

B-S211 Forced Labour in Canadian Supply Chains Report – Toronto Hydro

This report (“Report”) is made pursuant to the Canadian *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”) for the following entities (together, the reporting entities):

- a) Toronto Hydro Corporation (“THC” or “the Corporation”); and
- b) Toronto Hydro-Electric System Limited (LDC).

This Report covers the financial year ended December 31, 2023 (“Reporting Period”).

Structure

The Corporation is a holding company which wholly owns two subsidiaries (Figure 1: Toronto Hydro Corporate Organization Chart):

- **LDC** – distributes electricity; and
- **Toronto Hydro Energy Services Inc. (“TH Energy”)** – provides street lighting and expressway lighting services in the City of Toronto (“the City” or “Toronto”). Note that TH Energy is not an entity or government institution as defined under the Act.

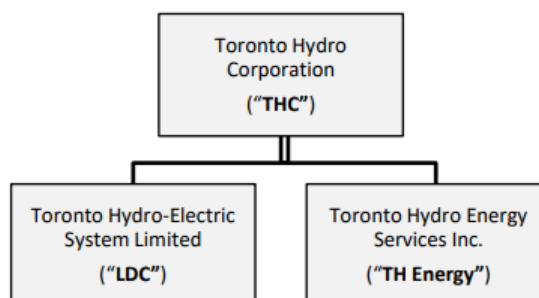


Figure 1: Toronto Hydro Corporate Organization Chart

The Corporation supervises the operations of, and provides corporate, management services and strategic direction to its subsidiaries. The sole shareholder of the Corporation is the City of Toronto (the “City”).

As of December 31, 2023, Toronto Hydro Corporation (together with its subsidiaries, “Toronto Hydro” or the “Company”) had approximately 1,325 employees. Included in Toronto Hydro’s employees are 514 members of bargaining units represented by Power Workers’ Union and 78 professional engineers and 72 information technology (IT) professionals represented by the Society of United Professionals.

The City has adopted the Shareholder Direction that sets out corporate governance principles with respect to Toronto Hydro. 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. Toronto Hydro’s Board of Directors has put in place a system of corporate governance that fulfils the requirements of applicable provincial legislation and Canadian securities rules, and meets best practices for regulated utilities. As part of its ongoing commitment to corporate governance, the Board operates in accordance with a written mandate, and the Board committees operate in accordance with written charters, which are all reviewed and approved by the Board of Directors.

The Human Resources and Environment Committee of the Board responsible for the oversight of health and safety related matters and processes, environmental and climate change related matters, human rights and social matters, and for reviewing and approving the parameters of collective bargaining negotiations. The Committee also provides updates to the Board on performance related to ESG metrics, targets and progress towards goals.

THC's executive team is comprised of the Executive Vice-President and Chief Financial Officer ("CFO") and Executive Vice-President External Affairs, Corporate Development and Chief Legal Officer, both of whom are accountable to the President and Chief Executive Officer ("CEO") of THC. The CEO of THC is also the President and CEO of the LDC and of TH Energy.

In 2023, the LDC's executive management team consists of the following positions that are overseen directly by the CEO:

- Executive Vice-President and Chief Financial Officer
- Executive Vice-President, Planning and Chief Engineering and Modernization Officer;
- Executive Vice-President and Chief Operating Officer;
- Executive Vice-President, Customer Care and Chief Information Officer;
- Executive Vice-President and Chief Human Resources, Environment and Safety Officer; and
- Executive Vice-President, External Affairs, Corporate Development and Chief Legal Officer.

Activities and supply chains

The electricity industry in the province of Ontario is generally comprised of three principle 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 powerlines; and
- **Distribution** – the delivery of electricity to homes and businesses within local area using relatively low-voltage powerlines.

