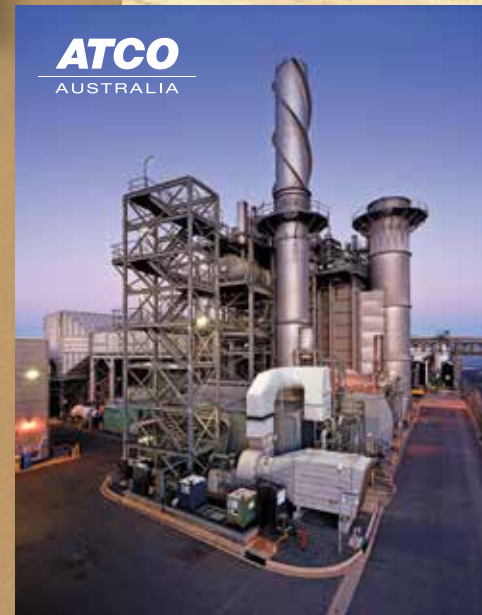


ATCO

GROUP

SUSTAINABILITY
REPORT 2012



SUSTAINABILITY REPORT 2012

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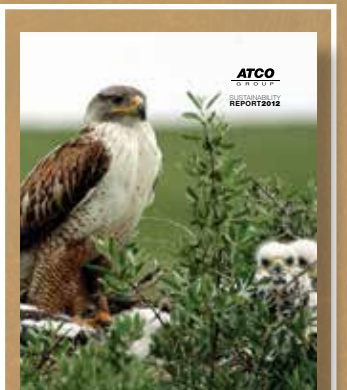
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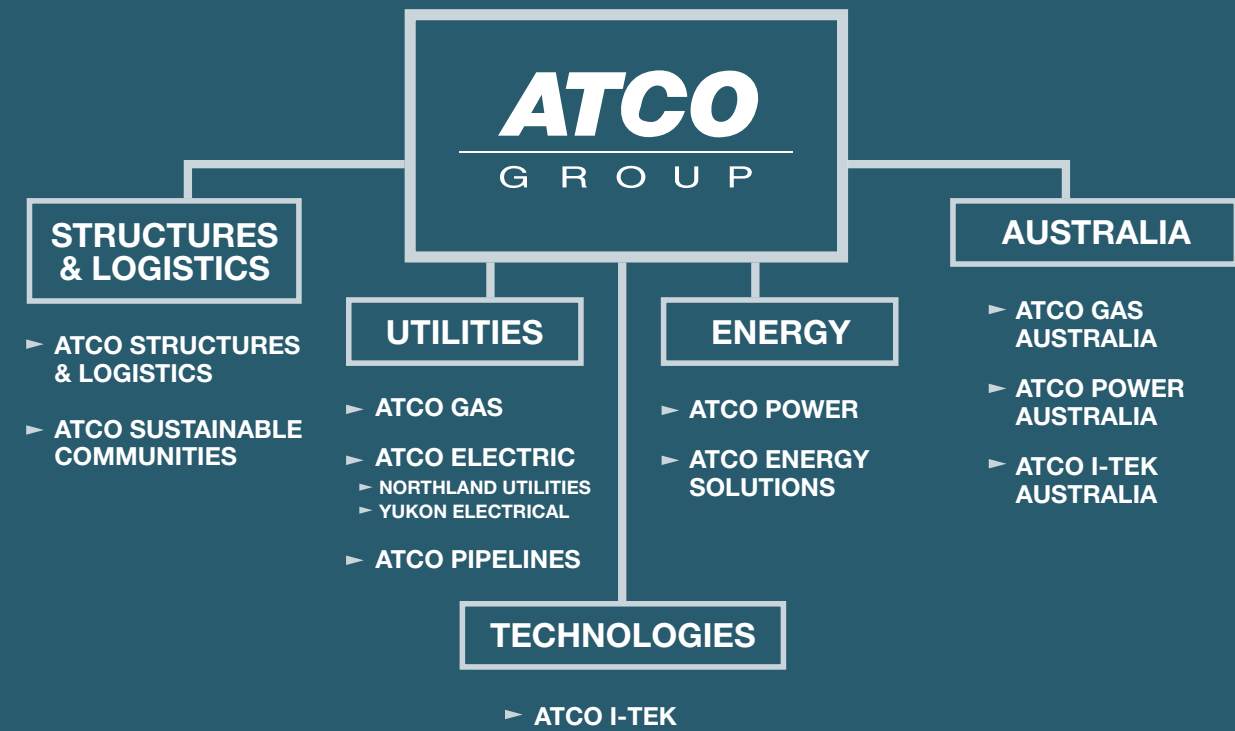
COVER: The Ferruginous hawk at-risk species makes the Alberta grasslands its home in the spring and summer. Their large nests are accessible to predators, so ATCO Electric installs coyote-proof nesting platforms for interested landowners.

Worldwide Operations

Whether providing gas and electricity to remote locations in northern Canada, building modular structures in South America, or operating environmentally friendly power plants in Australia and the UK, the scope and scale of ATCO's operations have become truly global.



- | | | | |
|-------------------------|------------------------|-------------------------|---------------------------------|
| A Canada | F Oklahoma, USA | K Peru | P Bosnia and Herzegovina |
| B Idaho, USA | G Texas, USA | L Chile | Q South Africa |
| C Colorado, USA | H Mexico | M Madeira | R Afghanistan |
| D Minnesota, USA | I Colombia | N United Kingdom | S Australia |
| E New York, USA | J Brazil | O Hungary | |



ATCO Group is a diversified, Canadian-based, international group of companies focused on profitable sustainable growth and achievement with approximately \$14 billion in assets and more than 9,000 people actively engaged in Structures & Logistics, Utilities, Energy and Technologies.

STRUCTURES & LOGISTICS



www.atcosl.com

ATCO Structures & Logistics offers modular buildings, site and camp services and industrial noise and emissions control solutions worldwide. With manufacturing facilities in North America, South America and Australia, a global supply chain, and operations on six continents, the company has the expertise to deliver a rapid, turnkey solution anywhere it is needed.



www.atcosc.com

ATCO Sustainable Communities provides a full range of pre-fabricated, culturally sensitive building solutions for Indigenous and other remote communities.



www.atcoelectric.com

ATCO Electric builds, owns and operates electrical transmission and distribution facilities in northern and east-central Alberta. It services customers in 245 communities including homeowners, business owners, farmers, and large industrial and oilfield customers. Through its subsidiaries – Yukon Electrical and Northland Utilities – the company also serves customers in Canada's North.



www.atcogas.com

ATCO Gas has been heating homes and operating key natural gas transmission facilities across Alberta since 1912. Today, ATCO Gas provides safe, reliable and cost-effective natural gas delivery to more than one million customers in almost 300 Alberta communities.



www.atcopipelines.com

ATCO Pipelines owns and operates key natural gas transmission facilities throughout Alberta to transport clean, efficient energy from producers and other pipelines to utilities, power generators and major industries.



www.atcopower.com

ATCO Power is an experienced builder, owner and operator of independent power generation plants with a solid reputation for providing reliable, responsible and cost-effective solutions for our customers and partners around the world. ATCO Power operates 15 power plants in Canada and the United Kingdom with a total generating capacity, including partners' interests, of 4,590 MW.



www.atcoenergysolutions.com

ATCO Energy Solutions builds, owns and operates non-regulated energy and water-related infrastructure. The company focuses on offering natural gas gathering, processing and storage, natural gas liquids extraction, transportation and services, electricity transmission and substations, and industrial water infrastructure solutions to the energy industry.

AUSTRALIA



www.atcoaustralia.com.au

ATCO Australia includes ATCO Power Australia, ATCO Gas Australia and ATCO I-Tek Australia. The companies have expertise in power generation, the transmission and distribution of electricity and natural gas, as well as natural gas gathering, processing, storage and liquids extraction.

TECHNOLOGIES



www.atcoitek.com

ATCO I-Tek is an end-to-end service provider that specializes in customer care and billing, managed technology and application services. With a team of more than 770 professionals, two world-class data centres and expertise in more than 900 business applications, ATCO I-Tek supports clients worldwide.



President's Message

With a century-old history, ATCO and its people have provided modular structures, energy infrastructure, power generation and utility services to more than 100 countries around the world.

Throughout the years, our companies have helped build communities and contributed to local economies, all the while demonstrating the principles of good governance and our commitment to safety and the environment.

With our roots in Alberta, where we serve more than 300 communities providing essential services, we have taken our core ethical

values and applied them across Canada and around the globe.

Our social license to operate is very much dependent upon our careful, respectful and collaborative approach. These and other principles were instilled in the early days of our company by my father, ATCO Founder, Ron Southern. He stepped down as Chairman in 2012 and now serves as a director. His legacy of values and commitment to excellence reaches every aspect of our business – a global brand built on quality and mutual respect.

Our partnerships with Aboriginal communities, in particular, represent an area where these values have guided our attitude and action. These partnerships span the ATCO Group of Companies, across Canada and into Alaska. Partnerships like these do not develop quickly. It takes time to build trust and understanding.

Our vision is not maximum growth, but sustainable, optimum, profitable growth where everyone benefits, including the environment. In fact, minimizing our environmental footprint is integral to our pursuit of operational excellence.

New Canadian regulations retiring coal-fired generation provides ATCO with an opportunity to further demonstrate its commitment to sustainable development. Our goal is to replace coal plants with a clean, renewable resource that, over the long-term, is the most affordable for consumers.

ATCO continues to play a leadership role in advocating for the development of hydroelectricity. Northern Alberta and the Northwest Territories alone represent more than 22,000 megawatts of untapped hydro potential.

Unlocking this resource would allow us to create a green energy corridor that could carry emissions-free electricity and combat rising global greenhouse gas emissions.

At ATCO, we strive for excellence in everything we do, including making sure that every one of our more than 9,000 employees return home safely at the end of each workday.

Excellence requires an unrelenting focus on continuous improvement of our safety programs, shown through highlights such as ATCO Pipelines achieving zero lost-time injuries for 10 consecutive years in 2012 - safely working more than six million hours. However, since our last report, we have experienced some serious safety incidents, including two contractor fatalities that have deeply saddened us. ATCO has taken each of these incidents very seriously, with a stringent focus on enhancing the health and safety programs for ATCO and the employers with which we do business. Overall, our safety performance has improved significantly over the past five years and we will continue working to eliminate incidents like these.

The clear message is that all tasks must be completed safely. ATCO will work to continually improve how we engage our employees, contractors and the public in the recognition and adoption of safe behaviours.

The energy and commitment of our people is our greatest strength. Our employees embrace the Heart and Mind of ATCO and what it means to work for this company. As we grow, we need to spread the word on the advantages of working at ATCO to a new generation, while continuing to invest in the people that have helped build our success and contributed to so many communities around the world.

As we move forward creating new opportunities and growth, I am confident that we are well prepared for a future that is both safe and sustainable.

Nancy C. Southern
Chair, President & Chief Executive Officer

Always there. Anywhere.



A Northland Utilities employee in Yellowknife removes frost from the line.

Our Approach to Sustainability

ATCO's success is dependent on our ability to operate in a responsible and sustainable manner, today and in the future. In the pursuit of sustainability, we not only improve social and environmental conditions, we also achieve cost savings, revenue enhancements and numerous intangible benefits.

Our responsibility is to conduct business in a manner that reflects our values: integrity, transparency, entrepreneurship, accountability, collaboration, perseverance and caring. We also have a unique role in communities as a provider of electricity and natural gas, services that are essential for life, especially in northern climates.

Long-term sustainability requires practical, integrated solutions that balance responsible development with environmental stewardship and the interests of Indigenous communities and other landowners. As a principally controlled, public company, ATCO has a strong track record of reliable dividends, earnings and cash flow. Our stable, long-term position in the marketplace drives our long-term vision on sustainability.

Our stability and commitment to social wellbeing enables us to attract and retain a talented, motivated workforce that shares our strong values. The actions of our people today, and in the future, earn our company's social license to operate and we will continue to take this trust very seriously.

Management approach

The strategic management of sustainability is shared among numerous corporate groups: Human Resources; Aboriginal Relations, Health & Safety; Environment; Marketing & Communications; and Internal Audit, among others. These groups monitor best practices, develop policies and standards and support ATCO companies. The daily management of sustainability commitments and implementation of programs is guided by operating company leaders. More specific descriptions of our management approach on employee practices, community engagement, environment and safety are included in subsequent sections and on our website. The descriptions include topic-specific policies, responsibilities, training, monitoring and other management considerations.

Corporate governance

Our Board of Directors views effective corporate governance as an essential element for the ongoing sustainability of ATCO and its operations and we continually assess our corporate governance practices and make improvements as needed.

