Corporation's business plans and priorities for the upcoming year, the prior year's performance and a review of forecasted results based on a historical analysis of performance. Similarly, divisional objectives are approved by the CEO and reviewed by the Human Resources and Environment Committee to recognize unique divisional priorities and ensure alignment with the Corporation's overall objectives.

The CEO's individual objectives are reviewed and approved by the Board. The individual objectives of the other NEOs are reviewed and approved by the CEO. Each NEO's individual objectives are based on areas of strategic and operational emphasis related to their respective responsibilities and portfolios.

The NEO's individual objectives are intended to be reasonably difficult to attain and to encourage success in the NEO's performance. Individual objectives are often but not always achieved by an NEO in any given year. NEOs review their objectives and measurements throughout the year, with one formal mid-year review with the Human Resources and Environment Committee (in the case of the CEO), or with the CEO (in the case of the other NEOs), to track achievement to-date and revise performance goals as may be necessary to reflect any change in corporate strategy or priorities.

In the case of each NEO other than the CEO, an annual performance evaluation in respect of the individual objectives for each individual is conducted by the CEO, who proposes the amount of performance-based incentive compensation to be paid to each other NEO. The Human Resources and Environment Committee reviews and approves the amounts of performance-based incentive compensation to be paid to each of the other NEOs. In the case of the CEO, annual performance-based incentive compensation is determined in accordance with his retirement arrangement. See “12.3(b)(vii) Termination Payments”. Mr. Haines’ performance will be reviewed with the Board of Directors annually.

Historically, all incentive compensation awarded to NEOs has consisted solely of an annual cash bonus. In 2023, Toronto Hydro adopted a new long-term incentive plan which contemplates annual grants of awards that provide for the payment of an incentive amount depending on corporate performance over a three-year period starting in the year of grant. Starting in 2024, incentive compensation will include a mix of short-term and long-term awards. The addition of a long-term incentive program was implemented to boost retention of executive talent and align with market comparators. The first grants under the new long-term incentive plan were made to senior executives in 2024, and payment of such grants will be made in 2027 and will reflect the achievement of business and environmental objectives through 2024, 2025, and 2026. The objectives for the 2024 grants related to consolidated net income, reduced GHG emissions, the electrification of Toronto Hydro’s vehicles and increased distribution grid capacity.

(iii) *Personal Benefits and Perquisites*

Toronto Hydro provides NEOs with other personal benefits and perquisites that Toronto Hydro believes are reasonable and consistent with its overall compensation program to better enable Toronto Hydro to attract and retain superior employees for key positions. Benefits include group health, dental, group life insurance, short-term and long-term disability, accidental death & dismemberment, a gym subsidy, and educational reimbursements, all of which are generally available to all salaried employees.

(iv) *Pension Plan*

All full-time employees of Toronto Hydro, including the NEOs, are required to participate in the OMERS pension plan. The OMERS pension plan is generally available to all other salaried employees. See section 4.6(a) under the heading "Employees" for more information on the OMERS pension plan.

Pursuant to the terms of the OMERS pension plan, NEOs are required to make equal plan contributions based on their eligible pensionable earnings. In 2023, Toronto Hydro and each NEO was required to contribute 9% equally of the first $66,600 of pensionable earnings and thereafter 14.6% equally on all earnings over $66,600 and up to $181,591. From $181,591 and up to a maximum of $466,200, contributions continue equally at 14.6% towards a Retirement Compensation Arrangement (RCA), which is governed separately under the Canadian Income Tax Act. See section 12.3(b)(iv) under the heading "Pension Plan" and 12.3(b)(vi) under the heading "Retirement Allowance" for more information related to the pension plan for NEOs.

(v) *Post-employment Benefits*

NEOs are eligible to receive post-employment health, dental and life insurance benefits. The post-employment benefits provided to eligible NEOs are the same as are generally available to all other salaried employees. Post-employment benefits aid in attracting and retaining key executives to ensure the long-term success of Toronto Hydro.

(vi) *Retirement Allowances*

From time to time, in certain circumstances, Toronto Hydro enters into retirement allowance agreements with its NEOs. The retirement allowance agreements are designed to recognize service, and to promote retention, stability and continuity, of the NEOs. These agreements are made on a case-by-case basis based on an NEO's years of service and position. Any retirement allowance provided to the CEO is approved by the Board after review of the recommendation of the Human Resources and Environment Committee. In the case of each of the other NEOs, any retirement allowance agreement is proposed by the CEO and reviewed and amended or approved by the Human Resources and Environment Committee.

12.3 Compensation of Named Executive Officers

(a) Summary Compensation Table

The following table provides a summary of the compensation earned during the years ended December 31, 2023, 2022 and 2021, by the NEOs:

Summary Compensation Table (1)

NEO Name and Principal Position	Year	Salary (2) ($)	Non-Equity Incentive Plan Compensation (3) ($)	All Other Compensation (4) ($)	Total Compensation ($)
Anthony Haines (5) President and Chief Executive Officer, Toronto Hydro Corporation	2023	$728,148	$701,271	$22,593	$1,452,012
	2022	$706,949	$680,846	$18,045	$1,405,840
	2021	$686,433	$661,015	$30,630	$1,378,078
Celine Arsenault (6) Executive Vice-President and Chief Financial Officer, Toronto Hydro Corporation	2023	$326,398	$193,253	$6,631	$526,282
	2022	$166,923	$97,629	$1,687	$266,239
Amanda Klein (7) Executive Vice-President, External Affairs, Corporate Development and Chief Legal Officer, Toronto Hydro-Electric System Limited	2023	$410,943	$253,451	$1,560	$665,954
	2022	$358,177	$208,914	$10,909	$578,000
	2021	$338,029	$203,184	$10,452	$551,665
Sheikh Nahyaan (8) Executive Vice-President and Chief Operating Officer, Toronto Hydro-Electric System Limited	2023	$350,723	$207,705	$5,483	$563,911
	2022	$271,553	$158,428	$16,040	$446,021
	2021	$255,000	$153,000	$3,428	$411,428
Jodi Engel (9) Executive Vice-President and Chief Human Resources, Environment and Safety Officer, Toronto Hydro-Electric System Limited	2023	$319,434	$198,692	$1,560	$519,686
	2022	$260,900	$152,215	$5,798	$418,913
	2021	$245,000	$110,250	$12,422	$367,672

Notes:

