

BUILDING A SUSTAINABLE FUTURE

hydro one

2015
CORPORATE SOCIAL RESPONSIBILITY REPORT

ABOUT THIS REPORT

Hydro One is pleased to present its first Corporate Social Responsibility (CSR) Report. This report adheres to the guidelines for the Global Reporting Initiative G4 for 'core' reporters and covers the 2015 calendar year. The full GRI Content Index is found on page 72.

As Hydro One continues to mature its CSR approach, the company recognizes the importance of CSR in its business. This report is a continued effort by the company to provide greater transparency, accountability and line-of-sight to its operations to the public.

Hydro One Limited (TSX:H) has three reportable businesses: an electrical transmission and distribution business known as Hydro One Networks Inc., an integrated generation and distribution company offering electrical services to isolated communities in Northern Ontario known as Hydro One Remote Communities Inc., and a third business consisting of the company's telecommunications business and certain corporate activities, known as Hydro One Telecom Inc. Because approximately 98 per cent of our revenues are generated from electricity transmission and distribution, the scope of this report is limited to the operations of Hydro One Networks only (referred to throughout this report as Hydro One).

The information in this report was reviewed by internal subject matter experts, by our risk management team and by our legal team. On material matters, we took into consideration those that were common with our Canadian Electricity Association peers, and also reviewed sustainability reports for other top-tier organizations within the energy sector. We intend to seek external assurance on material aspects through a third-party in future years.

We prepared this report in PDF format only, and all figures reported are in CDN. For additional information about Hydro One, readers will be directed throughout this document to specific sections of the company's annual report to shareholders and corporate website.

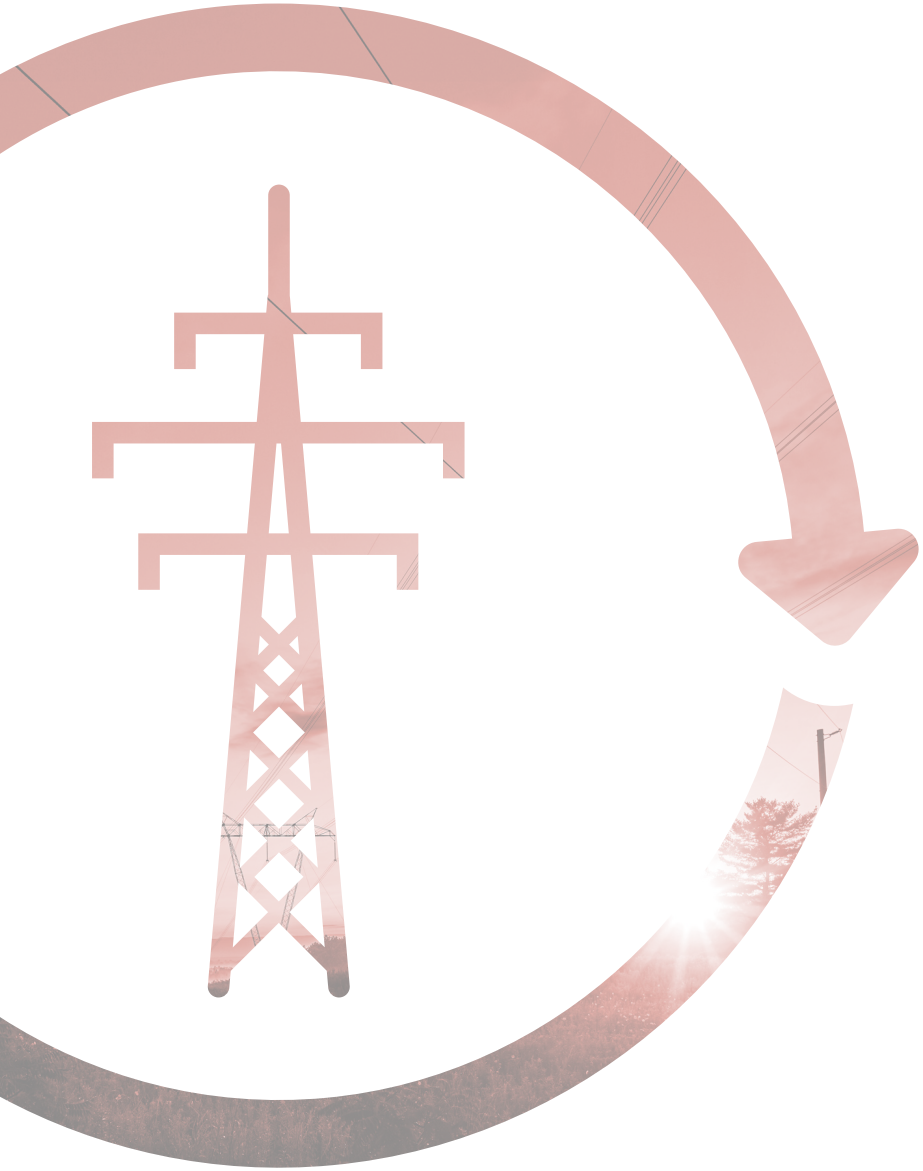
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A NEW COMPANY, A NEW MINDSET, ONE MISSION

Hydro One became a publicly traded company in November 2015. However, before we began our transition from a crown corporation to a public company, many of the underpinnings of corporate responsibility were firmly entrenched in our operations, strategies, and corporate culture. This inaugural CSR report represents a first step in our journey of continuous improvement.

We are in the process of transforming our business into a best-in-class electricity utility – one that earns its social license to operate every day by engaging constructively and respectfully with customers, employees, investors, suppliers, First Nations & Metis communities, and other stakeholders.

Earning this right requires a focus on customer service excellence, world-class reliability and leadership in key areas such as safety, diversity, and environmental responsibility. It also requires an openness to meaningful dialogue with stakeholders and rights-holders such as Ontario's First Nations and Métis communities, as well as a willingness to publicly benchmark our performance against other top-ranked companies.

This report provides a snapshot of our performance relative to these leadership criteria. It includes information that we believe to be material to our electrical transmission and distribution businesses. It also explains what business strategies drove our actions in calendar year 2015, highlights the major milestones achieved, and reviews areas for improvement.

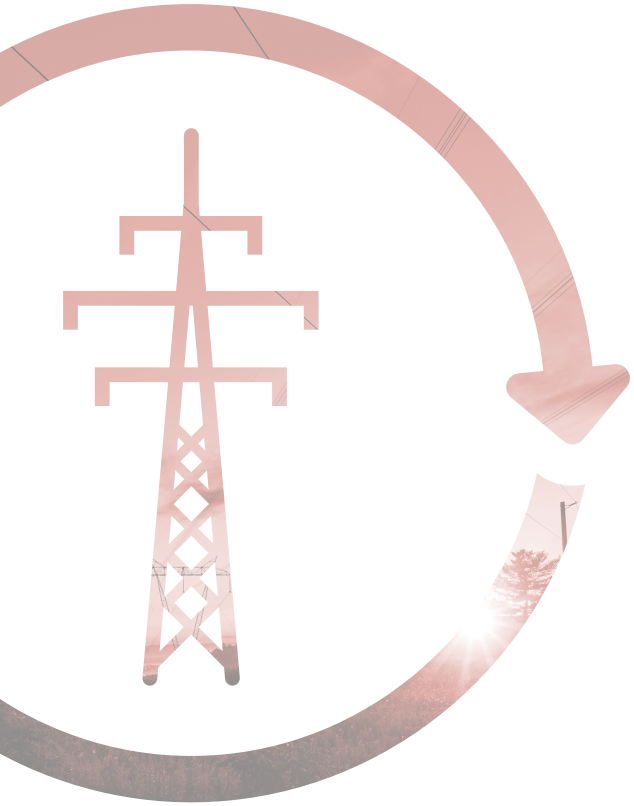


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MESSAGE FROM THE PRESIDENT & CEO

> *We strive to present our corporate social responsibility achievements openly and objectively, with a focus on measurable improvements in key areas.*

Corporate social responsibility is not a new concept for us. In fact, it has guided our actions for some time and is reflected in our commitment to safety, the environment, the communities we serve and our employees.

Our goal is for Hydro One customers to experience excellence at every touch-point, for our shareholders to be confident in our capital investment decisions, for the communities we serve to know they can rely on us for safe and reliable electricity transmission and delivery, and importantly, for our employees to know that we won't let up on our Journey to Zero workplace health and safety initiative until our workplace is injury free. All this takes focus and determination, and I am confident we have enough of both to get the job done.

This report focuses on our achievements in the area of corporate social responsibility in 2015. Our role in helping to build a low carbon and climate resilient society, our contribution to helping our customers understand energy conservation and manage their electricity costs, our success in signing an economic partnership with the Saugeen Ojibway Nation, and our relentless pursuit of an injury-free workplace – these are just a few of our accomplishments last year.

Continuous improvement is a journey, and as we move forward to becoming a world-class company with a tier one cost structure and top-level customer service, we do so with a focus on both the benefits and the impacts our actions have on our environment, our customers, our communities, our employees and our shareholders.

We strive to present our corporate social responsibility achievements openly and objectively, with a focus on measurable improvements in key areas.

In the years ahead, evolving issues such as grid security, emerging technologies, climate change policies and changing demands for clean and reliable electricity to power life will continue to affect Hydro One's business and Hydro One's customers. On behalf of all Hydro One employees, I am confident that we're up to the challenge.



STRATEGIC ANALYSIS

Hydro One owns and operates 96 per cent of Ontario's electricity transmission network. We are also the largest electricity distributor in Ontario, with a service territory that covers approximately 75 per cent of the province.

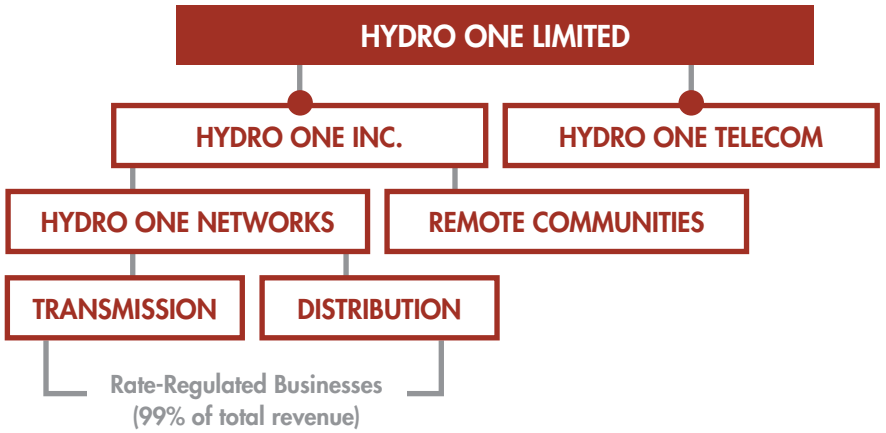
Our electrical transmission system is interconnected to electrical grids in Manitoba, Michigan, Minnesota, New York and Québec and is part of the larger North American system known as the Eastern Interconnection – a contiguous electricity transmission system that extends from Manitoba to Florida and from east of the Rocky Mountains to the North American east coast. Being part of the Eastern Interconnection provides significant benefits, such as greater security and stability for Ontario's transmission system, emergency support when there are generation constraints or shortages in Ontario, and the ability to exchange electricity with other jurisdictions.

We operate in a stable regulatory environment with a transparent and predictable regulator and rate-setting process. Our regulated transmission and distribution operations comprise approximately provide 99 per cent of net revenues.

In 2015 Hydro One became a publicly traded company, positioning the company to compete in the global electricity marketplace. Information about the Governance Agreement between Hydro One and the Province of Ontario is available at www.sedar.com.



BUSINESS STRUCTURE



We operate the largest electricity distribution network in Ontario.



OUR STRATEGIC PRIORITIES

- SAFETY
- CUSTOMER SERVICE EXCELLENCE
- SUSTAINABLE GROWTH

OUR VALUES

SAFE WORKPLACE

- We put safety first in everything we do.

CUSTOMER CARING

- We see our work through the eyes of our customers.

ONE COMPANY

- We work together to build one great company.

PEOPLE POWERED

- We attract, engage, develop and retain the best people.