We have developed a unique, effective system of corporate governance that has evolved from challenging requirements to provide oversight to an organization with a diverse number of distinct principal operating subsidiaries. The key elements of this system are the oversight and diligence provided by the Board, the Lead Director and the Board's Audit, Risk Review and Corporate Governance - Nomination, Compensation and Succession (GOCOM) Committees.

The committees' mandates are described at www.atco.com. The Risk Review Committee has the most impact on the company's sustainability practices. The committee provides oversight for ATCO's risk management and control practices and reviews risks that could materially affect the company's ability to achieve strategic and operating objectives. It is responsible for ensuring that risks that are identified as being significant to ATCO are addressed by management and that appropriate mitigation measures are implemented.

Ethical behaviour

We believe that ethical conduct goes beyond staying in compliance with regulations. The ATCO Code of Ethics affirms our commitment to uphold high moral and ethical standards and specifies the basic norms of behaviour for directors, officers and employees.

The public and our employees expect ATCO to demonstrate integrity in all facets of our business.

We annually analyze organizational risk, including risk related to corruption, for all ATCO companies. We did not record a corruption incident in the reporting period, nor were any such actions brought against ATCO. We were not involved in any legal actions for anti-competitive behaviour, anti-trust or monopoly practices during the reporting period. In 2011, we did not receive any fines for non-compliance with laws and regulations. In 2012, we received one environmental administrative penalty in the amount of \$1,000.

We are committed to protecting the privacy of the personal information of people with whom we interact, including customers, suppliers, employees and contractors. Customer privacy breaches totalled 86 in 2011 and 42 in 2012. The improvement can be attributed to establishing greater clarity with one of our call centre service providers regarding privacy requirements. Incidents typically involved a call centre agent providing information to a caller who was not listed as an additional responsible party. All incidents were resolved successfully.

Public policy

Effective policy decisions require contributions from all interested parties and ATCO operating companies take the time to be a resource for policy makers at the municipal, provincial (state) and federal levels of government. Our role is to explain the practicalities of our businesses and collaborate on effective improvements wherever possible. During this participation, our understanding of the broader goals and objectives of these governments are enhanced in return.

ATCO discusses a number of topics with governments, either directly or through industry associations. Examples include:

- Greenhouse gas emission reduction initiatives and carbon offset markets
- Alberta Land Use Framework consultations
- The Alberta Electric System Operator's Long-term Transmission System Plan

ATCO is in compliance with all laws regarding lobbyist registration and political contributions.

Board Structure and Processes

Board Independence

The Chair of the ATCO Ltd. Board is not independent. To facilitate independent functioning of the Board, an independent Lead Director is appointed. Six of the ten Board members are independent.

Share Owner Input

Share owners and other interested parties may contact the Board by sending correspondence, marked to the attention of the Chair. Through attendance at the Annual General Meeting (AGM) or through the use of proxies for voting, Class II Voting share owners are given the opportunity to raise questions and/or vote on matters to be addressed at the AGM. In addition, subject to statutory provisions, share owners may submit their own resolution for consideration at the AGM.

Avoiding Conflicts of Interest

Our Board encourages and promotes a culture of ethical business conduct by expecting each Director to annually review and sign ATCO's Code of Ethics (the Code). Directors who have, or may be reasonably perceived to have, a personal interest in a transaction or agreement ATCO may be contemplating are required to declare such an interest, leave any meeting pertaining to the subject and abstain from voting.

Evaluating Director Performance

The Lead Director facilitates an annual assessment of the Board, its committees and its individual directors. Board and committee performance evaluation questionnaires are distributed to each Director and Board committee member. The questions assess director skills and experience, preparation, attendance and availability at meetings, communication and interaction, business, company and industry knowledge.

Director Selection

The GOCOM Committee is responsible for reviewing the size and composition of the Board and, in conjunction with the Board Chair, considers potential candidates for nomination who have the desirable competencies they believe will complement the current Board. This review examines diversity of background, skill and experience of each Director currently on the Board and takes into account upcoming retirements, succession, specialized committee membership requirements, industry, market and potential future developments of the company's business.

Executive Compensation

GOCOM is responsible for making recommendations regarding the Chair, President & CEO's objectives, executive compensation and the link to corporate performance measures. Among other items, the performance measures include: health and safety of employees and contractors; environmental stewardship; succession management and the attraction, development and retention of employees as well as the development of long-term sustainable growth strategies.

Environment

Our Commitment

We believe that reducing our impact on the environment is integral to the pursuit of operational excellence. Our environmental commitments include:

- striving to minimize our environmental impacts throughout our global operations;
- incorporating efficiency and environmental considerations in the planning and implementation of all our projects;
- developing a leadership position in the area of alternative energy technologies, including co-generation, hydro, geothermal and solar energy;
- monitoring and assessing our performance; and
- educating the public on energy reduction opportunities.

ATCO Power's Sheerness generating station in southern Alberta has been participating in the Mercury Deposition Network since 2004. In this photo, Tom Hansen, Chemical Technologist, is collecting the mercury deposition sample.



Our Approach

ATCO incorporates environmental considerations into the full lifespan of every project, from planning, implementation and eventual decommissioning of our operations. This long-term, collaborative perspective on environmental issues is especially important because many of our facilities can operate for several decades.

Due to our diverse operations, each ATCO company has its own environmental management system, including setting goals, developing and implementing procedures, training, monitoring, measuring, reporting and corrective action. In addition, the company-wide Environment Network encourages continuous improvement, sharing of best practices, and promotes consistency throughout the ATCO companies.

Highlights

- Gained certainty on Canada's greenhouse gas regulations affecting our two coal-fired facilities
- Opened two new energy efficient operating centres in 2011/12 (ATCO Gas / ATCO Electric)
- Received the prestigious Energy Globe World Award in 2011 for our work on Drake Landing solar powered community in Alberta (ATCO Gas)
- Led development of the electricity sector Water Conservation and Efficiency Plan for the Alberta Water Council

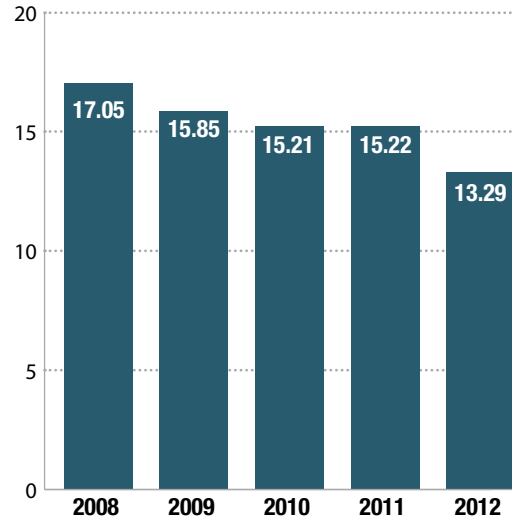
Challenges

- Finding further efficiencies in our facilities
- Gaining certainty on emerging air pollutant regulations
- Transitioning to lower emitting technologies for power generation, while still maintaining stable, base-load generation
- Continued effective management of large capital projects, while replacing aging infrastructure

Moving Forward

- The regulatory environment for utilities in Alberta is changing to Performance Based Regulation. This will drive utilities to strive for even further efficiency improvements.
- Continued focus on innovation and efficiency will result in further environmental benefits.
- Utilize lower carbon emitting technologies for fleet and service vehicles.
- Implement programs to improve reporting of non-hazardous waste.

DIRECT GREENHOUSE GAS EMISSIONS (Million Tonnes CO₂e)



Greenhouse gas emissions have reduced from 2008 to 2012. This is largely related to decreased energy output from the power assets in 2011 and 2012.

AIR

Climate change is a global issue and we know ATCO has a significant opportunity to play a leadership role in the development of innovative, cost-effective, long-term environmentally responsible solutions.

Developing new, environmentally responsible sources of base-load electricity generation will be key to meeting demand while minimizing our environmental footprint, creating a more sustainable electrical future. Each jurisdiction and generation source comes with its own set of challenges. While no generation source is issue-free, hydro development and a reliable transmission system is one of the most efficient choices to replace Alberta's coal-fired generation.

Our greenhouse gas (GHG) emissions management strategy balances environmental benefits and the need for cost-effective customer solutions, and includes the following actions:

- Finding new ways to increase the efficiency of our operations, leading to sustainable economic and environmental benefits;
- Investing in the development of new low emission power plants; and
- Promoting efficiency at the consumer level.

ATCO remains committed to reducing greenhouse gas and air pollutant emissions through various initiatives across our operations.



Since 2007, the Piikani Nation has had an ownership interest in ATCO Power's 32 megawatt Oldman River hydroelectric plant in southern Alberta. The plant supplies enough energy to power 25,000 homes.

Note on Environmental Data: For this report, environmental data reported includes 100 per cent of the emissions and water use for the facilities for which ATCO holds the environmental operating permit, or is identified as the operating entity in the contract, regardless of percentage financial ownership. Data for air emissions and water use for 2008-2010 has been restated in this report to reflect this reporting approach, and may vary slightly from financial reporting definitions.

The transition to lower emission electricity generation

There is a significant challenge for jurisdictions to reduce GHG emissions in a way that balances both environmental and economic realities.

In Canada, ATCO, as well as other industry partners, provided input to the federal government on the plan to phase out coal prior to normal retirement. This included work to extend the timeframe, allowing sufficient time for new replacement generation to be built in order to mitigate the consumer price impacts of shutting down low-cost power. This will result in a significant reduction in GHG and air emissions from coal-fired electricity.

The challenge is to replace base-load coal generation with clean, low emitting power. ATCO believes that hydro and natural gas generation are two of the best sources of new base-load power generation.

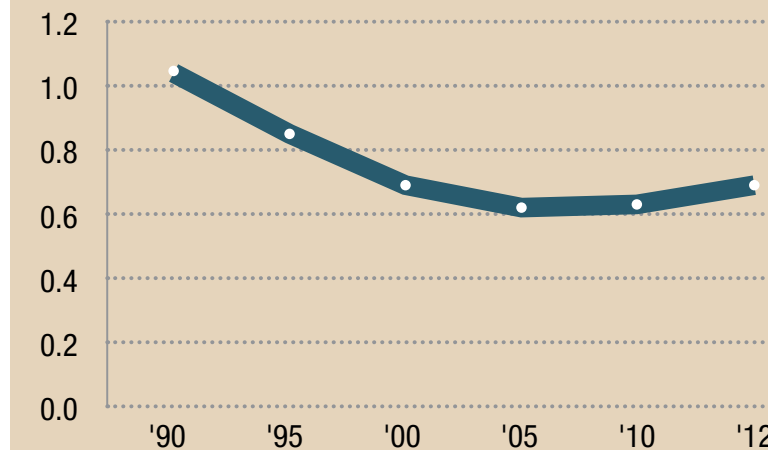
ATCO currently operates 18 major power generation plants in Australia, Canada and the United Kingdom, two of which are coal-fired. In 2012, ATCO power generation was approximately half coal-fired and half natural gas-fired, with one per cent attributed to hydro. We take a disciplined effort toward continuously improving performance of existing facilities.

Work also continues on the analysis of growth opportunities, especially environmentally progressive natural gas-fired generating facilities. Our vision includes exploring generation with partners such as the Haisla First Nation in British Columbia, as well as developing large-scale



At ATCO Power's 760 megawatt Sheerness generating station, steam turbine blades are inspected as part of regularly scheduled maintenance to ensure maximum efficiency and continued safe, reliable operations of the facility.

ATCO POWER DIRECT GREENHOUSE GAS EMISSIONS INTENSITY SINCE 1990 (Tonnes CO₂e/MWh)



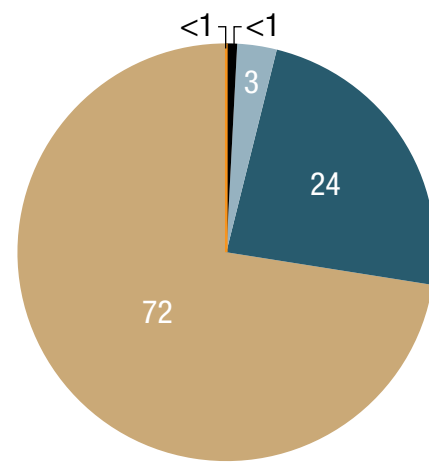
Significant natural gas generation has been added, decreasing the fleet emissions intensity since 1990. The slight increase in 2011-12 can be attributed to a decrease in the operating hours of the natural gas fuelled portion of the generation fleet.

hydro projects in the Slave River and Athabasca regions that could help achieve Canada's GHG emission reduction goals.

Air pollutants

As with greenhouse gases, the majority of our air pollutant emissions are due to ATCO Power's coal-fired facilities. The exceptions are carbon monoxide and volatile organic compounds, which are emitted by ATCO Energy Solutions, ATCO Gas and ATCO Pipelines. The air pollutant amounts are determined through direct measurement, engineering estimates and calculations.