(1) Amounts shown in this table are in Canadian dollars and have been rounded to the nearest dollar.
(2) Amounts shown reflect actual amounts paid during the year.
(3) Each NEO's annual performance-based incentive compensation for a fiscal year is determined and paid in the next fiscal year. Accordingly, amounts reflected in respect of a particular year (e.g. 2023) represent the annual performance-based incentive compensation earned by the NEO for the achievement of performance objectives in respect of that fiscal year (e.g. 2023) but which amounts are paid in the following fiscal year (e.g. 2024).
(4) Amounts shown in this column reflect all other compensation earned by the NEO during the year. The amounts shown include the aggregate value of perquisites and other personal benefits provided to the NEO, where such perquisites and personal benefits are not generally available to all employees and have been calculated by using the actual cost. In 2023, 2022 and 2021, perquisites were not worth $50,000 or more for any NEO, nor were they worth 10% or more of any NEO's total salary for the year.
(5) Mr. Haines was awarded a top-up benefit as a result of the changes to the OMERS pension plan. As a result of this award, a current service cost of $194,700 was recognized in 2023. (see sections 12.3(b)(iv) and 12.3(b)(vi) of "Compensation of NEOs in 2023 – Narrative Discussion" below.)
(6) Effective June 6, 2022 Ms. Arsenault is the Executive Vice-President and Chief Financial Officer, Toronto Hydro Corporation, and her annual base salary was $310,000.
(7) Ms. Klein became Executive Vice-President, External Affairs, Corporate Development and Chief Legal Officer effective May 1, 2023 and was previously named the Executive Vice-President, Public and Regulatory Affairs and Chief Legal Officer. Effective March 8, 2023, Ms. Klein's annual base salary was adjusted from $372,419 to $422,419.
(8) Mr. Nahyaan became Executive Vice-President and Chief Operating Officer effective May 1, 2023 and was previously the Executive Vice-President, Customer Care & Chief Information Officer. Effective May 1, 2023, Mr. Nahyaan's annual base salary was adjusted from $287,865 to $387,865.
(9) Ms. Engel was promoted into an executive role effective January 1, 2022. Her 2021 compensation figures reflect her non-executive vice president position. Ms. Engel became Executive Vice-President and Chief Human Resources, Environment and Safety Officer effective May 1, 2023 and was previously named the Executive Vice-President and Chief Human Resources and Safety Officer. Effective March 8, 2023, Ms. Engel's annual base salary was adjusted from $281,153 to $331,153.

(b) Compensation of NEOs in 2023 – Narrative Discussion

(i) *Base Salaries*

The NEOs' annual base salaries for 2023 were: $728,972 in the case of Mr. Haines, $327,050 in the case of Ms. Arsenault, $422,419 in the case of Ms. Klein, $387,865 in the case of Mr Nahyaan, and $331,153 in the case of Ms. Engel.

(ii) *Performance-Based Incentive Compensation*

The targets and component weightings for the 2023 performance-based incentive compensation were as follows:

Position	Target Performance-Based Incentive (% of salary)	Individual Performance (% weighting)	Divisional Performance (% weighting)	Corporate Performance (% weighting)
CEO	65%	20%	—	80%
CFO	40%	20%	20%	60%
Other NEOs	40%	20%	20%	60%

The performance-based incentive compensation amount payable to each NEO may exceed the respective target percentage of base salary indicated above when results exceed corporate, divisional and individual objectives and may be below the respective target percentage of base salary indicated above when the corporate, divisional and individual objectives are not achieved. The component weightings outlined above have been unchanged since 2011.

The performance objectives of the Corporation for 2023 were as follows:

Corporate Key Performance Indicators	Definition	Target	Weight (%)
Consolidated Net Income ($M)	Net Income after net movements in regulatory balances per the Corporations Consolidated Financial Statements.	$133.0	30%
In-Service Assets ($M) (1)	Total value of the fully allocated costs to construct assets available for use in a given year (as per IFRS and OEB-approved definitions), net of capital contributions and pre-approved program exclusions	$499.7	10%
Outage Frequency - Defective Equipment Only	Average number of interruptions per customer in a given year caused by defective equipment	0.50	10%
Outage Duration – Defective Equipment Only	Average duration of interruptions (in minutes) per customer in a given year caused by defective equipment	26.47	10%
Total Recordable Injury Frequency Rate	Recordable Injury Frequency Rate as per Electricity Canada Standard	1.00	10%
New Services Connected on Time	Percentage of connections for new low-voltage (<750 volts) service requests completed within five business days from the day on which all applicable service conditions are satisfied, or at such later date as agreed to by the customer	98%	5%
Estimated Time of Restoration (ETOR)	Composite percentage of outage events with an accurate ETOR populated within 1 hour of event creation	85%	5%
First Contact Resolution	Percentage of telephone and email enquiries resolved in one contact, within a 21-day time period	86%	5%
Employee Engagement	Average number of engagement sessions attended per employee per year	8.0	5%
Building Emissions Reduction (tons of Carbon Dioxide equivalent)	Measures the reduction of emissions from Toronto Hydro occupied work centres.	2,191.5	5%
Fleet Electrification	Percentage of fleet (driving vehicles) that is either electric vehicle or hybrid.	13%	5%

Note:

(1) This is a non-IFRS measure based on in-service assets as at year end as calculated under IFRS of $594.3 million, net of reported capital contributions and net of $87.2 million in pre-approved program exclusions related to initiatives significantly impacted by external factors or subject to OEB-approved variance accounts.

Corporate key performance indicators (KPIs) are cascaded down in the organization to create appropriate divisional performance objectives with strong line of sight.

Weightings for these KPIs ranged from 5% to 20% of divisional performance. All divisional KPIs support achievement in the Corporation's five areas of focus: Customer, People, Operations, Environment and Financial. These measures are aimed at increasing customer satisfaction, improving reliability, accomplishing LDC's work program safely and meeting regulatory requirements. Prioritization of these KPIs is determined based on divisional accountabilities. Some examples of Divisional measures are High Voltage Customer Connections Service Index, Safety Inspections per Leader, Emergency Event Response (Police, Fire and Ambulance) and Operating Expenses.

Performance-based incentives also include individual performance objectives which are set annually and are tied to business priorities and each individual's particular accountabilities. The number and weighting of individual objectives vary by individual and from year to year. Examples of the 2023 individual performance objectives for the NEOs include, but are not limited to, continuous improvement of operational processes to enhance performance.

In 2023, the Corporation exceeded the majority of its KPI targets at the Corporate and Divisional levels, with the NEOs exceeding the majority of their individual performance targets. Each of the corporate, divisional and individual performance targets were reasonably difficult to attain and served to encourage success in the NEOs performance and in the Corporation's overall results.

Toronto Hydro has a Climate Action Plan as part of its commitment to environmental sustainability, and is committed to achieving net zero greenhouse gas emissions in its operations by 2040. Toronto Hydro's net zero commitment focuses on reducing emissions from two of its largest sources of greenhouse gas emissions, by targeting (i) its building operations and (ii) its vehicle fleet operations. Toronto Hydro continues to track its progress towards net zero, and incent progress in these areas through two KPIs; Building Emissions Reduction and Fleet Electrification. Toronto Hydro was able to exceed its target on both measures in 2023.

(iii) *Personal Benefits and Perquisites*

In 2023, the NEOs received personal benefits and perquisites as described in section 12.2(d)(iii) under the heading "Personal Benefits and Perquisites". Personal benefits other than group health, dental, group life insurance, short-term, and long-term disability, accidental death & dismemberment are quantified in the Summary Compensation Table in section 12.3(a) above. Perquisites did not exceed the threshold for any NEO of $50,000 or 10% or more of any NEO's total salary for the year.

