

Forced Labour in Canadian Supply Chains – Toronto Hydro

Toronto Hydro's Statement Against Modern Slavery

Toronto Hydro is committed to workplace safety and treating all employees with dignity and respect. We do not tolerate discrimination or any form of harassment, including sexual harassment, or violence. We do not tolerate any form of compulsory labour or child labour.

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, 2024 ("Reporting Period").

Structure, Activities and Supply Chain

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 ("Toronto"). Note that TH Energy is not an entity or government institution as defined under the Act.

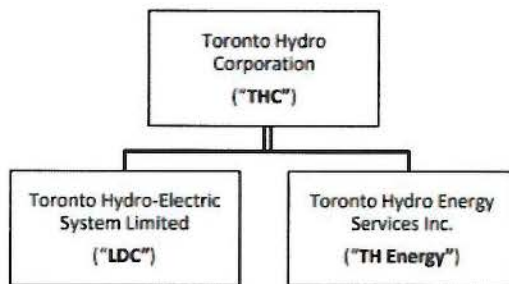


Figure 1: Toronto Hydro Corporate Organization Chart

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, 2024, THC (together with its subsidiaries, "Toronto Hydro" or the "Company") had approximately 1,410 employees. Included in Toronto Hydro's employees are 512 members of bargaining units represented by Power Workers' Union and 92 professional engineers and 71 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 Safety committee of the Board is 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.¹ The Committee also provides updates to the Board on performance related to ESG metrics, targets and progress towards goals.

In 2024, THC's executive team included 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.

For details on THC's full executive management team, please refer to torontohydro.com/about-us/leadership.

Activities

The electricity industry in the Province of Ontario 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 powerlines
- 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:

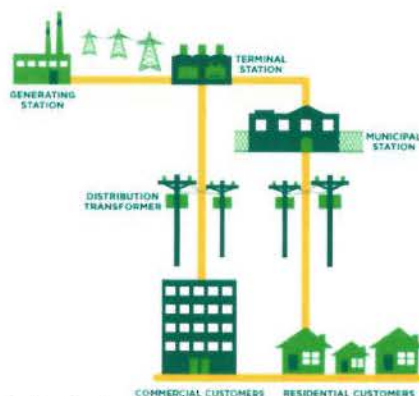


Figure 2: Basic structure of an electricity infrastructure system

The principal business of Toronto Hydro is the distribution of electricity by LDC. LDC owns and operates \$7.1 billion of Capital Assets comprised primarily of an electricity distribution system that delivers electricity to approximately 796,000 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 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 importation of goods for operations is what deems Toronto Hydro an entity as per the Act.

Supply Chain

Toronto Hydro's supply chain team oversees all procurement activities for Toronto Hydro, this includes: purchasing goods and services, vendor selection, contract administration, vendor performance management, inventory control, and contractor prequalification.

Supply Chain Mission and Approach

Toronto Hydro's Procurement Policy objectives include:

- Efficient procurement at the most favourable acquisition cost
- Promotes the use of competition in selecting suppliers and contractors
- Provides for the fair and equitable treatment of all suppliers and contractors
- Provides safeguards for maintaining the quality and integrity of the procurement system
- Ensures suppliers meet or exceed Toronto Hydro's quality, safety and environmental requirements
- Ensure all procurement is made in compliance with regulatory requirements and applicable laws

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.

Goods and Services

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. In 2024, Toronto Hydro procured approximately \$890 million in goods and services.

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

The Code of Business Conduct and Whistleblower Procedure ("the Code"): sets forth the basic principles of business conduct that Toronto Hydro expects its employees, officers, and directors are to follow. It is expected that all 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 business objectives:

- 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, applicable legislation, and other requirements Toronto Hydro subscribes to
- Ensuring appropriate actions are taken to meet Toronto Hydro's OH&S goals, by establishing responsibilities for all required actions as well as entrenching objectively assessable verifications
- Ensuring all employees are aware of workplace hazards and risks relevant to their position and that effective barriers and measures are in place to either eliminate hazards or reduce risks
- Ensuring that industry best practices are adopted where practicable and that these practices are effectively communicated to appropriate workplace parties
- Taking every reasonable action to improve the overall health and safety culture of our organization
- Educate, motivate and empower employees to enhance their physical and mental health
- Promotion of wellness
- Ongoing identification and reduction of OH&S risks
- Engagement of employees in OH&S activities

Sustainable Procurement Guideline: Provide direction and guidance in the evaluation of potential new suppliers and the performance of existing suppliers to ensure chosen goods have the lowest environmental and social impact. 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. This policy ensures compliance with relevant collective agreements, laws, and regulations and establishes control that ensure fair treatment of Employees across Toronto Hydro while meeting operational objectives.