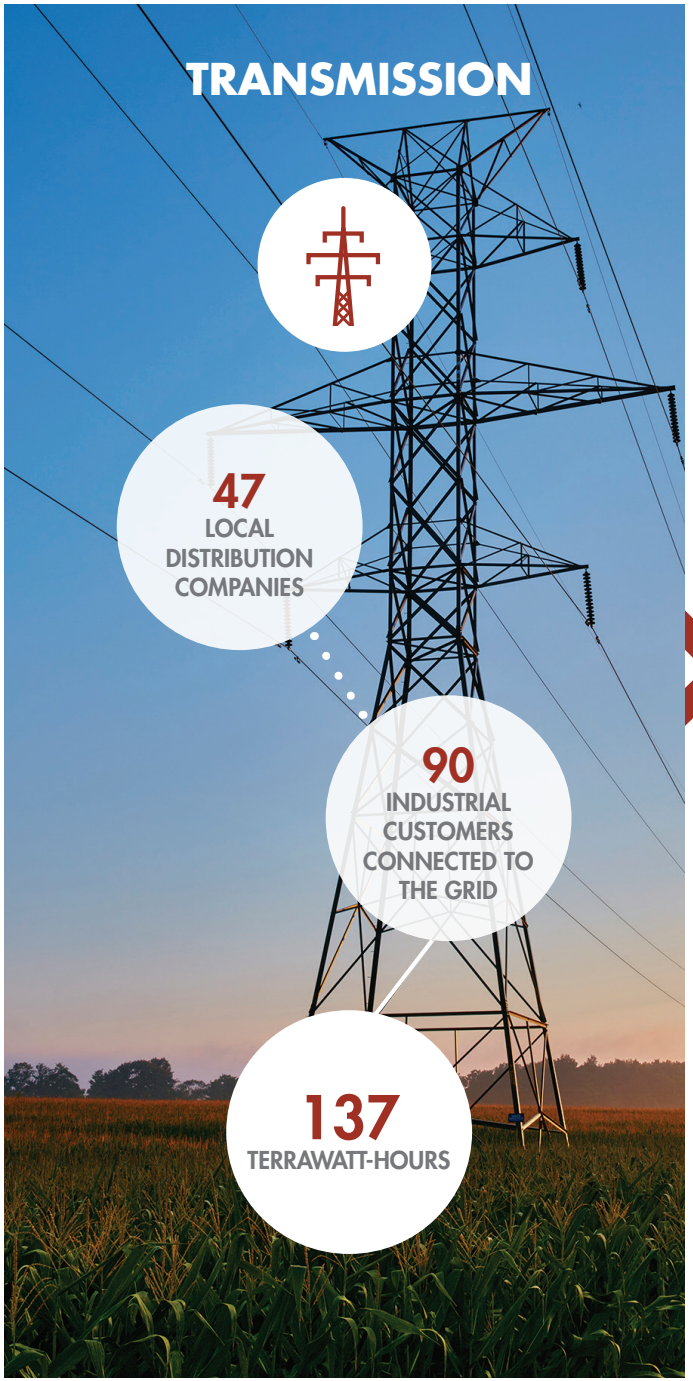
EXECUTION EXCELLENCE

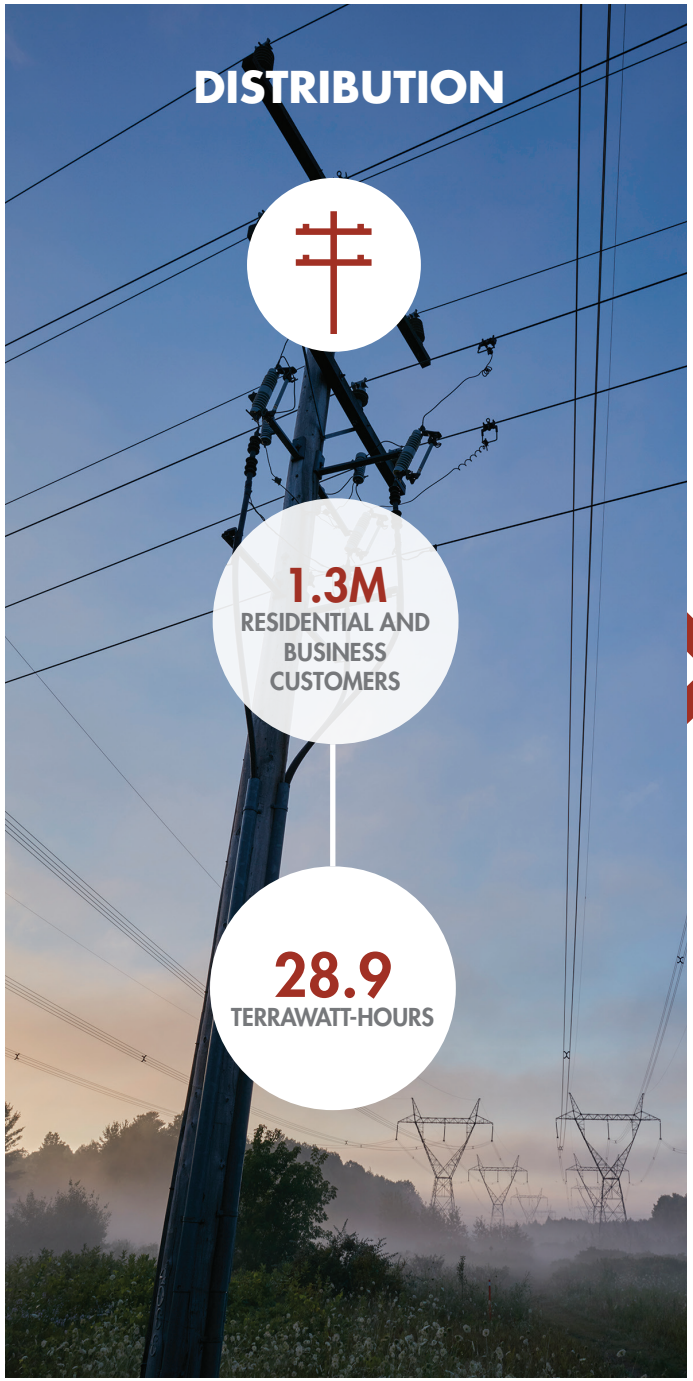
- We are relentless in our pursuit of excellence and hold each other accountable for delivering outstanding results and constantly improving.

VALUE CREATED

Our job is to keep our employees and the public safe, keep the lights on, help the communities where we operate to thrive, and deliver value to our shareholders.

We measure our value in terms of the impact our operations and actions have on our key stakeholders.





INPUTS

DIVIDENDS FOR INVESTORS
$875M (Common share dividends)
$13M (Preferred share dividends)

EMPLOYEE COMPENSATION
$869.2M

INVESTMENT IN COMMUNITY
$1.8M

SUPPLIER CONTRACTS
$1.7B
- Aboriginal supplier contracts
  $7.5M

TAXES PAID
- Income tax expense
  $105M

EMPLOYEE PHILANTHROPY
=$1.27M

RESOURCES



Unionized **4,876** Non-unionized **640**
Seasonal/Temporary **2,077**

SUPPLIERS
2,918

ASSETS $24.33 BILLION

 # OF TRANSMISSION STATIONS
292

29,000 circuit kilometres
OF HIGH VOLTAGE LINES

123,000 circuit kilometres
OF LOWER VOLTAGE LINES

~ 1,000
DISTRIBUTION AND REGULATION STATIONS

OUTPUTS

AFFORDABILITY
0.1% rate increase vs Consumer Prince Index increase of 1.1% (2015)

GHG EMISSIONS (SCOPE 1)
121,478.32 (tCO_2e)
(Tonnes of carbon dioxide equivalent)

REPORTABLE INJURIES AND FATALITIES
1.68 INCIDENTS/ 200,000 HOURS WORKED

ELECTRICITY CONSUMPTION
37,361,220.54 kWh

WASTE

116,697
TONNES TO LANDFILL

182
TONNES TO INCINERATION

APPROACH TO CORPORATE SOCIAL RESPONSIBILITY

The Corporate Social Responsibility function reports to the Director, Corporate Affairs, the Senior Vice President, Corporate Affairs to the President and Chief Executive Officer.

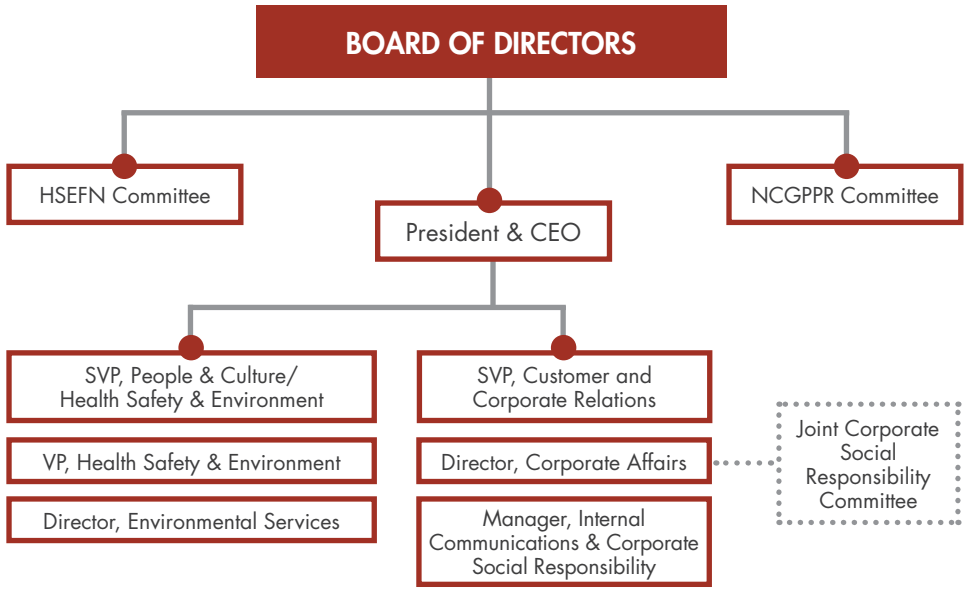
A manager and coordinator have full-time day-to-day accountability for CSR, including engaging with internal subject matter experts, identifying material issues, gathering data and preparing an annual Corporate Social Responsibility report.

In 2015, Corporate Social Responsibility reported to the Corporate Governance Committee of the Board of Directors.

The Corporate Social Responsibility Team has established an internal Joint Corporate Social Responsibility Committee consisting of senior managers and directors. This committee's purpose is to provide information and perspective on material issues to engage on strategic stakeholder issues related to Corporate Social Responsibility. These internal subject matter experts helped to define the material issues that are the basis for this report's narrative (See 'Materiality' section on the next page).

As the organization's structure continues to evolve, the goal is to integrate Corporate Social Responsibility into the overall business strategy, rather than have it managed as an add-on responsibility for the company's lines of business.

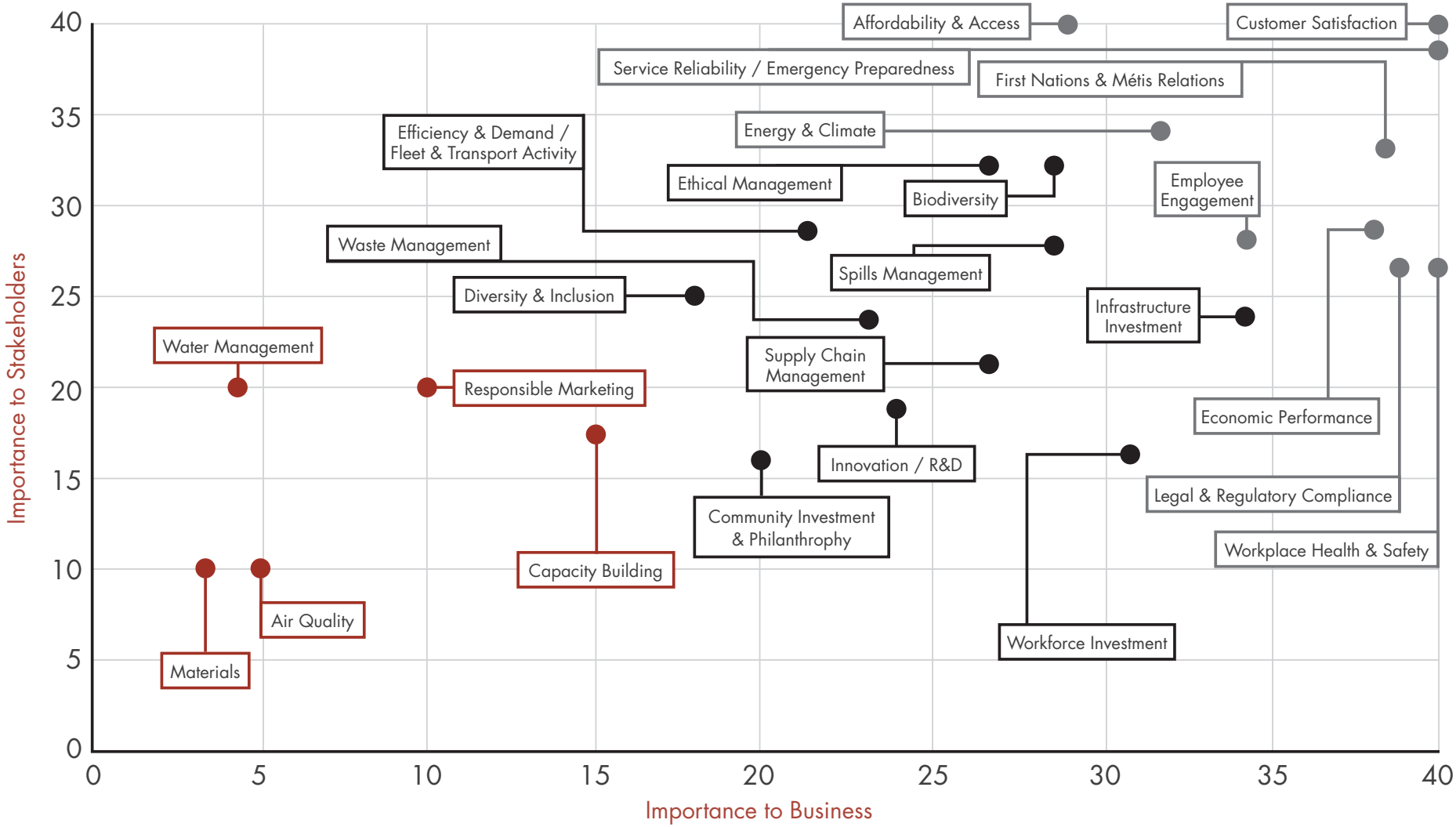




MATERIALITY

In May 2016 the Corporate Affairs team convened internal subject matter experts from various lines of business for our first materiality workshop. We selected the team based on their knowledge of our business and also their close ties with our key stakeholder groups.

The purpose of the workshop was to review a preliminary materiality matrix of key issues in order to determine if they were an accurate representation of the risks and drivers of our core business during 2015. The outcome of the team's discussions is the Materiality Matrix shown here. Most of these material aspects are discussed in this report.



All aspects are considered material outside of the organization, but only those located in the middle and upper quadrants of the chart are material within the organization. In this report, we do not report on the aspects located on the lower left-hand side of the chart.

Of the material aspects mapped out on the matrix, we selected 17 for the purposes of this report. The following table cross-references these aspects with the sections in which they are referenced in the GRI Content Index (page 72).

REPORT SECTION	MATERIAL ASPECTS	G4 INDICATORS
GOVERNANCE	• Legal and regulatory compliance • Ethical management	G4-34, G4-56 G4-EN29
CUSTOMERS	• Customer satisfaction • Affordability • Conservation and demand management	G4-PR5, 8 EU28, 29 Former EU7
ENVIRONMENT	• Greenhouse gas emissions • Biodiversity • Spills Management • Waste Management • Research and innovation	G4-EN3 G4-EN12, 13 G4-EN15, 16, 19 G4-EN23, 24, 29, 30, 31
RELIABILITY & ECONOMIC PERFORMANCE	• Infrastructure investment • First Nations and Métis relations • Supply chain • Community investment	G4-EC1, 2, 9 G4-H8, G4-S01 G4-EN32, EU21 Former EU08 EU10
PEOPLE & CULTURE	• Employee engagement • Workplace health and safety • Diversity and inclusion	G4-LA5, 6, 9, 12 EU15

WHAT DOES MATERIALITY MEAN?

In preparing this report, we adhered to the Global Reporting Initiative's definition of materiality for sustainability reporting:

"Materiality for sustainability reporting is not limited only to those sustainability topics that have a significant financial impact on the organization. Determining materiality for a sustainability report also includes considering economic, environmental, and social impacts that cross a threshold in affecting the ability to meet the needs of the present without compromising the needs of future generations. These material topics will often have a significant financial impact in the near-term or long-term on an organization. They will therefore also be relevant for stakeholders who focus strictly on the financial condition of an organization."

STAKEHOLDER ENGAGEMENT

For Hydro One, effective stakeholder engagement and the management of key relationships is critical. As we continue our transformation into a leading North American electrical utility, we understand the importance of fostering positive stakeholder relationships.

HOW WE ENGAGE WITH STAKEHOLDERS

Our External Relations team is responsible for managing the relationship with the Province of Ontario, as well as for engaging with communities, industry partners and associations.

By actively engaging with local MPP offices, the team ensures that the MPPs and their constituents are aware of any programs or changes that affect customers. As well, they often work one-on-one with constituents to try to resolve any issues or concerns. In addition, the team engages with the community when Hydro One is building a new project, renewing existing infrastructure or conducting routine maintenance. Before and during these projects, the External Relations team holds Public Information Centres to inform community members who may be affected by a project, and to work with them to resolve any concerns or issues that the project work may cause.

Stakeholders go beyond communities and include organizations such as the Canadian Electricity Association and the Ontario Chamber of Commerce. Hydro One works closely with associations to gain insight into issues, concerns and to solicit feedback on new programs that the company may be considering.

By actively engaging with local MPP offices, the team ensures that the MPPs and their constituents are aware of any programs or changes that affect customers.