GHG EMISSION SOURCES 2012 (%)



Emission sources share will vary from year-to-year depending on electricity generating unit operating hours.

Air Pollutants	2008	2012	Change(%) 2012 vs 2008	Notes
Sulphur Dioxide (tonnes)	63,182	57,357	-9%	Change due to variability in the sulphur content of the coal burned
Nitrogen Oxides (tonnes)	26,566	24,360	-8%	Decrease predominantly due to a reduction in electricity generated from our coal-fired plants
Carbon Monoxide (tonnes)	1,171	1,645	40%	Increase predominantly attributable to improved reporting*
Particulate Matter PM2.5 (tonnes)	469	630	34%	Change due to variability in coal quality
Volatile Organic Compounds (tonnes)	77	227	195%	Change due to modified measurement protocols*
Mercury (kilograms)	157	63	-60%	Decrease due to installation of equipment to meet Alberta mercury control regulations
Ozone Depleting Substances (kilograms)	77	1	-99%	Emissions due to accidental releases

Fugitive emissions

*See note 4 on page 40

ATCO Energy Solutions has an annual Fugitive Emissions Program that identifies and then addresses fugitive emissions at our facilities. At ATCO Pipelines, routine maintenance checks are done along pipelines and in compressor and metering stations to minimize fugitive emissions. In 2011 and 2012, ATCO Gas Australia continued with its program to conduct periodic leak surveys and replace aging assets to detect and reduce fugitive emissions.

Natural gas vehicles

Since the 1970s, ATCO Gas has been an integral player in the Natural Gas Vehicle (NGV) program in Canada. ATCO Gas supports Alberta businesses in their NGV needs and maintains the largest NGV fleet in Alberta – approximately 250 vehicles. ATCO Gas vehicle refueling appliances are used to refuel natural gas-powered ice resurfacers and forklifts where indoor air quality is of concern, and are also used to refuel private vehicles and fleets where operational cost savings and emission reductions are realized.

Through the use of natural gas in fleet vehicles, ATCO Gas experiences fuel cost savings, and a reduction in carbon dioxide emissions. Since natural gas vehicles produce fewer carbon emissions than traditional vehicles, the impact of the ATCO Gas fleet is equivalent to taking approximately 15 passenger vehicles off the road. In 2013, ATCO Gas plans to open a new fleet refueling station in Fort McMurray, Alberta and a fleet/public access station in Grande Prairie, Alberta.

Watson Lake Bi-Fuel Project

The Watson Lake Bi-Fuel Project was announced by Yukon Electrical (an ATCO subsidiary) in partnership with ATCO Gas. Subject to pending environmental and regulatory approvals, this liquefied natural gas pilot project will occur in 2013 in the off-grid community of Watson Lake and the first phase will convert one of the six diesel generators to a bi-fuel system able to use both natural gas and diesel. In this pilot, we expect to reduce the amount of diesel consumed by this generator by up to 50 per cent, considerably reducing GHG emissions.

Energy efficiency

Energy efficiency initiatives, aimed at optimizing our operations and/or improving our products and services, realize environmental and economic benefits and are a part of operational excellence at ATCO. They also often contribute to GHG reductions. Some examples during 2011/12 follow:

Improvement / replacement of equipment

ATCO Energy Solutions has a program to improve the efficiency of compressors and heaters, lowering fuel gas and electrical consumption and reducing environmental impact. Some of the specific examples of facility optimizations are:

- Replacing fixed frequency drives with variable frequency drives allows our operations to reduce our electrical consumption based on facility demands.
- Compressor improvements such as capacity controls and valve modifications allow the compressors to be optimized to reduce fuel and electrical consumption.

ATCO Pipelines continued the installation of line heaters, which operate under vacuum pressure, increasing the energy released from fuel combustion. The new line heaters use approximately 50 per cent less energy as compared to conventional technology, resulting in approximately 135,000 kWh of energy savings (equivalent to avoiding 24 tonnes of CO2 emissions) per year.



LIGHT-EMITTING DIODE (LED) LIGHTING

ATCO Electric has more than 170 LED streetlights installed in its service area. The company completed two pilot projects to objectively evaluate efficiency, performance and costs and began offering LEDs as an option for new residential installations.

Northland Utilities (an ATCO subsidiary) partnered with the City of Yellowknife, N.W.T., to begin the installation of more than 300 LED street lights. With 126 lights installed in 2012, this technology provides energy efficiencies as well as reduced equipment replacement and maintenance costs. This project is a first for a major city in northern Canada.



ATCO Gas helped develop and now operates the Drake Landing solar community in Okotoks, Alberta. The community set a new world record for energy efficiency and innovation by generating 97 per cent of its space heating needs through solar energy in 2011, earning a prestigious Energy Globe World Award.

ATCO Gas Australia is actively working to manage and reduce unaccounted for gas (UAFG), which is the difference between the quantity of gas delivered into and going out of the distribution system. Key factors contributing to UAFG include network leaks (fugitive emissions); billing correction factors (pressure, temperature, altitude, compressibility); heating value variations; and theft. Reducing UAFG will reduce GHG emissions and help control increases to energy price (both electricity and gas).

Promoting energy efficiency and environmental responsibility

ATCO EnergySense is an energy efficiency service offered by ATCO Gas and ATCO Electric that provides comprehensive commercial assessment services for municipal and commercial customers to help them improve their bottom line and the environment. ATCO EnergySense has conducted commercial assessments on more than 650 commercial facilities - the equivalent of over 27 million square feet of facility space.

The ATCO Energy Education Mobile helps students learn to identify where Alberta's energy comes from and why it is important to minimize waste. Teachers and students can download support materials at www.atcoenergysense.com.

To address energy efficiency and conservation, Yukon Electrical and its partners completed a Demand Side Management Plan in 2012. The scope of this work included residential and commercial sectors and

New Energy Efficient Buildings

Opening/Building	Features	Benefits
2011 ATCO Gas Operations Centre, Airdrie, Canada	<ul style="list-style-type: none"> • Geothermal HVAC fueled by natural gas 	<ul style="list-style-type: none"> • 33% less energy • 9.5 tonnes less GHGs
2012 ATCO Electric Operations Centre Lloydminster, Canada	<ul style="list-style-type: none"> • High performance HVAC system • Triple glazed windows • Solar hot water panels • Rain water collection for landscaping and sanitary waste system 	<ul style="list-style-type: none"> • 55% less energy • 30% less water
2013 - (Under Construction) ATCO Gas Australia HQ Jandakot, Australia	<ul style="list-style-type: none"> • Optimizing natural lighting • Natural gas-fired air conditioning • Insulation 	<ul style="list-style-type: none"> • Improved energy efficiency
2013 - (Under Construction) ATCO Gas Operations Centre, Okotoks, Canada	<ul style="list-style-type: none"> • Combined heat and power microgeneration 	<ul style="list-style-type: none"> • Improved energy efficiency

addressed all regions of the Yukon served by the hydroelectric and stand-alone diesel grids.

LAND

ATCO's commitment to operating in a sustainable manner guides how we interact with and manage the land resources that are entrusted to us. This includes minimizing the disruption our operations can have on the land and the biodiversity of species as well as reclamation efforts to restore ecosystems to their original state.

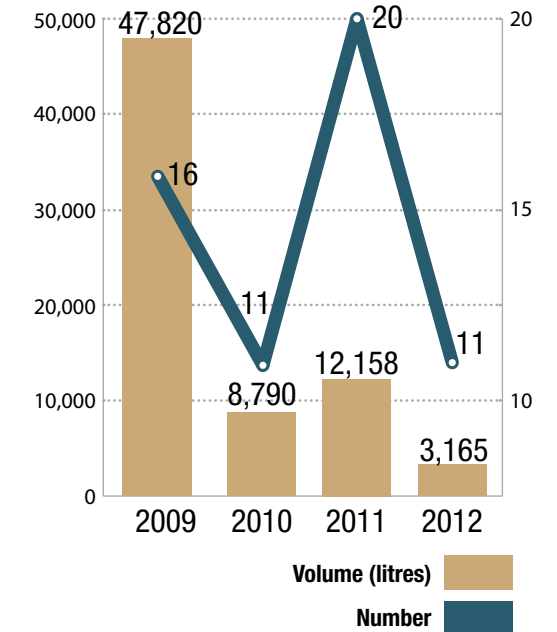
Reducing land disturbance

ATCO Gas Australia's Mandurah Gas Pipeline Project provides a secure and stable gas supply to the expanding Mandurah and Rockingham areas in Western Australia. There were a number of considerations related to sustainability during the planning and construction stages of the pipeline. Several issues were addressed and mitigated through an open and accountable engagement process with various groups, including: management of vegetation and fauna, weed and disease control, a watercourse crossing, preservation of heritage sites as well as minimizing the noise and vibration disturbance for nearby landowners.

The new 17 km pipeline was constructed with the minimum amount of land cleared (only 58 per cent of what was allowable under the permit) through a conscientious approach to planning that included input from all partners. Initiatives included: re-routing the pipeline to take advantage of existing footpaths; use of narrow construction rights-of-way; multiple horizontal directional drills under infrastructure, avoiding environmentally sensitive areas and habitats; and re-seeding in foraging habitat areas. The company was awarded a prestigious Golden Gecko Certificate of Merit for its work on this project.

Additionally, ATCO Electric has developed a best practice for soil management to mitigate the effects of construction and maintenance projects in Alberta's grasslands region.

SPILLS
(Volume & number of)



We strive to minimize the number and size of spills to the environment through rigorous operational procedures and asset integrity. Our goal is zero spills. Number of spills refers to all spills which require reporting to the regulator in that jurisdiction. Spill volume (litres) may not be representative as some spill volumes could not be determined accurately.

PRESERVING HISTORY AND THE ENVIRONMENT IN THE HANNA REGION

ATCO Electric received the Richard G. Forbis award from the Archaeological Society of Alberta for its significant contributions toward raising awareness of historical resource issues during construction of the Hanna Region Transmission Development project. Extra effort was put forth to preserve buildings such as the post office / residence pictured at right and the discovery of a centuries-old bison skeleton (inset) through public consultation and education about the importance of First Nation and pioneer-era sites.





Reusing rights-of-way

Over the course of major pipeline replacement projects, ATCO Pipelines and ATCO Gas were able to significantly reduce the environmental impact of construction activities by reusing existing rights-of-way.

For ATCO Pipelines, of 169 km of pipeline constructed between 2008 and 2011, more than 100 km was constructed parallel to existing rights-of-way, reducing the linear disturbance impacts of pipeline construction and operation. In addition, of the 126 watercourse crossings, more than 100 were constructed using trenchless installation methods, further minimizing land and water impacts. For ATCO Gas, of 124 km of pipeline installed, only five per cent required acquisition of new easement.

Protecting wildlife

ATCO Electric's Avian Protection Program is one of the first of its kind in Canada. In 2011/12, the initiatives under the program continued to ensure the safety of birds that interact with ATCO Electric's transmission and distribution lines. The program includes a variety of measures such as construction design, nest management, risk assessments and employee training.

Recent highlights of the program:

- A multi-million dollar investment in avian safe retrofits is underway that will mitigate electrocution of birds and also help to avoid outages.
- In collaboration with a Ferruginous hawk expert and the Government of Alberta, 34 nesting platforms were built in southeast Alberta for ferruginous hawks, which are an endangered species. The platforms provide safe nesting locations for the birds and have been shown to help increase the species' population.
- In collaboration with Alberta Environment and Sustainable Resource Development, ATCO Electric installed flight diverters on power lines in the Bear Lake area near Grande Prairie, Alberta. These tags make the lines more visible to Trumpeter swans that frequent this region in order to avoid collisions. Trumpeter swans are a threatened species in Alberta.



Ferruginous hawks (top photo) are a threatened species in North America. Their nests are accessible to predators, so ATCO Electric installs coyote-proof nesting platforms for interested landowners. Power poles are a prime site for huge osprey nests, but these nests cause problems for the birds and the equipment, so ATCO Electric builds nest platforms and carefully moves the nest to a safer home.

Waste management

At some of our facilities we generate hazardous wastes, which are managed and disposed in accordance with applicable regulations. Waste volumes vary year-over-year according to operational and maintenance activity levels. This is the first time that ATCO has included hazardous waste quantities in our sustainability report (see page 39). We plan to consolidate programs in 2013 to improve tracking of non-hazardous waste.

ATCO Electric continues its phase-out of PCB (polychlorinated biphenyls) equipment and liquids, which started with an extensive testing program in 1997. The phase-out continued in 2012 and is on-track with company goals and well ahead of regulatory phase-out requirements.

Some of the inherent benefits of modular buildings offered by ATCO Structures & Logistics are reduced construction waste and site disturbance. We introduced our Ecowise™ cabin product in the United Kingdom in 2012, which uses energy-efficient windows, doors, insulation, heating, ventilation, and lighting systems.