(iv) *Pension Plan*

In 2023, each of the NEOs participated in the OMERS pension plan. The OMERS pension plan is a group pension plan that is generally available to all salaried employees. See section 4.6(a) under the heading "Employees" and section 12.2(d)(iv) under the heading "Pension Plan" for further information on the OMERS pension plan.

In 2016, OMERS pension plan introduced a cap on pensionable earnings resulting in a significant reduction in the benefit and accordingly, at retirement Mr. Haines will receive top-up benefit payment from the Corporation through a retirement compensation arrangement of $286,900. The retirement compensation arrangement is secured by a letter of credit with a face amount equal to the applicable actuarial value of the obligation plus 30%, and the face value is remeasured and adjusted annually in light of changes in actuarial assumptions and payments made (see section 9.3 Credit Facilities).

(v) *Post-employment Benefits*

Mr. Haines, Ms. Arsenault, Ms. Klein, Mr. Nahyaan, and Ms. Engel are eligible for post-employment medical, dental and life insurance benefits if they retire from Toronto Hydro and begin collecting under the OMERS pension plan upon retirement.

(vi) *Retirement Allowance*

Mr. Haines is the only NEO entitled to a retirement allowance. Under the terms of Mr. Haines' retirement allowance if Mr. Haines had terminated (without cause) or retired from the Corporation on December 31, 2023, he would have received a $1,375,000 retirement allowance. The amount of the existing allowance payable to Mr. Haines will thereafter be increased by an additional $125,000 per year (from 2023 to 2024) for each full calendar year of service completed. The maximum existing allowance payable to Mr. Haines is $1,500,000, which Mr. Haines will earn if he remains in active service for the Corporation until December 31, 2024 and is payable at his election in one or two lump sum instalments following termination of his employment. Mr. Haines will receive a top-up benefit payment as outlined in 12.3(b)(iv) as a result of the significant changes to pension arrangements introduced by OMERS in 2016.

(vii) *Termination Payments*

The table below summarizes the treatment of compensation for the NEOs under various termination scenarios. Each of the NEOs is eligible for retirement under the OMERS pension plan. No changes are contemplated in the event of a change of control of the Corporation.

Compensation element	**Resignation**	**Termination w/o cause** (1)	**Termination with cause**
Salary	Salary ends	Salary ends	Salary ends
Performance Pay	Current year award forfeited	Current year award	Current year award forfeited
Benefits	Benefits end	Benefits continue	Benefits end
Pension	Entitled to OMERS pension	Entitled to OMERS pension	Entitled to OMERS pension
Top-up benefit payment (2)	Entitled to top-up	Entitled to top-up	Entitled to top-up
Retirement Allowance (2)	Entitled to lump sum	Entitled to lump sum	Entitled to lump sum
Severance (3)	Not applicable	Base salary and performance pay for (i) 24 months of salary continuation for Mr. Haines and (ii) up to 18 months of salary continuation for Ms. Arsenault	Not applicable

Notes:

(1) Mr. Haines' performance pay is determined in accordance with his retirement arrangement. His performance will continue to be reviewed annually. For Ms. Arsenault, performance pay is based on target.
(2) Only applies to Mr. Haines.
(3) For Mr. Haines, base salary during the severance period will be determined in accordance with his retirement arrangement.

Under the terms of their employment agreements, if their employment had terminated without cause on December 31, 2023, Mr. Haines would have received severance of $2,826,708 and an additional amount for vacation not taken and Ms. Arsenault would have received severance of $294,345. The severance amount that would have been payable had the employment of Ms. Klein, Mr. Nahyaan and Ms. Engel been terminated without cause on December 31, 2023 would have been determined at common law.

Mr. Haines has entered into a retirement arrangement pursuant to which his active service will cease on December 31, 2024 and he will receive compensation consistent with a termination without cause plus vacation pay calculated based on pre-determined base salary and performance pay, and prior to such date, and during the severance period shall receive base pay increases of 3% each year and performance pay set at 148% of target.

12.4 Compensation of Directors

(a) Director Compensation Table

Director Name	Total (1) ($)
David McFadden	$75,000
Michael Anthony Eubanks	$26,500
Heather Zordel	$26,500
Howard Wetston	$25,500
James Hinds (2)	$Nil
Mary Ellen Richardson	$27,500
Michael Nobrega	$25,500
Nicole Martin (3)	$13,687
Deputy Mayor Jennifer McKelvie	$Nil
Councillor Stephen Holyday (4)	$Nil
Councillor Jaye Robinson	$Nil
Councillor Dianne Saxe (4)	$Nil

Notes:

(1) There was no compensation paid to directors during 2023 other than in respect of director retainer fees and meeting attendance fees.
(2) James Hinds elected to receive no compensation in 2023.
(3) Nicole Martin's compensation reflects the meeting attendance fees and pro-rated retainer fees starting from Nicole Martin's first day as a director on June 19, 2023.
(4) On August 10, 2023, Councillor Dianne Saxe was appointed to the Board of Directors of the Corporation, replacing Councillor Stephen Holyday.

(b) Compensation of Directors – Narrative Discussion

Directors of the Corporation, other than Councillors of the City, are compensated for their services as directors through a combination of retainer fees and meeting attendance fees. These fees are set by the sole shareholder of the Corporation, the City. The annual retainer fees are as follows: Chair of the Board – $75,000 and each of the other directors up to a maximum of – $12,500 (based on quarterly retainer fee of $3,125). The meeting attendance fees are as follows: each meeting of the Board and the subsidiaries attended – $1,000 and each meeting of the Audit Committee, Corporate Governance and Nominating Committee, Human Resources and Environment Committee, or other Board committee attended – $1,000, subject to annual maximum fees per committee member of $5,000 for the Audit Committee, Corporate Governance Committee, Human Resources and Environment Committee or any other committee of the Board. The Board does, from time to time and in the normal course, strike ad hoc committees to streamline and expedite certain matters as they come before the Board. Any compensation Directors have earned from their attendance at these committees has been included in the table above. The Chair receives no meeting attendance fees. Councillors receive no remuneration for their services as directors of the Corporation. The other directors, other than the Chair, are subject to a maximum annual total retainer and attendance fees of $30,000.

PART 13 - LEGAL PROCEEDINGS

In the ordinary course of business, Toronto Hydro is subject to various legal proceedings, actions and claims from customers, suppliers, regulators and other parties. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and could materially adversely affect Toronto Hydro. As at the date hereof, the Corporation believes that none of these legal proceedings, actions and claims from customers, suppliers, regulators and other parties in which it is currently involved or has been involved since the beginning of the most recently completed financial year, would be expected to have a material adverse effect on the Corporation. On an ongoing basis, Toronto Hydro assesses the likelihood of any adverse judgments or outcomes as well as potential ranges of probable costs and losses. A determination of the provision required, if any, for these contingencies is made after an analysis of each individual issue. The provision may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy. If damages were awarded under these actions, Toronto Hydro would make a claim under any liability or other insurance policies, to the extent applicable, subject to such claim not being disputed by the insurers.

