



POWERING TOMORROW



2016 CORPORATE SOCIAL
RESPONSIBILITY REPORT

“We are committed
to running a
sustainable, socially
responsible business.”

MAYO SCHMIDT

President and CEO

NAVIGATING THIS REPORT



Navigation arrows
to go to next and
previous pages



Menu icon to
return to the
contents page

CONTENTS

INTRODUCTION

- 4** A Message from Mayo Schmidt, President and CEO
- 6** About Hydro One
- 7** 2016 Highlights Driven by Our Values
- 8** Code of Business Conduct
- 8** How We Meet our Corporate Social Responsibility

9 CUSTOMERS COME FIRST

- 10** Customers Come First
- 11** How We Serve and Protect
- 13** Working with Customers
- 15** Making it Easy to do Business with Us
- 16** Promoting a Culture of Conservation
- 18** Communicating with Customers
- 19** Looking Ahead

21 BUILDING A GRID FOR THE FUTURE

- 22** Building a Grid for the Future
- 24** Acquisitions Support Transformation
- 25** Transmission
- 25** Transmission Performance
- 26** Distribution
- 26** Distribution Performance
- 27** Innovation
- 29** Emergency Response
- 29** Looking Ahead

30 POWERING ECONOMIES

- 31** Driving Economic Development in Ontario
- 34** Engaging with Indigenous Peoples
- 38** Community Investment
- 42** Looking Ahead

43 USING RESOURCES RESPONSIBLY

- 44** Using Resources Responsibly
- 45** Reducing our Impacts
- 46** Reducing Emissions to Mitigate Climate Change
- 49** Reducing Waste
- 50** Protecting Biodiversity
- 52** Looking Ahead

53 PEOPLE & POTENTIAL

- 54** Enabling our People to be their Best
- 55** Developing our Talent, Building Capacity
- 57** Diversity and Inclusion
- 58** Increasing Women's Representation
- 60** Growing Indigenous Employment
- 61** Enabling People with Disabilities
- 61** Levelling the Playing Field for Students
- 62** Health and Safety
- 65** Hydro One Health and Safety Policy
- 67** Looking Ahead



This report contains forward-looking statements that are based on current expectations, estimates, forecasts and projections about our business and the industry in which we operate and include beliefs and assumptions made by the management of our company. Words such as "expect" and "will" are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. We do not intend, and we disclaim any obligation to update any forward-looking statements, except as required by law.

The report covers the 2016 calendar year, ended December 31, 2016.



“Hydro One is now doing things differently. As a publicly-traded company, we are more customer-focused than ever before. We’re also a more entrepreneurial and commercial organization, more responsive to markets and to communities across this great province.”

A MESSAGE FROM MAYO SCHMIDT, PRESIDENT AND CEO

As Canada’s largest electricity transmission and distribution service provider, we are committed to creating a better world for generations to come. From building fair and respectful relationships with Indigenous communities, to our best-in-class health and safety principles, our sustainable future is engrained into all that we do.

Hydro One has a long and rich history with social responsibility. We deliver some of the cleanest electricity in North America and are committed to managing our operations through a risk-based approach that minimizes our impact on the environment. We put safety first in everything we do, maintaining our commitment to our Journey to Zero program and a strong safety record.

We are more customer-focused than ever before. We believe that putting our customers first and advocating on their behalf creates real and meaningful change.

As a publicly traded company, we place a strong focus on entrepreneurial and innovative transformation, believing that giving back to the communities in which we operate is part of being a good corporate citizen. By upgrading our infrastructure, we continue to deliver the reliable electricity our customers and communities depend on.

OUR RESPONSIBILITIES

From a social perspective, Hydro One also has a moral and regulatory responsibility to North America. We have an obligation to play a leading role in the years to come by partnering with the government, industry and all Ontarians to solve some of the world’s most pressing challenges.

Chief among these is climate change. Taking environmental and sustainable action now can make a difference in how we ensure a healthy future for the planet. That is why we are proud to work alongside public and private sector partners to strengthen Ontario’s position as a leader in environmentally responsible practices. Clean, reliable and competitively priced electricity helps to attract investment and support Ontario’s emergence as a global manufacturing and innovation hub.

A MESSAGE FROM THE PRESIDENT & CEO

CONTINUED

2016 ACHIEVEMENTS

2016 was an incredible year for building on our Corporate Social Responsibility (CSR) initiatives and achieving our goals. In this CSR report, you will find out how we are:

- Advocating for our customers and becoming a more responsive, customer-centric organization, putting our valued customers first in all we do
- Helping to cultivate a culture of conservation across Ontario, by issuing money-saving coupons, rebates and advice on reducing energy consumption
- Reinforcing our strong Journey to Zero safety goals, with a best-in-class safety record
- Building and maintaining respectful relationships with Indigenous peoples and advocating for their greater economic participation in our industry
- Creating a more diverse and inclusive workforce, through programs such as our Women in Engineering University Partnership

As an entrepreneurial and innovative organization, it's important to bring greater rigour to our corporate social responsibility. By tracking and measuring our CSR activities, we will ensure our efforts deliver the highest possible social value to our customers, communities and the environment today and tomorrow.

I would like to thank our Board of Directors for their support and guidance in leading our sustainability initiatives. Most of all, I would like to thank Hydro One employees—the heart of our organization—who have exercised a strong social conscience for generations and will continue to do so for years to come. By turning on the power of possibility in the workplace, they are creating a real and sustainable future we can all be proud of.

MAYO SCHMIDT
President and CEO
Hydro One Limited

“By tracking and measuring our CSR activities, we will ensure our efforts deliver the highest possible social value to our customers, communities and the environment today and tomorrow.”

ABOUT HYDRO ONE

Hydro One is one of North America's largest electricity transmission and distribution service providers.

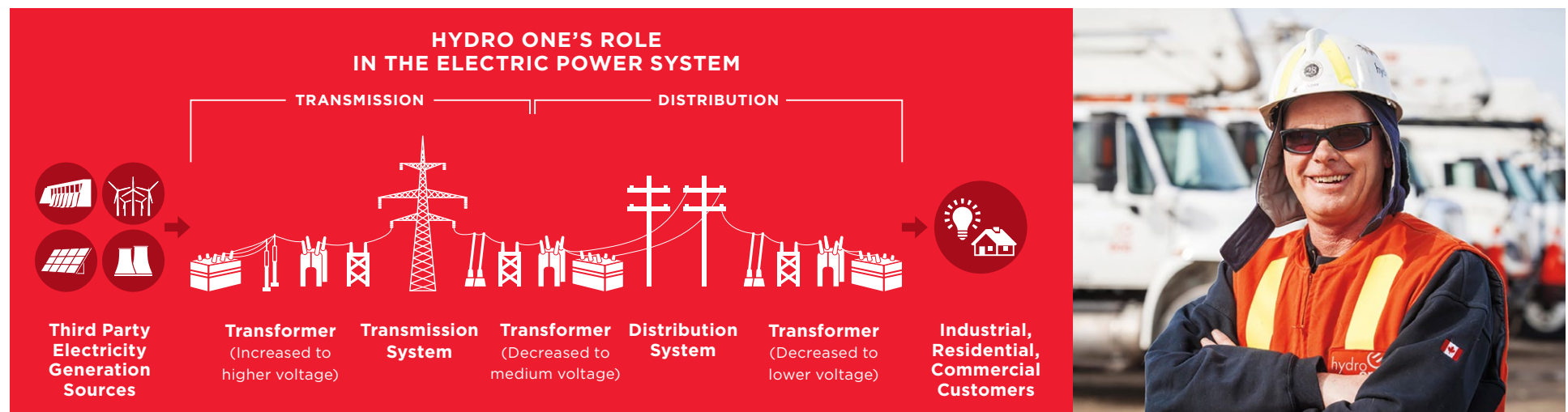
We transmit and distribute electricity across Ontario, home to 38 per cent of Canada's population. In November 2015, we became a publicly traded company on the Toronto Stock Exchange under the symbol, "H".

Day in, day out, our dedicated workforce of more than 5,500 employees are committed to safely and reliably keeping the lights on for our approximately 1.3 million valued customers in the suburban, rural and remote communities they call home.

As part of our transformation into a world-class, publicly traded company, we're focusing our business on our customers. We're strengthening our infrastructure so we can continue to deliver clean, safe electricity; reducing our carbon footprint to address the challenge of climate change; and creating Ontario jobs by buying locally and encouraging Indigenous participation.

Hydro One is committed to the communities it serves, and has been rated as one of the top utilities in Canada for its corporate citizenship, sustainability, as well as diversity initiatives. We are one of only four utility companies in Canada to achieve the Sustainable Energy Company designation from the Canadian Electricity Association.

This Corporate Social Responsibility (CSR) report is limited to the operations of Hydro One Limited. (referred to as "Hydro One" throughout this report). The report covers the 2016 calendar year, ended December 31, 2016. All dollar amounts are in Canadian dollars. The scope of the report excludes Hydro One Remotes and Hydro One Telecom.



2016 HIGHLIGHTS DRIVEN BY OUR VALUES

SAFE WORKPLACE

77%

reduction in total
recordable injuries
since 2009

CUSTOMER CARING

92%

satisfied with
call centre agent
service

ONE COMPANY

\$1.24M

donated by
employees
to local charities

PEOPLE POWERED

500k

hours of training

EXECUTION EXCELLENCE

99%

billing accuracy

36

formal Joint Health
& Safety Committees
across company

\$47M

in bill savings
for customers

27th

rank in Canada's
Best Employers List
by Forbes Magazine

\$1.8M

invested in
communities

350%

growth in number
of home and business
retrofits

CODE OF BUSINESS CONDUCT

The *Code of Business Conduct* applies to all employees at every level of Hydro One, from the chief executive officer to frontline workers. It also applies to Hydro One's board members as well as its agents, suppliers, consultants, contractors and business partners. The Code makes reference to Hydro One's Whistleblower Policy, where anonymous reporting through a third-party hotline is available.

Hydro One expects all employees and board members to conduct themselves in accordance with the Code and will hold them accountable for their conduct. The Code covers areas such as health and safety, diversity, harassment, work performance, conflicts of interest and protecting the environment. It also protects Hydro One assets, which include confidential customer information and relationships with investors as well as customers. If employees do not comply with the Code, they will be subject to disciplinary procedures, up to and including dismissal. Violations may also result in criminal and/or civil liability.



TO LEARN MORE

For more information, please see
Hydro One's 2016 Annual Report

► HydroOne.com/Investor-Relations

HOW WE MEET OUR CORPORATE SOCIAL RESPONSIBILITY

While Hydro One has been exercising social responsibility towards its communities, employees, the environment and regulators for generations, reporting on Corporate Social Responsibility (CSR) is a relatively new undertaking. This is our second report. However, we're building processes to gather more detailed data and enhance our reporting.