HOW WE ENGAGE WITH OUR INDUSTRY STAKEHOLDERS

Being an active member of industry associations allows us to stay current with industry stakeholders, listen to their issues and understand the context for their concerns. Engaging with stakeholders in this way is an important part of our decision-making and planning process. In 2015, Hydro One was a member of the following industry associations, and took leadership positions among some of them:

- Canadian Electricity Association
- Canadian Energy Efficiency Alliance
- Canadian Manufacturers and Exporters
- C.D. Howe Institute
- Centre for Outsourcing Research and Education
- Chartwell Customer Experience Council
- Chartwell Outage Communications Research Council
- Continental Automated Buildings Association
- Customer Experience Council – Forrester
- Denali Group
- Edison Electric Institute
- E Source
- Ethics Centre
- Ontario Chamber of Commerce
- Ontario Electrical League
- Ontario Energy Association
- Ontario Energy Network
- North American Transmission Forum
- Technical Standards & Safety Authority: *Ontario Regional Common Ground Alliance*
- The Institute for Management Studies
- Utility Customer Research Consortium
- Utility Health Sciences Group: EMF Council
- Utilities Telecom Council of Canada





WHAT ACTIVE ENGAGEMENT LOOKS LIKE

Engaging with stakeholders is about dialogue, transparency, and follow-through. Here is what we did in 2015 to keep our stakeholder relationships strong.

CUSTOMERS

- 35,000 distribution customers interviewed for customer service feedback
- Transmission customer surveys completed
- Appointed Hydro One's first Ombudsman
- Handled 2.5 million customer calls to our call centres
- Distributed 12 million bill inserts with energy conservation information
- Launched personalized outage alerts by text or email
- Piloted Green Button program, providing downloadable, customized energy information
- Eleven million website visitors
- Funded $1.2 million in assistance for eligible low-income customers
- Launched five Customer Service commitments
- Launched three Customer Service guarantees

SUPPLIERS

- Sent questionnaires to the largest transmission and distribution suppliers to gauge compliance with ISO 26000

COMMUNITY

- Travelled 12,000 kms across Ontario, hosted 45,000 visitors through the Electricity Discovery Centre
- Hosted 126 Hazard Hamlet events, 24 fall fairs and 19 community events
- Partnered with Ontario Ministry of Agriculture, Food and Rural Affairs to plan for testing of pollinator friendly seed mix on select right-of-ways
- Invested $750,000 towards Pre-Technology (Electrical) Program, focusing on recruitment of Aboriginal candidates at Confederation College

EMPLOYEES

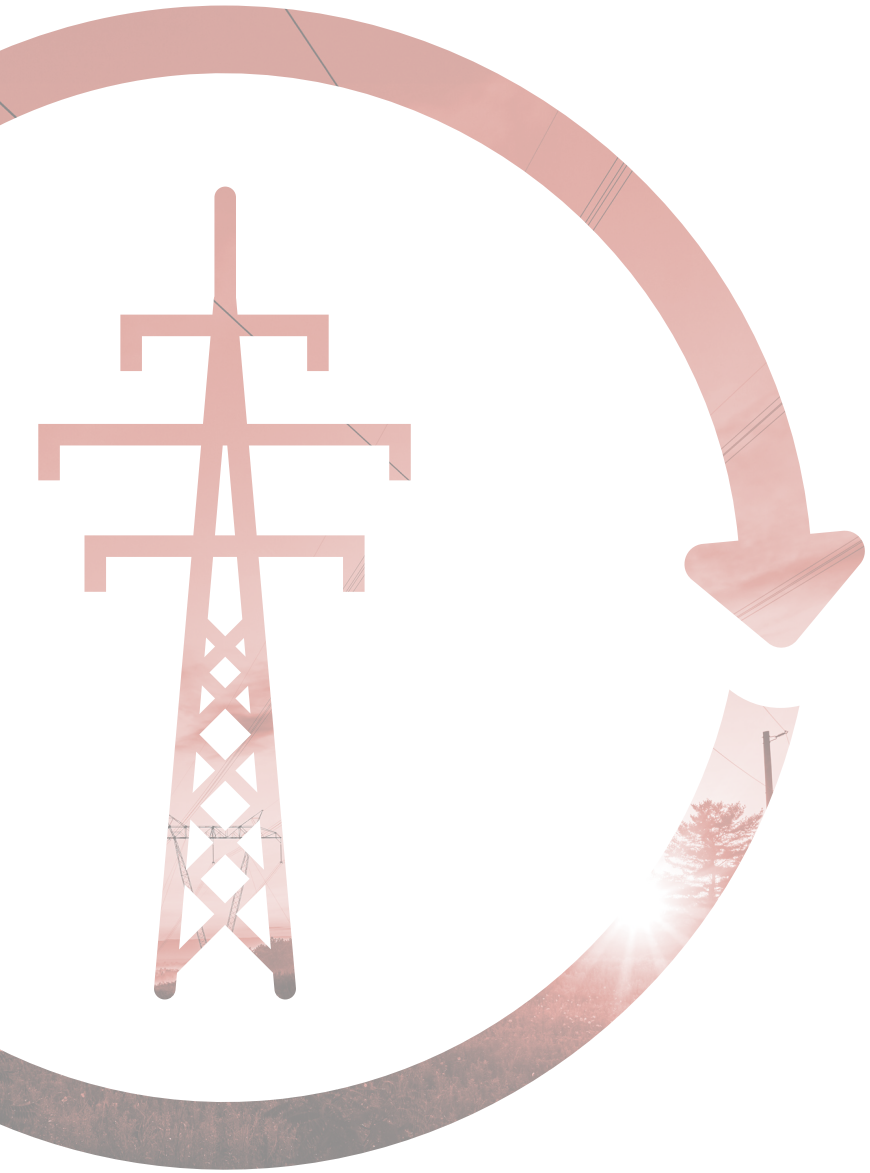
- Administered annual employee engagement survey
- Developed employee audiocast post IPO to explain new company mandate
- Launched 'Let's Get Great' employee communications initiative

INVESTORS

- Quarterly investment community calls/webcasts
- Quarterly reports
- Annual report
- Initiated quarterly common share cash dividends
- Created convenient dividend re-investment program (DRIP)

LEGEND

RESEARCH · PERSONNEL · OUTREACH · TOOLS · INVESTMENT



AWARDS AND RECOGNITION

Sustainable Electricity Company™
Canadian Electricity Association
**In recognition of our commitment to sustainable business practices*

2015 Ontario Electrical Safety Award, Powerline Safety
Electrical Safety Authority
**In recognition of our Electricity Discovery Centre – a travelling mobile centre designed to engage and educate consumers about electrical safety and energy conservation*

2015 Award of Excellence, Workplace Diversity and Inclusion Champion
Electricity Human Resources Canada
**In recognition of our commitment to providing opportunities to young Ontarians with our One Awards scholarships, including the William Peyton Hubbard Memorial Award, the Women in Engineering Scholarship and the Leonard S. (Tony) Mandamin Scholarship*

2015 Summit International Award, Placed Gold in Consumer Direct Marketing Category
Summit International
**In recognition of our conservation and demand management team's direct mail campaign for 'Joule,' an In-Home Display system that provides real-time electricity price and consumption information*

2015 Summit International Award, Placed Silver in Marketing Effectiveness Category
Summit International
**In recognition of our conservation and demand management team's videos about shrinking electricity costs at home*

2015 Best Practices Award for Program Marketing
Chartwell
**In recognition of our innovative and original conservation and demand management program marketing initiatives*

CORPORATE GOVERNANCE

Strong corporate governance goes to the very heart of how we manage our day-to-day operations and how we think about our long-term sustainability.

Independence, integrity and accountability are critical, and nowhere do these attributes matter more than in the area of corporate governance. This section discusses our approach to corporate governance, our Board and its priorities.

CORPORATE GOVERNANCE PRACTICES

We are committed to best practices. Our corporate governance policies, procedures and practices – all of which are consistent with those of leading Canadian publicly listed companies – are reflected in our Governance Agreement.

BOARD MANDATE

Hydro One's fully independent Board of Directors is responsible for overseeing the management of any risks that might undermine the company's viability, and also its strategic direction. To do this, the Board receives comprehensive updates, including customer service reports at every regular meeting and updates from Hydro One's Ombudsman, who reports directly and regularly to the Nominating, Corporate Governance, Regulatory and Public Policy Committee.

CORPORATE STRATEGY

The Board of Directors oversees Hydro One's strategic direction and holds management accountable for executing the corporate strategy. Throughout the year, it participates in the strategic planning process, approves the strategic plan, scrutinizes management's implementation of business plans and results, and continuously assesses how we perform against financial and other objectives. Given our new status now as a publicly traded company, one of the Board's immediate priorities was to actively debate and discuss corporate strategy and formulate a strategy for the new company in 2016.



RISK OVERSIGHT

The Board reviews and approves the company's major risk policies, its enterprise risk management framework and a list of key risks that are identified as priorities each year. The Audit Committee is responsible for reviewing that framework, overseeing the management of risks and ensuring the risks identified are mitigated appropriately. The Committee also assesses the adequacy and completeness of the process used to identify and assess these risks.

INTERNAL CONTROLS AND MANAGEMENT INFORMATION SYSTEM

Through the Audit Committee, the Board oversees the integrity and effectiveness of our management information systems and internal controls, and approves the company's internal control policy.

STAKEHOLDER ENGAGEMENT

Our key stakeholders include: customers, regulators, shareholders, governments, creditors, employees, customers, suppliers, non-governmental organizations, First Nations and Métis communities and rights-holders.

In engaging with stakeholders, our goals are:

- Early, ongoing and timely communications and consultation
- Clear project information and documentation
- Open, transparent, and flexible consultation process
- Respectful dialogue with First Nations and Métis communities and project stakeholders
- Ongoing opportunities for interested parties to provide meaningful input on the proposed undertaking
- Full and fair considerations by the proponent of all input received during the consultation process and incorporation of such input into decision-making and project documentation

For more information, see Stakeholder Engagement section, page 13.







BOARD STRUCTURE

Board Chair

The Chair is responsible for leading the Board of Directors in carrying out its duties and responsibilities effectively, efficiently and independent of management.
The Chair is nominated and confirmed annually by special resolution of the Board.
Consistent with best practices, Hydro One's Board Chair is separate from the role of president and chief executive officer, and is independent of Hydro One and also of the Province of Ontario.

Board Committees

Hydro One has four standing Committees of the Board:

1. the Audit Committee;
2. the Nominating, Corporate Governance, Public Policy and Regulatory Committee;
3. the Human Resources Committee; and
4. the Health, Safety, Environment, and First Nations and Métis Committee.

For information about directors, Committee mandates and composition, see **www.HydroOne.com/InvestorRelations/CorporateGovernance**

APPLICABLE LAWS AND REGULATIONS

Hydro One Inc.'s core businesses are highly regulated. The licensed transmission and distribution businesses comply with the terms of their licenses, and with codes and rules issued by the Ontario Energy Board, including:

- *Electricity Act*
- *Distribution System Code*
- *Distribution Electricity Rates Handbook*
- *Retail Settlement Code*
- *Standard Supply Service Code*

We also comply with regulations set by the National Energy Board. In Ontario, the Market Rules issued by the Independent Electricity System Operator (IESO) require us to, among other things, comply with reliability standards established by the North American Electric Reliability Corporation (NERC) and Northeast Power Coordinating Council, Inc. (NPCC).

Our practices also meet the rules and regulations issued by the Canadian Securities Administrators and the Toronto Stock Exchange, including national corporate governance guidelines and related disclosure requirements.

Throughout this report, the laws and regulations pertaining to specific lines of business and/or material issues are identified.



ETHICAL MANAGEMENT

Hydro One's commitment to ethical management is firmly entrenched in its business practices and policies.



We have a well-defined Code of Business Conduct that governs the behaviour of all employees and officers of Hydro One. We require our contractors, suppliers, business partners, consultants and agents to comply with this Code in their dealings with, or on behalf of, Hydro One. The Code includes a whistleblower policy and hotline information and anti-corruption commitments.

We conduct bi-annual reviews of our vendors using the Vendor Embargo Review Tool (VERT). The process is designed to screen any Hydro One vendors that appear on Anti-Terrorism Financing lists published by the Canadian Office of the Superintendent of Financial Institutions and the U.S. Department of Treasury.

In 2015, Hydro One's Board of Directors appointed Fiona Crean as Ombudsman, to provide a confidential, impartial and independent review of customer complaints that could not otherwise be resolved by the company, as well as systemic investigations to uncover the root causes of ongoing problems. Ms. Crean reports directly to the Board to ensure independence. With her appointment in October 2015, the Office of the Ombudsman opened in early 2016.

PRIVACY

We understand that when they ask to be connected to our network, customers are sharing valuable personal information with us. In the interests of protecting their privacy, we comply with applicable provincial and federal legislation including the Personal Health Information Protection Act (PHIPA) and the Personal Information Protection and Electronic Documents Act (PIPEDA). As a condition of our licenses, we comply with the Ontario Energy Board's restrictions on disclosure and the use of consumer information.

In 2015, during the course of handling more than 1.5 million transactions, Hydro One had 13 incidents regarding breaches of customer privacy resulting in inadvertent disclosure of customer information. These were due to human error in which bills or letters were mailed, faxed or delivered to incorrect addresses. All incidents were resolved and reported to the Ontario Energy Board.

DIVERSITY

Our commitment to diversity is reflected in two policies – the Diversity and Inclusion Policy and the Workplace Human Rights Policy. We have a target of 40 per cent female representation on our Board of Directors. In 2015, 6 of 15 of the company's directors were women, achieving our target.

Ninety per cent of the roles in Hydro One are governed by pay equity legislation. In a workplace review conducted in August 2015 no discrepancies in terms of gender-biased pay were discovered.

FIRST NATIONS AND MÉTIS RIGHTS-HOLDERS

We are fully committed to dealing fairly and constructively with First Nations and Métis communities. We have a well-defined First Nations and Métis Policy, as well as an Aboriginal Procurement Policy, implemented in 2012.

In a workplace review conducted in August 2015 no discrepancies in terms of gender-biased pay were discovered.



OUR CUSTOMERS

We're committed to providing our customers with excellent service. We want to listen what they say, improve their experience with us at all touch-points.

DELIVERING ON OUR PROMISES

Overall customer satisfaction for our transmission customers increased by four per cent in 2015, and by three per cent for distribution customers.

We deliver electricity. We transmit it and we distribute it.

We have 1.3 million residential customers, 47 local electricity distribution companies and 90 large industrial customers that are connected directly to our transmission network. In 2015, the services we delivered included customer operations (meter reading, billing, settlements, customer contact handling and collections), distributed generation, conservation and demand management, and smart grid pilots.

All customers in Ontario are billed to use our transmission system. These charges amount to approximately eight per cent of their total electricity bill. If they are in our distribution service territory, most customers also pay to have electricity delivered to their home or business.

Electricity rates in Ontario are set by the Ontario Energy Board. These rates include the price of the commodity, certain regulatory charges and the costs related to the development and implementation of energy conservation programs, sales taxes, and Hydro One's transmission and distribution charges. The latter typically accounts for approximately 38% of an average customer's bill.