PART 14 - MATERIAL CONTRACTS

The following are material contracts (other than contracts entered into in the ordinary course of business) that the Corporation has entered into in the most recently completed financial year, or before the most recently completed financial year if such material contract is still in effect:

(a) trust indenture dated as of May 7, 2003 between Toronto Hydro Corporation and CIBC Mellon Trust Company (now BNY Trust Company of Canada) (the “Trust Indenture”);

(b) a sixth supplemental trust indenture dated as of May 20, 2010 relating to the issuance of Series 6 senior unsecured debentures in the aggregate principal amount of $200,000,000;

(c) a seventh supplemental trust indenture made as of September 20, 2011 amending the definition of “GAAP” under the Trust Indenture;

(d) a ninth supplemental trust indenture dated as of April 9, 2013 relating to the issuance of Series 8 senior unsecured debentures in the aggregate principal amount of $250,000,000;

(e) a tenth supplemental trust indenture dated as of April 9, 2013, as amended and restated as of September 2, 2015, relating to the issuance of Series 9 senior unsecured debentures in the aggregate principal amount of $245,000,000;

(f) an eleventh supplemental trust indenture dated as of September 16, 2014 relating to the issuance of Series 10 senior unsecured debentures in the aggregate principal amount of $200,000,000;

(g) a twelfth supplemental trust indenture dated as of March 16, 2015 relating to the issuance of Series 11 senior unsecured debentures in the aggregate principal amount of $200,000,000;

(h) a thirteenth supplemental trust indenture dated as of June 14, 2016 relating to the issuance of Series 12 senior unsecured debentures in the aggregate principal amount of $200,000,000;

(i) a fourteenth supplemental trust indenture dated as of November 14, 2017 relating to the issuance of Series 13 senior unsecured debentures in the aggregate principal amount of $200,000,000;

(j) a fifteenth supplemental trust indenture dated as of November 12, 2019 relating to the issuance of Series 14 senior unsecured debentures in the aggregate principal amount of $200,000,000;

(k) a sixteenth supplemental trust indenture dated as of November 12, 2019 relating to the issuance of Series 15 senior unsecured debentures in the aggregate principal amount of $200,000,000;

(l) a seventeenth supplemental trust indenture dated as of October 15, 2020 relating to the issuance of Series 16 senior unsecured debentures in the aggregate principal amount of $200,000,000;

(m) an eighteenth supplemental trust indenture dated as of October 18, 2021 relating to the issuance of Series 17 senior unsecured debentures in the aggregate principal amount of $150,000,000;

(n) a nineteenth supplemental trust indenture dated as of October 18, 2021 relating to the issuance of Series 18 senior unsecured debentures in the aggregate principal amount of $200,000,000;

(o) a twentieth supplemental trust indenture dated as of October 13, 2022 relating to the issuance of Series 19 senior unsecured debentures in the aggregate principal amount of $300,000,000;

(p) a twenty-first supplemental trust indenture dated as of June 14, 2023 relating to the issuance of Series 20 senior unsecured debentures in the aggregate principal amount of $250,000,000; and

(q) a twenty-second supplemental trust indenture dated as of October 12, 2023 relating to the issuance of Series 21 senior unsecured debentures in the aggregate principal amount of $200,000,000.

Each of these supplemental trust indentures supplement the terms of the Trust Indenture, which contains customary covenants and representations by the Corporation for the public issuance of debt securities in the Canadian capital market.

Copies of these material contracts are available on the SEDAR website at www.sedarplus.ca.

PART 15 - NAMED AND INTERESTS OF EXPERTS

The external auditor of the Corporation is KPMG LLP. KPMG LLP is independent within the meaning of the Chartered Professional Accountants of Ontario Code of Professional Conduct.

PART 16 - TRANSFER AGENTS AND REGISTRARS

The trustee and registrar for the outstanding Debentures of the Corporation is BNY Trust Company of Canada, located in Toronto, Ontario.

PART 17 - ADDITIONAL INFORMATION

Additional information relating to the Corporation, including additional financial information provided in the Consolidated Financial Statements and Management's Discussion and Analysis, is available on the SEDAR website at www.sedarplus.ca.

ANNEX A - CHARTER – AUDIT COMMITTEE

1. General

(1) The board of directors ***(Board)*** of Toronto Hydro Corporation ***(Corporation)*** has established the Audit Committee ***(Committee)*** to assist the Board and the boards of directors of the Corporation's subsidiary entities in fulfilling their respective corporate governance and oversight responsibilities with respect to financial reporting, internal financial control structure, financial risk management systems, internal audit and external audit functions.

(2) The composition, responsibilities and authority of the Committee are set out in this Charter.

(3) This Charter and the by-laws of the Corporation and such other procedures, not inconsistent therewith, as the Committee may adopt from time to time shall govern the meetings and procedures of the Committee.

2. Composition

(1) The Committee shall be composed of at least three persons who are directors of the Corporation ***(Members)***:

(a) all Members must be independent, as determined by the Board in accordance with the meaning of "independence", as the context requires, given to it in the Canadian Securities Administrators' National Instrument 52-110 Audit Committees,

(b) at least one of whom, including the chair of the Committee (***Chair***) is financially literate (ie, have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the accounting issues that can reasonably be expected to be raised by the financial statements of the Corporation).

(2) Members shall be appointed by the Board on the recommendation of the Chair of the Board, and shall serve until they resign, cease to be a director of the respective board, as applicable, or are removed or replaced by the Board.

(3) The Board shall designate one of the Members as Chair. The Committee shall periodically review the position description of the Chair and make recommendations to the Board.

(4) The Executive Vice-President and Chief Financial Officer (***Designated Representative***) shall be appointed from time to time to act as the principal interface between the Committee and other senior management of the Corporation and its subsidiary entities.

(5) The Secretary of the Corporation shall be secretary of the Committee (***Secretary***).

(6) The Chair of the Corporation's Board of Directors shall be an *ex-officio* Member of the Committee with all of the responsibilities and privileges thereof, but shall only count towards meeting quorum if present at the meeting.

3. Responsibilities

The Committee shall assist the Board and the boards of directors of the Corporation's subsidiary entities in fulfilling their corporate governance and oversight responsibilities with respect to financial reporting, internal financial control structure, financial risk management systems, internal audit functions, external audit functions, and the payment of dividends by the Corporation and its subsidiary entities.

The Committee has specifically recognized its responsibilities for overseeing the identification of the principal financial and audit risks of the Corporation and its subsidiary entities and overseeing the implementation of appropriate systems to manage these risks. In particular, the Committee shall have the responsibilities set out below.

(1) ***Managing the Relationship between the Corporation and its Subsidiaries and their External Auditors***

The Committee shall be responsible for managing the relationship between the Corporation and its subsidiary entities and their external auditors, including:

(a) appointing and replacing the external auditors, subject to the Boards of Directors and shareholder approval;

(b) setting the compensation of the external auditors subject to the approval of the board of directors or shareholder, as applicable;

(c) overseeing the work of the external auditors, including resolving disagreements between management and the external auditors with respect to financial reporting;

(d) pre-approving all audit services and permitted non-audit services to be provided to the Corporation and its subsidiary entities by the external auditors in accordance with the "Policy on the Provision of Services by the External Auditors";

(e) having the external auditors report to the Committee in a timely manner with respect to all required matters, including those set out in paragraph 3(2);

(f) ensuring the rotation of the audit partner having primary responsibility for the external audits of the Corporation and its subsidiary entities, the audit partner responsible for reviewing the external audit and the external auditors at such intervals as may be required; and

(g) reviewing and assessing the performance, independence and objectivity of the external auditors.