Over time, our report's comprehensiveness will grow, as Hydro One's CSR and business strategy integrate.

Indeed, the issues described in this report are already embedded in Hydro One's governance framework and in the Board of Directors' four committees: Human Resources; Health, Safety, Environment and Indigenous Peoples; Audit; and Nominating, Corporate Governance, Public Policy and Regulatory.

RESPONSIBILITIES AND REPORTING GUIDELINES

Responsibility for CSR resides with the Vice President of Corporate Affairs, the Executive Vice President of Customer Care and Corporate Affairs, and the President and CEO. A Joint Corporate Social Responsibility Committee, which includes the manager and coordinator of CSR, convenes Hydro One managers and directors who provide perspectives on current and emerging issues. The Joint CSR Committee reports to the Nominating, Corporate Governance, Public Policy and Regulatory Committee of the Board of Directors.

CUSTOMERS COME FIRST

Hydro One is undergoing a historic customer service transformation. Every decision and conversation at Hydro One, from front line service repairs to operational planning to Board of Directors meetings, is today more sharply focused on what's best for the customer.



\$47M

IN CUSTOMER BILL
SAVINGS IN 2016

Due to Hydro One
conservation and
other programs



92%

SATISFIED WITH
CALL CENTRE
AGENTS



99%

BILLING
ACCURACY

CUSTOMERS COME FIRST

In 2016, we committed to reviewing policies that directly affect the customer to ensure we're more responsive and exceeding their expectations. This review is now a normal part of how we operate. Higher customer satisfaction is fuelling our growth and enabling us to fulfill our obligations to the Ontario Energy Board (OEB), shareholders and local communities.

Hydro One is running a more efficient and productive business. Hydro One call centres are responding to and resolving issues faster. Bills are more accurate. Customers tell us they're having a better experience. And most importantly, customers are using the tools and information we provide—from money-saving rebates, coupons and tips to dozens of retrofit programs—to reduce their electricity bills. In partnership with the Independent Electricity System Operator (IESO), we're helping to create a province-wide culture of conservation.

Our transformation is not over yet, as we continue to improve how we do business. We made enormous strides to ensure our customers come first - a cultural transformation we call "Flip the Switch".



HOW WE SERVE AND PROTECT

As a provincially-regulated utility, we're obliged to publish Conditions of Service that detail customer rights and obligations. These conditions comply with the *Ontario Energy Board Act*, 1998, the Affiliate Relationships Code for Electricity Distributors and Transmitters, the Transmission System Code, the Distribution System Code, the Retail Settlement Code, and the Standard Supply Service Code.

At the end of 2016, only 48 customers had not received a bill in 90 days, compared to over 2,600 in 2014.

What's more, our billing accuracy of 99.8% exceeded the OEB's year-end target of 98%.

OUR CUSTOMER COMMITMENTS

1 WE WILL PROVIDE YOU WITH A BILL YOU CAN TRUST AND UNDERSTAND

2016 PERFORMANCE:

- **99%** bill accuracy

2 WE WILL PROVIDE YOU WITH A RELIABLE SUPPLY OF ELECTRICITY

2016 PERFORMANCE:

- **2.5** power outages per customer
- **76%** estimated time of restoration accuracy

3 WE WILL MAKE IT EASY TO DO BUSINESS WITH US

2016 PERFORMANCE:

- **74%** of calls answered within 30 seconds
- **79%** of customers are satisfied with our *myAccount* website

4 WE WILL COURTEOUSLY AND PROMPTLY WORK TO RESOLVE ANY ISSUES YOU MAY HAVE

2016 PERFORMANCE:

- **92%** satisfied with call centre agents
- **82%** of customers say issue was resolved with first call

5 WE WILL HELP YOU MANAGE YOUR ELECTRICITY USE

2016 PERFORMANCE:

- **208.4 GWh** saved through Hydro One conservation programs
- **75%** *myAccount* users who say our online information helps them manage their electricity use and costs

HOW WE SERVE AND PROTECT

CONTINUED

OUR CUSTOMER GUARANTEE

Hydro One was the first electric utility in Ontario to offer these customer commitments:

1 IF WE MISS OUR
APPOINTMENT WITH
YOU, WE WILL CREDIT
YOUR ACCOUNT

2 IF WE DO NOT
CONNECT YOUR NEW
SERVICE WITHIN
5 BUSINESS DAYS OF
ALL CONNECTION
REQUIREMENTS BEING
MET, WE WILL CREDIT
YOUR ACCOUNT

3 IF WE DO NOT RETURN
YOUR PHONE CALL
WITHIN 1 BUSINESS
DAY, WE WILL CREDIT
YOUR ACCOUNT

In 2016, we increased our credit guarantees to customers from \$50 to \$75.

FARM RAPID RESPONSE TEAM

With 50,000 farming customers, we've long recognized that farmers have special needs and issues best managed by specialized staff. One of these issues is uncontrolled electricity—or *stray voltage*—which can be a significant concern for livestock owners.

In 2016, we set up the Farm Rapid Response Team, whose members are trained to identify and fix or minimize on-farm electrical issues. Developed in partnership with the Ontario Federation of Agriculture, the team is attuned to farmers' needs and provides a streamlined, single point of contact for these important customers.

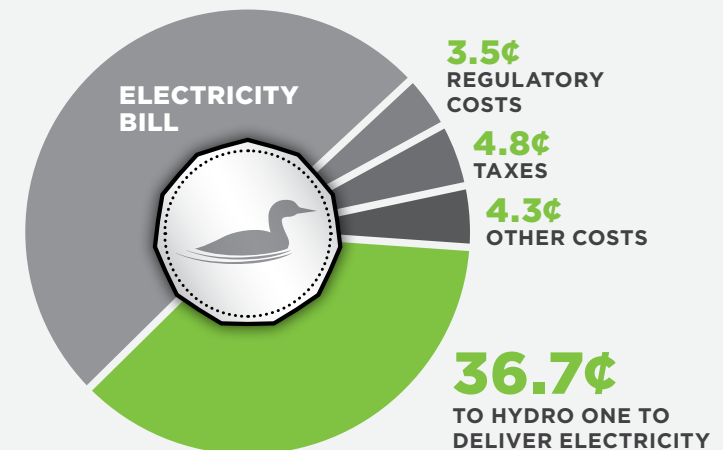
THE CUSTOMER'S ELECTRICITY DOLLAR

The OEB sets delivery rates for Hydro One customers, and each customer pays to use the transmission system we build and maintain. If Hydro One also delivers electricity to the customer's home or business, an added fee pays for building and maintaining the distribution system.

The electricity dollar is portioned like this:

50.7¢

TO THE ELECTRICITY GENERATORS



WORKING WITH CUSTOMERS

ADVOCATING FOR THE CUSTOMER



Electricity is essential to modern life. However, we recognize that each customer has individual energy needs and varying financial resources.

In 2016, we proactively reached out to customers to understand and respond to their concerns. Our role is to listen, learn and advocate on behalf of our customers.

By continuing to invest in a robust physical infrastructure, we ensure the lights stay on for Ontario citizens. However, for those customers who struggle financially, keeping the lights on is a more complex challenge.

Unpaid bills affect all Hydro One stakeholders by reducing resources for efficiency and productivity gains. And, with fewer resources at hand, our ability to invest in a more resilient and technologically advanced electricity grid is impaired.

In 2016, we introduced more tools and support programs to help customers keep up with their bills. It's a matter of good business, especially in a province with extreme variations in weather and geography.

Among the programs we now offer is a dedicated team of specially trained customer service agents. Starting in September 2016, we gave these agents authority to tailor solutions to the individual customer who is having difficulty paying his or her bill.

These solutions might involve:

- **Setting up an instalment plan**
We now offer a range of plans with instalments spread over 12 to 24 months.
- **Enrolling customers in financial assistance**
The Low-income Energy Assistance Program (LEAP) provides emergency credit of up to \$600 annually (based on income and heating source). In 2016, we more than doubled LEAP funding from \$2 million to \$4.2 million—well above the OEB's required amount.

**INCREASED
CUSTOMER
SERVICE
GUARANTEES**



WORKING WITH CUSTOMERS

CONTINUED

EXTENDING WINTER RELIEF

Launched in December 2016, the Winter Relief Program targeted 1,400 customers whose extreme financial difficulties had led to disconnections. The program successfully reconnected more than 350 customers and waived the reconnection fees. We followed up with letters, phone calls and visits to ensure these customers remain in good standing into spring, to avoid another disconnection.

The Winter Relief Program joins the existing Hydro One Voluntary Winter Moratorium.

GET LOCAL IS ENGAGING WITH INDIGENOUS COMMUNITIES

Public policies and social attitudes have affected Indigenous communities disproportionately in Ontario and across Canada. This is why we launched a new service model to how we do business with these communities. Our Get Local Indigenous program enables face-to-face dialogue so customers can better understand their bills, manage payments and reduce electricity consumption. In the process, Get Local is strengthening trust and relationships.

In 2016, we visited 11 Indigenous communities and held 504 one-on-one sessions with customers as part of Get Local. We offered a range of supports, including financial and conservation programs, energy-saving advice and social assistance.

The reaction to Get Local from community members and leaders was highly positive—we plan on rolling out this innovative program across the province in 2017.



“Hydro One has been providing in-person services to the community of Six Nations for the past two years. We commend and appreciate their efforts to build relationships with First Nations”

“Through this initiative, a number of our community members who are existing customers and are residing on the Territory have been able to access tools and information to help lower their monthly bills.”

CHIEF AVA HILL, Six Nations

MAKING IT EASY TO DO BUSINESS WITH US

As part of our transformation to a more customer-focused company, we're changing the way we do business. For the customer, this means faster response times and a simpler, more streamlined process.

The OEB requires us to ask customers about their experiences with Hydro One and how we can improve. We collect feedback with various customer surveys. For instance, we follow up with randomly-selected call centre interactions, asking customers to rate their satisfaction levels and inviting comments. And, twice annually, we survey randomly selected residential and small business customers. Both methods are commissioned through independent third-party services.

In 2016, the answers we received informed a major new program to enhance training for our call centre agents, emphasizing greater professionalism, courtesy and friendly service. We're also encouraging call centre agents to be proactive with advice that saves customers money and reduces electricity consumption.

CUSTOMER CALL CENTRE PERFORMANCE

Our call centre is how most customers interact with Hydro One. The 2016 results show that we're making good progress in customer focus.