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

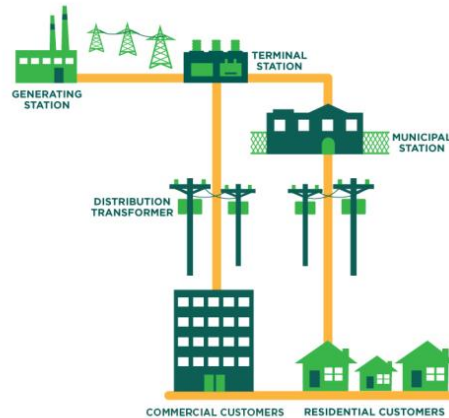


Figure 2: Basic structure of an electricity infrastructure system

Another important participant in the bulk electricity system, is the Independent Electricity Operator ("IESO"), which operates and monitors how the province wide electricity grid is operated and monitored, directing the flow of electricity, balancing the hundreds of supply resources with demand.

As a distributor, Toronto Hydro's role is to deliver electricity safely and reliably, at a reasonable cost, however, as the point of contact for electricity with the end-use customer, Toronto Hydro invoices and receives revenue for the entire bulk electricity system, including generation, transmission, and distribution. The revenues collected for generation and transmission are remitted as a pass through (with no profit gained) to the corresponding entities via the IESO.

The principle 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. LDC serves the largest city in Canada and distributes approximately 18% of the electricity consumed in Ontario. Toronto Hydro's mandate is to provide safe, reliable, and cost-effective delivery of electricity to the residents and businesses in Toronto, under a license issued by Ontario Energy Board ("OEB"). 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 Limited and other transmitters.

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

Toronto Hydro does not directly manufacture the goods utilized within its distribution system. Instead, all products are acquired from various suppliers. Toronto Hydro also purchases services. The products and services purchased range from energy infrastructure materials to IT services and hardware. The company strives to prioritize local procurement whenever feasible. Figure 3¹ illustrates the percentage of goods purchased locally. Toronto Hydro utilizes a diverse set of contractors and suppliers through its rigorous procurement practices and monitors market conditions closely. A dedicated team is responsible for facilitating the timely and cost-effective procurement of services, materials and equipment.

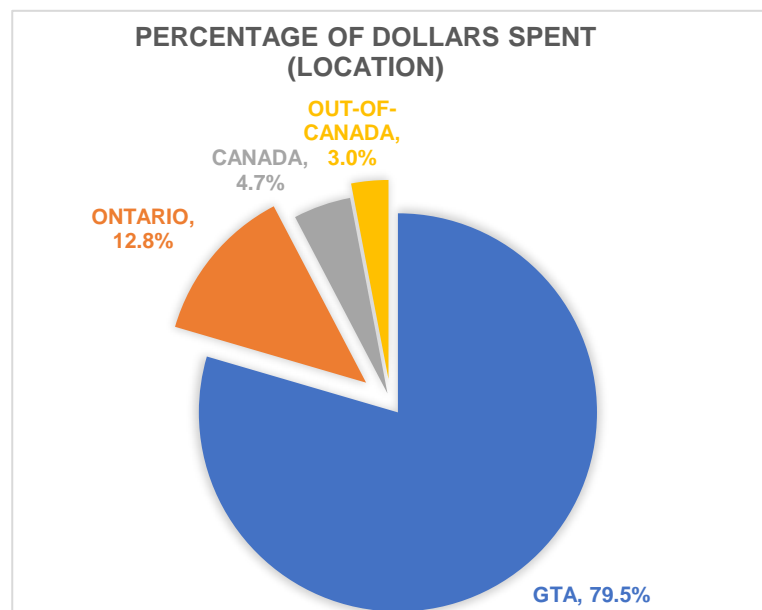


Figure 3: Percentage of dollars spent

Policies and due diligence processes

Internal Processes

Toronto Hydro strives to be a responsible business enterprise and corporate citizen, with strong and shared commitments to our stakeholders. Toronto Hydro fosters a safe and healthy work environment where employees have opportunities for professional development, are treated with dignity and respect, and are recognized for their contributions. As per the Code of Business Conduct and the Whistleblower Procedure, Toronto Hydro does not tolerate discrimination of any form or harassment, including sexual harassment, or violence, and compulsory labour or child labour.