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 the 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

The United Nations Global Compact Business and Human Rights Navigators, states that while forced labour is present in many industries, the 2022 International Labour Organization (ILO) report suggests that the sectors where it is most prevalent include; services, construction, agriculture, domestic work and manufacturing.¹ The utilities sector has not been identified as a high-risk industry.

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 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. All Toronto Hydro employees are subject to Ontario and Canadian laws and regulations which prohibit forced labour and child labour.

External

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) Unprotected or exposed 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 of 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.

Contractor Risks

Toronto Hydro engages a diverse set of contractors for services such as; construction, IT, engineering, etc. All Toronto Hydro contractors are subject to the laws and regulations of Canada and Ontario, which prohibit forced and child labour. In addition, Toronto Hydro has a rigorous competitive procurement process, which aims to ensure contractors are in compliance with applicable laws and Toronto Hydro's policies, procedures and processes before commencing work with Toronto Hydro. The competitive procurement process involves evaluating contractors on their sustainability and health and safety practices. This includes requesting documentation and evidence on policies and procedures (e.g., ESG Report, Human Rights policies, Code of Conduct), evaluating contractors using a sustainability,

¹ ilo.org/global/topics/forced-labour/publications/WCMS_854733/lang-en/index.htm.

health and safety questionnaire, and requiring contractors to enroll in contractor safety management software to assess their compliance with required policies, procedures, and performance statistics. Once the contract is awarded, ongoing compliance is managed by the Supply Chain and the contract administrator from the business unit that requested and approved the contractor. This is done through formal and informal performance evaluations, safety meetings, inspections, audits, and continuous monitoring using the contractor safety management software.

Geographical Risks

The company strives to prioritize local procurement whenever feasible to reduce geographic forced labour and child labour risk. Figure 3 illustrates the percentage of goods purchased locally.³ Approximately 98% of Toronto Hydro's procurement spend is with suppliers based in Canada, while 2% of spend is with suppliers based in United States, and 0.3% spend in the rest of the world.

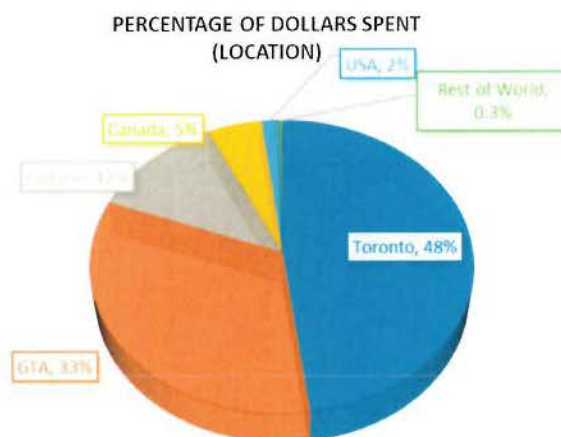


Figure 3: Percentage of Dollars Spent by Location

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.

In 2024, Toronto Hydro initiated the Forced Labour in Canadian Supply Chains (Bill S-211) working group, to identify areas for improvement in supply chain processes. The group examined what additional actions may be taken to further reduce the risk of child or forced labour being used in its supply chains. Toronto Hydro updated clothing contracts to include language specific to Canada's Fighting against Forced Labour and Child Labour in Supply Chains Act, to ensure the goods provided by the Supplier under the agreement are not the result of, and in no way involve, forced or child labour. Toronto Hydro will continue to explore further actions to mitigate future risks, which may include: expanding the pre-qualification questionnaire, 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 enhance 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 when deemed necessary.

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 February 2025, the training frequency for the Code has been updated to occur annually.

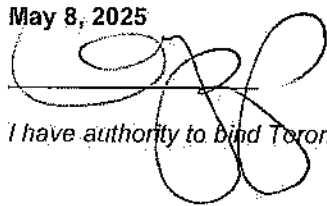
Attestation

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.

Brian Topp

Chair of the Toronto Hydro Corporation Board

May 8, 2025



I have authority to bind Toronto Hydro Corporation