1.3M
CUSTOMERS

47
LOCAL ELECTRICITY DISTRIBUTION COMPANIES

90
LARGE INDUSTRIAL CUSTOMERS



MANAGEMENT APPROACH

Customer service is a top priority for Hydro One. Our commitment is embedded in our Code of Business Conduct, in five recently established customer commitments (see page 26), as well as in the three customer service guarantees announced in 2015.

A detailed Conditions of Service document provides customers with information about their rights and obligations. Among other regulations, these Conditions comply with the *Electricity Act*, the *Ontario Energy Board Act*, the *Affiliate Relationships Code for Electricity Distributors and Transmitters*, the *Distribution System Code*, the *Retail Settlement Code* and the *Standard Supply Service Code*.

GOVERNANCE

Functionally, Customer Service reports through a vice-president to the Executive Vice-President of Customer Care and Corporate Affairs, who, in turn, reports to the Chief Executive Officer. The Board of Directors identified service excellence as one of its most important priorities, and is a standing item of every Board meeting.

The Board of Directors identified service excellence as one of its top priorities.







2015 YEAR-END **CORPORATE SCORECARD**

Our corporate scorecard includes several targets related to customer service, as illustrated:

PERFORMANCE MEASURES		ACTUAL	TARGET
Recordable Rate (# of injuries/illnesses per 200k hrs worked)	●	1.7	1.7
Customer Satisfaction - Transmission (% satisfied)	●	79	78
Customer Satisfaction - Distribution (% satisfied)	▲	85	86
Connection of New Services - Distribution (% completed in < = 5 days)	●	96	95
Billing Success (%)	●	99.7	99.0
First Call Resolution (%)	▲	82	83
Transmission Unit Costs (OM&A/Gross Fixed Assets) (%)	▲	2.9	2.8
Distribution Unit Costs (OM&A/Gross Fixed Assets) (%)	●	5.4	5.4
Customer Interruption Duration - Transmission (min./delivery point)	▲	10.1	10.0
Customer Interruption Duration - Distribution (hours per customer)	▲	7.6	7.1
Net Income (Hydro One Lts., including all subsidiaries, $M)	●	704	695
In-Service Capital - Transmission (% of Plan)	★	105	95
In-Service Capital - Distribution (% of Plan)	★	116	95

STRATEGIC OBJECTIVE

- Injury-free Workplace
- Satisfying Our Customers
- Continuous Improvement & Reliability
- Increases Shareholder Value

LEGEND

- ★ Better Than Plan (> = 5%)
- ● On Plan
- ▲ Below Plan

LISTENING TO CUSTOMERS

Consistently obtaining customer feedback is critical for this reason: every year, we conduct approximately 35,000 customer interviews to get our distribution customers' feedback. Approximately 80 per cent of these are transaction-based surveys, while the remaining are perception-based. In 2015, our overall customer satisfaction score for residential and small business customers increased to 70 per cent, from 67 per cent in 2014.

Hydro One has consistently put customer service excellence at the top of its list of strategic priorities. In 2015, we further demonstrated our commitment by becoming the first utility in Canada to establish a list of customer commitments and service guarantees. These commitments provide assurance to customers about the service they can expect from us.

STRATEGIC PRIORITIES

The following priorities guided our actions in 2015. Our performance relative to these priorities is highlighted in the '2015 Performance' section following.

CUSTOMER SATISFACTION

Our call centre is a key corporate asset. Call centre representatives share important information with customers about billing, energy use and energy conservation. They are one of many customer touch-points, which also include the corporate website, customer bills, and social media.

Hydro One's main call centre goals are to achieve a 90 per cent transactional customer satisfaction score and an 85 per cent overall customer satisfaction (perception) score within five years.

CONSERVATION AND DEMAND MANAGEMENT

We offer energy conservation and demand management programs to each customer segment in our service area. For the 2015-2020 period, we are mandated by the Province of Ontario to achieve energy savings of 1,160 gigawatt-hours (GWhs) – enough to power a 100W light bulb for over one million years –with a percentage of the total target allocated for each year. Reaching this goal will require extensive engagement and a collaborative relationship with customers.

AFFORDABILITY

Although we do not set electricity rates, Hydro One is continuously looking for ways to support customers who may have difficulty managing their electricity costs. Our goal is to become a trusted energy advisor, known for providing both residential and transmission-connected industrial customers with energy conservation and demand management information that can help manage their costs. A key target in 2015 was to make it easier for customers to access energy conservation information. We are planning to add new channels such as web chat service, enhanced web portal and corporate website, a new bill design, high bill alerts, and e-billing notifications to our suite of customer touch-points.



We want to become a trusted energy advisor, known for providing both residential and transmission-connected industrial customers with energy conservation and demand management information that can help manage their costs.

2015 PERFORMANCE

CUSTOMER EXPERIENCE

- ↑ Operational performance improved for distribution customers:
  - ✓ Decreased average call centre wait time by 57 per cent
  - ✓ Increased transactional customer satisfaction with call centre interactions by 10 per cent
  - ✓ Achieved 99.7 per cent billing accuracy
- ↑ Improved customer satisfaction for transmission-connected industrial customers, local distribution companies and transmission-connected generators by four per cent.
- ✓ Announced five customer commitments, each with two measures. Every six months, the company publishes results on its website.
- ✓ Established customer service guarantees.
- ✓ Appointed Hydro One's first Ombudsman, Fiona Crean, to objectively and independently deal with escalated complaints otherwise unresolved by the company.
- ✓ Became the first utility in Canada to launch personalized text and email alerts to customers, proactively informing them of outages.

CONSERVATION AND DEMAND MANAGEMENT

- ↑ Over-achieved on our target by almost 20 per cent, with a total of 229.7 GWhs of energy savings, compared to a target of 185.6 GWhs.
- ↑ Provided customers with financial incentives for 1,827 Retrofit Program projects, generating a total of 105 GWhs of energy savings, compared to 59.1 GWhs from 1,377 projects in 2014.
- ✓ Delivered the Social Benchmarking Program pilot to 100,000 Hydro One customers. This pilot sends customers individual reports that compare their energy use to neighbours, as well as customized energy saving tips. Participants are provided access to a web portal for additional tools to save energy and money. The pilot generated 14.1 GWh of energy savings.

AFFORDABILITY

- ✓ Launched the Green Button pilot project – an initiative that enables customers to securely download their own energy usage information online. Consumers can use new web and smartphone tools to make more informed energy decisions, optimize the size and cost-effectiveness of solar panels for their home, or verify that energy-efficiency retrofit investments are performing as promised.
- ✓ In partnership with the Ontario Energy Board, we participated in the newly launched Ontario Electricity Support Program (OESP), which reduces the cost of customers' household electricity by applying a monthly credit directly to their bill. The program is available to qualified customers in lower income homes.

LOOKING AHEAD

- **Continue to expand the channels through which we communicate information to customers about billing, connections, and energy conservation. A new web chat service, enhanced web portal and corporate website, a new bill design, high bill alerts, and e-billing notifications are all in development.**
- **Through a new online customer feedback tool, ask customers to submit their views on what the electricity distribution system of the future should look like. Feedback will be used in our early 2017 distribution rate application to the Ontario Energy Board.**

BREAKDOWN OF A DISTRIBUTION CUSTOMER'S BILL

BILL COMPONENT	2014 % Share of Total bill for Typical Residential (medium density R1) customer at 750 kWh	2015 % Share of Total bill for Typical Residential (medium density R1) customer at 750 kWh
Electricity	41.5%	42.4%
Delivery	40.6%	40.1%
Regulatory	6.3%	6.0%
Sales Tax	11.5%	11.5%

OUR CUSTOMER SERVICE COMMITMENTS AND GUARANTEES

In 2015, we introduced five Customer Commitments using the input from more than 40,000 customers and the company's Customer Service Advisory Panel. These commitments provide assurance to customers about the service they can expect from Hydro One.

1. We will provide you with a bill you can trust and understand.
2. We will provide you with a reliable supply of electricity.
3. We will make it easy to do business with us.
4. We will courteously and promptly work to resolve any issues you may have.
5. We will help you manage your electricity use.

Furthermore, we also launched Service Guarantees -- a first of its kind for any electric utility in Canada. We are proud to stand behind the service we provide our customers with these three guarantees:

1. If we miss our appointment with you, we will credit your account $50.
2. If we don't connect your new service within five business days of all connections requirements being met, we will credit your account $50.
3. If we don't return your phone call within one business day, we will credit your account $50.

NEW ALERTS KEEPS CUSTOMERS POSTED ON OUTAGES

A new alert system launched in 2015 gives Hydro One customers peace of mind when they want it most: when they're not home and wondering if their property has been affected by an outage in their area.

The outage alert – the first to be offered by a utility in Canada – sends customers proactive, personalized text messages or email alerts about outages that may affect their property.

Customers who register for the service receive text or email alerts when an outage has been reported near their residence, updates on estimated times of restoration, and confirmation when power has been restored. They can decide when and how they receive messages.

This service is a part of Hydro One's improved outage communications tools, which includes Storm Centre, the outage map on www.HydroOne.com and the company's popular outage app.



ENVIRONMENT

We are committed to protecting the environment for current and future generations and are proud to have been designated a Sustainable Electricity Company™.

COMMITTED TO ENVIRONMENTAL STEWARDSHIP

We're doing our part to enable a carbon neutral economy powered by electricity that is clean, reliable, safe and affordable.

Today Hydro One transmits and distributes some of the cleanest electrical power in North America. We are committed to managing our facilities and operations through a risk-based approach that avoids and/or minimizes our impact on the environment and supports ecosystem protection and conservation of biological diversity. In addition, we have taken steps to mitigate greenhouse gas emissions from our facilities and operations and adapt to the adverse effects of climate change on electricity infrastructure.

Given the scale of our operations, and in particular the size of our transmission system, we are keenly aware of our responsibility to help build a low carbon economy. We do this by supporting the provincial and federal governments as they address climate change, by preserving local habitats and protecting biodiversity, and by continuously looking for ways to reduce our own carbon footprint.



MANAGEMENT APPROACH



Our operations are highly regulated from an environmental perspective. There are financial and reputational risks associated with the safe transportation, storage and disposal of waste and polychlorinated biphenyl (PCBs). Similarly, preserving and protecting local species at risk, managing potential land contaminations, responding to spills and managing greenhouse gas emissions are all critical aspects of our environmental responsibility mandate, and aligns with the United Nations' precautionary principle (Principle 15).

We look for opportunities to work with organizations and industry groups to advance Ontario's sustainability agenda, particularly in the areas of smart grids and electric vehicle infrastructure.

REGULATORY COMPLIANCE

Hydro One strives to meet its environmental regulatory commitments, and in 2015 we did not incur any fees for non-compliance.

We comply with and attempt to go beyond regulations designed to protect endangered species, including the *Endangered Species Act, Migratory Bird Convention Act, Fish and Wildlife Conservation Act*, and the *Invasive Species Act*.

We are proud to have taken our regulatory responsibility a step further by establishing an active Biodiversity Advisory Committee (BAC) with representation from all our lines of business. The BAC develops, reviews and recommends best practices for biodiversity opportunities within Hydro One; it also vets proposals from third parties.

By providing training for employees who perform maintenance work and manage vegetation in areas near the company's assets, we help to make it easier to identify species at risk and reduce the impact our work may have on these species.

Going beyond what is required by regulation, we also joined forces on two biodiversity projects last year with a goal of improving local species habitat. The first project, at Wesleyville Creek, is designed to improve culverts to allow for upstream migration of fish to spawning and juvenile rearing habits for brook trout on Hydro One property. Wesleyville Creek is one of the few remaining Lake Iroquois shoreline physiographic watersheds containing native brook trout.

For the second project, Hydro One teamed up with local conservation authorities and seed distributors to test a new native, non-invasive and pollinator-friendly seed mix in some of its right-of-ways and transmission tower corridors in the Orangeville and Dundas areas of southwestern Ontario. According to the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA), Ontario's pollinators are increasingly under siege from extreme weather conditions, disease and habitat loss. The pilot project continues into 2017.

INTERNAL CONTROLS

Operationally, we have well-established policies and procedures in place to ensure our actions reflect sound environmental stewardship, including Environment Emergency Preparedness and Response.

Our environmental management programs provide a framework for dealing with PCBs, herbicides, asbestos, and other substances. In addition, a voluntary land assessment and remediation (LAR) program allows us to identify and, where necessary, remediate historical contamination resulting from past operational practices and uses of certain long-lasting chemicals at our facilities. Between 1998 and 2015, we spent approximately $171.6 million for this purpose; we will continue our remediation efforts until the forecasted end date for the program in 2023.

Hydro One strives to meet its environmental regulatory commitments, and in 2015 we did not incur any fees for non-compliance.

GOVERNANCE

We have voluntarily tracked our greenhouse gas (GHG) emissions since 2007. Greenhouse gas accounting and reporting, as well as climate change adaptation strategies, are ultimately the responsibility of the vice president, Health, Safety and Environment. Results are presented annually to the Board of Directors through the Health, Safety, Environment and First Nations and Métis Committee.

Annual goals relating to the long-term management of energy and climate issues, waste management or biodiversity management are identified as part of a robust risk assessment process and are operationalized through the appropriate lines of business. In future years, our intention is to develop key performance indicators for the management and reporting of energy and climate change issues.

CLIMATE CHANGE

Hydro One recognizes that climate change has become a priority issue for the electricity industry and continually monitors research, technology and industry response to this issue. Our Climate Change Adaptation Plan monitors peak demand trends, studies infrastructure vulnerability and resiliency, and ensures vegetation is managed appropriately to avoid prolonged outages due to an increase in storm frequency and intensity.





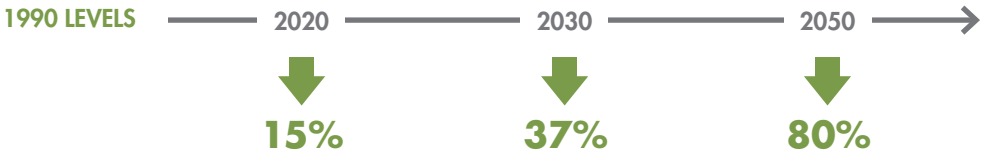


STRATEGIC PRIORITIES

CONTRIBUTING TO THE CONVERSATION ON CLIMATE CHANGE MITIGATION

Ontario has committed to reducing greenhouse gas emissions provincially by 15 per cent below 1990 levels by 2020, 37 per cent below 1990 levels by 2030, and 80 per cent below 1990 levels by 2050.

Achieving Canada and Ontario's respective GHG-reduction goals will require a significant reduction in fossil fuel-based transportation emissions and require a wholesale shift to zero-emissions propulsion technologies. Hydro One has a role to play in helping government understand the impact electric vehicles will have on grid responsiveness and reliability prior to the widespread adoption of provincial targets. We will continue to support efforts to reduce Ontario's and Canada's carbon footprint, using our infrastructure and internal expertise to bolster the development and commercialization of electric vehicle energy storage technology.