In addition, using existing units and materials in unique ways allows for significant reductions in environmental impacts and a shorter project schedule. For example, a new office facility was built using renovated units from the rental fleet. This facility also used Platinum Level Sustainable Choice carpeting in the offices, recycled tire carpet tiles in entrances and stair landings, and vinyl plank flooring made with 50 per cent recycled material throughout the common areas.

WATER

ATCO understands that water is a precious resource. Although we withdraw significant amounts of water for cooling at our coal-fired power facilities, we return more than 98 per cent.

Before returning water to the environment, extensive testing is done to ensure the water meets all regulatory requirements for temperature and quality.

ATCO is a member of the Alberta Water Council (AWC), a multi-interest partnership with members from governments, industry and non-government organizations.

Seven industry sectors developed conservation and efficiency plans for the AWC, and ATCO Power led development for the electricity sector. According to the 2012 Water Conservation, Efficiency, and Productivity Plan, water consumption in Alberta is expected to remain constant until 2030, despite a forecast doubling of electricity demand. This reflects the expected development in alternative sources of power as well as increased efficiency of water use.

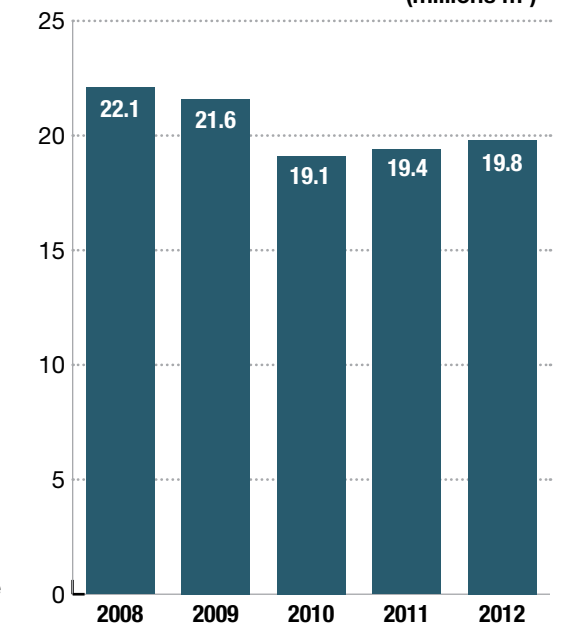
ATCO Power is also one of the industry representatives on the board of the Battle River Watershed Alliance, which is a multi-party, collaborative and consensus-based community partnership that is working to guide, support and deliver actions to sustain or improve the health of the Battle River watershed.

ATCO's Joffre power plant provides an example of increasing water use efficiency. In 2012, Joffre initiated a wastewater recycle loop to the cooling tower, which could result in water treatment cost savings of \$600,000 annually.



At our Sheerness power generating plant, water from the cooling pond is also used for irrigation by the farming community, and for recreation by local residents.

WATER CONSUMPTION (millions m³)



The amount of water ATCO consumes overall has decreased by approximately 10 per cent since 2008. Our water use figures cover process use only (not domestic use), and do not include data from our non-industrial companies.

Health & Safety

Our Commitment

ATCO strives to provide a healthy and safe work environment, and continually improve our safety programs and operational integrity to protect our employees, contractors and the public. We are committed to the safety of employees and to promoting safe practices with our customers.

Ivan McIver, Day Support Operator, checks air quality at the Joffre Co-Generation plant.



Our Approach

Safety is the first consideration in everything we do. We strive to continually improve our safety programs with the objective of providing the awareness, training, procedures, equipment and follow-up to ensure fewer injuries. Our ultimate goal is zero injuries.

Every task and all decisions must be evaluated for any potential safety hazards, and the job only gets done when it can be performed safely. ATCO employees and contractors are trained to know their responsibilities from day one on the job and this includes taking all precautions necessary to ensure their safety and the safety of others.

Our focus on safety goes beyond our employees and contractors, to include our customers who use our products and services, as well as the general public who live and work near our operations.

Highlights

- Overall lost-time injury rate declined by more than 50 per cent since 2008
- Achieved zero lost-time injuries for 10 consecutive years in ATCO Pipelines
- Received a Disaster Recovery Institute Award for effective response, recovery and restoration of critical business functions during the Slave Lake Wildfires in 2011 (ATCO Electric)

Challenges

- Two contractor fatalities in the past two years
- Ensure our safety training programs reach out effectively to our newest workers and contractors
- Reach and engage a culturally diverse workforce in safety programs and education
- Continue to enhance our public education on safe behaviour around electrical and gas installations

Moving Forward

- Provide frontline employees with a more active role in setting direction on safety initiatives
- Continue the public consultation on the Urban Pipeline Replacement project, proposing to move high-pressure transmission of natural gas out of urban neighbourhoods
- Continuously improve internal health and safety reporting
- Continually improve programs targeting hazard identification and injury reduction

EMPLOYEE SAFETY

Each ATCO company has its own safety policy and management system in place that sets expectations, provides comprehensive goals and measures performance. Audits, inspections and checks are typically part of the program used to continuously improve safety performance.

ATCO has an ATCO Safety Network that brings safety managers from each company together three times per year to discuss performance, learn from experiences, and share industry best practices. The goal is to improve consistency and align practices to ensure each ATCO company achieves excellence in health and safety performance, while encouraging continuous improvement.

Embedding safety awareness

Everyday at ATCO, thousands of employees make decisions and take action. Their responsibility lies in continually assessing potential safety hazards in their work environment and always using caution and sound judgment. The clear message from ATCO leadership is that all tasks need to be completed safely.

ATCO uses an approach to safety awareness that focuses on individual roles in safety. Examples of this approach include:

- In 2012, ATCO Structures & Logistics launched its health and safety communications program – ‘Safe and Sound’ – for close to 2,500 employees in factories, lodges, operations and offices. The theme of ‘Our Goal, My Role’, emphasizes the importance of personal responsibility. A similar program also began at Yukon Electrical. ‘Caught U Being Safe’ is designed to promote and reward safe behaviours among employees.
- ATCO Gas launched a new structure governing Health and Safety, Environment and Quality (SEQ) strategy. Part of this structure is a new Steering Team which will establish initiatives and direction for SEQ. A key change is that front-line employees—those most exposed to risk on the job—now have a more active role in direction-setting for future SEQ initiatives.
- Employees who are new on the job have a lot to learn, which is why many ATCO companies have strong mentoring programs, including ensuring new people are easily identifiable through the use of different coloured hardhats or a hardhat sticker.

Safety performance

To track our progress, we report collectively on lagging indicators including lost-time injury rate and recordable incidents, as these are industry-standard measures to help gauge how we manage our operations to prevent harm to our workforce.

Each operating company also monitors and analyzes leading indicators for their business in order to determine the most effective programs to improve safety performance.

Notwithstanding all of this effort, unfortunately in the past two years, we have experienced serious safety incidents, including two contractor

fatalities which remain under investigation. ATCO takes each of these incidents very seriously, with a focus on continuing to improve our employee safety programs, while ensuring those we do business with have robust health and safety programs as well.

Safety programs in action

ATCO Pipelines achieved zero lost-time injuries for 10 consecutive years in 2012 – safely working more than six million hours. A strong safety culture is ingrained throughout the organization, including the practice of only hiring contractors that share these safety values.

ATCO Pipelines continues to use leading indicators, encouraging employees to identify, communicate and mitigate hazards using the ATCO Pipelines’ hazard identification programs. This helps to focus employee attention on safe behaviour and has proven to be effective in identifying hazards before they become incidents. The program has been implemented company-wide for office and field employees to continually assess work areas for hazards, and to implement corrective actions.

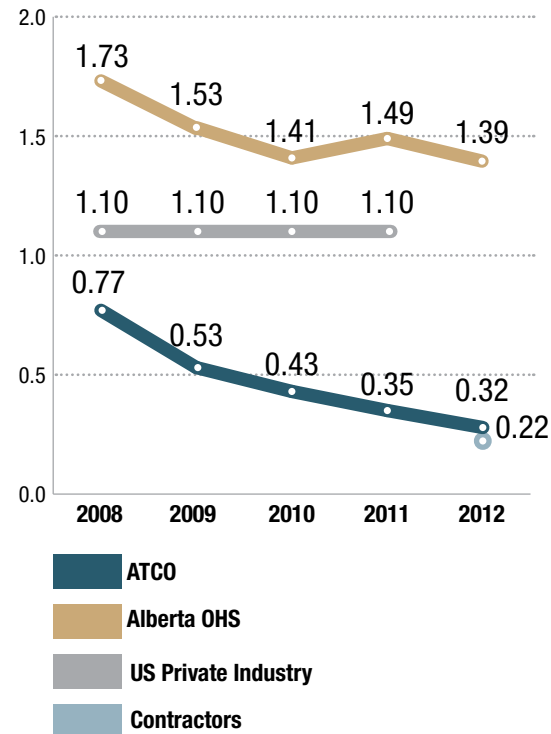
ATCO Electric employees in safety sensitive positions must have a safety goal as part of their annual performance review. The company also surveys its employees every two years to assess their perceptions of safety at the company. Results of the 2011 survey confirmed that safety is part of every aspect of ATCO Electric’s operations and culture. The company also hosted day-long employee health and safety events at various locations with discussion on topics including, safe driving, recycling, cancer prevention, tobacco reduction and stress management.

Promoting health and wellness

ATCO promotes employee wellness through a variety of programs.

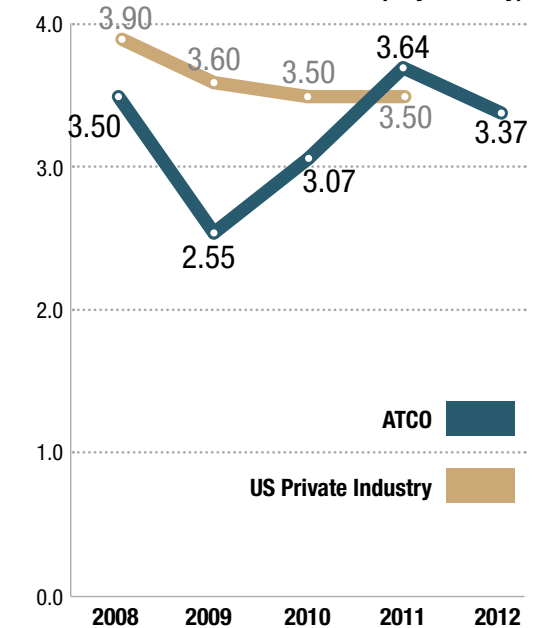
- ATCO’s Employee and Family Assistance Program offers people confidential professional counseling for a broad range of topics, including weight loss, smoking cessation, handling family conflict, depression and/or substance abuse.
- The company benefits package includes a Lifestyle Spending Account, which provides flex dollars to pay for products and services that promote health and wellness, work-life balance and continuous learning. In 2012, the company added green initiatives to the choices, so employees can use flex dollars for items such as energy efficient appliances and transit passes.
- ATCO employees have access to preferred membership rates at all Calgary and Edmonton YMCA locations and there are fitness facilities at both the corporate head offices of ATCO Group and ATCO Structures & Logistics.
- The ATCO Blue Flame Kitchen Learning Centre in Calgary offers a variety of programs designed to encourage and teach students, employees and family members how to prepare healthy, fresh meals at home.

LOST-TIME INJURY RATES (cases per 200,000 hours worked)



Our lost-time injury rate has declined significantly since 2008. ATCO compares favourably with the general lost-time injury rate for Alberta Occupational Health and Safety as well as US Private Industry. We compare against these general benchmarks due to the diverse nature of the operations of our companies. Note that, as of 2012, contractor lost-time injury rate also is reported.

TOTAL RECORDABLE INJURY RATES (cases per 200,000 hours worked, employees only)



Our total recordable injury rate has increased from 2010, with a slight decrease from 2011 to 2012. Several programs are in place to address injury reductions and hazard awareness.



Creeburn Lake Lodge is a joint venture partnership between ATCO Structures & Logistics and the Fort McKay First Nation that provides quality workforce accommodations to the Alberta oilsands region north of Fort McMurray.

PROMOTING PUBLIC SAFETY

Due to the unique combination of our businesses and their interaction with the daily lives of the public, we have a central role to play in not only educating the public and creating awareness around our operations but also acting as part of the first response in the event of an emergency.