82%

FIRST CALL RESOLUTION

2016

Percentage of calls answered in 30 seconds	74%
First call resolution	82%
Customer satisfaction with call centre agent	92%



PROMOTING A CULTURE OF CONSERVATION

Canada's federal government has committed to reducing its carbon footprint and energy use in order to help build a more sustainable world. Our mission and indeed our mandate from the OEB is to help customers reduce their electricity consumption and energy bills.

To meet our province's electricity needs today and in the future, it is more environmentally sustainable and cost-effective to invest in reducing consumption rather than building new generating capacity.

CAN LONG-INGRAINED HABITS OF CONSUMPTION BE CHANGED?

We believe they can.

As an agent of societal change, Hydro One is helping.

In 2016, our programs helped customers save \$47 million on their electricity bills.

The Province of Ontario has mandated Hydro One to achieve energy savings of 1,221 gigawatt-hours (GWhs) by 2020.

That's enough electricity to power 102,000 average homes for a year.

We are tracking well against this target with 518.8 GWhs saved in the first two years.

208.4 GWhs

SAVED THROUGH
HYDRO ONE
CONSERVATION
PROGRAMS IN 2016

350%

GROWTH IN
NUMBER OF HOME
AND BUSINESS
RETROFITS

PROMOTING A CULTURE OF CONSERVATION

CONTINUED

MOVING THE NEEDLE ON ENERGY SAVINGS

Getting the message out about conservation and sustainability helps customers understand what is at stake, gets buy-in and changes behaviour. Incentives also encourage energy consumers to reduce their usage. By getting more customers on board and changing old ways of thinking, Hydro One is delivering on the energy reduction targets set by the province and supporting Ontario's Long-Term Energy Plan.

We're supporting the province's vision of fostering a culture of conservation, with both mandated programs directed at change to customers and measures that go well beyond our mandate.

To nudge the needle further on energy savings, in 2016 we upgraded the training and authority of 20 conservation account managers, who work in seven operating zones to serve:

- **Agricultural customers**
- **Small business customers**
- **Mid-size commercial customers**
- **Industrial customers**

EMPOWERING CUSTOMERS WITH TOOLS AND INFORMATION

We also have 15 customer-empowering programs, as well as complementary initiatives across the entire customer spectrum. They include:

- Money-saving coupons for Energy Star® certified products such as LED bulbs, timers, power bars and programmable thermostats
- A Home Assistance Program that includes free energy-efficiency upgrades to eligible home owners and low-income rental property owners
- Rebates on higher-efficiency cooling and heating systems
- A retrofit program that provides rebates to medium-sized businesses, schools and hospitals for energy-efficiency upgrades
- Financial incentives that help large industrial customers offset the cost of energy-efficiency improvements for their processes, keeping these businesses competitive in Ontario
- An innovative direct install program that provides turnkey lighting upgrades to small business customers
- Energy-saving tips, such as using clotheslines, water heater blankets and weather-stripping
- How-to videos
- Energy and cost calculators

Each of these initiatives generates value for customers and helps to make Ontario a better place to live and work.

BOOSTING BUY-IN FOR RETROFIT PROGRAM

While most of our incentives integrate coupons and rebates to promote action, sometimes streamlining the process also boosts participation. A good example is our Retrofit Program for businesses, which enables them to apply for energy-saving project grants.

In 2016, we asked ourselves why the program was not attracting more interest among small to medium-sized customers. We talked to them and quickly realized it was overly complex, with approval lead times for small grant applications nearly the same as for large ones.

By removing this barrier, customers can now receive almost instantaneous approval on projects below a certain dollar threshold. With improvement, we're experiencing a surge in customers taking advantage of lower-cost retrofit grants.

The 2016 Retrofit Program attracted **1,627** business customers and generated **\$11.23M** in bill savings.

COMMUNICATING WITH CUSTOMERS



OUTAGE ALERTS

Early in 2016, Hydro One became the country's first utility to introduce proactive outage alerts to registered customers. When an outage occurs in a customer's home, business or other property, we issue a personalized email or text alert, along with the estimated time of service restoration.

The service has already issued hundreds of thousands of alerts to customers, and program registration continues to grow.

Outage alerts and an online outage map are part of Hydro One's growing suite of communication tools.

PAPERLESS BILLING AND USAGE ALERTS

Going paperless is not just good for the environment; it's also more convenient for customers. It gives them access to the most detailed and up-to-date picture of their electricity usage where and when they want it, so they can manage usage for the rest of their billing period.

In 2016, we launched paperless billing notifications and payment reminders, which shift even more decision-making power to the customer. Customers can also choose to receive High Usage Alerts via email or text message. This tells them if their usage is trending higher than normal, or beyond a specified threshold. In addition, the alerts contain actionable suggestions, from energy-saving tips and special promotions to government programs.

With paperless billing, Hydro One customers now have a second and potentially more convenient way to get in touch and find the information they need.



LOOKING AHEAD

We are sharpening our focus on the customer and in the process becoming a world-class company. Customers are experiencing significant reductions in their monthly bills, better service and a wider range of offerings.



INTRODUCING BETTER CUSTOMER SERVICE TOOLS

- **Bill redesign:** Based on extensive customer feedback and research, the new bill aims to be easier to understand and provides the customer with a more detailed picture of energy usage
- **HydroOne.com redesign:** Our new website and *myAccount* self-serve portal will be more intuitive, with a rich array of information and tools, such as Predict My Bill
- **Extended call centre hours:** Responding to requests for more convenient times that fit customer schedules, Hydro One plans to open its call centre on Saturdays and extend weekday hours — the first Ontario electricity provider to do so

PROVIDING MORE FINANCIAL RELIEF

New relief measures for vulnerable customers at risk of disconnection will include:

- Enrolment in financial and conservation programs and flexible payments
- Increased funds to United Way's Low-Income Energy Assistance Program, above and beyond OEB requirement
- Eliminating residential security deposits and returning all existing deposits
- Increasing the number of collection touch points, including phone calls and mail, before disconnecting a customer as a last resort

LOOKING AHEAD

CONTINUED

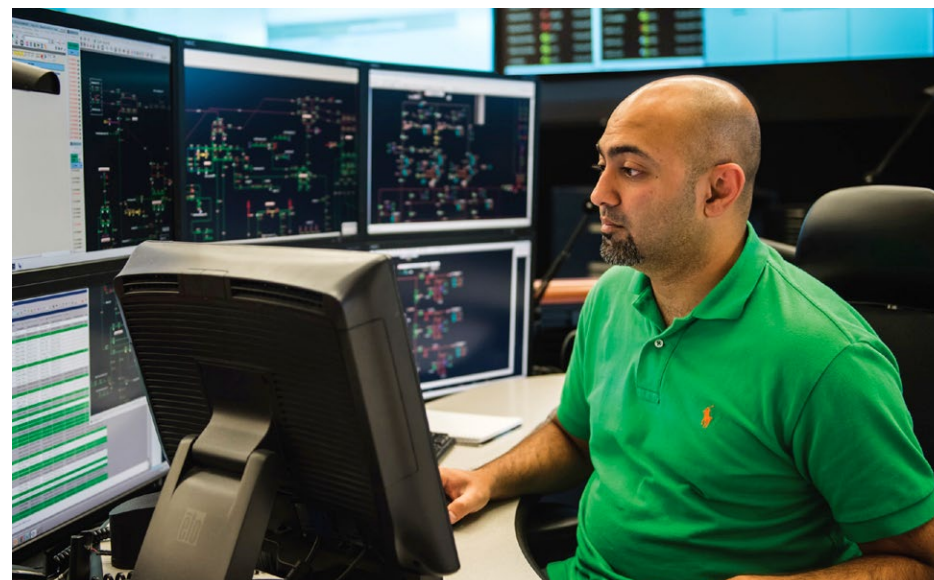


EXPANDING GET LOCAL

We expect to bring the Get Local Program to more Indigenous communities and extend it to non-Indigenous communities as well. Face-to-face meetings, local presence and local community ambassadors are building trust, buy-in and collaboration.

INCREASING RETROFIT PROGRAM PARTICIPATION

Our Retrofit Program is already a success, and we're looking to improve on it in 2017. Projects such as attic insulation, window replacement and other retrofits represent the greatest potential for energy efficiency gains and bill reductions.



LAUNCHING FIRST NATIONS CONSERVATION PROGRAM

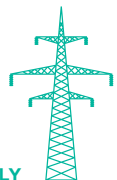
This major new initiative will provide free energy audits, appliance upgrades and home weatherization to First Nations communities. It's expected to run to 2020, potentially serving every First Nations community in Ontario.

PILOTING DYNAMIC ENERGY PRICING

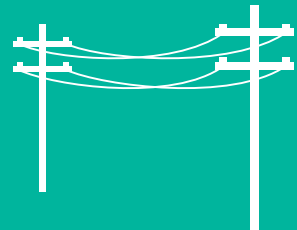
With OEB approval, we'll begin testing how customers respond to a menu of options and rate choices according to time of day and time of year. This flexible plan, based on dynamic electricity market prices rather than fixed rates, would enable customers to shape their power usage to their individual needs and lifestyle.

BUILDING A GRID FOR THE FUTURE

Sustainability is at the heart of our mission to provide the people of Ontario with a robust and reliable source of electricity.



APPROXIMATELY
\$25.3B
TOTAL ASSETS



123,000
PRIMARY LOW-VOLTAGE
DISTRIBUTION LINES

APPROXIMATELY
640,000
SQ KM
HYDRO ONE INC.
SERVICE
TERRITORY

BUILDING A GRID FOR THE FUTURE

It is Hydro One's responsibility to think about today's transmission and distribution customer, while building for generations to come.



We will deliver on our promise to be a best-in-class electric utility—one that is well positioned to grow and serve all of its stakeholders. It's how we earn our customers' confidence and trust. It's also how we'll serve the Province of Ontario as well as respect our regulatory, environmental and social commitments.

Hydro One is committed to R&D investments in everything from smart meters and microgrids to advanced battery technologies.

PREPARING FOR CLIMATE CHANGE

In 2016, Hydro One's service area experienced four extreme weather events, defined by the OEB as events impacting more than 10% of customers.

Extreme weather, such as tornadoes and ice storms, are expected to increase in frequency with climate change.

Hydro One is investing in research to better manage these risks for customers.

For example, the WindEE project, in collaboration with Western University, will help us estimate the impact of tornadoes and downbursts on transmission lines with multiple structures. Severe winds such as these are responsible for the majority of weather-related transmission line failures worldwide. Results from this project will help Hydro One engineers design more robust new lines and strengthen existing ones.