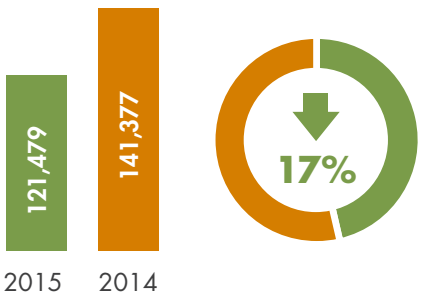
2015 PERFORMANCE

REDUCED GREENHOUSE GAS EMISSIONS

Scope 1

Hydro One decreased Scope 1 direct greenhouse gas emissions by 17 per cent compared to 2014, primarily due to a decrease in our sulfur hexafluoride (SF6) emissions (SF6 is used as an insulating medium in certain elements of our electrical equipment.). Emissions from our fleet also decreased. Hydro One decreased our kilometres driven by approximately two per cent.

Greenhouse Gas Emissions (tCO_2e)



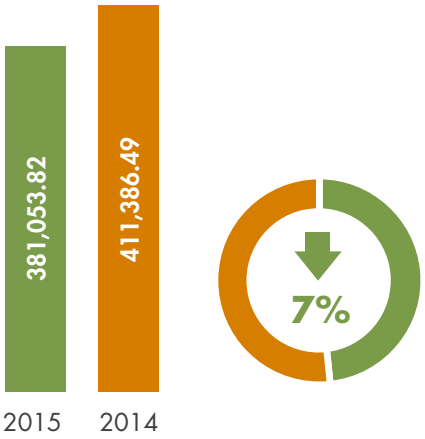
Note: For this report, we used the GHG Protocol to measure our carbon footprint. In 2016, we will start to calculate Scope 1 emissions differently, using new provincial requirements for the management of SF6 inventory, as part of new cap and trade legislation.

Scope 2

Scope 2 indirect greenhouse gas emissions decreased by about seven per cent in 2015, compared to 2014. The reduction is largely due to fewer line losses as we continue to replace aging assets with more efficient equipment.

Greenhouse Gas Emissions (tCO_2e)

*excludes emissions from unmetered stations



Source	2015 (tCO_2e)
SCOPE 1	
Fleet	65,537.61
SF_6	55,940.712
Total Scope 1	**121,478**
SCOPE 2	
Line Losses (Transmission)	129,249.08
Line Losses (Distribution)	70,162.28
Electricity consumption	1,493.23
Total Scope 2	**200,905**
TOTAL ANNUAL EMISSIONS	**322,383**

OTHER HIGHLIGHTS

- ✓ Began the implementation of a telematics program, as well as anti-idling procedures for the company's fleet. By providing data on non-productive idling, speeding and unsafe driving behaviour, this initiative will help us to keep our employees safe, reduce fuel costs, lower greenhouse gas emissions from fuel, decrease the costs associated with driving, and improve our employee health and safety.
- ✓ Launched a biodiversity portal for improved project planning. The portal provides information about areas of natural and scientific interest, provincial and federal parks, environmentally sensitive areas, national wildlife areas, and species at risk information.
- ✓ Participated in the City of Toronto's Resilient City Working Group. We are one of several industry experts providing knowledge and technical support to the city's Parks and Environment Committee. The Committee's mandate is to recommend ways to advance City of Toronto environmental programs and policies as they relate to climate change mitigation and adaptation, including Transformation Toronto 2050.
- ✓ Continued work with Panasonic Eco Solutions on the development of a functioning grid-tied micro-grid operating in 'islanded' mode at the University of Ontario Institute of Technology.
- ✓ Joined the Ministry of Energy's Power Providers Electric Vehicle Working Group -- a mechanism for gathering local distribution companies and interested third parties to help shape global transportation networks in the future.

LOOKING AHEAD

Potential plans to develop an environmental scorecard, including climate change mitigation, climate change adaptation, energy efficiency and PCB phase-out goals that are consistent with emerging provincial targets and strategies.

Potential plans to develop a new corporate Avian Protection Plan, Aquatic Protection Plan and Invasive Species Plan.

Plans to upgrade registered waste facilities.

Update the company's Species at Risk and Mitigation Guide to align with revised provincial Species at Risk list.

MANAGING SPILLS

In 2015, we experienced 371 oil-related spills, compared to 319 in 2014. Of the 30,440 litres spilled, 28,586 were recovered, resulting in a net loss of 1,854 litres.

Seven SF6 spills resulted in a loss of 67.7 kilograms of gas to the environment, down from 258 kilograms in 2014.

There were also five non-oil based spills resulting in the release of 14 litres of ethylene glycol while operating equipment, and a small release of 0.5 litres of pentachlorophenol released due to a weeping pole.

In total, we had 19 priority spills (compared to 31 in 2014) where one or more of the following conditions were met: PCB content exceeded one gram, quantity of initial spill exceeded 500 litres, or the spill impacted water.



SPILLS
93% RECOVERED

WASTE MANAGEMENT

	2015	2014
Recycling	9,055,690 litres 11,838 tonnes 10,360 fluorescent light bulbs	10,497,623 litres 5,852 tonnes
Incineration (mass burn)	182 tonnes	442 tonnes
Landfill	116,697 tonnes	221,722 tonnes

For information about our infrastructure investments as they relate to climate change, see Reliability and Economic Performance section, page 35.



RELIABILITY

Building a high performance culture that delivers outstanding results and continuously improves takes work. It takes investment in infrastructure and in people. And it takes time. We're prepared to invest all of this, and more.

INVESTING TODAY, BUILDING TOMORROW

We're entering a new era, and we couldn't be more ready.

Hydro One is in the midst of transforming itself from a government entity into a performance-driven and commercially oriented business, focused on delivering value for customers and shareholders.

We know that to reach our strategic objectives will require ongoing investments in our assets. By upgrading our infrastructure, we will deliver the reliable electricity that our customers and communities depend upon.

We are engaging with key stakeholders and their communities more than ever before. We intend for these investments to contribute economically to local communities in Ontario by creating jobs, new skills and new opportunities.

INFRASTRUCTURE MODERNIZATION

Transmission

Our transmission business accounts for 96 per cent of Ontario's transmission network. It is one of the largest in North America, and in 2015 it transported approximately 137 TWhs of clean energy throughout the province.

Transmission assets were $12.8 B as of June 30, 2015 and include transmission stations, transmission lines and towers, a control centre and fibre optic telecommunications facilities. We have 292 transmission stations and approximately 29,000 circuit kilometres of high voltage lines whose major components include cables, conductors and steel or wood support structures. All of these lines are overhead power lines except for approximately 274 circuit kilometres of underground cables located in certain urban areas.



Our industrial and electrical utility customers tell us that reliability performance and prudent cost of service are the issues they care about most. They are looking to us to improve our reliability performance as it relates to the frequency of interruptions, indicating that any deterioration of our performance is not acceptable to them.

Transmission reliability performance is determined using measures developed collaboratively with other transmission utilities across Canada through the Canadian Electricity Association (CEA), and includes multi-circuit supplied delivery points, which is benchmarked with comparable Canadian utilities.

Two standard industry measures are used, one at an overall level and one at the multi-circuit sub-set level of delivery points, as follows:

System Average Interruption Duration Index (SAIDI) is a measure in minutes of the average time that customers are interrupted and presented as minutes per delivery point (DP) per year.

System Average Interruption Frequency Index (SAIFI) is an indicator of the average number of interruptions that customers experienced and presented as interruptions per DP per year.

Distribution

Compared to other local distribution company networks, Hydro One's distribution network is located in largely rural areas, covering over 640,000 square kilometres (much of it in heavily forested and rugged terrain) and including over 120,000 kilometres of power lines. As a result of the rural nature of our service territory, we actually have more utility poles than we do customers in our distribution business. Hydro One's large service area means outages can be longer and more costly to locate and repair. Because the network often uses a radial circuit design to cover a large area, it is not always possible to provide redundant power supplies common in urban areas.

The cost of Hydro One's services is a critical issue for our distribution customers, who also expect us to maintain reliability.

The industry measures used to determine reliability are as follows:

System Average Interruption Duration Index (SAIDI) is a measure in hours of the average time that customers are interrupted and presented as hours per customer per year.

System Average Interruption Frequency Index (SAIFI) is an indicator of the average number of interruptions that customers experienced and presented as interruptions per customer per year.

Summary

Hydro One incurs capital expenditures to maintain safety, reliability and integrity of its transmission and distribution assets and meet the evolving needs of customers and the electricity market. This is achieved through a combination of 'sustaining' capital expenditures, which are required to support the continued operation of existing assets, and 'development' capital expenditures, which involve both additions and expansions to existing assets and large-scale projects such as new lines and stations.

Hydro One makes capital investments to maintain safety, reliability and integrity of its transmission and distribution assets and meet the evolving needs of customers and the electricity market.







MANAGEMENT APPROACH

No one wants to wait for the lights to turn on once they flip the switch, or be concerned that power cannot be restored quickly after a major storm. Customer confidence, and trust, requires us to know which assets are reaching their end of life, which need to be replaced and which need to be upgraded (and when) in order to keep the grid running reliably, as well as meet regulatory and legislative requirements.

Our strategy is to renew our distribution infrastructure with new technology that allows for real-time monitoring and control of our assets from our grid control centre, using a new distribution management system. These technologies allow our response staff to identify the source of outages so that service can be restored quickly and economically. We are also leveraging the data provided by our smart meter infrastructure.

Investing in the infrastructure allows us to deliver best-in-class service and position our company for growth – for the benefit of both our transmission and our distribution customers. Our strategic plan calls for us to make annual capital investments of at least $1.6 billion over the next five years to expand and rejuvenate the provincial electric grid. Fifty-seven per cent of these important investments will be undertaken on the transmission system and 43 per cent on the distribution system.

GOVERNANCE

Infrastructure investment decisions are approved by the Ontario Energy Board, after review of a multi-year rate application. We base our rate applications on sound investment plans that we prepare annually, covering a five-year period.

Functional responsibility for preparing the investment plans lies with various lines of business and is overseen by the planning division. Final investment decisions are approved by the chief executive officer.

Our strategic plan calls for us to make annual capital investments of approximately $1.6 billion over the next five years to replace aging assets and to expand the provincial electric grid.



STRATEGIC PRIORITIES

TRANSMISSION INVESTMENTS

Maintaining system reliability performance by sustaining and replacing deteriorated assets is a key business objective for Hydro One. To ensure reliability performance is maintained at current levels, Hydro One has developed a two-year cost of service plan, and five-year capital plan, which is subject to approval by the Ontario Energy Board. Hydro One's transmission asset sustaining strategy focuses on replacement of end of life transmission assets in station and line areas. Major assets targeted for replacement are transformers, circuit breakers, protection and control equipment, suspension insulators and conductors, as well as the re-galvanization of a portion of our transmission towers.

DISTRIBUTION NETWORK MODERNIZATION

Our strategy has been to make the necessary investments in the system to sustain the goal of maintaining current levels of reliability across the system. The average customer sees about three outages per year lasting on average 2.5 hours per event. Hydro One monitors the performance of our assets and focuses sustaining investments on areas where reliability performance and equipment failure risks are higher. Our strategies include improving the remote monitoring and control functionality of the distribution system to enable better outage response, and prviding better quality information in a timely manner to our customers to create cost efficiencies. Hydro One is in the process of developing a five-year custom incentive rate application, and five-year capital plan, which is subject to approval by the Ontario Energy Board.

In order to achieve ongoing efficiencies province-wide, Hydro One's distribution business is constantly looking at opportunities to acquire smaller local distribution companies. Our geographic footprint and scalable systems make us a natural consolidator in what is still a relatively fragmented distribution environment in Ontario. Mergers and acquisitions will continue as a key strategic priority.







2015 PERFORMANCE

Total capital investments were $1.6 billion.

Transmission Reliability **2015**		
OVERALL	**SAIDI:** 44.3 minutes/DP/year	**SAIFI:** 1.09 interruptions/DP/year
MULTI-CIRCUIT ONLY	**SAIDI:** 10.4 minutes/DP/year	**SAIFI:** 0.25 interruptions/DP/year

Transmission Reliability **2014**		
OVERALL	**SAIDI:** 36.6 minutes/DP/year	**SAIFI:** 1.08 interruptions/DP/year
MULTI-CIRCUIT ONLY	**SAIDI:** 11.8 minutes/DP/year	**SAIFI:** 0.25 interruptions/DP/year

Distribution Reliability **2015**		
OVERALL	**SAIDI:** 7.6 hours/customer/year	**SAIFI:** 2.6 interruptions/customer/year

Distribution Reliability **2014**		
OVERALL	**SAIDI:** 7.4 hours/customer/year	**SAIFI:** 2.7 interruptions/customer/year

TRANSMISSION ASSETS REPLACED

Transformers **21 units**
Breakers **31 units**
Conductor **201 circuit-km**

DISTRIBUTION ASSETS UPGRADES

11,850 poles were replaced
28 distribution station renewals

LOOKING AHEAD

Work towards the 2016 completion of the $123 million Toronto Midtown Transmission Reinforcement project.

Work towards 2018 completion of $297 million Clarington Transmission Station Project that will connect Hydro One's bulk transmission network to eastern Ontario when the Pickering nuclear generating station is retired.

Continue to evaluate additional local distribution company consolidation opportunities in Ontario and pursue those acquisitions that deliver value to the company and its shareholders.

Continue to work with the Independent Electricity System Operator to develop, pilot and promote energy conservation programs in order to help industrial customers manage their electricity costs.

Continue to control operating costs to help our customers keep their electricity bills as low as possible while contributing to the capital investments required in our network.

Continue to improve industrial and other large customer reliability and power quality, and work with customers to increase resiliency.

- ✓ $4.8 million invested in advanced technology, research, development and Demonstration
- ✓ Acquired Norfolk Power in August 2015, increasing our customer base by approximately 19,000 customers
- ✓ Invested $11 million in smart grid development

For more information about 'Affordability', see the Customer section, page 24.



FIRST NATIONS AND MÉTIS RIGHTS-HOLDERS

STRENGTHENING OUR TIES WITH FIRST NATIONS AND MÉTIS RIGHTS-HOLDERS

We are committed to developing and maintaining relationships with First Nations and Métis Peoples that demonstrate mutual respect.

Ontario is home to the largest Aboriginal population in Canada. Over 200,000 individuals identify as First Nations – many of whom are members of one of 133 distinct First Nations communities. Approximately 86,000 Ontarians identify as Métis. We recognize that First Nations and Métis peoples and their lands are unique in Canada, with distinct legal, historical, and cultural significance.

Hydro One's operations cross through traditional or treaty lands of First Nations as well as traditional Métis harvesting areas. We have transmission facilities in 21 First Nations communities and directly serve more than 85 First Nations, including 21,200 First Nations distribution customers.

Our interactions and relationships with First Nations and Métis communities in Ontario play a vital role in the commercial and operational viability of our business and our social license to operate. By building and maintaining constructive and positive relationships with First Nations and Métis people, Hydro One attempts to avoid opposition to existing and proposed projects, which may create material risks for the company's business, including project delays and increased costs. We look for opportunities to encourage joint problem solving, promote inclusiveness and workforce diversity, and increase economic value. In 2015, Hydro One had zero incidents of violation involving the rights of indigenous people.