	ATCO Electric	ATCO Gas
Workers	<ul style="list-style-type: none"> • Seven Steps to Electrical Safety program with information and demonstrations about high voltage lines (extended to include contract workers in 2011). • Contractor Safety Program provides extensive resources to contractors to support the safety standards and practices ATCO Electric expects from its contractors. • Where's the Line safety awareness program for workers was expanded and farm safety awareness campaign was refreshed. 	<ul style="list-style-type: none"> • ATCO Gas provides training on safe digging practices to excavators, contractors and equipment operators who disturb the ground. • Participates in and promotes Alberta One-Call, a free, province-wide service that arranges marking of the location of buried facilities. • www.atcogas.com provides extensive safety resources for workers.
ATCO Gas and ATCO Electric invest in training and resources for emergency responders to ensure they are able to safely respond to emergencies that involve natural gas and electricity.		
Home Owners	<ul style="list-style-type: none"> • www.atcoelectric.com provides extensive information about how to be power safe in the home. • Seasonal advertising campaign to remind the public about electrical safety during the holidays. 	<ul style="list-style-type: none"> • Click Before You Dig reminder campaign. • Damage Prevention program provides instruction on how to dig safely. • Home safety program includes safety inspections and advice about natural gas safety, home heating, operating natural gas appliances and carbon monoxide. • www.atcogas.com provides extensive safety resources for homeowners.
Students	<ul style="list-style-type: none"> • Louie the Lightning Bug safety video and presentation for young Alberta students. • Teaching Power program provides resources for Alberta teachers to teach students about power safety. • Teaching Power for Grade 5 has been replaced and expanded. A new Teaching Power for Grade 9 program was also developed. 	<ul style="list-style-type: none"> • ATCO Gas supports a fire safety education program in conjunction with the Calgary Fire Department's Fire Cadet Program, which is targeted at school age children. • ATCO Gas Lost Kids program at the Calgary Stampede helps lost kids and their parents to be reunited quickly and safely.
<ul style="list-style-type: none"> • ATCO Energy Theatre SuperPower show delivers important safety messages to Alberta school children. • ATCO Blue Flame Kitchen Learning Centre's Kids Can Cook program teaches Grade 4 students how to safely prepare delicious meals. 		

We have several safety promotion activities for specific groups, including industrial and agricultural industry workers, homeowners and school children. For example, The ATCO Energy Theatre, which teaches school children safety lessons about natural gas and electricity, received an award for Achievement in Promoting Public Safety from the Canadian Gas Association. The program also received the Mayor's Award for Innovative Support of the Arts by a Business at the 2012 Mayor's Celebration of the Arts event in Edmonton.

Safe transmission of natural gas

Pipelines are the safest method of transporting large volumes of natural gas throughout North America everyday. To keep our system safe, we rely on our customers and contractors to act as our partners in safety.

ATCO Gas and ATCO Pipelines extensive network of pipe, meter and compressor stations transports sweet natural gas. There are many benefits to using natural gas, but there are actions we all must take to ensure our safety with pipelines.

As part of ATCO's commitment to ensuring safe excavations near our pipelines, pipeline locates are provided free of charge to the excavating community. Those working near or crossing an ATCO Pipelines facility are required to contact ATCO Pipelines to obtain a free Alberta Pipeline Crossing Agreement. ATCO Pipelines will be on-site during the ground disturbance activity to help ensure the work takes place safely.

Urban Pipeline Replacement Project

Improving the safety and reliability of the high-pressure natural gas transmission systems in Alberta's two major urban centres of Calgary and Edmonton is a major initiative for ATCO Pipelines.

After extensive internal review in 2010, as well as a broad public consultation process in 2012, ATCO Pipelines is proposing to shift the high-pressure transmission of natural gas out of urban neighbourhoods to the provincial transportation/utility corridors that were developed by the Alberta government in the 1970s to house roadways and these types of utilities.

The pipeline plan incorporates major elements of safety and sustainability:

- pipelines would be located in less densely populated corridors to affect fewer neighbours;
- the latest pipeline monitoring technology and advanced construction practices will be employed;
- existing pipelines will not necessarily be decommissioned. Where required, they will be transferred to ATCO Gas to be used as infrastructure within its low-pressure distribution network; and
- new, larger pipes will have capacity for future growth.

First to the scene

ATCO companies have a unique combination of experience and expertise in emergency response – skills that have led them to a trusted role as part of the first responders to an emergency. ATCO companies work with first responders to teach them about how to deal with high-voltage electricity and natural gas in emergency response.

ATCO Electric, ATCO Gas and local officials have introduced customized emergency preparedness guides to area residents and businesses.

In addition to reviewing the new emergency preparedness guide, residents and business owners are encouraged to keep a household emergency kit within easy reach. A complete list of recommended kit contents is included in the guide.

Organized in a quick reference format, the new guide includes information on the Alberta Emergency Public Warning System, Alberta One-Call, evacuation procedures, chemical spills, storms, wildfires, influenza and natural gas and electricity emergencies. To date, more than 19 guides have been produced.



SLAVE LAKE WILDFIRES

The wildfires that swept through northern Alberta in 2011 left behind an unprecedented trail of destruction. Homes, businesses, utilities, industrial installations, whole communities were turned to ash. With 30 per cent of the town of Slave Lake destroyed, the community of 7,000 residents was declared a major disaster area.

ATCO has been providing natural gas and electricity to the area for more than 60 years and is one of the largest local employers, so many of our employees were affected. Out of the more than 100 employees or former employees living in Slave Lake, 26 people, including two pensioners, lost their homes.

Several ATCO companies worked diligently in an effort to restore critical services for the town in just two weeks. Early estimates indicated that it could have taken as long as two months to complete this work.

Touched by the tragedy, ATCO employees donated more than \$91,000 in less than one month to help their co-workers in Slave Lake. Their donation was matched by ATCO for a total of more than \$183,000.



Our gas utility companies offer homeowners information and services to ensure their safety around natural gas, including free inspections and our Click Before You Dig reminders.

Employees

Our Commitment

ATCO offers diverse opportunities in a work environment where employees are respected and valued. Our team shares a commitment to:

- Upholding the highest standard of ethical behaviour and maintaining a respectful work environment with an emphasis on teamwork;
- Growing our talent internally through professional, leadership and occupational skills development as well as providing opportunities for career growth;
- Ensuring competitiveness from a total compensation perspective;
- Clearly communicating performance expectations and recognizing milestones and achievements; and
- Enhancing the company's technical infrastructure to manage our large, diverse and geographically dispersed labour force in an efficient, effective manner.

In addition to monitoring ATCO Pipelines facilities 24/7 through our control centre, employees like Amy McConnell, Transmission Operator, visit facilities regularly to ensure safe and efficient operations.



Our Approach

ATCO started as a family business more than 65 years ago. The company has grown to become a worldwide enterprise employing more than 9,000 people, but our enduring ethos is rooted in solid family values: work as a team, be responsible for your actions, always give your very best effort and make a difference in your community.

By engaging our employees throughout their careers, we hope to foster a successful long-term partnership with the individuals who add their contributions to our ongoing success story.

Highlights

- Standardized human resources processes and implemented an integrated talent management program
- Introduced enhancements and greater flexibility in the employee benefit plan, such as purchasing flex days and increased employer contribution within the Employee Share Purchase Plan
- Provided employees with enhanced information and tools to engage in financial and retirement planning
- In 2011, increased our worldwide presence by adding 350 employees in Australia

Challenges

- An aging workforce and competitive marketplace demands that ATCO's human resource strategies continue to evolve in order to attract and retain top talent
- Development of successors and succession planning is critical
- Communication needs to reach and engage a diverse workforce that spans several industries in countries around the world

Moving Forward

- Further utilize social media to attract employees
- Improve our ability to forecast the amount and types of talent to focus our recruitment efforts on forecasted needs
- Continue to evolve our articulation of ATCO's employee value proposition
- Continue to optimize our HR processes and systems



Career Development at ATCO

GETTING STARTED

- **ATTRACTION/ SELECTION**
Attracting the best and brightest to ATCO

- **ORIENTATION & ONBOARDING**
Information and support starts at the recruitment stage and continues through those important first weeks and months on the job

- **CONTINUAL IMPROVEMENT, ENGAGEMENT & LEARNING**
Employees are engaged through training and career development opportunities

THROUGHOUT CAREER

- **LEADERSHIP DEVELOPMENT**
Programs available to develop our future leaders

- **HEALTH & WELLNESS**
ATCO provides permanent employees with a complete selection of health & wellness benefit options

- **RETIREMENT PLANNING**
Information and tools provided to assist employees to take an active role in retirement planning

- **GRADUATED TRANSITION TO RETIREMENT**
Several ATCO companies transition employees to retirement by slowly reducing their work commitments

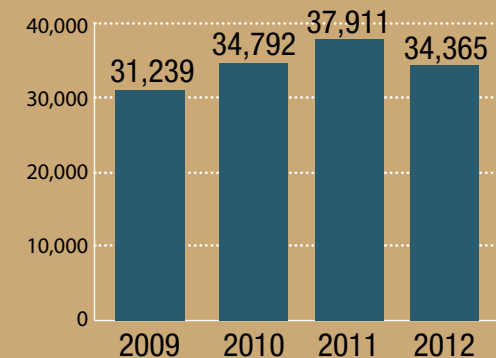
MOVING ON

VOLUNTEERISM

ATCO EPIC Time to Give was created to recognize the contributions of ATCO employees who volunteer during their free time to our communities to make our communities a better place to work and live. Every year, employees volunteering 50 hours or more are eligible to apply for a \$150 donation to a registered charity of their choice. In 2011/12, ATCO employees volunteered more than 72,000 hours of their time.

ATCO Gas celebrated its 100 year anniversary in 2012 and employees made a bold commitment to complete 100 Days of Caring during work hours throughout the year. ATCO Gas employees surpassed this goal, completing more than 120 community service projects, including rebuilding community playgrounds and volunteering at local food banks.

EPIC TIME TO GIVE - VOLUNTEER HOURS



GETTING STARTED

Growth in the ATCO companies demand that we find the right people to join our team. Like many global companies, we also have an aging workforce of whom many are eligible for retirement in the next few years. In today's environment, companies compete for top quality talent and we must clearly define, differentiate and communicate the rewards and opportunities that come with a career at ATCO.

ATCO uses a variety of strategies to attract the right people; including employee referral programs, international job fairs, online job postings, as well as an increasing use of social media tools, like LinkedIn.

Our challenge for the future is to identify, forecast and recruit the skills, experience and competencies that are essential to meeting our goals. We know our strength lies in the range of opportunities ATCO can offer its employees as well as our solid reputation in the marketplace built on strong family values.

Once the right candidate is found, onboarding and orientation can begin. Our online orientation gives new employees an interactive first impression that provides an overview of the diversity of opportunities at ATCO. The onboarding process can last from three months to upwards of one year, depending on the position. Our goal in our orientation and onboarding programs is to ensure new employees are welcomed and supported in their ability to make an impact within our organization immediately and over the long term.

Diversity

The diversity of operations at ATCO's worldwide companies demands a diverse, inclusive workforce. ATCO supports recruitment, education and training initiatives toward indigenous and immigrant workers in an effort to reduce employment barriers for these groups. Examples include ATCO Electric's Aboriginal summer student program, ATCO Pipelines'

Aboriginal Education Awards Program and ATCO Structures & Logistics' career fairs targeted toward new immigrants.

ATCO's overall recruitment goal is to hire the best candidate, so our companies do not generally ask prospective employees to self-identify into specific diversity categories, nor do we set diversity quotas.

However, one company, ATCO Structures & Logistics, implemented an employment equity program in 2012 consistent with the Federal Contractors Program.

This program's goal is to achieve workplace equity for designated groups experiencing discrimination in the Canadian labour market, namely: women, aboriginals, people with disability and members of visible minorities. This program encourages new hires to voluntarily identify themselves as belonging to one of four groups that have historically experienced barriers to employment.

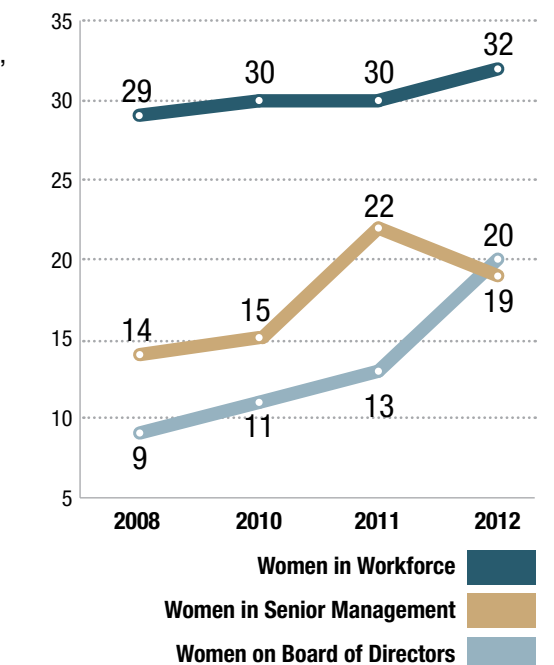
THROUGHOUT CAREER

Continual improvement

ATCO implemented an integrated talent management program in 2011 for all its Canadian employees not covered by a collective bargaining agreement. The new program ensures that employees go through a cycle of establishing, progressing and evaluating their goals, objectives and development plans in collaboration with their direct supervisor or manager. Technology has enabled us to streamline this process, while providing employees with an opportunity to become more engaged in the process. Employees can update their online Talent Profile as they achieve milestones and grow their career.