BUILDING A GRID FOR THE FUTURE

CONTINUED



CAPITAL INVESTMENTS: BALANCING TODAY'S NEEDS AGAINST TOMORROW'S GOALS

To serve the customer today and tomorrow, we invest to maintain the safety, reliability and integrity of our transmission and distribution systems.

These investments include:

- Sustaining Capital Expenditures, which support the continued operation of our existing assets
- Development Capital Expenditures, which fund additions, expansions and large-scale projects

Choosing where to invest, while continuing to service the needs of our assets and customers—all within limited budgets—requires balance, foresight and planning.

SAVING RESOURCES SERVES OUR STAKEHOLDERS

We've made a commitment to customers and stakeholders to manage operations with greater rigour. This frees up resources that can be invested in grid renewal and innovation—both of which help us grow and serve tomorrow's customers.

To further conserve resources, in 2016 we continued to invest in systems and analytics that generate higher quality information, enabling more informed investment decisions.

ACQUISITIONS SUPPORT TRANSFORMATION

In 2016, Hydro One Inc. acquired two Ontario utilities that will grow our customer base and infrastructure.

HYDRO ONE SAULT STE. MARIE

Serving the eastern shore of Lake Superior, north and east of Sault Ste. Marie, Hydro One Sault Ste. Marie (formerly Great Lakes Power Transmission Inc.) consists of 15 transmission stations, 560 kilometres of high and medium voltage 44-230 kV transmission lines and related infrastructure covering an area of 12,000 square kilometres. It connects to Hydro One's Wawa and Mississagi transmission stations. With this acquisition, Hydro One accounts for 98% of Ontario's transmission capacity, based on revenue approved by the OEB.

ORILLIA POWER DISTRIBUTION CORPORATION

In August 2016, we announced an agreement to acquire Orillia Power Distribution Corporation, which serves approximately 13,500 customers in the City of Orillia. It's expected that over time, operational synergies will enhance efficiency and quality of service for Orillia residents. At the same time, Hydro One is looking forward to partnering with the City of Orillia to invest in new state-of-the-art facilities that will generate new jobs and other economic spin-offs. As community partners, Hydro One and the City of Orillia have also entered into separate facilities and land purchase agreements. These include building a backup Ontario grid control centre, a provincial warehouse and a regional operations centre in the city's Horne Business Park.

The acquisition and facility investments are subject to OEB approval.



TRANSMISSION

Hydro One's transmission network serves industrial and electrical utility customers and accounts for 98% of Ontario's transmission capacity¹.

Transmission customers have told us that service reliability is their top priority, as it affects their own downstream customers, partners and operations.

To deliver on our commitment to these customers, in 2016 we replaced aging assets that could undermine reliability.

We also developed a two-year cost of service plan and a five-year capital plan, both subject to OEB approval. Our long-term strategy is to replace stations, equipment and lines that are at or near their end of life. These assets include transformers, circuit breakers, protection and control equipment, suspension insulators and conductors. The plan also calls for regalvanizing a portion of our transmission towers to prevent corrosion and extend their useful life.

TRANSMISSION PERFORMANCE

We measure system reliability using two metrics, developed with other Canadian transmission utilities through the Canadian Electricity Association.

System Average Interruption Duration Index (SAIDI) measures the average time (in minutes) during which customer service was interrupted. This is presented as minutes per delivery point (DP) per year.

System Average Interruption Frequency Index (SAIFI) indicates the average number of interruptions customers experienced. This is presented as interruptions per DP per year.

TRANSMISSION RELIABILITY	2015	2016
OVERALL	SAIDI: 43.9 mins./DP/yr. SAIFI: 1.08 interruptions/DP/yr.	SAIDI: 80.8 mins./DP/yr. SAIFI: 0.79 interruptions/DP/yr.
MULTI-CIRCUIT SUPPLIED	SAIDI: 10.4 mins./DP/yr. SAIFI: 0.35 interruptions/DP/yr.	SAIDI: 5.76 mins./DP/yr. SAIFI: 0.25 interruptions/DP/yr.

1. Based on revenue approved by the OEB.

DISTRIBUTION

Hydro One's distribution area is so large (640,000 sq. km.) and thinly populated (utility poles actually outnumber customers) that locating, accessing and repairing outages takes longer and consumes more resources than it does for other Canadian utilities.

Hydro One's distribution circuit design poses another challenge. It's configured to deliver greater efficiency in bringing power to remote areas but lacks the redundancy that makes urban distribution systems more robust.

On average, customers currently experience 2.5 power interruptions annually, and 76% of the time, power is restored between 60 minutes before and 30 minutes after the estimated restoration time given to the customer. However, we're investing in our distribution system to reduce both outage frequency and time of repairs.

For a start, we're strengthening or replacing weak links in the chain of reliability. This includes equipment with a higher failure potential due to age, or equipment whose failure could affect larger groups of customers.

We're also investing in remote monitoring and control systems that enable us to:

- Locate a breakdown in real-time
- Dispatch repair crews more rapidly
- Enhance service, by alerting customers and providing a realistic forecast of time to repair

DISTRIBUTION PERFORMANCE

Hydro One measures system reliability using two metrics, developed in concert with other Canadian utilities through the Canadian Electricity Association.

System Average Interruption

Duration Index (SAIDI) measures the average time (in hours) that distribution customer service is interrupted. This is presented as hours per customer per year.

System Average Interruption

Frequency Index (SAIFI) indicates the average number of interruptions that distribution customers experienced. This is presented as customer interruptions per customer per year.

DISTRIBUTION RELIABILITY	2015	2016
OVERALL	SAIDI: 7.6 hrs./customer/yr. SAIFI: 2.6 customer interruptions/customer/yr.	SAIDI: 7.8 hrs./customer/yr. SAIFI: 2.5 customer interruptions/customer/yr.

APPROXIMATELY

640,000
SQ KM

HYDRO ONE INC.
SERVICE TERRITORY

INNOVATION

Hydro One invests in R&D to cost-effectively improve work techniques and practices. This way we're serving customers' evolving needs even as technologies, markets and expectations continuously change.

New and emerging technologies are providing new opportunities to innovate. They include renewable energy generation, such as solar and wind power; the expected surge in demand for electric transportation; and new energy storage technologies, such as advanced batteries. At the same time, the grid we're renewing and redesigning today must align with the province's Climate Change Strategy and the federal government's support of the Paris Climate Accord.

Faced with these complex challenges and opportunities, Hydro One is investing in innovation. Together with external researchers, we're assessing and developing technologies that improve our systems' productivity, health and safety, and robustness. In a competitive environment, innovation also helps us to keep pace with other North American utilities. And we're further leveraging R&D investments by partnering with companies, utilities and universities. For example, in 2016 we collaborated on a project to better understand the benefits and costs associated with energy storage, and its potential to help us serve remote customers.

HYDRO ONE FOCUSES ITS R&D IN TWO AREAS:

DISRUPTIVE TECHNOLOGIES

Microgrids, renewable energy storage and electric transportation present fresh challenges and opportunities for the electricity industry. We will continue to investigate these technologies' benefits and impacts, and how to integrate them into our system to prepare for the future.

INNOVATIVE TECHNOLOGIES

These solutions are more mainstream but necessary to renewal. Research in these areas contributes to planning, building and operating a more reliable, secure and efficient power system. For Hydro One customers and stakeholders, tomorrow's system must operate more economically and also respect our environmental and social responsibility goals.

INNOVATION

CONTINUED

LEADING IN DRONE TECHNOLOGY



Hydro One is a Canadian leader in the commercial operation of drones, with the potential to become a world leader.

As a pioneer and innovator in the field, in 2016 we made even greater strides in finding new ways to deploy this innovative technology, with positive advances in health, safety, productivity and efficiency.

Electric-powered drones can reduce CO₂ emissions by replacing traditional transmission line and rights-of-way inspections.

EMERGENCY RESPONSE

Asking the right “what if” questions prepares Hydro One for natural and man-made disasters. The list of foreseeable disasters includes extreme weather such as storms, lightning, tornadoes, floods, forest fires, earthquakes and solar magnetic disturbances. Human health emergencies are also on our radar of potential risks, as are technical failures and attacks via digital, terrorism and vandalism.

Any of these events can disrupt operations and our ability to supply and deliver the electricity on which our province depends.

Asking “what if” enables our Emergency Response team to have the right plans and resources in place. This means we have the appropriate experts, equipment and materials to maintain essential functions until we can safely and rapidly restore power.

PLANNING FOR EVERY EVENTUALITY

As a regulated company, Hydro One is required by the Independent Electricity System Operator (IESO) to have comprehensive emergency response plans and procedures readily available.

Hydro One is part of a larger network of emergency preparedness organizations with which we maintain close ties. They include Emergency Management Ontario and Local Emergency Management Coordinators. In an emergency, it's essential that all affected organizations are in continuous communication and are coordinating their actions.

This is why we:

- Host Storm Response Information Sessions
- Attend Emergency Management Ontario Sector meetings
- Participate and present at local and municipal levels
- Organize station tours for fire departments, police, paramedics and other first responders
- Partner with police and other agencies to conduct emergency preparedness drills and exercises

Continuous contact, “what-if” scenarios, and strategic coordination enable us to learn from each other.

LOOKING AHEAD

ELECTRIC VEHICLE CHARGING PILOT

Hydro One will be piloting electric vehicle charging stations at various points across the province. The pilot will help us gauge system impacts, customer behaviours and opportunities for Hydro One's distribution system. Ultimately, it will also help us meet customers' growing demand for a broad and reliable charging network.

POWERING ECONOMIES

With assets worth more than \$25 billion and a responsibility to serve hundreds of Ontario communities, Hydro One is one of the province's largest organizations. The work we do has significant economic and social impacts on the people of Ontario.



\$1.8M

COMMUNITY
INVESTMENT
DONATIONS &
SPONSORSHIPS

20%

ANNUAL INCREASE
IN INDIGENOUS
PROCUREMENT
SPENDING



\$1.24M

RAISED BY EMPLOYEES'
AND PENSIONERS'
CHARITY CAMPAIGN FOR
ONTARIO CHARITIES

DRIVING ECONOMIC DEVELOPMENT IN ONTARIO

Hydro One is committed to investing in communities across Ontario.

Directly and indirectly, Hydro One touches millions of lives. We create economic and social value for customers, shareholders and employees—value measured in jobs, services, reliability and productivity.

As a publicly-traded company, we have a renewed responsibility to generate value for all stakeholders by reducing costs without compromising safety, reliability and customer service. In 2016, the Hydro One supply chain team reviewed and rewrote its purchasing policies and procedures. The goal is to make Hydro One easier to do business with, further drive down costs and ensure partners and suppliers are in step with our commitments to safety, business ethics and social responsibility.