MANAGEMENT APPROACH

We view respect for the aboriginal and treaty rights of First Nations and Métis communities as integral to our corporate reputation and future plans.

To expand our network, deliver power to even more people, create new jobs and economic opportunity, replace retired employees with skilled new workers, all of this requires a commitment to engage, negotiate and partner.

GOVERNANCE

Our approach to First Nations and Métis relations is fully integrated into our business strategy. Governance is through the Health, Safety, Environment and First Nations and Métis Committee of the Board of Directors. The Committee meets monthly. There is also a Senior Management Operations Committee that meets monthly; First Nations and Métis issues are a standing agenda item.

Day-to-day accountability is assured through the Senior Vice President, Corporate Relations, the Director of First Nations and Métis Relations, and senior managers. Internally, the First Nations and Métis Relations team provides advice to other lines of business to understand and help mitigate the impact that decisions may have on First Nations and Métis communities. The team routinely engages with Forestry, Supply Chain, People and Culture, Provincial Lines, Real Estate and Environmental Engineering and Project Support. Examples of the outcome of these discussions are included in several sections of this report.



The team routinely engages with Forestry, Supply Chain, People and Culture, Provincial Lines, Real Estate and Environmental Engineering and Project Support.

Hydro One's First Nations and Métis Relations Policy commits to seeking resolution of on-reserve transmission and distribution line tenancy issues and opportunities.

APPLICABLE LEGISLATION

We have a well-established First Nation and Métis Relations Policy and operate in accordance with the legal regime applicable to Indigenous peoples. This includes Section 35 of the *Constitution Act, 1982*, which in which the Crown is obligated to consult with Aboriginal peoples whenever it contemplates an action or decision with the potential to adversely affect an asserted or established Aboriginal or treaty right. In a case where the duty to consult is triggered under Section 35, Hydro One may be responsible for discharging the procedural aspects of consultation which have been delegated by the Province of Ontario.

We are also bound by the *Indian Act*, which requires that any use or occupation of reserve lands be legally authorized by permit or easement. Hydro One's First Nations and Métis Relations Policy commits to seeking resolution of on-reserve transmission and distribution line tenancy issues and opportunities.



STRATEGIC PRIORITIES

AFFORDABILITY

Many First Nations communities face unique challenges with respect to electricity rates and affordability, these include energy inefficient housing stock and geographic remoteness.

We continually engage with customers in these communities to provide energy education, to resolve billing issues, to increase awareness of various energy conservation initiatives, and to strengthen relations between the community and Hydro One.

RELIABILITY AND ECONOMIC PERFORMANCE

Hydro One made $1.6 billion of capital investments last year to ensure its transmission and distribution systems operate efficiently and safely, and plans to invest at least another $1.6 billion annually for the next five years in new and sustaining capital projects. A key priority in 2015 was engaging with First Nations communities to complete the modernization of a section of the grid located on First Nations land.



2015 PERFORMANCE

- ✓ Hydro One and Saugeen Ojibway Nation (SON) signed a Limited Partnership on the Bruce to Milton transmission project – the first partnership for transmission projects of its kind.
- ✓ SON invested $72 million to obtain a 34 per cent interest in the project, which operates a 176-kilometre-long dual-circuit transmission line between the Bruce Nuclear generating station and Hydro One's Milton switching station. Seventy-five per cent of the transmission line runs through Saugeen Ojibway Nation traditional territory.

  The arrangement demonstrates a new model of collaboration. For SON, the limited partnership represents an opportunity to invest in a valuable asset, creating the ability to borrow against a valuable asset, building wealth for the community, and enhancing long-term prosperity. For Hydro One, it helps to reduce the financial burden on provincial customers who otherwise may have been subject to higher electricity rates to cover the costs for modernizing the provincial grid. As a form of community engagement, the partnership also reduces the company's risk by building confidence and mutual acceptance for projects on territorial land from the outset.
- ✓ The First Nations and Métis Relations team met with 51 First Nations and Métis communities, tribal councils and organizations. Common themes were billing and customer care, and in response Hydro One:
  - Implemented a pilot project that appointed a part-time First Nations individual currently employed within the community to act as a liaison and trusted energy advisor to community residents. With this initiative, the number of overdue accounts declined by 50 per cent and overdue receivables decreased substantially.
  - Approved installment plans for 475 customers and provided over $166,000 in Low Income Emergency Assistance for 306 customers in need.
  - Held regular community outreach including regular billing presentations, participation in community energy events, and responded to requests for energy consumption data. The team also engaged in 79 one-on-one sessions in one community to review individual accounts, and held similar sessions in several other communities.
  - Established a new First Nations Energy Conservation Program for on-reserve residential customers, offering free energy audit services and free energy efficient upgrades (to a certain level), as a way of helping customers to reduce their energy consumption.

THE SAUGEEN OJIBWAY NATION PARTNERSHIP FROM A CHIEF'S PERSPECTIVE

"This was a ground-breaking agreement for us and for Hydro One. If I'm not mistaken, it is also the first partnership of its kind in Canada.

Because it was a new type of economic partnership, it took some time before our proposal to be equity partners was endorsed. Nothing like this had been suggested before and so there was a bit of head scratching before we got down to business. The project involved lots of work, lots of planning and lots of discussion, but it finally got off the ground and so far we are pleased.

From my perspective, it was well worth the effort. We are now in a position to create greater prosperity for our people. It's critical for us to be proactive about shaping our economic future. Our youth need these types of opportunities in order for them to be hopeful for their future. And so we will continue to look for more opportunities like this down the road. I believe this partnership is a win-win for everyone involved."

– Lester Anoquot, Chief of Saugeen First Nation

LOOKING AHEAD

- **Roll out the First Nations Energy Conservation Program to 47 First Nations communities beginning in late 2016.**
- **Continue efforts to develop customized strategies to address customer care and billing issues.**
- **Continue efforts to increase recruitment and retention of Aboriginal employees and access to contracting opportunities for Aboriginal businesses.**

For information about First Nations and Métis initiatives related to Supply Chain, see page 49.

For Diversity and Inclusion updates related to First Nations and Métis, see page 69.



SUPPLY CHAIN

Through our supply chain, we contribute to local and provincial economic development.

RESPONSIBLE SUPPLY CHAIN

Hydro One relies upon a wide variety suppliers and service providers to provide services and materials that assist in delivering electricity safely and reliably to customers.

At Hydro One, we are committed to a fair, transparent and accessible procurement process. We continuously look for ways to deliver cost efficiencies, quality services and materials and value for money to ensure that Hydro One has the right materials, at the right price at the right time. In order to ensure we are sourcing the right materials we always consider, health, safety and the environment as well as cost.

We review and audit our existing processes and methodologies to ensure that the end-to-end services delivered by supply chain, are compliant, fair and reflect the values and expectations of Hydro One.

In 2015, approximately $1.7 billion in invoice payments were processed – 94 per cent of them to company offices located in Canada.



MANAGEMENT APPROACH

The Supply Chain function falls under Shared Services and reports to the Vice President of Shared Services. It is subject to frequent internal and external audits; is governed by Canadian contract law and Canadian bidding law; and complies with all regulations such as environmental and health and safety regulations. The following internal policies govern this function:

Supply Chain Policy – The purpose of the Supply Chain Policy is to communicate and reinforce desired values and expectations of the supply chain activities of Hydro One Inc., and its subsidiaries.

Sourcing Procedure – The goal of the Sourcing Procedure is to source materials and services at the best value for money with consideration to health, safety and the environment through a process that is fair, open, transparent and accessible to qualified suppliers, including qualified Aboriginal businesses.

Purchasing Procedure – This Procedure communicates the framework for the processing of purchase requisitions, the issuance of and changes to purchase orders, and the return of materials to suppliers.

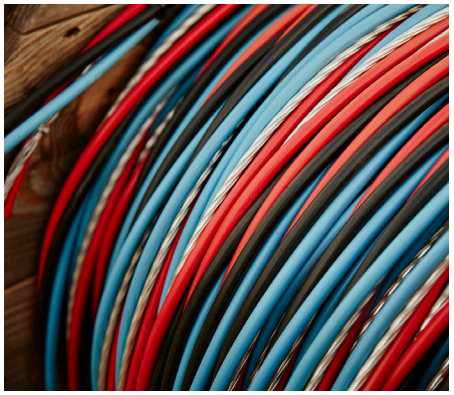
Supply Chain Requisitioner's Procedure – This Procedure provides a framework to our supply chain customers regarding: requisitioning, purchasing, receiving and payment of materials and services.

Aboriginal Procurement Procedure – This Procedure is designed to promote business and workforce development for Aboriginal businesses and to develop new, and maintain existing, relationships with Aboriginal peoples. This Procedure sets out the business circumstances for the purchasing process when Aboriginal interests exist.

In addition to these policies and procedures is the corporate Code of Business Conduct, with which all suppliers must comply. In addition, when potential suppliers respond to our requests for proposals, they are asked to address several questions related to environmental responsibility, labour relations, waste management practices, energy efficiency upgrades, regulatory violations, Environment Management System, etc. as part of the screening/selection process.

We will develop a *Supply Chain Technology Transformation* plan in 2016 that addresses the need for a scorecard in this area.







STRATEGIC PRIORITIES

VALUE FOR MONEY

In the spirit of continuous improvement, we look for partners and specialists who can help us deliver value for money in keeping with our corporate responsibility commitments.

ENGAGEMENT WITH FIRST NATIONS SUPPLIERS

On an ongoing basis, Hydro One explores opportunities to work with First Nations communities, in ways that are mutually beneficial.







2015 PERFORMANCE

- ✓ Annual spend on goods and services was approximately $1.7 billion
- ✓ Confirmed through a detailed survey to our top suppliers (representing 80 per cent of total spend) that the majority operate in accordance with ISO 26000 Corporate Social Responsibility principles (i.e. organizational governance, human rights, labour practices, environmentally friendly practices, fair operating practices, consumer issues, community involvement and development)
- ✓ Approved the business case to outsource health and safety pre-qualification. When fully implemented, this initiative will improve our contractor qualification processes and streamline request for proposal (RFP) processes
- ✓ Introduced paperless invoicing and enrolled 705 suppliers into our eInvoicing system
- ✓ Applied early pay discounts to $34 million of invoices
- ✓ Rolled out an online Single/Sole Source request form to reduce duplicate paperwork and administrative costs associated with hard copy files

LOOKING AHEAD

- **Outsource the pre-qualification of suppliers for Health Safety and Environment Insurance and WSIB, and with it, reduce bid evaluation time and continue to move closer to an injury-free workplace. (We receive alerts in real-time if a vendor no longer meets our requirements.)**
- **Continue to identify ways to increase Aboriginal participation at the bidding stage.**
- **Implement a vendor management/performance tool to more efficiently manage the supply base through a single, central repository, that consolidates all supplier information (financial risk, quality adherence, on-time delivery, response time, etc.).**
- **Address the future state of the supply chain scorecard by developing the Supply Chain Technology Transformation plan.**

PARTNERSHIP WITH TRUSTED SUPPLIERS HELPS HYDRO ONE DRIVE EFFICIENCIES, FOCUS ON CORE BUSINESS

In March 2015, Hydro One renewed a long-standing outsourcing contract with Inergi LP, a reflection of the company's desire to continue prudently managing its operating costs.

Under the terms of the agreement, Hydro One will continue to outsource portions of certain back-office services such as information technology, payroll, supply chain, and accounting services to Inergi LP (an affiliate of Capgemini Canada Inc.) until December 31, 2019, and until February 28, 2018 for call centre services.

The company also has aan agreement with Brookfield Global Integrated Solutions (formerly Brookfield Johnson Controls Canada), which provides facilities management services under an agreement that expires on December 31, 2024, with an option in favour of the Company to renew the agreement for an additional term of three years.

"We view these types of contracts as extremely beneficial," said Rob Berardi, Hydro One's Director, Supply Chain. "They allow us to focus on our core businesses of electricity transmission and distribution, and also reflect our willingness to invest in the local economy."



COMMUNITY INVESTMENT

Hydro One is proud of the communities we serve.

GIVING BACK TO THE COMMUNITY

Community involvement and contribution are integral to how we invest in the communities where we live and work.

At Hydro One we're proud of the communities we serve. We do more than provide communities with electricity. Giving back to the communities we operate in is an integral part of being a good corporate citizen. With our charitable partners, we develop initiatives that help foster powerful communities and help create a stronger Ontario.



MANAGEMENT APPROACH

We have a long history of community involvement and investment. Given our presence as a distributor and transmitter in so many communities across the province, corporate sponsorship is a way for us to be present and engage. It is also a way to raise awareness regarding issues such as electrical safety and energy conservation. Efficient and cost-effective, community involvement can help to enhance our social license to operate and add to shareholder value.

GOVERNANCE

Functionally, the Community Involvement team consists of a manager and coordinator. These individuals report through a director, Corporate Affairs, to the Senior Vice-President, Corporate Relations. Board oversight is through the Governance Committee.

Given our presence as a distributor and transmitter in so many communities across the province, corporate sponsorship is a way for us to be present and engage.







STRATEGIC PRIORITIES

COMMUNITY SUPPORT

The primary goal of Hydro One's corporate community investment is to help make the communities we serve better places to live and work. We do this by supporting local initiatives that make safety a priority and strengthen the fabric of the community. In doing so, we contribute to improving local quality of life and at the same time, reinforce our reputation as a responsible corporate citizen.

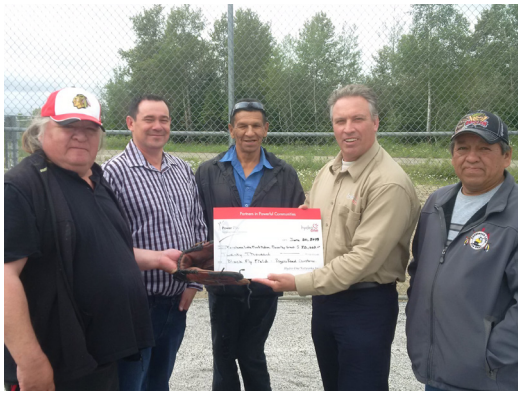
BUILDING THE NEXT GENERATION OF TECHNOLOGY WORKERS

Ontario and Hydro One share the need for an innovative and enthusiastic workforce skilled in science, technology, engineering and mathematics (STEM) in order to sustain our economic growth through the 21st century. We are committed to developing a new generation of technology workers – especially among the underrepresented segments of women and Aboriginals – through collaboration with college and university partners.

POWERPLAY

At Hydro One, one of our community investment goals is to help build strong, healthy and safe communities in Ontario. Our recently redesigned PowerPlay program aims to help create strong, healthy, safe and active lifestyles for children and youth in First Nations and Métis communities within Ontario by funding child- and youth-focused recreational facilities and equipment projects with grants up to $20,000.