Many ATCO employees have grown and developed their careers as well as their knowledge of different industries through inter-company transfers.

WOMEN IN THE WORKFORCE (%)



Approximately 32 per cent of ATCO's overall workforce is female, 19 per cent in Senior Management and 20 per cent in the Board of Directors for 2012. According to Catalyst, a worldwide, non-profit research company, women hold 18 per cent of senior officer positions for public companies in Alberta. Note, due to the integration of multiple data management systems in 2009 we are unable to report this data.

Health & Wellness



FLEXIBLE BENEFITS

Customizable, comprehensive benefits package that uses flex dollars to purchase coverage

FINANCIAL PLANNING

Financial planning seminars help employees navigate their financial future and prepare for retirement

SAVINGS PLANS

ATCO's pension and employee share purchase plans provide employees with opportunities to contribute toward their financial goals

FLEX DAYS

Added time off for personal employee appointments or obligations, and the ability to purchase additional flex days

SERVICE AWARDS

Dedicated service is recognized with gifts and service recognition events

EMPLOYEE & FAMILY ASSISTANCE

Provides information and confidential short-term counselling to help employees with life's challenges

Diversity in our operations is one of ATCO's key strengths, adding both breadth and stability to our employees' careers.

Retention of long-term employees is equally important to us for the knowledge and continuity they provide and we recognize these service milestones for each employee. More than 20 percent of our workforce has more than 20 years of service.

Competitive benefits and savings plan

ATCO enhanced its already competitive benefits plan for permanent employees in 2012, expanding coverage and adding the option to purchase additional flex days. Employees can build their own customized plan, choosing one of 27 potential health and dental combinations to ensure the plan suits their individual needs.

Our Employee Share Purchase Plan allows employees to save money through the purchase of ATCO and/or Canadian Utilities Limited shares. In 2012, ATCO announced an increase to the partial match it provides to employees' savings based on their years in the plan. As of December 2012, more than half of ATCO's eligible employees participated in the plan.

Employee engagement

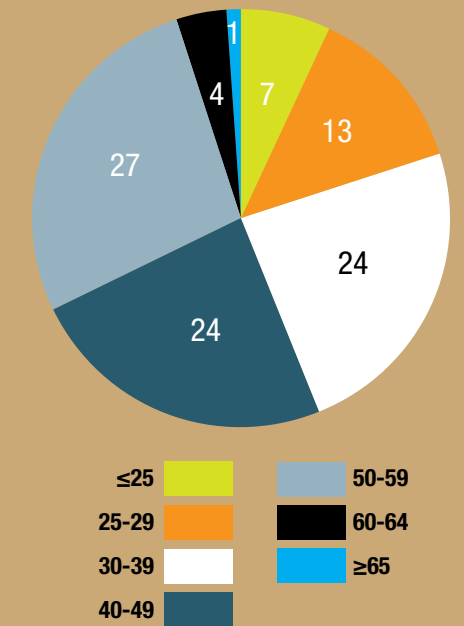
One of ATCO's core values is transparency and employees are encouraged to ask questions, while staying current with the initiatives of their company and the wider organization. Face-to-face communication through regular performance discussions as well as townhall meetings with leaders gives employees a forum for further discussion and questions. Enterprise-wide initiatives are communicated through the ATCOinsite intranet portal, while company-specific news is delivered via both online and print vehicles.

MOVING ON

ATCO offers eligible employees the opportunity to scale back on their work commitments over time with a graduated transition to retirement. This benefits both the organization and the employee while facilitating knowledge transfer and ensuring business continuity.

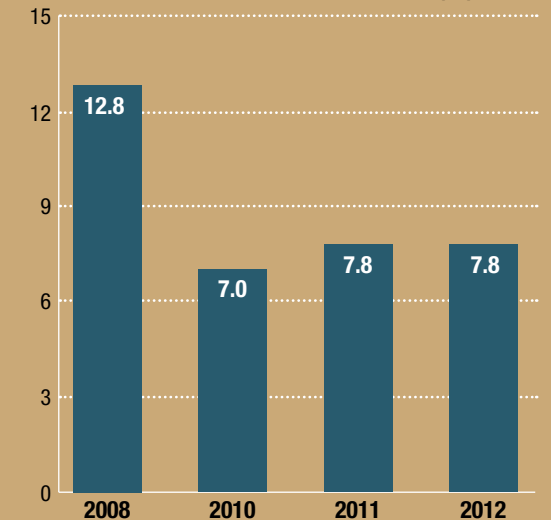
ATCO also recognizes that personal retirement planning is an essential element of employees overall benefit planning and retirement readiness. The company provides people with training and tools to help them take an active role in achieving their financial goals.

WORKFORCE BY AGE(%)



We strive to create a workplace that appeals to all age groups. A healthy balance of employees in early, mid and later career stages is desirable.

VOLUNTARY TURNOVER RATES (%)



Turnover has remained relatively stable over the last three years, which is likely the result of career development, leadership training, and the stability of ATCO. Note, due to the integration of multiple data management systems in 2009 we are unable to report this data.

LEARNING AND DEVELOPMENT

Our employees are provided with ongoing skills training and career development opportunities as well as comprehensive leadership development programs to build and enhance their skills in both leadership and management practices. The objective of our leadership programs is to develop a performance-driven pool of leadership talent that sets ATCO apart from its competitors.

Classroom and experiential learning are offered through Mount Royal University in Calgary and the Ivey School of Business in London, Ontario. In 2011/12, more than 1100 employees participated in these programs, from front-line leaders up to and including executives.

In late 2012, we introduced an enterprise-wide Learning Management System, providing employees with a centralized system to access and track progress on a variety of online learning programs. Online learning engages our geographically diverse workforce in a variety of important topics, including: new employee orientation, performance reviews and information technology policy.

We also provide the children of our employees with scholarships and bursary funds to help defray the rising costs of post-secondary education. In 2012, employees' sons and daughters received more than \$900,000 in scholarships and bursaries.

Communities

Our Commitment

ATCO is committed to contributing to the quality of life in the communities where we do business and where our people work and live. We are committed to:

- seeking to understand and meet the needs and interests of the communities we serve;
- facilitating engagement with governing authorities, regulatory bodies, landowners and community groups that may be affected by our project proposals and operations; as well as
- building mutually beneficial commercial relationships with local suppliers.

ATCO Gas Rocky Mountain House employees Amber Pipke and Shane Wallace are two of the several volunteer fire fighters that also work for ATCO. This invaluable service strengthens the emergency responder network available in these smaller communities and ATCO ensures these individuals can respond when needed.



Our Approach

We are thoughtful and respectful in our approach, whether it involves investing in community organizations or engaging people who may be affected by our operations. Our decisions are often guided by the first-hand knowledge of our employees who live in the communities they serve. Because we are located in hundreds of communities worldwide, we realize that engaging community members in decisions is good business. With Aboriginal communities, we work to build and maintain mutually beneficial relationships. Our approach is based on respect, trust and understanding of their interests. We let our employees take the lead in our community investment through our ATCO Employees Participating In Communities (EPIC) program, ensuring that our investment reflects the interests of those who shape our company.

Highlights

- ATCO EPIC employee giving sets new record of \$3.4 million in 2012
- After extensive public consultation, the Eastern Alberta Transmission Line project is going forward
- Initiated public consultation on ATCO Pipelines' Urban Pipeline Replacement Project
- Extended community investment and partnership programs to ATCO Australia operations
- Launched ATCO Sustainable Communities, a company focused on meeting the needs of Indigenous communities

Challenges

- Ensure affected groups are aware and provide their feedback on our proposed projects
- Maintain consistently high standards for a largely decentralized public engagement function in our worldwide operations
- Further engage our worldwide employees in our community giving and volunteerism programs

Moving Forward

- Continue informing and involving affected groups in the Eastern Alberta Transmission Line and Urban Pipeline Replacement projects
- Further invest in our new ATCO Sustainable Communities business to enhance our Aboriginal partnerships and leverage our building expertise
- Provide online Aboriginal awareness training to all employees

PUBLIC ENGAGEMENT

Given the broad and diverse nature of our businesses, our operations touch the lives of people all over the world. Our approach to engaging with the public is built on our core values of caring, collaboration and transparency, which to us means working together, being honest about our intentions, communicating openly and being a good neighbour.

We seek to engage organizations and individuals who are directly affected by our operations, or who have a direct impact on ATCO. In some cases, such as our customers, employees, suppliers, and investors, the impact is largely economic. For others, such as governments, communities, non-profit groups and individual citizens, the impact can be broader.

We do this to achieve not only our regulatory obligations and sustainability commitments but also the social license to operate that comes from relationships developed with the communities and individuals affected by our operations.

Urban Pipeline Replacement Project

ATCO Pipelines conducted a large public engagement campaign in 2012 as part of its Urban Pipeline Replacement (UPR) Project in Alberta. The project proposes to reduce the overall risk to public safety by shifting the high-pressure transmission of natural gas out of neighbourhoods in Calgary and Edmonton and into specially designated transportation/utility corridors.

More than 75,000 information packages were mailed out to residents in Edmonton and Calgary living in close proximity to the existing or the proposed pipelines. The packages explained the project and its potential effects, while providing a forum to raise concerns and provide input. There was significant interest in the project and, of those people who took a

position on the program, 69 per cent were in support, 25 per cent were neutral and six per cent opposed. A summary of the public consultation process and the comments received were submitted to the Alberta Utilities Commission (AUC) as part of the application seeking approval for the remaining phases of the UPR Project. If approved, construction would be scheduled for completion over the next five years.

Eastern Alberta Transmission Line

In November 2012, the AUC approved the facility application for the Eastern Alberta Transmission Line and granted ATCO Electric permit and licence to construct and operate the facilities. The 485 km, 500 kilovolt direct-current line, and associated facilities, runs from the Gibbons-Redwater area near Edmonton to Brooks in southeast Alberta. The new line will add much-needed capacity to Alberta's existing electricity transmission system.



ATCO Pipelines held open houses for the public to learn more and provide feedback on the Urban Pipeline Replacement Project as part of its public consultation program.

ATCO Electric's submission to the AUC included a preferred route and some alternative route segments based on numerous environmental and land use routing considerations and input received through the extensive public consultation process the company had conducted throughout the application process. The campaign involved more than 8,500 consultations with landowners and interested parties and created a dialogue through Project Information Packages and Updates shared through the mail and on our dedicated website as well as open houses and one-on-one conversations.

In its decision, the AUC approved a substantial portion of the preferred route as applied for by ATCO Electric. The remainder of the approved route, approximately 125 km, is made up of alternative route segments for which ATCO Electric also applied. The AUC based its decision on landowner feedback, land-use, social factors, cost and environmental considerations.

Sheerness Community Environmental Advisory Committee

The Sheerness Community Environmental Advisory Committee (SCEAC) that ATCO Power established at its Sheerness facility continues to engage nearby residents and other interested community members. The SCEAC acts as a sounding board for any new plans and has been instrumental in ensuring the facility continues to operate with community concerns in mind.

ATCO Power also holds regular open houses at several of its facilities to better understand current issues of importance to the community, communicate changes in operations to community members and listen to their feedback.

Community symposiums

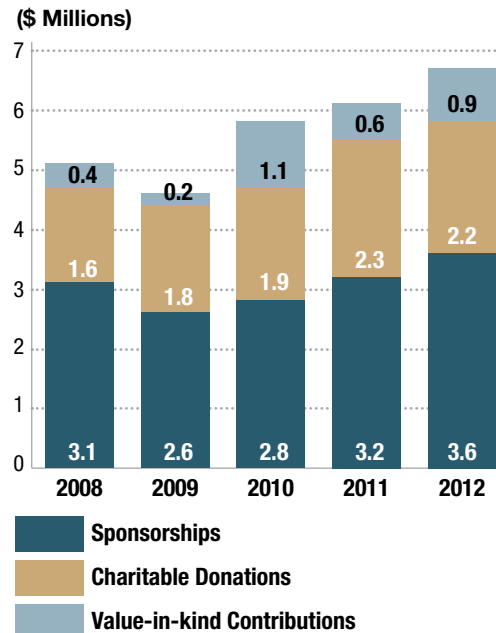
Each year, members of municipal governments and representatives from not-for-profit organizations throughout Alberta gather for the annual ATCO Electric and ATCO Gas community symposiums. The unique flagship program helps organizations within Alberta communities to help themselves. Attendees learn from experts how to develop, implement and maintain long-term sustainable programming to ensure Alberta's rural communities stay healthy, thrive and get recognized for the powerful influence they have on this province.