(2) ***Overseeing the External Audits***

The Committee shall be responsible for overseeing the external audits of the Corporation and its subsidiary entities, including:

(a) reviewing and approving the engagement letters and the audit plans, including financial risk areas identified by the external auditors and management;

(b) reviewing and assessing the accounting and reporting practices and principles used by the Corporation and its subsidiary entities in preparing their financial statements, including:

(1) all significant accounting policies and practices used, including changes from preceding years and any proposed changes for future years;

(2) all significant financial reporting issues, estimates and judgments made;

(3) all alternative treatments of financial information discussed by the external auditors and management, the results of such discussions and the treatments preferred by the external auditors;

(4) any major issues identified by the external auditors with respect to the adequacy of internal control systems and procedures and any special audit steps adopted in light of material deficiencies and weaknesses;

(5) the effect of regulatory and accounting initiatives and off-balance sheet transactions or structures on the financial statements;

(6) any errors or omissions in, and any required restatement of, the financial statements for preceding years;

(7) all significant tax issues;

(8) the reporting of all material contingent liabilities; and

(9) any material written communications between the external auditors and management;

(c) reviewing and assessing the results of the external audit and the external auditors' opinion on the financial statements;

(d) reviewing and discussing with the external auditors and management any management or internal control letters issued or proposed to be issued by the external auditors;

(e) reviewing and discussing with the external auditors any problems or difficulties encountered by them in the course of their audit work and management's response (including any restrictions on the scope of activities or access to requested information and any significant disagreements with management); and

(f) reviewing and discussing with legal counsel any legal matters that may have a material impact on the financial statements, operations, assets or compliance policies of the Corporation and its subsidiary entities and any material reports or enquiries received by the Corporation and its subsidiary entities from regulators or government agencies.

(3) ***Overseeing the Internal Audits***

The Committee shall be responsible for overseeing the internal audit activities of the Corporation and its subsidiary entities, including:

(a) periodically reviewing the Internal Audit Charter and making recommendations to the Board;

(b) reviewing and approving the audit plans, including significant risk exposures identified by the internal auditor and management;

(c) reviewing and discussing with the internal auditor and management the results of any internal audits;

(d) reviewing and discussing with the internal auditors any problems or difficulties encountered by them in the course of their audit work and management's response (including any restrictions on the scope of activities or access to requested information and any significant disagreements with management);

(e) appointing and replacing the internal auditor;

(f) reviewing and assessing the performance of the internal auditor;

(g) ensuring the Committee is kept informed of emerging trends and successful practices in internal auditing; and

(h) confirming there is effective and efficient coordination of activities between internal and external auditors.

(4) ***Reviewing and Recommending to the Respective Boards for Approval the Financial Reporting of the Corporation and its Subsidiaries***

The Committee shall review and recommend to each respective board of directors, as applicable, for approval, the financial statements, management's discussion and analysis of financial condition and results of operations ***(MD&A)***, interim financial reports of the Corporation and its subsidiaries, annual information form ***(AIF)*** (other than executive compensation) of the Corporation, related press releases and other public disclosure of financial information extracted from the financial statements of the Corporation and its subsidiaries with particular focus on:

(a) the quality and appropriateness of accounting and reporting practices and principles and any changes thereto;

(b) major estimates or judgments, including alternative treatments of financial information discussed by management and the external auditors, the results of such discussions and the treatment preferred by the external auditors;

(c) material financial risks;

(d) material transactions;

(e) material adjustments;

(f) compliance with loan agreements;

(g) material off-balance sheet transactions and structures;

(h) compliance with accounting standards;

(i) compliance with legal and regulatory requirements;

(j) controls; and

(k) disagreements with management.

(5) ***Overseeing Internal Financial Control Structure and Financial Risk Management Systems***

The Committee shall be responsible for overseeing the internal financial control structure and financial risk management systems of the Corporation and its subsidiary entities, including:

(a) reviewing and discussing with management and the external auditors the quality and adequacy of internal control over financial reporting structures of the Corporation and its subsidiary entities, including any major deficiencies or weakness and the steps taken by management to rectify these deficiencies or weaknesses;

(b) reviewing and discussing with management, the internal auditor and the external auditors the risk assessment and risk management policies of the Corporation and its subsidiary entities, the major financial risk exposures of the Corporation and its subsidiary entities, and the steps taken by management to monitor and control these exposures;

(c) reviewing and discussing with the Chief Executive Officer and the Chief Financial Officer of the Corporation the procedures undertaken by them in connection with the certifications required to be given by them in connection with annual and other filings required to be made by the Corporation under applicable securities laws; and

(d) periodically reviewing the Treasury Policy Register and making recommendations to the Board in respect of such policy and reviewing performance under this policy with Management.

(6) ***Establish and Review Certain Procedures, Policies and Reporting***

The Committee shall establish adequate policies and procedures, or require that adequate policies, procedures and reporting are established, with respect to the following, and shall annually, or on such other schedule as stated herein, assess the adequacy of these procedures:

(a) the review of the public disclosure of financial information extracted from the financial statements of the Corporation;

(b) the receipt, retention and treatment of complaints received by the Corporation with respect to accounting, internal controls or auditing matters;

(c) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

(d) the approval by the Committee of the hiring policies for any present or former partner or employee of the current and former external auditor into a position of senior management with the Corporation or its subsidiaries;

(e) the periodic review of the Policy on the Provision of Services by the External Auditors and Expense Reimbursement Policy, and provision of recommendations to the Board in respect of the same;

(f) the periodic receipt of reporting from Management on Toronto Hydro’s cybersecurity program and related industry activities; and

(g) the review of Toronto Hydro’s insurance program and policies.

(7) ***Review of Policy Reporting***

(a) The Committee shall be responsible, on a quarterly basis, for reviewing and reporting to the Board in respect of the report of Internal Audit with respect to incidents regarding questionable accounting or auditing matters investigated under the Code of Business Conduct and Whistleblower Procedure during the previous quarter.

(b) The Committee shall be responsible for reviewing, on an annual basis, the report of Internal Audit concerning executive and Board expense reimbursements made in accordance with the Corporation’s Expense Reimbursement Policy.

(8) ***Review and Recommendations for Dividend Payment***

(a) The Committee shall be responsible for reviewing and making recommendations to each respective board of directors, as applicable, with respect to the declaration of dividends or distribution of capital by the Corporation or its subsidiary entities.

4. Authority

(1) The Committee is authorized to carry out its responsibilities as set out in this Charter and to make reports and recommendations to the Board and the boards of directors of the Corporation's subsidiaries arising therefrom.