Toronto Hydro complies with all applicable provincial and federal laws and regulations as a minimum standard. All employees acting on behalf of Toronto Hydro are expected to comply with this commitment and all related Company policies, including:

- Employment Standards Act 2000;
- Labour Relations Act, 1995;
- Personal Information Protection and Electronic Documents Act (Canada), 2000;

¹ In scope: Service and Material Vendors (Jan 2023 to Dec 2023). Out-of-scope: non-discretionary government entities

- Ontario Human Rights Code, R.S.O. 1990; and
- Occupational Health and Safety Act as amended, R.S.O. 1990 (“OHSA”).
- Internal Codes, Policies and Guidelines

The Code Business Conduct and Whistleblower Procedure (“the Code”): sets forth the basic principles of business conduct that all employees, officers, and directors are to follow – to exercise honesty and integrity in all duties and live up to the commitments to society and to stakeholders.

Workplace Anti-Discrimination Policy: affirms Toronto Hydro’s commitment to creating and maintaining respect for human rights, and fostering equality and inclusion.

Workplace Harassment Policy and Program: affirms Toronto Hydro’s commitment to the maintenance and promotion of a safe and respectful Workplace environment free from any and all forms of harassment, including sexual harassment

Occupational Health and Safety Policy: intended to assist in achieving the following: prevent injury and ill health of employees, contractors and visitors, continual improvement of OH&S management and performance, compliance with internal health and safety requirements and applicable legislation.

Sustainable Procurement Guideline: Provide direction and guidance in the evaluation of potential new suppliers and the performance of existing suppliers. This includes the consideration of social factors such as: human rights policies; fair operating practices; corporate governance; anti-corruption policies; code of conduct; support of the local economy.

Work Standards Policy: outlines how hours and location of work are managed and administered for employees. This includes, but is not limited to requirements and/or principles of: hours of work, such as core hours, shift work, and disconnection periods; overtime; standby; and location of work.

Recruitment and Selection Policy: Toronto Hydro is committed to promoting and enforcing recruitment, selection, and promotion processes that are based on principles of equality, diversity, and inclusion, as well as its obligations under Ontario’s Human Rights Code and the Accessibility for Ontarians with Disabilities Act, 2005. Toronto Hydro’s recruitment, selection and promotion processes Ontario Law, the collective agreements, and the processes outlined in the Work Standards Policy.

Due Diligence processes with suppliers and contractors

Toronto Hydro utilizes a diverse set of contractors and suppliers through its rigorous procurement practices and monitors market conditions closely. A dedicated team is responsible for facilitating the timely and cost-effective procurement of services, materials and equipment.

A competitive bidding process for the selection and screening of vendors is an integral part of Toronto Hydro’s Procurement Policy and central to improving environmental performance in Toronto Hydro’s supply chain. In accordance with ISO 26000:2010 and following the Sustainable Procurement Guideline, Toronto Hydro’s request for proposal (RFP) process requires responses to the following:

- Does your organization have policies and/or procedures related to the following: organizational governance, human rights, labour practices, fair operating practices, consumer issues, and community involvement and development?
- Provide all policies and/or procedures related to the above
- Do any of your operations occur in non-OECD (Organisation for Economic Co-operation and Development) jurisdictions?
- Indicate in which jurisdictions you operate
 - Provide all standards, policies, and/or procedures related to human rights standards applicable to those jurisdictions.

Vendors awarded contracts are required to comply with all rules and direction of Toronto Hydro, whether specific to contract agreement or otherwise, while working on Toronto Hydro's premises, distribution system or accessing or connecting to Toronto Hydro's information technology systems, including rules and directions concerning health, safety, security and environmental protection including but not limited to: the Code, Media and Digital Communication Guidelines, Accessibility Policy, Workplace Harassment Policy, Violence Prevention in the Workplace Policy, Environmental Policy, Physical Security Policy, Occupational Health and Safety Policy, Privacy Policy Statement, External Supplier Access to Application Services and Affiliate Relationships Code of Electricity Distributors and Transmitters issued by the OEB. The vendor, upon signing a contract with Toronto Hydro, agrees to comply with the foregoing and to direct its representatives to comply as well.