2015 PERFORMANCE

INVESTMENTS

- Invested a total of $1.8 million in communities province-wide through donations and sponsorships.
- Announced a three-year funding extension for Right to Play's Promoting Lifeskills in Aboriginal Youth Program. We invest $100,000 each year to support after-school programming, sport, youth leadership, and health and wellness education.
- Donated $400,000 to 36 PowerPlay projects across Ontario, 12 of them for First Nations and Métis children. The projects are in support of healthy and active lifestyles for children and youth. Funds were used to build six playgrounds, two baseball fields, two outdoor rinks and two Pow Wow grounds.
- Through the Hydro One Employees' and Pensioners' Charity Campaign, raised more than $1.3 million in support of approximately 900 charities across Ontario.

SCHOLARSHIPS

- Awarded Women in Engineering Scholarships to 13 female engineering students for outstanding achievements in electrical engineering. The scholarships are part of a strategy to grow the pool of skilled women engineers by supporting students in their second and third year of post-secondary education in science, technology, engineering and math (STEM).
- Awarded $5,000 scholarships to 12 post-secondary First Nations, Métis and Inuit students.

SPONSORSHIP

- Initiated discussions for a long-term donation to Sunnybrook Health Sciences Centre's Ross Tilley Burn Centre, focusing on research in the area of electrical burn tissue analysis.
- Provided $350,000 towards the sponsorship of the annual International Plowing Match, providing Hydro One apprentices with the opportunity to build a fully functioning mini-grid for the Match.
- Welcomed 45,000 visitors to the Electricity Discovery Centre across the province, providing them with information to help manage their electricity costs, and learn about grid modernization and electrical safety.

LOOKING AHEAD

- **Gradually transition to a higher community investment target.**
- **Present a high-level community investment strategy for Board approval, including goals for the corporate scorecard.**



HEALTH & SAFETY

Safety is at the heart of everything we do.

REINFORCING OUR SAFETY CULTURE

Workplace health and safety is a core value for Hydro One. We believe all injuries and work related illness can and must be prevented.

At Hydro One, we care about workplace health and safety not simply because we want our employees to stay healthy and productive today, but also well into their career. We believe the best way to protect their safety is through vigilance, training and awareness.

We have a largely rural and suburban footprint, with transmission and distribution assets spread out across roughly 75 per cent of Ontario and home to 38 per cent of the country's population. Whether driving to remote communities to engage with customers, servicing power lines after a storm or managing the tree canopy around transmission towers, the potential hazards to employees and the public are real.

We share a commitment to zero workplace injuries and illnesses. In 2009, we committed to the Journey to Zero continuous improvement program, and work began in 2010 (see 'Our Journey to Zero' sidebar). At the time, the company's recordable rate was 2.6 injuries/illnesses per 200,000 hours worked. Five years later, the company's recordable rate was 1.68 – an improvement of 35 per cent. Many of our employees carry out their duties in a hazardous environment and we are continually reviewing our training, practices, and processes to help ensure that every one of our employees goes home safely at the end of each day.

HYDRO ONE HEALTH AND SAFETY POLICY

Our Beliefs

There is nothing more important than the Health and Safety of our employees and those who work for us.

- All injuries and work related illnesses can and must be prevented.
- Management is accountable for health and safety performance.
- Communication, engagement and training of all employees are essential elements in health and safety excellence.
- Everyone has a responsibility to prevent injuries and illnesses.
- All employees are accountable for working safely.
- Excellence in health and safety supports excellent business results.
- Health and safety must be integrated into all business management processes.

Our Commitment

We will work relentlessly towards a goal of zero injuries and illnesses.

To achieve this we will:

- Implement and sustain a world class health and safety management system.
- Identify and evaluate health and safety risks to ensure that hazards are eliminated or controlled.
- Establish an effective process for preventing all injuries and work related illnesses.
- Build a culture that requires positive visible leadership with clear accountability.
- Provide everyone with timely and effective training.
- Investigate all incidents in order to prevent a recurrence.
- Stop unsafe work.
- Establish measurable objectives to monitor progress through regular audits and performance reporting.
- Obtain input from employees and their representatives on health and safety issues.
- Promote a healthy workplace.
- Meet or exceed all legal requirements wherever we operate.

MANAGEMENT APPROACH

Our commitment to workplace health and safety is reflected in several corporate policies including a robust Health and Safety Policy (see sidebar). The management of health and safety is integrated into a single Health, Safety and Environment Management System, which holds OHSAS 18001 registration and is ISO 14001 compliant. In 2015, the company maintained its OHSAS 18001 certification (see sidebar). We are also COR™ certified, through the Infrastructure Health and Safety Association.

The Health, Safety and Environment Management System enables us to enhance our performance through a structured approach that drives continuous improvement. It sets out specific roles, responsibilities, accountabilities and authorities and provides senior management with assurance that the company's health, safety and environment risks are being managed appropriately.

GOVERNANCE

Oversight for workplace health and safety lies with the Health, Safety, Environment and First Nations and Métis Committee of the Board of Directors, which reviews health and safety issues on a quarterly basis.

Workplace Health and Safety, Employee Engagement, and Diversity and Inclusion all belong to the portfolio of the Executive Vice-President, People and Culture, Health, Safety and Environment.

Operational accountability resides with the Health and Safety division, in collaboration with the company's various lines of business. There are formal monthly reviews of workplace health and safety issues at the senior management level, as well as quarterly reviews of the Health, Safety and Environment Management System.

Health and safety goals are integrated into corporate and managers' individual performance scorecards and are tied directly to compensation. Hydro One's total workforce is represented in formal joint management-worker health and safety committees that monitor and advise on occupational health and safety programs.



Health and safety goals are integrated into corporate and managers' individual performance scorecards and are tied directly to compensation.

STRATEGIC PRIORITIES

A SAFE WORKPLACE

Hydro One's priorities are to ensure that workplace safety remains top-of-mind and that, in tandem, workplace wellness is recognized as a contributing factor in productivity, employee engagement and retention, customer service and risk mitigation. To achieve these goals, we focus on ongoing training and development, annual risk assessments, safety by design, legal compliance, leadership, and incident reporting.

EMPLOYEE MENTAL HEALTH

Promoting mental health and wellness is part of our safety commitment to our employees. Mental health is a key aspect of productivity, and therefore a critical part of our overall workplace health and safety agenda. For 2015, our focus was to develop mental health safety meeting packages; provide a Building Resiliency for Mental Health self-learning course; offer employees a Mental Health First Aid course and the opportunity to attend Health Screening clinics.

OHSAS 18001 CERTIFICATION

Occupational Health and Safety Assessment Series is an internationally applied British standard for occupational health and safety management systems. It exists to help organizations put in place demonstrably sound occupational health and safety performance. Companies that hold the OHSAS 18001 certification agree the framework help to identify and control health and safety risks; reduce the potential for accidents; enhances legal compliance; and improves overall performance.







2015 PERFORMANCE

- ✓ Achieved our health and safety target, by reducing our recordable incidents to 1.68 incidents per 200,000 hours worked.
- ✓ As part of the Journey to Zero, compiled a comparison of data from the 2015 Safety Culture Assessment undertaken by DuPont with results from 2009 and 2013. The data showed that clear improvements were made in safety culture scores and injury rates.
- ✓ Conducted the annual Gallup Q12 survey to measure employees' level of engagement. Results show a link between high engagement scores and higher safety performance. Managers used the information from the 2015 survey to identify gaps and develop action plans for improvement.
- ✓ Over 1,400 employees participated in screening clinics, which assessed several factors related to mental health, including cardiovascular risk, exercise and nutrition.
- ✓ Launched a two-day Mental Health First Aid workshop certified by the Mental Health Commission of Canada to teach workers about the signs and symptoms of mental illness and provide resources to help. Over 260 employees received Mental Health First Aid training.
- ✓ Developed mental health information packages for discussion at safety meetings and a 20-minute 'Building Resiliency for Mental Health' training module.

LOOKING AHEAD

- **Continue to raise awareness for motor vehicle safety, with a goal of further reducing preventable employee work related motor accidents by 2017.**
- **Focus on anticipating and 'designing out' potential occupational health and safety hazards and risks associated with new or changed processes, structures, equipment, or tools.**
- **Continue the Mental Health First Aid workshop with a goal of enrolling 1,000 employees by 2017.**
- **Continue to focus on Safe Workplace core value and continuous improvement initiatives that drive towards achieving an injury-free workplace.**

OUR JOURNEY TO ZERO

Our Journey to Zero program is a key is element of our Health, Safety and Environment managed system's continuous improvement process. Since it began in 2009, we have reduced our total recordable injuries rate by 35 per cent.

Our Journey to Zero is based on the beliefs and commitments made in our Health and Safety policy, as well as input from employees and their representatives. It is premised on the notion that health and safety is both a journey and the ultimate destination is zero injury.

Cross-functional teams province-wide are continually searching for ways to improve our systems and process, which will lead to improved performance. Among the areas that we have identified for improvement are: our incident investigation process, health and safety metrics, revising and simplifying procedures, getting leaders in the field, safety meetings, musculoskeletal disorders, employee recognition, communication, motor vehicle accidents, and employee involvement.

To help us monitor our progress we use DuPont, a world-renowned organization that helps companies improve and achieve world-class safety performance.



PEOPLE

We rely on the skills and commitment of our employees in order to meet our corporate objectives.

BUILDING AN ENGAGED WORKFORCE

We empower our employees by helping them develop skills and knowledge for the roles they are in today and to fulfill their career aspirations.

It is important that employees are engaged in their day-to-day responsibilities. Engaged employees bring their best effort to work every day, demonstrating positive impact on business outcomes: improving profitability, productivity, customer satisfaction and shareholder value and decreasing safety incidents and absenteeism.

Hydro One has 5,516 regular full-time employees, of which 88 per cent are unionized. There are also 2,077 casual/contracted employees who make up 25 per cent of the company's workforce, of which, 98% are unionized. Overall, 91% of Hydro One's workforce is represented by collective bargaining agreements.



MANAGEMENT APPROACH

Employee engagement is a key management priority, and its strategic importance is reflected in how well integrated engagement oversight is at all levels of the organization.

GOVERNANCE

Several corporate policies, standards and guidelines provide guidance on hiring, promoting and safeguarding respect for employees in the workplace. These include:

- Fair Hiring Policy
- Corporate Diversity and Inclusion Policy
- Anti-Harassment Policy
- Workplace Violence Policy
- Extramural Assistance Policy

Updates on employee engagement are provided to the Board of Directors on a monthly basis, and twice annually at the executive level. The Human Resources Committee of the Board also reviews engagement issues on an annual basis.

Hydro One works with the Gallup organization to administer an annual employee engagement survey, known as the Q12. The survey is sent annually to all full-time, seasonal and temporary employees of Hydro One, who are employed at the time of the survey. The surveys measure strengths and gaps in the local work environment and provide managers with a gauge on how they are performing and also hold managers accountable for results. To support managers, the company's human resources consultants and employee engagement specialists actively provide guidance with action planning and follow-through. Gallup also provides one-on-one coaching for managers who many need additional assistance.



WHAT IS THE GALLUP Q12 SURVEY?

Gallup has statistically identified 12 critical elements of work life (workplace needs) that are precisely worded and sequenced to determine the extent to which employees are psychologically committed and emotionally connected to their jobs, no matter their role or level in the company.

The 12 critical working conditions are:

Clear expectations
Proper materials and equipment
Utilization of employees' strengths
Recognition for great work
Caring about employees
Developing employees
Listening to employees
Connecting employees' work to an organization's mission/purpose
A commitment to quality
Creating strong relationships and partnerships
Talking to employees about their progress
Giving employees learning and growth opportunities

STRATEGIC PRIORITIES

ENGAGEMENT WITHIN TEAMS

Employee engagement is a product and indicator of managerial effectiveness. Managers work to improve levels of engagement in their unit by developing local action plans, and focusing on removing barriers that hinder great work. In many instances engagement has become part of a team's day-to-day work. It is discussed in meetings, one-on-one sessions throughout the year.

EMPLOYEE TRAINING AND DEVELOPMENT

Development plays a part in the overall strength and depth of the talent of our company's employees. Proper development and training of our managers and supervisors gives them the tools to be effective managers, as well as gives them the skills to encourage the engagement of their team. Our employees undertake an average of 60 hours of training a year. It will continue to be a key strategic priority in 2016.







2015 PERFORMANCE

- ✓ Achieved a grand workplace engagement mean in the 2015 Gallup Q12 survey of 3.97 out of 5. Out of 382 teams 59 per cent of the teams were above the 50th percentile and 33 per cent were above the 75th percentile.
- ✓ Engaged employees in the transformation of Hydro One into a publicly traded company to employees through audio-casts and follow-up written communications
- ✓ Developed the 'Let's Get Great' initiative and used this in all internal and external communications. Areas of focus were continuous improvement, increased efficiency, heightened customer focus, and greater accountability.
- ✓ Offered 150 workshops to hundreds of employees. Workshops included sessions on Coaching, Tackling Challenging Conversations, Effective Supervision, Business Writing, Presenting to Groups, Project Management, and Making Effective Selections.

LOOKING AHEAD

- **Our short-term goal is to increase mean workplace engagement to 4.07 in 2016, from a 2015 score of 3.97 out of 5.**
- **Present a comprehensive and integrated communications strategy that builds on the 'Let's Get Great' theme to the Board of Directors for approval in 2016.**



DIVERSITY

A more diverse and inclusive workforce strengthens our competitive advantage.

OUR DIFFERENCES ARE ALSO OUR STRENGTHS

We are growing our talent pool because we know that a more diverse and more inclusive workforce will strengthen our competitive advantage.

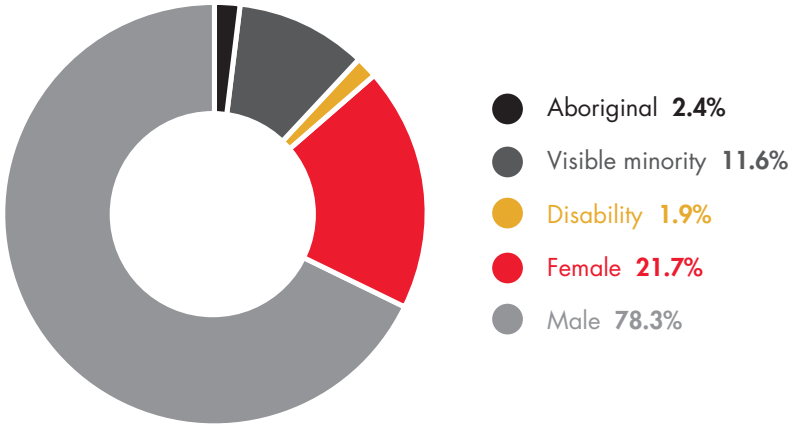
As employees retire or move on, there is a critical opportunity to refresh our workforce with candidates from an expanded pool of diverse talent.

While our main headquarters are located in the Greater Toronto Area (with a very diverse demographic profile), the majority of communities that we serve are primarily rural (with a significantly different diversity profile). Our challenge is to be truly representative of all these communities.