(2) The Committee may delegate by written policy to the Chair and the Executive Vice-President and Chief Financial Officer of the Corporation ***(CFO)*** the authority, within specified limits, to authorize in advance all engagements of the external auditors to provide pre-approved services to the Corporation and its subsidiary entities. The Chair and the CFO shall report all engagements authorized by them to the Committee at its next regular meeting.

(3) The Committee shall have direct and unrestricted access to the external and internal auditors, officers and employees and information and records of the Corporation and its subsidiary entities.

(4) The Committee is authorized to retain, and to set and pay the compensation of, independent legal counsel and other advisors if it considers this appropriate.

(5) The Committee is authorized to invite officers and employees of the Corporation and its subsidiaries and outsiders with relevant experience and expertise to attend or participate in its meetings and proceedings if it considers this appropriate.

(6) The external auditors shall have direct and unrestricted access to the Committee and shall report directly to the Committee.

(7) The Corporation shall pay directly or reimburse the Committee for the expenses incurred by the Committee in carrying out its responsibilities, in accordance with the Corporation's Expense Reimbursement Policy.

5. Meetings and Proceedings

(1) The Committee shall meet as frequently as required but not less frequently than four times each year.

(2) Any Member or the Secretary may call a meeting of the Committee. The external auditors or the CFO may ask a Member to call a meeting of the Committee. The Chair, along with the Designated Representative, is responsible for the agenda of each meeting of the Committee, including input from the officers and employees of the Corporation and its subsidiary entities, external auditors, other Members, and other directors of the Corporation as appropriate. Meetings will include presentations by management and others when appropriate and allow sufficient time to permit a full and open discussion of agenda items.

(3) Unless waived by all Members, a notice of each meeting of the Committee confirming the date, time, place and agenda of the meeting, together with any supporting materials, shall be forwarded, electronically or otherwise, to each Member at least three days before the date of the meeting.

(4) The quorum for each meeting of the Committee is at least 50% of the Members. In the absence of the Chair, the other Members may appoint one of their number as chair of a meeting. The Chair of a meeting shall not have a second or casting vote.

(5) The Chair or a delegate of the Chair shall report to the Board following each meeting of the Committee.

(6) The Secretary or a delegate of the Secretary shall keep minutes of all meetings of the Committee, including all resolutions passed by the Committee. Minutes of all meetings shall be distributed to the Members. The minutes shall be available for review by the other directors of the Corporation after approval thereof by the Committee.

(7) An individual who is not a Member may be invited to attend a meeting of the Committee for all or part of the meeting. A standing invitation to all meetings shall be given to the President and Chief Executive Officer of the Corporation and the CFO, except where the meeting, or part of the meeting, is for Members only or a private session with the internal auditor or the external auditors. A standing invitation should be given to the internal auditor and the engagement partners of the external auditors for all meetings where financial information is reviewed and approved.

(8) The Committee shall meet regularly alone and in private sessions with the internal auditor, the external auditors and management of the Corporation to facilitate full communication.

6. Review

(1) This Charter shall be reviewed by the Corporate Governance and Nominating Committee of the Corporation every three (3) years. Any changes proposed as a result of Management review and benchmarking shall be referred first to the Audit Committee for review and comment and second, after consideration of the input from the Audit Committee by the Corporate Governance and Nominating Committee, then be submitted to the Board of the Corporation for consideration and disposition. Recommended changes may be initiated by the Corporate Governance and Nominating Committee, the Chief Financial Officer, or the Committee Chair.

(2) In addition to the triennial review, the Audit Committee may at any time review the Charter and make recommendations to the Corporate Governance and Nominating Committee for their review and recommendations to the Board with respect thereto.

ANNEX B - MANDATE – BOARD OF DIRECTORS

1. General

(1) The board of directors ***(Board)*** of Toronto Hydro Corporation ***(Corporation)*** is responsible for supervising the management of the business and affairs of the Corporation and its subsidiary entities ***(Group)***.

(2) The composition, responsibilities, and authority of the Board are set out in this Mandate.

(3) This Mandate, the Shareholder Direction issued by the City of Toronto ***(Shareholder)*** and the by-laws of the Corporation and such other procedures, not inconsistent therewith, as the Board may adopt from time to time shall govern the meetings and procedures of the Board.

(4) The addendum attached hereto is hereby incorporated into this Mandate and made a part hereof.

2. Composition

(1) The directors of the Corporation ***(Directors)*** should have a mix of competencies and skills necessary to enable the Board and Board committees to properly discharge their responsibilities.

(2) All of the Directors shall be residents of Canada.

(3) The Shareholder shall appoint Directors every two years.

(4) In appointing Directors the Shareholder shall give due regard to the qualifications of the candidates including:

(a) experience on a public utility commission or board of a major corporation or other commercial enterprise and/or the completion of formal training in directorship / governance;

(b) experience in regulated electricity utility sector at a senior management level;

(c) experience at an executive level in human resource and performance management / compensation, including ability to appoint and evaluate the performance of the CEO and senior executives; oversee strategic human resource management, including workforce planning, compensation models, and labour relations; and oversee large scale organizational change;

(d) educational background, including university degrees and professional designations;

(e) experience or knowledge with respect to:

i) strategic planning, including ability to identify and critically assess strategic opportunities and threats to the organization;

ii) risk management, including ability to assess key risks to the organization on an enterprise basis and monitor the risk management framework systems;

iii) corporate finance / accounting / audit / securities, including ability to analyze financial statements, assess financial viability, contribute to financial planning, oversee budgets, and oversee funding arrangements;

iv) corporate governance;

v) market development, innovation and development of new strategic business lines;

vi) large system operation and management;

vii) engineering and construction;

viii) urban energy industries, including decarbonization and energy system transition;

ix) public policy issues and laws relating to the Corporation and its subsidiary entities and the electricity industry;

x) environmental matters, including experience in environmental management;

xi) occupational health and safety issues;

xii) information technology governance, including privacy, data management and security;

xiii) legal and regulatory compliance, including ability to monitor compliance of legal and regulatory requirements;

xiv) stakeholder engagement / advocacy / communications, including ability to effectively engage and communicate to industry stakeholders and advocate on behalf of the organization;

(f) the following interpersonal skills and attributes:

i) leadership, including ability to make, and take responsibility for, decisions and take necessary actions in the best interest of the organization, set appropriate Board and organizational culture and represent the organization favourably;

ii) personal integrity / ethics, including understanding and fulfilling the duties and responsibilities of a director, being transparent and declaring any activities or conduct that might be a potential conflict, and maintaining Board confidentiality;

iii) communications skills, including ability to listen constructively and appropriately debate others' viewpoints, develop and deliver cogent arguments, and communicate effectively with a broad range of stakeholders;

iv) constructive questioning, including preparedness to ask questions and challenge management and peer directors in a constructive and appropriate manner;

v) critical and innovative thinking / decision making, including ability to critically analyze complex and detailed information, readily distill key issues, and develop innovative approaches and solutions to problems;

vi) influencing and negotiating, including ability to negotiate outcomes and influence others to agree with those outcomes and gain stakeholder support for the Board's decisions;

vii) crisis management, including ability to constructively manage crises, provide leadership around solutions and contribute to communications strategy with stakeholders;

viii) individual and team contribution, including ability to work as part of a team, and demonstrate the passion and time to make a genuine and active contribution to the Board and the organization;

ix) commercial sensitivity and acumen; and

x) independence of judgement

(g) at least three directors with financial management expertise.