Our supply chain team is commercially focused. At the same time, we're looking for new ways to drive efficiency through contract structuring, volume discounts and analytic tools.

REDUCING RED TAPE

As part of our sharper commercial focus, in 2016 we removed bureaucratic barriers and thus reduced the costs of doing business with Hydro One. For example, we redrafted our Request for Proposal (RFP) templates so they're easier to fill out. From an average of 80 pages, RFP templates are now fewer than 20 pages.

At the same time, our purchasing professionals now have greater decision-making authority, based on their knowledge and experience of the marketplace. As a result, we're responding faster, and both Hydro One and its suppliers are operating more efficiently.

VENDOR EMBARGO REVIEW TOOL (VERT)

Hydro One is required by law to ensure that it doesn't do business with vendors that appear on Anti-Terrorism Financing lists.

VERT is designed to quickly identify any vendor that appears on these lists, published by the Canadian Office of the Superintendent of Financial Institutions and by the U.S. Department of Treasury.

DRIVING ECONOMIC DEVELOPMENT IN ONTARIO

CONTINUED

FOUR WAYS OF DOING MORE WITH LESS

In 2016, we launched a range of programs to work more efficiently with suppliers. This saves resources that can be better directed at customer-facing operations. Among the programs:

1 QUALIFIED SERVICE PROVIDER (QSP) LIST
We posted RFPs for Qualified Service Providers to build lists of strategic partners in four categories: lines, stations, buildings, and high-voltage underground cable. The QSP Program will streamline and shorten the competitive bidding process, introduce new entrants and open the door to bundling and volume discounts. QSPs are being awarded in 2017.

2 TAULIA E-INVOICING
Our new online invoicing tool enrolled 373 new suppliers and received more than 100,000 invoices through the Taulia portal. With Taulia, we now offer suppliers enhanced options, including dynamic discounts in exchange for earlier payment.

3 PAPERLESS OPERATIONS
In 2016, Hydro One's supply chain team took another big step into fully digital operations. Digital contracts, e-invoicing through Taulia and online approvals have removed paper, costs, bureaucracy and time from operations. As part of Hydro One's broader environmental commitment, we also reduce, recycle and minimize waste involved in packaging and shipping materials.

4 REDESIGNED WEBSITE
To accommodate greater digital operations, we also redesigned our internal supply chain portal. Hydro One staff requisitioning products or services can now find information and guidance faster than ever before.

 **96%**
OF GOODS AND SERVICES SPENT WITH CANADIAN SUPPLIERS

DRIVING ECONOMIC DEVELOPMENT IN ONTARIO

CONTINUED

INVITING MORE INDIGENOUS PARTICIPATION

Hydro One's Supply Chain team supports the company's goal of increasing opportunities for Indigenous business participation in contract bidding. This is why we have an Indigenous Procurement Procedure and why we are actively involved at the community level.

For example, we offer Indigenous Procurement Workshops to First Nations and Métis communities, where we also invite construction contractors. The workshops are an ideal venue for networking and to generate subcontracting and employment opportunities.

As we explore more ways to increase Hydro One's spend with Indigenous communities, we're now requiring suppliers to describe their own efforts to increase participation. Hydro One reports quarterly on the amount it spends directly on Indigenous businesses, and indirectly through non-Indigenous suppliers.

INDIGENOUS PROCUREMENT PROCEDURE GUIDELINES

To ensure fairness and rigour in how we get more Indigenous companies to do business with us, we've introduced guidelines to help staff make better decisions about levels of inclusion:

- 1. Indigenous business participation is desirable or preferred:** Open to all vendors, with preference to those who provide value and demonstrate Indigenous inclusion.
- 2. Indigenous business participation:** Open to all vendors, with a specified portion of the contract for Indigenous participation.
- 3. Targeted procurement:** In certain situations, competition may be limited to Indigenous businesses.
- 4. Direct award:** An Indigenous business or community is invited to fulfill a contract.
- 5. Direct award – remote communities:** Awarded to an Indigenous community in a remote region, where that community is the only vendor available and capable of fulfilling the contract.



ENGAGING WITH INDIGENOUS PEOPLES

Hydro One established its Indigenous Relations Department in 2008 and has worked diligently ever since to further strengthen relations, increase employment and training, foster business opportunities and advocate on behalf of Indigenous peoples in Ontario.

With a new framework to guide our actions over the next five years, our goal is to advance from advocating on behalf of Indigenous communities to becoming their primary business partner by 2021.

IMPACT ON INDIGENOUS LANDS

Hydro One transmission and distribution facilities and assets cross reserve, traditional and treaty lands.

- We have transmission facilities in 23 First Nations communities
- We serve 88 First Nations communities
- We have 19,900 First Nations customers



ENGAGING WITH INDIGENOUS PEOPLES

CONTINUED



BUILDING BRIDGES AND TRUST

Ontario is home to the largest Indigenous population in Canada, with more than 200,000 people who identify as First Nations and belong to 134 First Nations communities, and another 86,000 who identify as Métis and belong to 31 Métis councils. Building and maintaining respectful and mutually beneficial relationships with these communities and councils will be essential to meeting our business objectives and social responsibility goals.

Every line of business at Hydro One supports these goals, as does the Board of Directors, which in 2016 approved a new framework for Indigenous relations. In 2016, Hydro One had zero incidents of violation involving the rights of Indigenous people.

PROVIDING IN-HOUSE GUIDANCE AND EXPERTISE

The Indigenous Relations Department advises Hydro One lines of business and helps them build strong and respectful relationships with Indigenous peoples. They also supply insights into the economic, social and cultural differences that can affect everything from conversations to negotiations.

In their work, Indigenous Relations employees are themselves guided by the Hydro One Indigenous Relations Policy, which states:

- Hydro One is committed to developing and maintaining relationships with Indigenous peoples that demonstrate mutual respect for one another.
- Hydro One owns assets on reserve lands and within the traditional territories of Indigenous peoples. Hydro One recognizes that Indigenous peoples and their lands are unique in Canada, with distinct legal, historical and cultural significance.
- Hydro One is committed to working with Indigenous peoples in a spirit of cooperation and shared responsibility. Forging relationships with Indigenous communities based upon trust, confidence, and accountability is vital to achieving our corporate objectives.
- Hydro One's Indigenous Policy enhances and complements other corporate policies and will guide Hydro One in its relationships with Indigenous peoples.

LEADERS COMING TOGETHER



In August 2016, Hydro One President and CEO, Mayo Schmidt, met with Chief Jim Leonard of Rainy River First Nation. They discussed potential business ventures in energy, construction and fuel supply that would benefit the local community and Hydro One stakeholders.

Groundwork for the meeting was laid two years ago, during construction of the Barwick Transformer Station, built to enhance reliability and integrate renewable energy on the grid. Chief Leonard has led many successful projects for his nation, including a 25 MW solar energy program that lowered local energy costs.

ENGAGING WITH INDIGENOUS PEOPLES

CONTINUED

A DUTY TO CONSULT

The Crown has a duty to consult and, where appropriate, accommodate Indigenous peoples (Indian, Inuit and Métis) where the interests of Indigenous peoples may be affected by a Crown action or decision. This duty is triggered when the Crown has knowledge, real or constructive, of the potential existence of Indigenous rights or title and contemplates conduct that might adversely affect Indigenous interests. The scope of the duty to consult varies with the circumstances, but is proportionate to the strength of the Indigenous claims and the potential adverse effect on Indigenous right or title. Hydro One assesses each project based on the nature of the project itself, the Indigenous groups affected and their proximity to the project potential for any adverse effect. Hydro One will consult with the Crown to determine which Indigenous communities need to be consulted.

In order to occupy reserve lands, Hydro One must have appropriate land rights under the *Indian Act*. Hydro One is committed through its Indigenous Relations Policy to seek resolution when encountering on-reserve transmission and distribution line tenancy issues, including past grievances on reserve lands, and other issues with Indigenous communities.

ADVOCATING FOR LOWER ENERGY PRICES

Responding to socio-economic challenges in Indigenous communities, Hydro One executives urged the Ontario Energy Board to reduce electricity prices for Indigenous customers living on a reserve. Their advocacy, in part, is based on the OEB's consultations with Indigenous communities in October 2016. The Ministry of Energy responded by asking the OEB to report back with recommendations.

Hydro One executives have continued to advocate vigorously on this issue, and the company has supplied data to support its claims.

A NEW MODEL OF ENGAGEMENT

In 2016, Hydro One launched the Get Local Indigenous program, a new model for engaging with Indigenous communities focusing on in-community, face-to-face interactions. Customer service teams visit each community and meet with Chiefs and Councils. Teams then host information sessions where community members can meet with a Hydro One staff member. Customers receive advice on matters such as energy conservation programs and low-income assistance programs offered by the United Way and the Province of Ontario.

The critical element to making this model a success? A community member, hired part-time by the community, with capacity support from Hydro One. This person acts as a local liaison, helping to build trust and facilitate discussion and understanding.

This new engagement model has reduced overdue accounts in each of the communities where events took place.

SEEKING PAR CERTIFICATION

As a member of the Canadian Council of Aboriginal Businesses (CCAB), Hydro One began the process of filing for Progressive Aboriginal Relations (PAR) certification in 2016. The year-long process, led by the Indigenous Relations Department, is part of Hydro One's goals of increasing employment and training opportunities and the amount spent with Indigenous businesses.

Certification represents a pledge to continually improve Indigenous relations and build trust.

ENGAGING WITH INDIGENOUS PEOPLES

CONTINUED

FIVE-YEAR STRATEGY

In parallel with our application for Progressive Aboriginal Relations certification, we've built a framework and action plan for engaging with Indigenous communities over the next five years. The plan is based on Canadian Council for Aboriginal Businesses objectives and PAR's four key drivers: leadership, employment, business development and community investment. The plan has earned the confidence of Hydro One at all levels, including the support of the executive leadership team and approval by the Board of Directors' Health, Safety, Environment and Indigenous Peoples Committee.

To support the action plan's success, we've set up a data tracking and management reporting framework. Performance is discussed at Board Meetings. Governance, with respect to Indigenous relations, is fully integrated into Hydro One's business strategy and is a standing agenda item at monthly Senior Management Operations Committee meetings.