Recent events focused on partnerships, fundraising, marketing and promotions, volunteerism trends and creative project planning.



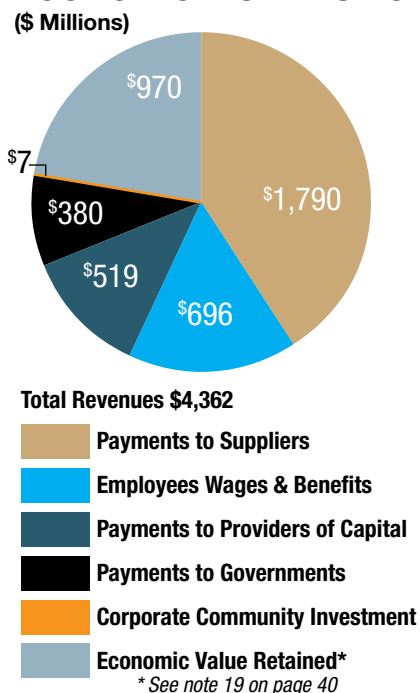
ATCO Electric's public consultation process for the Eastern Alberta Transmission Line involved more than 8,500 consultations with landowners and other interested parties.

COMMUNITY INVESTMENT



The above graph represents ATCO's total sponsorship, donation and value-in-kind contributions, excluding employee donations. Charitable Donations includes the ATCO portion of the EPIC donation, as well as other donations.

ECONOMIC DISTRIBUTION



We contribute to the economic vitality of the communities in which we operate in part through the taxes we pay, the jobs we create, and the goods and services we purchase.

COMMUNITY COMMITMENT

ATCO and its people are committed to helping create healthy, vibrant communities by developing meaningful partnerships with various organizations and by providing our time, expertise and financial support.

Our community investments are as diverse as our companies; however, education has been a common theme across the ATCO companies around the world. We endeavor to make a positive difference in our communities through programs, scholarships and bursaries that enhance the skills and knowledge of future generations.

Matching generosity: Employees Participating in Communities (EPIC)

ATCO employees, together with company matching, donated \$3.1 million in 2011 and \$3.4 million in 2012 to more than 500 charitable organizations through the company's annual ATCO Employees Participating in Communities (EPIC) fundraising program.

The program combines fundraising events, auctions, friendly team competitions and employee pledges to support charitable organizations across Canada. Employees direct their pledges to the charity of their choice and ATCO covers all the administrative costs of the program. ATCO further enhances its employees' generosity by matching all the employees' charitable donations made to human health and wellness organizations.

Celebrating 100 years

In 2012, ATCO Gas celebrated its 100th year anniversary of delivering natural gas service in the province of Alberta with the 100 Days of Summer Centennial Tour. The tour visited more than 50 Alberta communities throughout the summer of 2012, bringing fun musical theatre performances, community BBQs and children's activities to more than 17,000 Albertans. A pinnacle celebration took place in July at the Calgary Stampede with a ceremonial lighting of the cauldron atop the Calgary Tower commemorating the flaring ceremony in 1912 when natural gas was first delivered to the city. ATCO Gas employees designed, built and installed the cauldron for the 1988 Olympic Winter Games. The company also donated more than 25,000 early industry photos and records to provincial archives, ensuring that this historical information is available to the public.

Building partnerships

ATCO Australia entered into a three-year partnership with the University of Western Australia Business School in 2012. The partnership supports the school's teaching, research, thought leadership and community engagement, while providing financial support for students in need through undergraduate scholarships.

This initiative also provides ATCO Australia the opportunity to invest in programs and initiatives that develop a skilled and sustainable workforce through continuous personal and professional learning.

Economic impact

ATCO's broad network of operations and facilities means that we have a significant economic impact on hundreds of communities around the world. We contribute to the economic vitality of the communities in which we operate in part through the taxes we pay, the jobs we create, and the goods and services we purchase.

ABORIGINAL RELATIONSHIPS

The diversity of ATCO's businesses encourages a variety of relationships with Aboriginal communities, including:

- providing essential services through our gas and electric businesses, while engaging and consulting on new projects;
- working together through our partnerships and joint ventures – e.g. providing hydro power generation via the Oldman River facility;
- offering employment and work opportunities – e.g. through operating and maintaining the North Warning System in the Arctic; and
- promoting mutually beneficial relationships through good neighbour agreements and Memorandums of Understanding (see page 37).

We combined our expertise in modular and pre-engineered building solutions with our experience working in long-standing, successful Aboriginal partnerships to launch ATCO Sustainable Communities in 2012. This new company has the capability to work with remote communities to create residential and commercial buildings that serve their unique environmental and cultural needs.

Approach to partnerships

Building and sustaining these Aboriginal relationships helps to form the foundation of how ATCO does business and this is reflected through both our longstanding relationships with Aboriginal communities and how we engage with these communities every day.

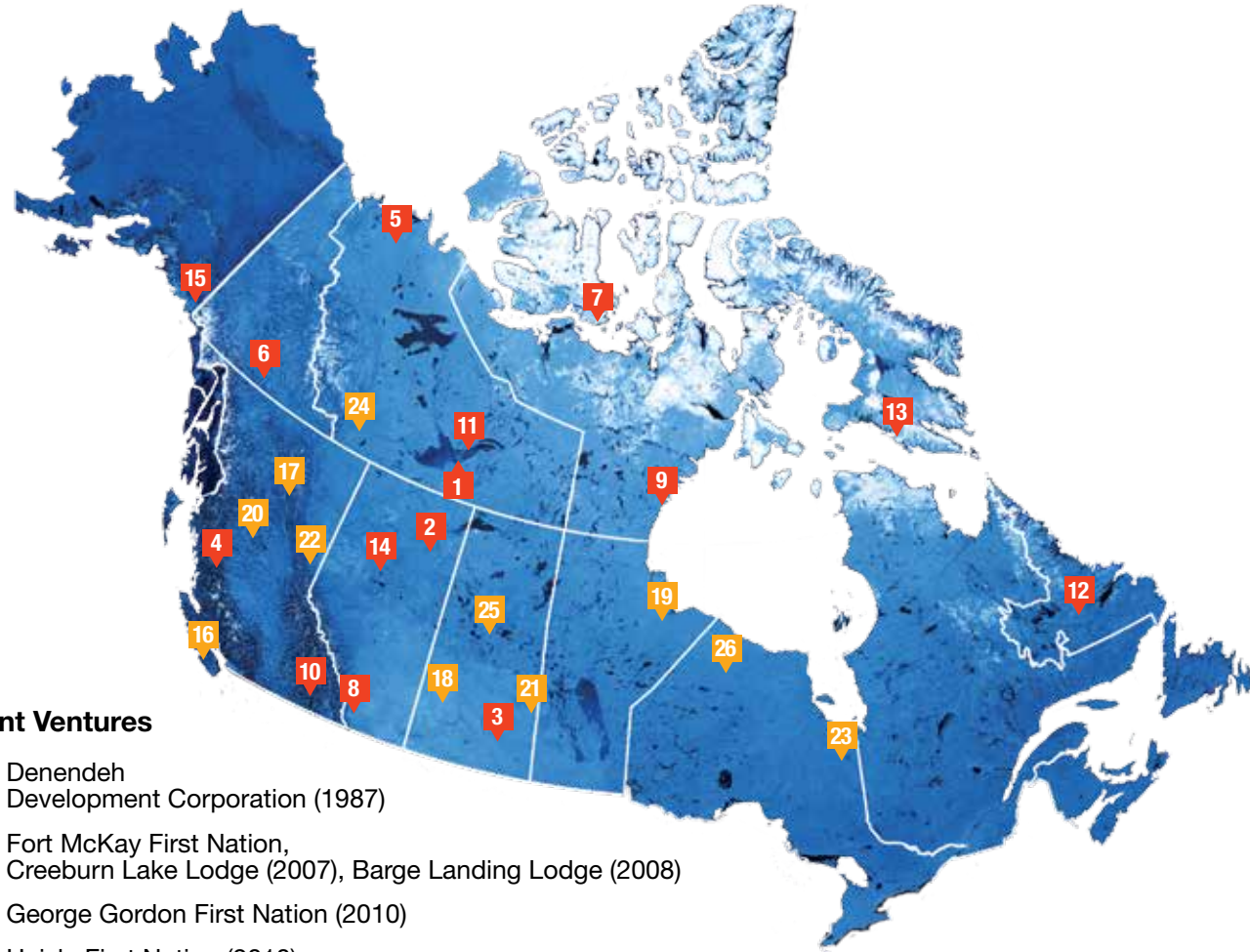
Partnerships that stand the test of time involve respect, trust, understanding and transparency. Each party commits to bringing value to the partnership and continues to negotiate in good faith as the situation evolves over time. ATCO conducts all of its business in this spirit, striving to maintain positive relationships that contribute to sustainable economic and social development in the communities where we work and live.

Some of our first Aboriginal partnerships have endured for more than 30 years and these successful, long-term relationships have opened the door for ATCO to serve many Aboriginal communities. One longstanding example is the relationship between the Denendeh



ATCO Chair, President & Chief Executive Officer, Nancy Southern, was named an honorary Chief of the Kainai (Blood Tribe of Alberta) during a traditional ceremony on the Blood Reserve in southern Alberta in 2012.

ATCO's Aboriginal Partnerships



Joint Ventures

- 1 Denendeh Development Corporation (1987)
- 2 Fort McKay First Nation, Creeburn Lake Lodge (2007), Barge Landing Lodge (2008)
- 3 George Gordon First Nation (2010)
- 4 Haisla First Nation (2010)
- 5 Inuvialuit Development Corporation (2004) & Inuvialuit Petroleum Corporation (2008)
- 6 NASCo NorthwesTel (1998)
- 7 Pan Arctic Inuit Logistics North Warning System (1994)
- 8 Piikani Oldman Hydro Limited (2007)
- 9 Sakku Investments Corporation (2012)
- 10 St. Mary's Band (2011)
- 11 Tli Cho Lantran & Denedeh Development Corporation (1993)
- 12 Torngait Services Inc. Voisey's Bay Nickel Co. (1995)
- 13 UQSUQ Corporate Iqaluit Fuel Supply (1996)
- 14 Woodland Cree First Nation (2013)
- 15 World Technical Services Inc. Alaska Radar System (1994)

Memorandums of Understanding

- 16 Ahousaht First Nation (2010)
- 17 Bear Dog Enterprises (2011)
- 18 Clarence Campeau Development Fund (2011)
- 19 Fox Lake Cree Nation (2012)
- 20 Gitanyow (2011)
- 21 Infinity Development Corporation (2012)
- 22 Lhoosk'uz Dene Nation (2011)
- 23 Moose Cree Business Consortium (2010)
- 24 Naha Dehé Dene Band (Nahanni Butte) (2012)
- 25 Pinehouse Business North (2011)
- 26 Webequie First Nation (2011)

Development Corporation (DDC) and Northland Utilities Enterprises (Northland Utilities). DDC is a private company owned by the Dene of the Northwest Territories, specifically the Gwich'in, Sahtu, Dehcho, Tlicho and Akaitcho First Nations communities.

In 1987, DDC purchased a five per cent share of Northland Utilities, and in 1994, expanded its ownership to 14 per cent, along with adding representatives on Northland Utilities' Board of Directors. In 2012, the partners introduced the Building Capacity Aboriginal Employment Program, which is focused on the recruitment and development of Aboriginal residents for successful employment within Northland Utilities.

Approach to community investment

We seek to support Aboriginal communities, organizations and initiatives in the following key areas:

Youth & Education – promoting growth and development of youth and leaders through investment in personal, professional and cultural learning. For example, scholarships, bursaries, mentoring programs, and workforce and life skills development programs.

Community Leadership – strengthening the foundation of communities through leadership. For example, National Aboriginal Achievement Awards, Regional Aboriginal Recognition Awards and Alberta Future Leaders programs.

Arts & Culture – preserving and celebrating the unique traditions, history and cultural diversity in our Aboriginal communities, lands and territories. For example, Treaty Days, National Aboriginal Day and cultural celebrations reaching a broad segment of the community.

Building further understanding

ATCO sponsors a four-day Aboriginal Relations Leadership Certificate program at the University of Calgary, covering the following topics:

- Historical overview of Aboriginal People in Canada and current issues
- Socio-cultural / environmental issues and economic development in northern and Arctic regions
- Indigenous ways of knowing and current trends in education and employment
- Development in Aboriginal communities and building strong corporate Aboriginal relationships

Facilitated by knowledgeable experts and Aboriginal leaders, the course is designed for undergraduates, alumni or working professionals whose career interconnects with Aboriginal communities. This three-year pilot program allows 30 ATCO employees per year to benefit from this leadership course.