(5) To support the review of candidates for director roles and the assessment of the existing Board, the Corporation has also developed a Board skills/competencies matrix, which may be modified from time to time by the Board, and which provides a mechanism for determining the key skills required of directors and the Board as a whole and ensuring these skills are accounted for among current and prospective directors. The Board makes this document available to the Shareholder as guidance and a tool to be employed in the selection of director candidates.

(6) The Board shall appoint a Chair of the Board upon the nomination of the Shareholder from time to time.

(7) The Secretary of the Corporation shall be secretary of the Board ***(Secretary)***.

3. Responsibilities

(1) The Board is responsible for supervising the management of the business and affairs of the Group, including the following specific matters:

(a) establishing sound financial principles and performance objectives;

(b) approving any dividend payment or distribution of capital;

(c) appointing the officers of the Corporation;

(d) approving the overall business strategy and related business plan for the Group;

(e) approving the financing strategy, including the selection of financial institutions and related banking authorities;

(f) overseeing labour and employee relations matters; and

(g) approving the financial statements in accordance with the requirements of the *Business Corporations Act* (Ontario).

(2) The Board is responsible for ensuring the highest level of integrity in the actions of the Board and management, respect and trust among Directors, the open and timely sharing of all relevant information among all Directors to ensure that all Directors have complete information, a commitment by Directors to good governance practices, and a willingness on the part of the Directors to function in a collaborative manner.

(3) In discharging their responsibilities, the Directors owe the following duties to the Corporation:

a fiduciary duty: they must act honestly and in good faith with a view to the best interests of the Corporation; and *a duty of care:* they must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

In discharging their responsibilities, the Directors are entitled to rely on the honesty and integrity of the officers of the Corporation and the auditors and other professional advisors of the Corporation.

In discharging their responsibilities, the Directors are also entitled to directors and officers liability insurance purchased by the Corporation and indemnification from the Corporation to the fullest extent permitted by law and the constating documents of the Corporation.

(4) The Board has specifically recognized its responsibilities for:

(a) to the extent feasible, satisfying itself as to the integrity of the President and Chief Executive Officer ***(CEO)*** and other officers of the Group and that the CEO and other officers of the Group create a culture of integrity throughout the Group;

(b) adopting a strategic planning process and approving as appropriate a strategic plan which takes into account, among other things, the opportunities and risks of the business of the Group;

(c) considering and overseeing the strategic development of new business opportunities and innovation;

(d) overseeing the identification of the principal risks of the business of the Group and overseeing the implementation of appropriate systems to manage these risks;

(e) overseeing the Group's compliance with Laws;

(f) overseeing environmental sustainability approaches and matters relating to the Group;

(g) interaction of the Board with the Shareholder in accordance with the Shareholder Direction subject to the duties of the Directors at law and the Corporation's policies;

(h) overseeing the integrity of the internal control and management information systems of the Group;

(i) succession planning, talent management and diversity, equity and inclusion (including training and monitoring the officers of the Group);

(j) recruiting and assessing the performance of the CEO, the compensation of the CEO and other officers of the Group, executive compensation disclosure and oversight of the compensation structure and benefit plans and programs of the Group;

(k) assessing the effectiveness of the Board;

(l) adopting and undertaking periodic review of a disclosure policy for the Group;

(m) developing and overseeing the orientation of new Directors, and the continuing education of existing Directors, of the Group; and

(n) developing the approach of the Corporation to corporate governance including a periodic review of the Code of Business Conduct and Whistleblower Procedure of the Group.

(5) In addition to those matters which must by law be approved by the Board, the Board oversees the development of, and reviews and approves, significant corporate plans and initiatives, including the annual business plan and budget, major acquisitions and dispositions and other significant matters of corporate strategy or policy, including the Environmental Policy, Occupational Health and Safety Policy, Code of Business Conduct and Whistleblower Procedure, Disclosure Policy, Signing Policy and Treasury Policy.

(6) In undertaking its responsibilities and overseeing and authorizing the activities of the Corporation, the Board shall consider the interests of its customers, as well as considering and balancing the interests of such other stakeholders as appropriate in the circumstances.

(7) The Board shall periodically review the Shareholder Direction and make recommendations to the Shareholder to facilitate and clarify interaction and communication between the Shareholder and the Board.

(8) The Board shall periodically review the performance of the Board and the Corporation's subsidiary entities against the Shareholder Direction.

(9) The Board shall periodically review the structure and mandate of each Board committee, the effectiveness of each committee, and the appointment and removal of committee members.

(10) The Board shall periodically review performance under the Environmental and Occupational Health and Safety policies with management.

(11) To assist the Directors in discharging their responsibilities, the Board expects management of the Corporation to:

(a) review and update as appropriate the strategic plan and report regularly to the Board on the implementation of the strategic plan in light of evolving conditions;

(b) prepare and present to the Board annually (or more frequently if appropriate) a business plan and budget and report regularly to the Board on the Group's performance against the business plan and budget; and

(c) report regularly to the Board on the Corporation's business and affairs and on any matters of material consequence for the Corporation and its Shareholder.

Additional expectations are developed and communicated during the strategic planning and budgeting process and during regular Board and Board committee meetings.

(12) The Board considers that generally management should speak for the Corporation in its communications with securities holders and the public. The Board reviews the Corporation's continuous and timely material disclosure with securities holders and the public. All disclosures on behalf of the Corporation are to be made in compliance with the Corporation's disclosure policy.

(13) Directors are expected to attend Board meetings and meetings of Board committees of which they are members. Directors are also expected to spend the time needed, and to meet as frequently as necessary, to discharge their responsibilities.

(14) Directors are expected to undertake such activities as are required from them to remain current in their knowledge of issues relating to the business of the Group and matters relating to any Board committee of which they are members. Where, in the Director's opinion, information should be requested from officers of the Group in order to enhance their knowledge of issues relating to the business of the Group, Directors shall consult the Chair of the Board, or Chair of any Board committee as applicable, and such Chair will be responsible for requesting the relevant reports or

presentations from the officers of the Group and facilitating the delivery of such information to the Board or Board committee as a whole.

(15) Directors are expected to comply with the Code of Business Conduct and Whistleblower Procedure of the Group.

4. Authority

(1) The Board is authorized to carry out its responsibilities as set out in this Mandate.

(2) The Board is authorized to retain, and to set and pay the compensation of, independent legal counsel and other advisors if it considers this appropriate.

(3) The Board is authorized to invite officers and employees of the Group and others to attend or participate in its meetings and proceedings if it considers this appropriate.