GOAL: To become the primary business partner to Indigenous communities by 2021

1 BECOME TOP OF CLASS	2 BECOME PRIMARY UTILITY PARTNER	3 SUPPORT INDIGENOUS LEADERS
Fully integrate Indigenous relations into each line of business	Create business, technical, knowledge and advocacy partnerships	Work with communities by supporting and advocating for future leaders
KEY INITIATIVES - Establish Indigenous relations integration plans in various lines of business, with resources, benchmarks, measures and reports - Establish employment strategies, with new approaches to recruitment, training, retention and employee support - Achieve certification at Canadian Council for Aboriginal Businesses	KEY INITIATIVES - Technical partnerships: Provide expertise and support to communities in developing and implementing energy plans - Business partnerships: Invest in Indigenous businesses that can provide products and services to Hydro One - Knowledge partnerships: Establish an Indigenous education program to develop energy literacy and leadership - Advocacy partnerships: Develop regulatory strategies to influence electricity rates and to encourage investments that empower communities to achieve their economic aspirations	KEY INITIATIVES - Sponsorships and donations: Develop a more strategic approach to the corporate sponsorships and donations program - Hydro One leadership program: Create a signature program, in consultation with the Youth Councils from the Chiefs of Ontario and the Métis Nations of Ontario, that prepares youth for leadership in their communities - Boots on the ground: Match employee skills to Indigenous community needs and create opportunities to send employees on extended volunteer assignments

COMMUNITY INVESTMENT

Hydro One serves hundreds of Ontario communities—many of them places where our employees live and work, where they put down roots and raise families.

As a company with a presence stretching back many generations in Ontario, we have a responsibility to support activities that strengthen communities and quality of life.

We do this by investing in projects that have local impact, such as raising awareness about public safety and energy conservation. More importantly, we also invest in the future, by focusing our support on children's education.

APPROXIMATELY
\$966,000
DONATIONS
INCLUDING EMPLOYEE
VOLUNTEER GRANTS
TO CHARITIES IN 2016

CHANNELLING OUR SUPPORT STRATEGICALLY

To ensure our community investment budget makes the biggest possible impact, we focus corporate donations and sponsorships to strategically leverage community programs where our lines of business already operate; partnering with non-profits and foundations, where our policies and goals converge; and ask other internal teams for guidance on community investments.

For example, the Indigenous Relations Department helps us focus resources where they're needed most among Indigenous youth. We work with Hydro One's Talent Management group to support STEM education (science, technology, engineering and mathematics) for girls and women. We also collaborate with Hydro One's training group to manage donations-in-kind to Ontario's International Plowing Match.

\$896,000

TOTAL SPONSORSHIPS
INCLUDING EMPLOYEE
VOLUNTEER SPONSORSHIPS
IN 2016



COMMUNITY INVESTMENT

CONTINUED

TRANSFORMING KIDS THROUGH POWERPLAY

We believe in the power of sport and recreation to develop leadership skills, promote cooperation and encourage healthy lifestyle choices. In 2016 we refocused the Hydro One PowerPlay Program to foster healthier Indigenous youth.

PowerPlay provides funding to build new facilities, refurbish existing ones, or buy sports and recreational equipment. Project grants can be up to \$20,000.

In 2016, we awarded three PowerPlay grants:

- Matachewan First Nation received \$17,350 for its Let's Get Fit Project to develop and design a playground at Turtle Lake Beach
- M'Wikwedong Native Cultural Resource Centre received \$10,000 to enhance its basketball court and programming at the M'Wikwedong Native Cultural Resource Centre
- Northern Nishnawbe Education Council received \$10,000 for the Thunderhawks Basketball Improvement Initiative at the Dennis Franklin Cromarty High School in Thunder Bay

HYDRO ONE EMPLOYEES' AND PENSIONERS' CHARITY TRUST

A registered independent trust that's been operating for more than 15 years—with a history extending more than 70 years—the Hydro One Employees' and Pensioners' Charity Trust reflects the strong philanthropic pulse that runs through our employee culture. Indeed charitable giving and caring for their communities have been deeply embedded in the Hydro One employee culture for generations.

In 2016, money raised for the Trust through voluntary payroll deductions went to more than 900 registered charities. Employees can specify the amount deducted from their regular paycheque, and Hydro One absorbs the Trust's operating, administrative and audit costs to ensure that 100% of charitable dollars go to the specified charities.

The Trust raised \$1.24 million in 2016.

SUPPORTING EMPLOYEE CAUSES



Hydro One has a number of programs that encourage and reward volunteerism and giving.

Employee Volunteer Grants

If an employee volunteers for a registered charity and can demonstrate he or she has invested 50 hours of personal time, they're eligible for a \$500 donation to that charity in their name.

Employee Volunteer Sponsorships

We provide \$500 sponsorships where employees volunteer 50 hours to community causes such as coaching sports or organizing a bake sale.

Post-secondary Matching Gifts

We'll match employee donations, to a maximum of \$5,000 per year to post-secondary institutions.

United Way campaign

In 2016 we gave \$100,000 to United Way campaigns, prorated to the amounts employees gave in each of their communities.

COMMUNITY INVESTMENT

CONTINUED

INTERNATIONAL PLOWING MATCH

As so many of Hydro One customers are farmers, we have been supporting the International Plowing Match and Rural Expo, run by the Ontario Plowmen's Association, for many years. It's a premier event in the agricultural community, attracting some 100,000 spectators annually from across Canada and the United States.

We contribute by providing the temporary mini-electrical grid for the five-day event, installing poles, wires and transformers in a farmer's field about a month before the event. The cost of Hydro One's in-kind contribution is approximately \$350,000 annually.

The event also serves as an excellent training ground. Each year Hydro One powerline technician apprentices, under supervision, build an electricity system capable of supplying a small town.

The 2016 edition, held September 20 to 24, saw our apprentices install 279 poles, 71 streetlights, 64 transformers and 20 kilometres of overhead wire. Once again, Hydro One apprentices got to hone their skills without the danger of live wires.



MAKING COMMUNITIES SAFER

Hydro One's number one priority is safety for its employees and the communities it serves. To drive the safety message home and contribute to quality of life, we offer Safe Community Grants. The 2016 recipients were:

- **Lanark County Municipal Trails Corporation:**
\$10,000 grant to extend the Tay River Pathway
- **The Northdale Manor retirement home in Temiskaming Shores:**
\$10,000 grant for an emergency generator
- **The municipality of Markstay-Warren:**
\$20,000 grant for its Markstay Outdoor Rink Roof project

ADVANCING LITERACY IN INDIGENOUS COMMUNITIES

In 2016, we partnered with Frontier College to fund its Lieutenant Governor's Aboriginal Summer Reading Camps. Launched in 2005, these camps are named after the visionary former Ontario Lieutenant Governor, the Hon. James Bartleman, who is a member of the Mnjikaning First Nation.

Hydro One contributed \$120,000 to the Aboriginal Summer Reading Camps located in the Bearskin Lake, Neskantaga and Wapekeka First Nation communities.

Frontier College believes that literacy is a right. The Aboriginal Summer Reading Camps close the education gap between Indigenous and non-Indigenous students. The camps help to retain reading skills during summer vacation, encourage love of reading, strengthen community capacity and build partnerships.

By helping to build literacy skills and confidence, the Lieutenant Governor's Aboriginal Summer Reading Camps are preparing students for school, life and leadership.

COMMUNITY INVESTMENT

CONTINUED

PROMOTING SAFETY ACROSS ONTARIO

In the three years it's been touring Ontario, the Hydro One Electricity Discovery Centre (EDC) has covered more than 72,000 kilometres and welcomed over 150,000 visitors. The 1,000 square-foot mobile education centre features interactive games and exhibits that explain Ontario's power system, help customers better manage their energy consumption and costs, and educate kids about electrical safety.

The latest EDC highlights:

- The Wire Wall invites visitors to safely examine distribution and transmission lines
- Pedal-A-Watt shows visitors how their pedal power stacks up against actual power needed to electrify everyday household devices

“Hydro One’s service territory is vast and diverse, both culturally and economically. It is our goal to visit as many communities as possible—urban, rural, large and small—to demonstrate Hydro One’s commitment to the powerful communities we serve.”

DAVE WATTS, EDC Tour Manager

MORE THAN
59,000

ONTARIANS
HAVE EXPERIENCED
THE EDC AT
VARIOUS EVENTS

THE EDC HAS TRAVELLED MORE THAN
24,000 kilometres



AND ATTENDED **57** fairs and events

(The equivalent of driving from Halifax to Vancouver and back, twice)

10
SOLAR
CHARGING
STATIONS

Which allow visitors to recharge their smart-phones with renewable energy while they enjoy their EDC experience

95%

of visitors said they would **RECOMMEND VISITING THE EDC** to family and friends



CHILDREN LEARN ABOUT ELECTRICITY SAFETY

by meeting Ellie, the virtual leader of the Kids' Electricity Safety Team, and becoming members through finding 11 electrical hazards around the home

LOOKING AHEAD



\$125,000

DONATED TO SUNNYBROOK
HEALTH SCIENCE CENTRE
FOUNDATION FOR
ROSS TILLEY BURN CENTRE
TISSUE RESEARCH IN 2016

\$1.24M

RAISED BY HYDRO
ONE EMPLOYEES'
AND PENSIONERS'
CHARITY CAMPAIGN
IN 2016

“We work hard to make every visitor’s EDC experience as rich as possible. Each community is different and each customer uses electricity in a different way. Whether in Kapuskasing or Leamington, the EDC allows us to engage all customers and tailor the experience to meet their needs.”

ADAM HICKMAN, EDC Coordinator

INDIGENOUS COMMUNITIES

To demonstrate that Hydro One is changing how it does business, the company expects to host leaders from the Indigenous communities it serves and leaders from the Métis Nation of Ontario. We want to learn more about the issues that matter to them. Plans call for smaller, regional meetings in Indigenous communities and Métis Councils across Ontario. Conversations will focus on working closely together to build strong and sustainable relationships.

COMMUNITY INVESTMENT

As the new Hydro One corporate strategy continues to power our commercial transformation, in the coming years we expect to create mechanisms for measuring and reporting on community investment. This greater rigour will enable us to measure the impact of each initiative in order to maximize its value to Ontario communities.

USING RESOURCES RESPONSIBLY

The carbon-neutral future we envision for Ontario and Canada will become possible when our nation's governments and businesses—along with governments and businesses around the world—work together.



APPROXIMATELY

\$8.6M

INVESTED IN
ENVIRONMENTAL
MANAGEMENT,
PREVENTION AND
REMEDATION IN 2016



APPROXIMATELY

62 HECTARES PLANTED

WITH POLLINATOR-
FRIENDLY PLANTS



APPROXIMATELY

94.5%

SPILL RECOVERY
RATE



USING RESOURCES RESPONSIBLY

The carbon-neutral future we envision will require leadership, commitment and some measure of courage. Above all, it will require vision to recognize and communicate that humanity's long-term benefits outweigh any short-term costs.