Risk Areas

Internal

To Toronto Hydro's knowledge, and in view of the internal policies and procedures described in previous sections of this Report, Toronto Hydro is not aware of any the parts of the Reporting Entities' business – and the business of the entities which the entities own or control – that could potentially cause, contribute to or be directly or indirectly linked to an actual or potential risk of forced labour or child labour. All of Toronto Hydro's employees are adults residing in Ontario, Canada.

External

The United Nations Global Compact Business and Human Rights Navigators, states that while forced labour is present in many industries, the 2022 ILO [report](#) suggests that the sectors where it is most prevalent include; services, construction, agriculture, domestic work and manufacturing.² The utilities sector has not been identified as a high-risk industry.

Toronto Hydro purchases finished products or electricity distribution equipment ("Equipment") that it then uses to assemble according to its own engineered designs to provide the service of electricity. The Equipment and the assemblies of the Equipment must be specifically designed to meet three main considerations:

- 1) electricity is dangerous to everyone and anything that is near it;
- 2) electricity is a necessary service that every resident, business – commercial and industrial customer connected to the electricity system relies on;
- 3) the system is installed and operates in the public domain, overhead along the streets, highways, and underground beneath the streets and houses.

In order to deliver a safe, reliable system that will withstand the outside environment in which it is situated for many decades, the majority of the equipment utilized is designed to an industry specification, and must meet performance tests as per an industry standard, such as those developed by the Canadian Standards Association. As a further step of due diligence, in ensuring safe and reliable electricity distribution, all equipment used in the Toronto Hydro's system is approved for use by a Professional Engineer as per Ontario Regulation 22/04, which includes an annual audit on the approval process. In addition, Toronto Hydro has established its own set of Standard Design Practices. Therefore, production of electricity distribution equipment requires high quality and precision, which is achieved with a manufacturing sector that has high skill, training, and labour rates. As such, the electricity sector is not prone to forced labour or child labour.

² https://www.ilo.org/global/topics/forced-labour/publications/WCMS_854733/lang-en/index.htm

Steps taken to prevent and reduce risks of forced labour and child labour

Given the location of Toronto Hydro and high quality involved in manufacturing the equipment purchased by Toronto Hydro to be used in the distribution system, the risk of forced labour and child labour being present in its supply chain is believed to be relatively low.

Toronto Hydro has witnessed no evidence of forced labour or child labour in its supply chain. Toronto Hydro is further examining what additional actions may be taken to further reduce the risk of child or forced labour being used in its supply chains. These may include: enhancing supplier system to specify country of origin for all materials provided, developing an audit process and updating supplier scorecards.

Measures taken to remediate forced or child labour and loss of income resulting from actions

To Toronto Hydro's knowledge, Toronto Hydro is not aware of any the parts of the Reporting Entities' business – and the business of the entities which the entities own or control – that could potentially cause, contribute to or be directly or indirectly linked to an actual or potential risk of forced labour or child labour. In the event that an instance of modern slavery is identified within a specific supplier's operation or supply chain, Toronto Hydro will work with that supplier to remediate the issues and risks identified in the assessment. If issues cannot be remediated to a satisfactory resolution, other measures will be implemented, including the termination of relationship with that supplier.

Assessment effectiveness

Toronto Hydro conducts screening of all suppliers, and is dedicated to enhancing this process to further improve understanding of supplier's risk profile. Throughout the next reporting period, Toronto Hydro will evaluate and gauge the effectiveness of existing practices while also implementing new measures.

Training

All employees, officers and directors of Toronto Hydro, upon commencement of employment and every three years thereafter, are required to (a) review and receive training on the Code, and (b) sign an attestation. As of the end of 2023, the training frequency for the Code is under review.

Attestation

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

David McFadden

Chair, Board of Directors, Toronto Hydro Corporation

May 8, 2024



I have authority to bind Toronto Hydro Corporation