(4) The Directors have reasonable unrestricted access to the officers of the Corporation. The Directors will use their judgment to ensure that any such contact is not disruptive to the operations of the Corporation. To ensure a constructive and orderly process, all requests for information from officers shall be made by Directors through the Chair of the Board, or Chair of any Board committee as applicable, and developed in consultation with the Board. Directors will advise the Chair of the Board, or Chair of any Board committee as applicable, and CEO of the Corporation of any direct communications between them and the officers of the Corporation. All written communications (unrelated to specific information requests to be made through the applicable Chair) from Directors to the officers of the Corporation should be copied to the Chair of the Board and CEO and, in the case of accounting and financial matters, the Chair of the Audit Committee and the CFO.

(5) The Board and the Directors have unrestricted access to the advice and services of the Secretary.

(6) The Board may delegate certain of its functions to Board committees, each of which will have its own charter.

5. Meetings and Proceedings

(1) The Board shall meet as frequently as is determined to be necessary but not less than four times each year.

(2) Any Director or the Secretary may call a meeting of the Board.

(3) The Chair is responsible for the agenda of each meeting of the Board, including input from other Directors and the officers and employees of the Group as appropriate. Meetings will include presentations by management and others when appropriate and allow sufficient time to permit a full and open discussion of agenda items.

(4) Unless waived by all Directors, a notice of each meeting of the Board confirming the date, time, place and agenda of the meeting, together with any supporting materials, shall be forwarded to each Director at least 48 hours before the date of the meeting.

(5) The quorum for each meeting of the Board is a majority of the number of Directors. In the absence of the Chair, the other Directors shall appoint one of their number as chair of a meeting. The chair of a meeting shall not have a second or casting vote.

(6) The Secretary or his delegate shall keep minutes of all meetings of the Board, including all resolutions passed by the Board. Minutes of meetings shall be distributed to the Directors.

(7) An individual who is not a Director may be invited to attend a meeting of the Board for all or part of the meeting.

(8) The Directors shall meet alone regularly to facilitate full communication.

6. Review

(1) This Mandate shall be reviewed by the Corporate Governance Committee every 3 years and any recommended changes shall be brought to the Board of the Corporation for consideration and disposition.

TORONTO HYDRO CORPORATION

Addendum to Board of Directors Mandate

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1. General

(1) The composition, responsibilities, and authority of the board of directors ***(Board***) of Toronto Hydro Corporation (***Corporation***) are set out in the Board of Directors Mandate (***Mandate***), as amended from time to time.

(2) This addendum (***Addendum***), the Corporation's Code of Business Conduct and Whistle Blower Procedure (***Code***) and such other procedures, not inconsistent therewith, as the Board may adopt from time to time, is intended to:

(a) guide directors as how to identify and bring forward potential conflicts of interest in respect of: (i) other governance-level appointments as directors, officers, board members, adjudicators, commissioners or similar governing roles (***Governance-Level Roles***), and (ii) employee engagements, consulting arrangements, volunteer engagements and relationships where the director is likely to have access to confidential or strategic information or otherwise be in a position where the interests of Toronto Hydro may intersect or conflict from time to time with the interests of the organizations involved (***Material Engagements***), and

(b) outline the Board process for reviewing and constructively dealing with such situations in a manner that maximizes the participation of all directors in Board discussions and decisions.

(3) This addendum forms part of, and does not replace the Mandate.

2. Meaning of Conflict of Interest

(1) In accordance with the Code, a ***conflict of interest*** occurs when a director's direct or indirect personal interests, activities, or relationships could compromise, or could reasonably appear to compromise his or her ability to perform his or her responsibilities objectively and in the best interest of the Corporation and its subsidiaries (collectively, ***Toronto Hydro***). Conflicts include any activity (even when it is unpaid), interest, or association that might compromise, or appear to compromise the independent exercise of a director's judgment in the best interests of Toronto Hydro.

(2) As examples for purposes of this Addendum, situations that might give rise to conflicts of interest or the appearance of a conflict of interest with respect to outside interests include situations where a director:

(a) Holds a Governance-Level Role or Material Engagement for any competitor or any actual or current, active potential business partner (including as a supplier or vendor to Toronto Hydro or its shareholder, or a key account customer);

(b) Is hired for, nominated for, or accepts an appointment to a board or as executive of any business or enterprise that might benefit from, or be in conflict with, the activities of Toronto Hydro or the Board;

(c) Holds a Governance-Level Roles or Material Engagement with regulators of material significance to Toronto Hydro (***Material Regulators***). For greater certainty, Material Regulators include, without limitation, the Ontario Ministry of Energy, the Ontario Energy

Board, the Independent Electricity System Operator and the Ontario Securities Commission; or

(d) Any other situation of conflict of interest or potential conflict of interest relating to Governance-Level Roles or Material Engagements set out in the Code.

3. Reporting conflict of interest

(1) Where a director finds himself or herself in a conflict of interest, or identifies a potential situation where he or she may find himself or herself in a conflict of interest, that director should contact the Chair of the Corporate Governance and Nominating Committee (***CGNC***). If the Chair of the CGNC finds himself or herself in such a situation, the Chair of the CGNC should contact the Chair of the Board, who will then conduct the activities of the Chair of the CGNC described below in place of the Chair of the CGNC.

(2) For greater certainty, where a director receives an offer for nomination to a Governance-Level Role or a Material Engagement, they should contact the Chair of the CGNC once any obligations of confidentiality with respect to that offer permit them to do so.

4. Board process for reviewing conflicts of interest

(1) Upon being notified by a director of an existing or potential conflict of interest, the Chair of the Corporate Governance and Nominating Committee will meet with that director to consider and discuss whether:

(a) the conflict of interest exists;

(b) if the conflict of interest exists, whether it might compromise or appear to compromise the independent exercise of judgment by the director and his or her ability to act in the best interests of Toronto Hydro; and

(c) if such a compromise exists, whether there are administrative processes (***Administrative Processes***), including without limitation, processes for the director to recuse himself or herself from related discussions that can be put in place to limit or eliminate the conflict while maximizing the participation of all directors in Board discussions and decisions; or whether the compromise is so pervasive as to lead the director to voluntarily resign from the Board.

(2) In the course of considering whether a conflict of interest exists, and what actions, if any, are to be taken, the Chair of the CGNC may consult with the Chair of the Board, other members of the CGNC and the Board, relevant members of management of Toronto Hydro including the Chief Executive Officer and Chief Legal Officer, and shareholder, outside legal counsel and other advisors, all in confidence as the Chair of the CGNC feels is necessary to resolve the issue.

(3) If the director and the Chair of the CGNC are able to agree on a course of action, the Chair of the CGNC will record the arrangement and provide a copy of it to the Chair of the Board who may disseminate it as necessary. In addition, Administrative Processes will be made known to the balance of the Board as it relates to future Board discussions and decisions.

(4) If the director and the Chair of the CGNC are unable to agree on a course of action, the matter will be escalated to the Steering Committee of the Board for further discussion and consideration which may include a recommendation to the Shareholder that the director be removed from the Board.

(5) For greater certainty, nothing in this policy detracts from or absolves a director of his or her responsibility to review their own potential conflicts and make declarations as to the same as they arise, including at each Board or Committee meeting which he or she attends.