Hydro One has committed to being part of the solution. The sheer scale of our operations—the geographic area we cover, the customers we serve and economies we impact—makes it essential that we do our part. We contribute by delivering electricity that is among the cleanest, safest and most reliable in North America.

At a time of growing climate change, Hydro One works to reduce its impact on ecosystems. Internally, our environmental teams collaborate with Hydro One lines of business to set the agenda, raise awareness and provide guidance on doing more with less.

Over the past five years, Hydro One has undergone 133 inspections from the Ministry of the Environment and Climate Change, and from Environment and Climate Change Canada relating to our waste and polychlorinated biphenyls (PCB) storage sites, and environmental compliance approvals. Not a single inspection resulted in a charge. Indeed, we have a strong record in environmental compliance and solid, co-operative relationships with regulators.

In 2015, the Canadian Electricity Association designated Hydro One a Sustainable Electricity Company.

PREPARING FOR CAP AND TRADE

In 2016, we began planning for Ontario's cap and trade program, which will go into effect January 1, 2017. The market-based program is expected to reduce greenhouse gas (GHG) emissions by eight to 10 megatons by 2020. The program puts a price on carbon, caps the amount of GHGs businesses can emit, and provides incentives and mechanisms to reduce overall emissions.

To prepare for 2017 requirements, in 2016 Hydro One retained a GHG verifier to ensure we're meeting our legal and social obligations and continuously improving our reporting. To that end, we're improving data collection efficiencies and reviewing our GHG management framework.

REDUCING OUR IMPACTS

We operate in a highly regulated space, in which federal, provincial and municipal bodies require us to assess and mitigate environmental risks. These include everything from the water and emissions we discharge how we use land, dispose of waste, impact biodiversity and store, transport and dispose of hazardous substances. Permits and approvals are required every step of the way.

To assess, manage and mitigate these risks, Hydro One has an integrated Health, Safety and Environmental Management System (HSEMS), aligned with the ISO 14001 Environmental Management Systems framework. We expect each line of business to identify and reduce high environmental risks in its operation.

In 2016, we invested approximately \$8.6 million in prevention and environmental management, emissions treatment, waste disposal and remediation.

SPILL MANAGEMENT

Hydro One logged more than 300 spills and had a 94.5% recovery rate in 2016. Most spills are caused by external factors such as storms and motor vehicle accidents, which can damage or topple pole-top transformers.

To minimize these impacts, we maintain an internal team of specially trained responders, on-call 24/7, with access to a 24/7 lab for sample analysis. We also augment our team with external environmental spill contractors.

The Hydro One team and all field employees receive ongoing training to ensure every responder knows what to do under both storm and business-as-usual conditions.

ENVIRONMENTAL PERMITS AND APPROVALS

Whether we're embarking on the design, construction and operation of new facilities or the maintenance or upgrade of existing ones, regulators oblige us to obtain necessary permits and approvals. These might include completing an Environmental Assessment for a new transmission line, acquiring Environmental Compliance Approval for the noise and water discharges associated with a new transformer station, or obtaining a permit for work that could potentially impact at-risk species or their habitats.

Even when a project is modest in size, our environmental group:

- Works with other Hydro One lines of business to understand the project scope early in the planning stages
- Commissions studies and assessments, such as archaeological assessments, noise assessments and natural environment field surveys, to determine potential impacts
- Consults with First Nations and Métis communities, members of the public, interest groups and government agencies to gather information and address concerns
- Works closely with construction crews to ensure that any commitments associated with permits or approvals are met

RESPECTING NEW REGULATIONS

Hydro One is expected to remain current and comply with all new environmental legislation.

New legislations introduced in 2016:

- Climate Change Mitigation & Low Carbon Economy Act

REDUCING EMISSIONS TO MITIGATE CLIMATE CHANGE

SCOPE 1 - OVERALL 2016

SOURCE	tCO ₂ e*
<i>Hydro One Networks</i>	
Fleet	93,168
SF ₆	50,099
Natural Gas	4,138
TOTAL SCOPE 1 - Networks	147,405

tCO₂e* Tonnes of carbon dioxide equivalent

Hydro One follows the GHG protocol under ISO 14064-1:2006; Ontario Ministry of Environment and Climate Change Guideline for Greenhouse Gas Emissions Reporting; and the SF₆ Emission Estimation and Reporting Protocol for Electric Utilities (2008). Emission Factors used are from Canada's National Inventory Report 1990-2015. The Global Warming Potential (GWP) used is the Ontario standard for the cap and trade program.

In Spring of 2017, it was identified that there are some data gaps in Scope 1 emission sources. Management estimates that the uncertainty range for scope 1 emissions is more than 5% but less than or equal to 10%. For the remainder of 2017, Hydro One will be working on improving procedures and training for staff inputting data.

Scope 1 emissions exclude propane, fuel oil and equipment fuel consumption.

At Hydro One, each line of business is responsible for managing its greenhouse gas (GHG) emission reductions. Overall direction starts with the Hydro One Greenhouse Gas Management Plan, which details roles and responsibilities for GHG emissions reporting. A year-over-year comparison is then sent to each line of business to help them develop plans for future reductions.

Hydro One reports Scope 1 and Scope 2 GHG emissions.

Scope 1, or Direct Emissions, refers to emissions from entities owned or operated by the reporting organization. In Hydro One's case, we generate direct emissions by operating vehicles during the normal course of business, and from sulphur hexafluoride (SF₆). SF₆ gas is used as an insulating medium in high voltage circuit breakers and gas-insulated switchgear.

In 2016 Hydro One updated its GHG Inventory Procedure, Greenhouse Gas Management Plan and SF₆ procedures. These efforts are aimed at improving the quality of data and ensuring compliance. Hydro One also submitted its first Carbon Disclosure Project report for the 2016 calendar year.

AMONG THE WAYS WE'RE WORKING TO REDUCE OUR GHG EMISSIONS:

- Integrating Health, Safety and Environmental Management System initiatives
- Updating our SF₆ Management Program and enhancing controls for reducing SF₆ emissions
- Replacing vehicles with more fuel-efficient models
- Increasing employee communications on vehicle idling, fuel-efficient driving, electricity consumption and teleconferencing platforms

REDUCING EMISSIONS TO MITIGATE CLIMATE CHANGE

CONTINUED

SCOPE 2 - OVERALL 2016

SOURCE	tCO ₂ e*
<i>Hydro One Networks</i>	
Electricity	1,504
Line Losses	
Transmission	129,701
Distribution	70,283
Total Line Losses	199,984
TOTAL SCOPE 2 - Networks	201,488

tCO₂e* Tonnes of carbon dioxide equivalent

Hydro One follows the GHG protocol under ISO 14064-1:2006. Emission Factors used are from Canada's National Inventory Report 1990-2015. The Global Warming Potential (GWP) used is the Ontario standard for the cap and trade program.

The scope of the electricity (KWh) data reported covers January to December 2016 and represents Hydro One's larger and metered facilities. Management estimates the uncertainty range for Scope 2 emissions is less than or equal to 2%. Hydro One is currently evaluating the current data gathering process and whether a more efficient process is available. As Hydro One continues its reporting journey, it endeavours to review its electricity data management process and expand the scope of its reporting to include electricity consumption data from smaller and unmetered facilities.

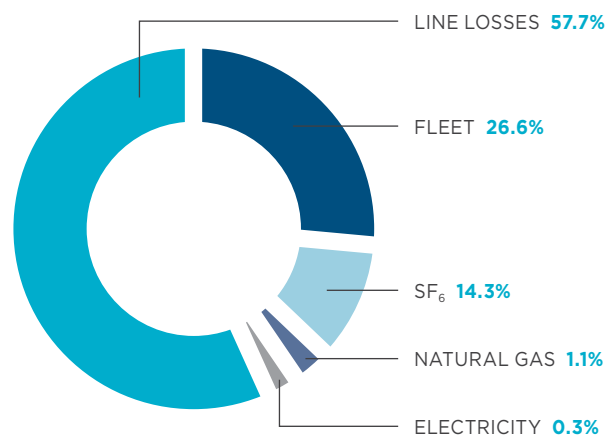
Scope 2, or Indirect Energy Emissions, refers to emissions from the generation of electricity, heat or steam consumed by the reporting organization. Examples include buying electricity to heat and cool buildings, and line losses (*see opposite*). Scope 2 Emissions are not directly controlled by the organization, and are subject to the generation mix and dispatch; the flow of electricity through the Ontario grid from generation sources to load customers and other jurisdictions; and the demand profiles for electricity.

WHAT ARE "LINE LOSSES"?

When electricity is delivered over a power line, a small amount of power is normally consumed or lost as heat.

Transmission lines and electrical equipment lose electrical power on the journey to reach customers. We account for this lost power in our Scope 2 emissions reporting.

2016 - HYDRO ONE NETWORKS SCOPE 1 & 2 EMISSION SOURCES



REDUCING EMISSIONS TO MITIGATE CLIMATE CHANGE

CONTINUED

REDUCING TAILPIPE EMISSIONS

In 2016, Hydro One's Fleet Services completed the implementation of telematics technology across all lines of business.

Telematics integrates telecommunications, GPS and informatics to stream live data from every vehicle to centralized Fleet Services. Basically, the system enables Fleet Services to know where each vehicle is at any moment and how it's being operated. The system also provides on-board Wi-Fi, supporting mobile employees' job-related tasks.

The telematics data we're now gathering will enable us to provide guidance in 2017 for how we:

- Deploy and manage vehicles more efficiently
- Support safer and more energy-efficient driver behaviour, such as reduced speed, unnecessary sharp braking and prolonged engine idling

Through telematics, we expect to reduce fuel and maintenance costs while also extending the life of Hydro One vehicles.

PREPARING FOR TOMORROW'S ELECTRICS

Hydro One maintains a fleet of hybrid and fully-electric vehicles, as part of its efforts to offset gasoline and diesel-powered cars and trucks and reduce GHG emissions. As the province's largest electric utility, we're also testing the feasibility of electric and hybrid vehicles and their impact on tomorrow's electricity grid. Our findings may help governments make vital policy decisions, as consumer demand for hybrid and electric vehicles continue to grow.

Internal response to these vehicles has been mixed, largely due to the nature of our operations. The current generation of fully-electric cars does not have the range to efficiently serve Hydro One customers outside major urban areas. These limitations will likely recede as batteries improve and charging stations multiply.

While hybrids are better suited for longer-range operation, only those with all-wheel drive are appropriate for Hydro One's needs. The remote regions we serve demand a safer and more stable vehicle in all seasons. Hybrid heavy electric trucks are also in the pilot stage. However, they're showing limited reliability and performance, coupled with high purchase and maintenance costs. Hydro One employees are currently testing a new generation of hybrid heavy trucks.