SHOWCASING NORTHERN CULTURE

The Arctic Winter Games brings together young athletes and cultural performers to participate in friendly competition and share cultural values from countries and regions across the Circumpolar North. ATCO was a Legacy Sponsor at the March 2012 Arctic Winter Games held in Whitehorse, Yukon, which saw 2,000 participating athletes and cultural performers, along with hundreds of fans and volunteers immersed in a week-long celebration of athletics and culture.

As the presenting sponsor of the Cultural Festival for the 2012 Games, we initiated the ATCO Play Your Part Art Contest, engaging and inspiring nearly 5,000 eligible students from Grades 1 to 12 across the Yukon to use their artistic talents to capture cultural impressions of northern life.

More than 80 per cent of the schools participated in the contest. Twenty-four prizes of \$1,000 were awarded to be used toward a cultural or artistic activity for each winner's classroom. Honourable mentions went to six additional entries that received a \$250 award for their classroom.

Photo: Yukon students Seth and Alice proudly display their winning entries in the ATCO Play Your Part Art Contest.

Performance

Our Commitment

ATCO is committed to measuring and reporting our sustainable development performance in a transparent manner. Transparency holds us accountable to our share owners, employees and customers, but it also triggers internal action. This report is a management tool that helps us identify areas where we can make further investments of resources to improve our performance.

Indicator ^{1,2}	Units	2008	2009	2010	2011	2012
ENVIRONMENT³						
Air Emissions ⁴						
Direct GHGs	kilotonnes CO ₂ e	17,049	15,847	15,205	15,217	13,290
Indirect GHGs ⁵	kilotonnes CO ₂ e	-	-	-	275	275
Sulphur dioxide	tonnes	63,182	53,825	56,244	61,294	57,357
Nitrogen oxides	tonnes	26,566	24,626	24,523	27,126	24,360
Particulate matter (PM2.5)	tonnes	469	495	471	537	630
Carbon monoxide	tonnes	1,171	1,058	929	1,666	1,645
Volatile organic compounds	tonnes	77	74	68	300	227
Mercury	kilograms	157	181	189	81	63
Ozone depleting substances ⁶	kilograms	77	6	0	66	1
Water Use ⁷	million m ³	22.1	21.6	19.1	19.4	19.8
Spills ⁸						
Number		-	16	11	20	11
Volume	litres	-	47,820	8,790	12,158	3,165
Hazardous Waste	tonnes	-	-	-	195,583	113,946
Environmental Fines and Penalties	\$	0	0	0	0	1,000
SOCIAL⁹						
Health & Safety ¹⁰						
Lost time injury rate (employees)	Cases/200,000 hours worked	0.77	0.53	0.43	0.35	0.32
Lost time injury rate (contractor)	Cases/200,000 hours worked	-	-	-	-	0.22
Recordable injury rate (employees)	Cases/200,000 hours worked	3.50	2.55	3.07	3.64	3.37
Fatalities (employees)		0	0	1	0	0
Fatalities (contractors) ¹¹		0	0	0	0	2
Employees ¹²	#	7,781	7,524	7,726	8,891	9,428
Voluntary Turnover Rate ¹²	%	12.8	-	7.0	7.8	7.8
Employees in Employee Unions or Associations ¹²	%	54	-	56	52	50
Non-compliance incidents regarding safety of products and services	#	-	0	0	0	0
Diversity ¹²						
Women in workforce ¹³	%	29	-	30	30	32
Women in senior management	%	14	-	15	22	19
Women on Board of Directors	%	9	-	11	13	20
Human Rights and Ethics Incidents						
Discrimination incidents	#	-	0	0	0	0
Indigenous rights incidents	#	-	0	0	0	0
Corruption incidents	#	-	0	0	0	0
Customer Privacy Breaches ¹⁴	#	40	82	83	86	42
ECONOMIC						
Economic Value Generated ¹⁵	\$ million	3,266	3,109	3,486	3,991	4,362
Economic Value Distributed						
Suppliers	\$ million	1,127	1,064	1,412	1,704	1,790
Employees ¹⁶	\$ million	466	405	540	590	696
Lenders	\$ million	239	244	231	244	297
Shareholders	\$ million	166	183	196	212	222
Governments ¹⁷	\$ million	365	358	343	323	380
Communities ¹⁸	\$ million	5	5	6	6	7
Economic Value Retained ¹⁹	\$ million	897	850	758	912	970
Financial Assistance Received from Government ²⁰	\$ million	-	3.28	3.42	2.37	0.5
Coverage of Defined Benefit Pension Plan Obligations	%	99	99	89	85	80

NOTES

- Performance data for assets we divest is reported for the portion of the year until they were divested. Performance data for assets we acquire is included for the year following acquisition to allow for integration of new data systems, with the exception of ATCO Australia where statistics were integrated as of acquisition date.
- This report includes performance data on indicators that were not included in previous reports. Data for the new indicators for previous years is not included, and is denoted with a "-" symbol.
- Data for air emissions and water use included in previous reports has been restated in this report to reflect our efforts to report performance on an operatorship basis. We claim 100 percent of the emissions and water use for the facilities we operate, regardless of our ownership portion, unless otherwise noted.
- Emissions figures include amounts that are required to be reported under federal, provincial, regional or other regulations, or under facility permits. We use standard industry calculation methodologies that may be updated periodically to improve accuracy. This is the case for carbon monoxide and volatile organic compounds.
- Data for indirect emissions currently includes four of our operating companies. This reporting will be expanded in the future.
- Emissions are due to accidental releases.
- Water use = water diverted minus water returned to source. Includes estimated data from ATCO Australia, ATCO Gas, ATCO Energy Solutions, ATCO Pipelines, and ATCO Power. Includes water for process use; does not include water used for domestic purposes. We estimate that these figures account for more than 99 percent of our water use.
- Includes spills of the sizes that meet the thresholds for regulatory reporting in the jurisdiction in which they occurred. Volume spilled is often estimated due to variables such as duration, location and when the spill was identified.
- We are not able to report data for some employee indicators for 2009 because we integrated multiple data management systems into one during that year.
- In cases where we direct the work of joint venture (JV) employees, we include their data in safety statistics.
- We have included all contractor fatalities that have occurred, regardless of whether we were directing their work.
- Does not include JV employees.
- Does not include international employees.
- All incidents were resolved successfully, and typically involved a call centre agent providing information to a caller who was not listed as an additional responsible party.
- Economic value generated includes revenues, gains on asset dispositions, and interest income.
- Payments to employees include the expensed cost of wages and benefits.
- Payments to governments include income, property, and franchise taxes.
- Distributions to communities include donations, in-kind contributions, and sponsorships.
- Economic value retained is value generated minus value distributed. This is not a financial reporting indicator and should not be confused with retained earnings.
- Financial assistance received from governments includes tax relief/credits, investment grants, R&D grants, financial awards, and favourable financing terms from domestic and foreign governments. Decrease from 2011 to 2012 predominantly as a result of reduced research & development tax credits.

GRI Content Index

This report has been prepared using the Global Reporting Initiative's (GRI) G3.1 Sustainability Reporting Guidelines. We self-declare this report and associated disclosures on our website as achieving Application Level B. For more information on the GRI please visit

www.globalreporting.org

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NOTES

- We have not included an Economic Disclosure on Management Approach (DMA) because we believe that our Annual Report describes our economic risks and opportunities, systems, and strategies in appropriate detail.
- We have not included a Human Rights DMA because risk analyses conducted to date have not indicated the need for a comprehensive human rights policy, training and monitoring system. However, as we expand globally we continually test this assertion, and should our analysis suggest that development of a human rights management system is required we will take immediate action.
- We have not included a Society DMA in this report because we do not have just one consolidated approach that addresses the dissimilar aspects that are listed under the Society heading in the GRI Guidelines – community; corruption; public policy; anti-competitive behaviour; and compliance. Our Communities DMA addresses community issues, and the Our Approach to Sustainability section addresses the other issues.
- We have not included a Product Responsibility DMA in this report because we do not have just one consolidated approach that addresses the diversity of services we provide.

About This Report

- This is ATCO Group's third biennial sustainability report. Unless otherwise noted, the information covers the 2011 and 2012 calendar years.
- We used the Global Reporting Initiative's (GRI 3.1) Sustainability Reporting Guidelines to help determine report content. Under the GRI Guidelines we achieved a B level of reporting. The GRI index indicates where you can find specific disclosures. We also conducted an internal materiality assessment to determine which topics and indicators would be of most relevance to interested parties and to the success of our business.
- There are instances where we are currently unable to collect all environmental data for all ATCO companies. However, we believe that the figures cover 90-95 per cent of our emissions and resource use. Indicators for spills and fines cover all of ATCO Group.
- For this report, environmental data reported includes 100 percent of the emissions and water use for the facilities for which ATCO holds the environmental operating permit, or is identified as the operating entity in the contract, regardless of percentage of financial ownership. The emissions from the following facilities are not included by using this reporting criteria: Primrose, McMahan, Muskeg, Rainbow 4, and Scotford. Data for emissions and water use included in previous reports has been restated in this report using this reporting method. We also report full environmental data for power plants operating under power purchase arrangements (PPA) – Sheerness and Battle River. The PPA holder may also report performance for the facility in their sustainability report.
- We include data for joint ventures for which ATCO holds the operating permit, or is identified as the operating entity in the contract, regardless of financial ownership. Joint ventures may be addressed differently in ATCO's 2012 Annual Report with respect to financial performance.
- Due to the integration of multiple data management systems in 2009 we are unable to report some employee indicators for that year.
- Unless noted, indicators do not cover contractors or temporary employees.
- Measurement and calculation techniques, if not self-explanatory, are stated in a footnote to the data.
- Financial data is in Canadian dollars and environmental data is in metric units.
- Senior management and relevant staff have reviewed all information and believe it is an accurate representation of our performance. We undertook a variety of internal and external assurance activities on information presented in this report, including financial, environmental, health and safety performance, management system and compliance audits. As well, a third party reviewed data processes used to compile this report for quality and reasonableness.
- The terms ATCO, ATCO Group, the ATCO Group of Companies, our, we, the company, and the corporation, refer to ATCO Group as a whole including its subsidiary company, Canadian Utilities Limited. Company names such as ATCO Gas and ATCO Power are used to refer to our principal operating subsidiaries, as noted on page 2. ATCO Ltd. is incorporated under the Business Corporations Act (Alberta). ATCO is a diversified group of companies principally controlled by Sentgraf, a Southern family holding company. ATCO has both voting and non-voting common shares that are publicly traded on the Toronto Stock Exchange.
- Board information on page 8 refers to the ATCO Ltd. Board of Directors. For information regarding the Canadian Utilities Limited board structure, please refer to the 2012 Management Proxy Circular, which can be found at: www.canadianutilities.com.
- In January 2011 a new ATCO company was launched - ATCO Australia. For more information about ATCO Australia, please see www.atcoaustralia.com.au.
- On January 1, 2013, ATCO Midstream Ltd. and ATCO Energy Solutions Ltd. amalgamated under the name ATCO Energy Solutions Ltd.

ASSOCIATIONS AND INITIATIVES

ATCO companies participate in a variety of industry associations and related groups to understand and share best practices. The major groups include:

- Aboriginal Human Resource Council
- Alberta Water Council
- American Gas Association
- Australian Industry Group
- Australian Institute of Energy
- Australian Pipeline Industry Association
- Canadian Electricity Association
- Canadian Energy Partnership for Environmental Innovation
- Canadian Energy Pipeline Association
- Canadian Gas Association
- Canadian Natural Gas Vehicle Alliance
- Carbon Management Canada
- Clean Air Strategic Alliance
- Committee for Economic Development of Australia
- Energy Supply Association of Australia
- Modular and Portable Building Association
- Modular Building Institute
- Western Energy Institute
- Various business associations and chambers of commerce
- Various safety-related associations
- Various watershed alliances

We have also signed on to or subscribe to the following externally developed initiatives that specify sustainability related principles or commitments:

- Canadian Greenhouse Gas Challenge Registry
- Sustainable Electricity Program (Canadian Electricity Association)

RECOGNITION

External recognition we receive for our initiatives and operational excellence is a measure of our performance, and gives us a benchmark for further improvement in these activities. The following is a sample of the significant external recognition we received in 2011/2012:

- Western Australia Department of Mines and Petroleum: Golden Gecko Certificate of Merit - Mandurah Gas Pipeline Project - high level of environmental conservation
- Royal Society of Prevention of Accidents: five star rating - Barking power plant
- Disaster Recovery Institute of Canada: National Award of Excellence - response and restoration following a major disaster
- 2011 Energy Globe World Award: Overall Winner - Drake Landing Solar Community
- Canadian Public Relations Society: National Award of Excellence - ATCO Energy Theatre Program

For more information, contact ATCO at sustainability@atco.com



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