AS OF DECEMBER 2015

- There are 1772 full-time employees (32%) eligible to retire in 5 years (Y2016 - Y2020)
- There are 2235 full-time employees (41%) eligible to retire in 10 years (Y2016 - Y2025) including 5 years numbers

In 2015, our employee base included people from the following diversity categories:



Our diversity profile at the management level vs. labour market availability data:

	Hydro One		Labour Market availability as of 2011 Labour Census	
	Executives (EVP, Senior VP, VP)	Middle Managers	Executives (EVP, Senior VP, VP)	Middle Managers
MEN	77.8%	78.9%	71.4%	79.2%
WOMEN	22.2%	21.1%	28.6%	20.8%
VISIBLE MINORITIES	5.5%	17.4%	10.1%	15%

For 2015 business planning and hiring purposes, Hydro One used the available labour market data from the 2011 census (the most current available). We will update our diversity and inclusion framework once data from the long-form census becomes available in 2017.

MANAGEMENT APPROACH

In addition to adhering to the *Ontario Human Rights Code* and *Accessibility for Ontarians with Disabilities Act* (AODA), Hydro One's commitment to diversity and inclusion is written into the company's *Code of Business Conduct* and supported by a Diversity and Inclusion Policy and Workplace Human Rights and Anti-Harassment Policy. These policies also provide a framework for reasonable accommodation for employees with a disability or alternative work arrangements, as well as guidance on issues such as religious accommodation and language.

GOVERNANCE

Diversity issues are reported to the Board of Directors through the Senior Vice-President, People and Culture, Health, Safety and Environment. As noted in the Governance section of this report, we have a target of 40 per cent for female representation on our Board of Directors. In 2015, six of 15 members of our Board were women.

The Board reviews diversity and inclusion issues on an annual basis.

Business unit managers receive a profile for their unit twice annually, as well as information about the available labour pool. We are committed to growing the talent pool internally and contributing to the enrichment of the broader Ontario economy through support of diversity and/or training programs.

In a workplace review conducted in 2015, no discrepancies were found in terms of gender-biased pay.

We are committed to growing the talent pool internally and contributing to the enrichment of the broader Ontario economy through support of diversity and/or training programs.







STRATEGIC PRIORITIES

DIVERSIFYING OUR TALENT POOL

Given our proximity to, and presence in, these communities, hiring and training of First Nations workers has become a key priority. Further, having a broader pool of First Nations talent in-house will help us to better understand First Nations issues and opportunities, as well as continue to engage constructively with these communities over the long-term.

We have transmission facilities in 21 First Nations communities and directly serve more than 85 First Nations groups including 21,200 First Nations distribution customers. Hydro One Remote Communities operates and maintains assets used to generate and deliver electricity to 15 First Nations communities.

TRAINING AND DEVELOPMENT

Great companies invest in their employees and provide the conditions for their success over the course of their careers. At Hydro One, field staff typically work for 35 years before retiring; for head office employees, the average is approximately 25 years. Hiring the right people is one key to success; the other is providing training and the opportunity to help them do their best work. Training and development are critical to continuous improvement and our overall competitiveness.

A key priority is to continue investing in projects, programs and initiatives that attract more women into our operations and building capacity for them in the electricity sector. At the community level, Hydro One also aims to hire a diverse and flexible short-term workforce on a contract basis, which helps to enhance local economic development and transfer knowledge into local communities.







2015 PERFORMANCE

- ✓ Initiated a three-year pre-tech development program at Confederation College to reach First Nations and vulnerable youth in Northern Ontario and prepare them for apprenticeships. Of the 30 students in the first cohort, five have applied to Hydro One's apprentice program.
- ✓ Introduced the Women in Engineering Scholarship to provide academic incentive and paid work experience in engineering to female students. This initiative supports the work of the University Partnership (already in progress), which aims to encourage more young women to study science, technology, engineering and math (STEM) at the post-secondary level.

LOOKING AHEAD

- **Increase women and Aboriginal students' participation in skilled trades by engaging in partnerships with external organizations such as community colleges in northern Ontario.**
- **Increase investment for Aboriginal scholarships in local community colleges.**
- **Implement a new three-year diversity strategy that encompasses people with disabilities and visible minorities.**

GRI CONTENT INDEX

GRI INDICATOR OR DISCLOSURE ON MANAGEMENT APPROACH (DMA)		SECTION / PAGE	COMMENTS
GENERAL STANDARD DISCLOSURES			
STRATEGY AND ANALYSIS			
G4-1	Statement from most senior decision-maker of organization	5	Complete
G4-2	Key impacts, risks, and opportunities	Annual report (AR) - 12-15, 32-41	Complete
ORGANIZATIONAL PROFILE			
G4-3	Name of organization	2	Complete
G4-4	Report the primary brands, products, and services	5	Complete
G4-5	Location of organization's headquarters	2	Complete
G4-6	Countries in which the company has operations	5	Complete
G4-7	Nature of ownership and legal form	5	Complete
G4-8	Markets served	5	Complete
G4-9	Scale of reporting organization	5, 7, 8	Complete
G4-10	Employee breakdown	9, 63, 68	Complete
G4-11	Employees covered by collective bargaining	63	Complete
G4-12	Supply chain	48 / AR - 7	Complete
G4-13	Significant changes	2	Complete
G4-14	Precautionary approach	29	Complete
G4-15	Charters and principles	13, 48	Complete
G4-16	Memberships	13	Complete
EU3	Number of customers	21	Complete
EU4	Length of transmission and distribution lines	36	Complete

GRI INDICATOR OR DISCLOSURE ON MANAGEMENT APPROACH (DMA)		SECTION / PAGE	COMMENTS
GENERAL STANDARD DISCLOSURES			
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Entities listed in financial disclosure	2	Complete
G4-18	Report content and aspect boundaries	11, 12	Complete
G4-19	Material aspects identified	11, 12	Complete
G4-20	Aspect boundary within the organization	11, 12	Complete
G4-21	Aspect boundary outside the organization	11, 12	Complete
G4-22	Restatements of information	n/a	Not applicable
G4-23	Changes in scope or aspect boundaries	n/a	Not applicable
STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholders	13, 14	Complete
G4-25	Identification and selection of stakeholders	13, 14	Complete
G4-26	Stakeholder Engagement	13, 14	Complete
G4-27	Key Topics and concerns	13, 14	Complete
REPORT PARAMETERS			
G4-28	Reporting Period	2	Complete
G4-29	Date of most recent report	2	Complete
G4-30	Reporting cycle	2	Complete
G4-31	Contact point	2	Complete
G4-32	GRI information	2	Complete
G4-33	External assurance	2	Complete
GOVERNANCE			
G4-34	Governance Structure	16	Complete
ETHICS AND INTEGRITY			
G4-56	Values, principles, codes	7, 16	Complete

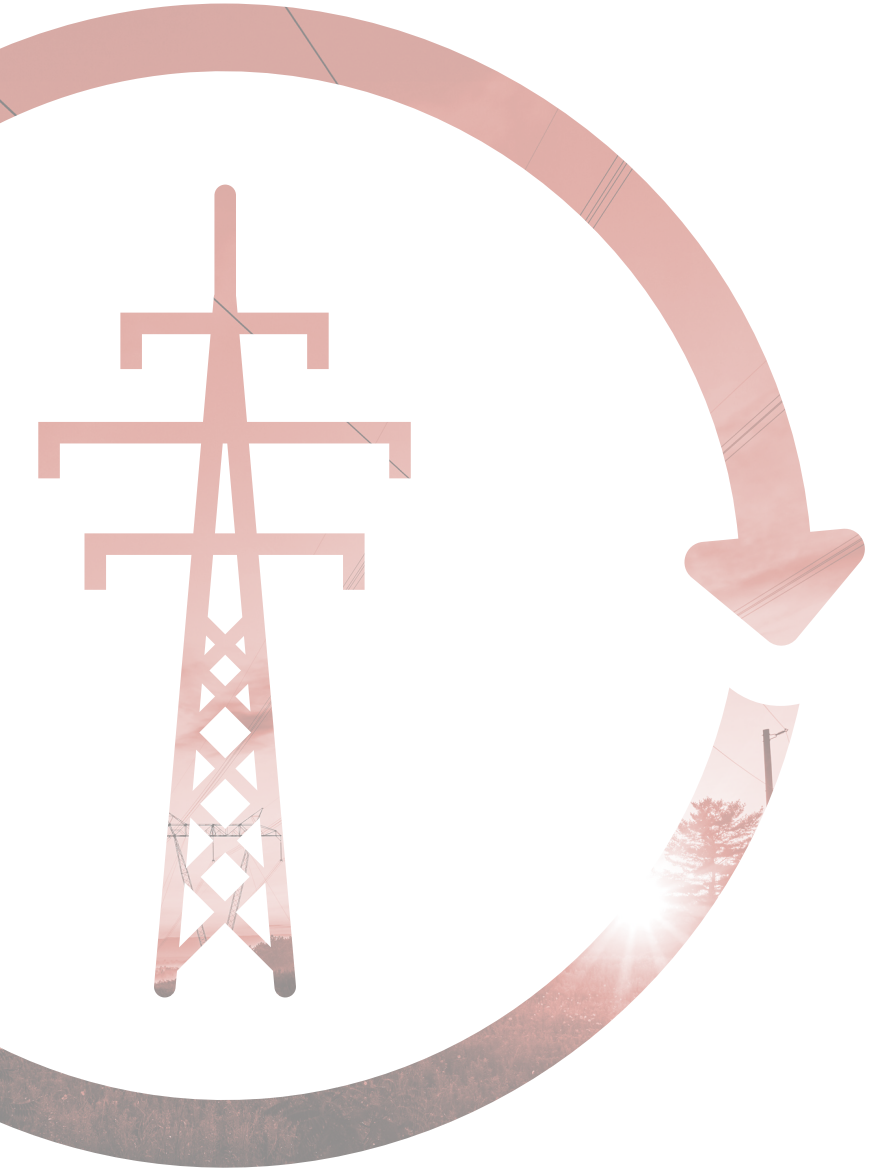
GRI INDICATOR OR DISCLOSURE ON MANAGEMENT APPROACH (DMA)		SECTION / PAGE	COMMENTS
SPECIFIC STANDARD DISCLOSURES			
ECONOMIC CATEGORY			
ASPECT: ECONOMIC PERFORMANCE			
G4	DMA	16, 36-38	Complete
G4-EC1	Direct economic value generated and distributed	8, 9	Complete
G4-EC2	Financial implications and other risks due to climate change	28-31	Complete
ASPECT: PROCUREMENT PRACTICES			
G4	DMA	48-50	Complete
G4-EC9	Proportion of spending on local suppliers	48	Complete
ASPECT: AVAILABILITY AND RELIABILITY			
G4	DMA	36-39	Complete
EU10	Planned capacity against projected electricity demand	36, 37	Partial: *There is no equivalent or meaningful aggregate metric for total planned transmission capacity of our system against projected electricity demand*
ASPECT: DEMAND-SIDE MANAGEMENT			
G4	DMA (Former EU07)	21-24	Complete
ASPECT: RESEARCH AND DEVELOPMENT			
G4	DMA (Former EU08)	30, 40	Complete

GRI INDICATOR OR DISCLOSURE ON MANAGEMENT APPROACH (DMA)		SECTION / PAGE	COMMENTS
SPECIFIC STANDARD DISCLOSURES			
ENVIRONMENTAL CATEGORY			
ASPECT: ENERGY			
G4	DMA	21, 29	Complete
G4-EN3	Electricity consumption	9	Complete
ASPECT: BIODIVERSITY			
G4	DMA	29	Complete
G4-EN12	Description of impacts on biodiversity	29	Complete
G4-EN13	Habitats protected or restored	29	Complete
ASPECT: EMISSIONS			
G4	DMA	29, 32	Complete
G4-EN15	Direct Greenhouse gas (GHG) Emissions (Scope 1)	32	Complete
G4-EN16	Indirect Greenhouse gas (GHG) Emissions (Scope 2)	32	Complete
G4-EN19	Reduction of greenhouse (GHG) Emissions	32	Complete
ASPECT: EFFLUENTS AND WASTE			
G4	DMA	31	Complete
G4-EN23	Total weight of waste by type and disposal method	8, 34	Complete
G4-EN24	Total number of significant spills	34	Complete

GRI INDICATOR OR DISCLOSURE ON MANAGEMENT APPROACH (DMA)		SECTION / PAGE	COMMENTS
SPECIFIC STANDARD DISCLOSURES			
ENVIRONMENTAL CATEGORY			
ASPECT: COMPLIANCE			
G4	DMA	29	Complete
G4-EN29	Value of significant fines for non-compliance	29	Complete
ASPECT: TRANSPORT			
G4	DMA	38	Complete
G4-EN30	Significant impacts of transport	29, 38	Complete
ASPECT: OVERALL			
G4	DMA	28-30	Complete
G4-EN31	Total environmental protection expenditures and investments	29	Complete
ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT			
G4	DMA	48	Partial
G4-EN32	Percentage of suppliers that were screened using environmental criteria	48	Partial: *data unavailable at time of reporting*

GRI INDICATOR OR DISCLOSURE ON MANAGEMENT APPROACH (DMA)		SECTION / PAGE	COMMENTS
SPECIFIC STANDARD DISCLOSURES			
SOCIAL CATEGORY | *Subcategory: Labour Practices and Decent Work*			
ASPECT: EMPLOYMENT			
G4	DMA	68, 69	Complete
EU15	Employees eligible to retire	68	Partial: *data not tracked by region and gender*
ASPECT: OCCUPATIONAL HEALTH AND SAFETY			
G4	DMA	58-60	Complete
G4-LA5	Percentage of total workforce represented by joint management-worker health and safety committees	59	Complete
G4-LA6	Types of injury and rates	58-61	Partial: *data not tracked by region and gender*
ASPECT: TRAINING AND EDUCATION			
G4	DMA	58-60, 65, 70	Complete
G4-LA9	Average hours of training per year	65	Partial: *data not tracked by gender and employee category*
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY			
G4	DMA	68, 69	Complete
G4-LA12	Composition of governance bodies / employees	68	Complete
SOCIAL CATEGORY | *Subcategory: Human Rights*			
ASPECT: INDIGENOUS RIGHTS			
G4	DMA	42-45	Complete
G4-HR8	Total number of incidents of violation	42	Complete

GRI INDICATOR OR DISCLOSURE ON MANAGEMENT APPROACH (DMA)		SECTION / PAGE	COMMENTS
SPECIFIC STANDARD DISCLOSURES			
SOCIAL CATEGORY | *Subcategory: Society*			
ASPECT: LOCAL COMMUNITIES			
G4	DMA	19, 53-55	Complete
G4-SO1	Percentage of operations with implemented community engagement	42	Partial: *this data is not tracked beyond First Nations communities*
ASPECT: DISASTER / EMERGENCY PLANNING AND RESPONSE			
G4	DMA (Former EU21)	AR - 8	Complete
SOCIAL CATEGORY | *Subcategory: Product Responsibility*			
ASPECT: PRODUCT AND SERVICE LABELLING			
G4	DMA	23	Complete
G4-PR5	Results of surveys measuring customer satisfaction	23	Complete
ASPECT: ACCESS			
G4	DMA	24, 42	Complete
EU28	Power outage frequency	39	Complete
EU29	Average power outage duration	39	Complete
ASPECT: CUSTOMER PRIVACY			
G4	DMA	19	Complete
G4-PR8	Total number of complaints regarding customer privacy breaches	19	Complete



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