REDUCING WASTE

In efforts to reduce our overall waste volumes, and specifically Hydro One waste that ends up in landfills, in 2016 we tracked the total weights, liquid volume and method of disposal used by our waste management suppliers. In accordance with the Hydro One Waste Management plan, we're asking these suppliers to begin reporting quarterly and annually.

In the process, we're learning a lot about our total waste, as well as how and where it's disposed. Armed with this information, we're successfully shifting a significant amount of waste from landfill to recycling and reuse.

MINIMIZING RELEASES

Hydro One has spill, leak prevention and leak mitigation programs that regulate how we test, replace, repair and install containment systems. These programs include replacing gaskets on transformers and on any equipment that contains SF₆.

We also have emergency response plans and program reviews to minimize the environmental impact of spills if they occur.



CLEANING UP CONTAMINATED LANDS

Hydro One has a proactive land assessment and remediation program to identify and, where necessary, remediate historical contamination from past operations, where the company used certain long-lasting chemicals at its facilities. These programs involve the systematic identification of contamination at or from these facilities and, where necessary, the development of remediation plans for Hydro One properties and affected adjacent private properties.

PROTECTING BIODIVERSITY



Given the size of our service territory and commitment to renew and grow the infrastructure, our business can impact habitats and local biodiversity. In part, this is because regulators and best practices require us to manage vegetation and clear rights-of-way, keeping employees and customers safe and service reliable. Nevertheless, we are working to minimize our impact and to help protect our province's natural treasures for future generations.

We use a multifaceted approach to biodiversity management, combining regulatory requirements with government priorities wherever possible. Hydro One's pollinator projects are an excellent example, as they support Ontario's *Endangered Species Act* and the Ontario Pollinator Health Action Plan.

HELPING POLLINATORS FLY

According to the Ontario Ministry of Agriculture, Food and Rural Affairs, pollinator species such as bees and butterflies are essential to our ecosystem and agricultural industry. Over a third of our diet comes directly or indirectly from insect-pollinated plants, with wild or managed pollinators contributing \$992 million annually to Ontario's economy. However, many pollinators are threatened by loss of habitat, insecticides, invasive species, pollution and other risks.

Hydro One is supporting pollinator health by committing to restore habitats on sections of its rights-of-way. We're currently piloting large pollinator test plots in Orangeville and Hamilton, with smaller test plots scattered throughout the province. After consulting local seed suppliers, government and conservation experts, we're testing various seed mixtures of pollinator-friendly grasses and flowering plants. In total, we planted approximately 62 hectares across the province in 2016.

We're also planning to create more defined study areas at a transformer station site to be constructed in 2018. The project will see us assess the viability of different seed mixes and maintenance techniques.

While these test sites are not being externally assessed, we plan to launch scientific studies at future sites. We're also developing partnerships with local communities and NGOs to grow the pollinator protection program.

Meanwhile, we're providing our rights-of-way managers with a planting guide from Pollinator Partnership Canada, a non-profit organization dedicated to the protection and promotion of pollinators and their ecosystems.

PROTECTING BIODIVERSITY

CONTINUED



EDUCATING KIDS ABOUT TREES

In celebration of Arbor Week in May, Hydro One employees from across the province visited local schools to raise awareness about the important role trees play in our ecosystem. In addition to sharing their passion and knowledge about forestry, staff took the opportunity to talk about electrical safety around Hydro One structures.

At Hermon Public School in Bancroft, for example, Hydro One foresters followed up their presentation with lessons on how to plant and care for saplings. To try out their new skills, the kids each received a spruce sapling.

Arbor Day was founded in 1872 by J. Sterling Morton in Nebraska. Hydro One's Arbor Week program was started in 1996 by Dean Davidson, a forester who went on to become a supervising technician and superintendent.



RESTORING BIODIVERSITY IN CLARINGTON

Clarington Transformer Station (TS) is a new 500/230 kV facility in Durham Region, situated on land historically leased for agriculture.

Indeed, a mature woodlot was of particular concern during the station's planning. The woodlot included a variety of native tree species, including butternut, which would be affected by re-routing an overhead 230 kV transmission line.

Our five-step mitigation process seeks to identify, avoid, mitigate, restore and compensate for adverse effects to biodiversity. Among the mitigation measures our teams undertook was to design taller transmission towers with shorter arms. This reduces the footprint of the new 230 kV corridor. As well, we're taking mitigation measures to reduce adverse effects from construction.

During the Class EA (environmental assessment) process, Hydro One committed to creating two hectares of habitat for each hectare of habitat lost. While this commitment comes to 6.4 hectares of habitat, the Habitat Creation Plan for the Clarington TS now encompasses 16 hectares. This includes a pollinator meadow, shrub thicket, and upland and lowland forest. Additionally, Hydro One has committed to restoring approximately 3.5 hectares of habitat affected by construction.

LOOKING AHEAD



WE WILL STRENGTHEN OUR ENVIRONMENTAL MANAGEMENT BY:

- Reviewing our HSEMS to identify where we can improve
- Developing a sustainability framework, along with a program for sustainable initiatives

WE WILL CONTRIBUTE TO ONTARIO'S CLIMATE CHANGE STRATEGY BY:

- Seeking verification of SF₆ equipment use and natural gas emissions. SF₆ emissions account for approximately 14.4% of Hydro One's Scope 1 and Scope 2 emissions
- Continuing our efforts to further reduce GHG emissions through better maintenance practices and more efficient tracking
- Collecting data on select Scope 2 emissions, which are large sources of emissions
- Installing hybrid and electric-vehicle designated parking spots at our Grid Control Centre

WE WILL PROTECT AND DEVELOP HABITATS BY:

- Partnering with community groups and non-profits to develop pollinator habitats and other solutions for protecting Ontario's biodiversity
- Improving our Biodiversity GIS (geographic information system) Portal to ensure we have the best information for making informed decisions that help us minimize our environmental impacts

PEOPLE & POTENTIAL

From customer care through technical services and leadership, the calibre of people we attract and develop determines the kind of company we are. We have high ambitions, as do our employees. It's not enough to be good when we can be great.



95%+
PASS RATE

for employee
certification exams



77%

REDUCTION
IN TOTAL
RECORDABLE
INJURIES

since launch of Journey to
Zero program in 2009

APPROXIMATELY

33%

OF EXECUTIVES
ARE WOMEN

(Vice President and
above or equivalent)

ENABLING OUR PEOPLE TO BE THEIR BEST

In order to fulfill ambitions, Hydro One is attracting the smartest and most skilled people.

With nearly a third of our current workforce eligible to retire within five years, we're investing in our workplace through better training and development, university and college partnerships, co-op and internship programs.

We provide a workplace where safety is the top priority. We also believe diversity and inclusion promote creativity and innovation, along with engagement and trust, better decision-making and higher productivity.

Ultimately, this is how each person develops their potential, serves customers better and generates value for our stakeholders.

55 HOURS



AVERAGE AMOUNT
OF TRAINING
PER EMPLOYEE
IN 2016



DEVELOPING OUR TALENT, BUILDING CAPACITY

Hydro One's People Strategy is to build human capacity. This means developing the industry's most skilled and motivated teams, capable of accelerating our transformation into a world-class company.

 **98%**

EMPLOYEES WHO
AGREED THAT THEIR
TRAINING OBJECTIVES
WERE MET

At Hydro One, we believe talent is not a fixed quantity. We believe that by giving our people tools, support and encouragement, they will grow in their jobs, develop new skills and learn to lead others. In the process, they will contribute more to Hydro One, their families and communities.

In 2016, we nurtured and grew our talent base by providing 500,000 hours of training, or 55 hours per employee.

The two groups that enable us to do this:

Training and Development Services, part of Health, Safety & Environment, manages trades and technical training, including online learning.

Leadership & Organizational Development oversees leadership training for managers and supervisors—a critical component of Hydro One's People Strategy. We begin early on by identifying potential leaders and then providing progressive levels of accountability and responsibility through assignments, projects and internal rotations.

96%



EMPLOYEES WHO
SAID THEIR TRAINING WAS
A GOOD INVESTMENT IN
THEIR PROFESSIONAL
DEVELOPMENT

REACHING HIGHER



Our Intramural Assistance Program encourages employees to grow their potential by taking college and university courses.

The Hydro One policy for intramural assistance is to reimburse 100% of tuition for classes that apply to the employee's current job, and 75% of tuition for classes that prepare them for a job to which they aspire.

DEVELOPING OUR TALENT, BUILDING CAPACITY

CONTINUED



447
COURSES
OFFERED

OUR 10-20-70 DEVELOPMENT MODEL

Hydro One's talent development model is based on *process*. For us, development is a journey that can occur in a range of learning venues and environments. Each venue reinforces the others. According to this model:

10% of development occurs in formal venues such as classrooms and during online training. This is where we introduce formal concepts, theory and people skills.

20% of development occurs via coaching and mentorship by managers and colleagues. This is where theory is applied to practical, concrete situations.

70% of development occurs on the job, where employees practice and hone skills. This is the final and most critical step, where lessons, information and skills become embedded and intuitive.

MANAGING LEARNING THROUGH HOLMS

In 2016, we managed and tracked 175,000 learning completions using the Hydro One Learning Management System, or HOLMS.

Training occurred in four categories:

- Health, Safety & Environment: **175 courses**
- Trades/Technical: **173 courses**
- Vehicle: **47 courses**
- Development & Administration: **52 courses**

In addition to training internal staff, in 2016 our training facilities attracted more than 80 Electricity Distributors Association member utilities and contractors. We delivered training to nearly 500 external employees in these categories:

- Powerline Technician Apprentice
- Substation Electrician
- Meter Technician
- Electrical Operator
- Underground Cables
- Basic Electricity

LEARNING TO SAFELY WORK AT HEIGHTS

In 2016, Hydro One was among the first approved providers of the Ministry of Labour's new Working at Heights safety protocol and best safety practices training. The updated training is essential to our employees, who often work aloft, under a range of scenarios.

This new designation qualifies Hydro One to offer Working at Heights training to other companies. In all, we trained more than 3,000 employees and external contractors, with a 98% completion rate. This was ahead of the ministry schedule.

In addition to Working at Heights certification, Hydro One training facilities offer these accreditations and affiliations:

- Training Delivery Agent for Power Line Technician and Utility Arborist (Accredited by the Ontario Ministry of Advanced Education & Skills Development)
- Recognized Authority for Driver Certification Program – Licence Upgrades (Accredited by the Ministry of Transportation)
- Member of Trade Boards for Power Line Technician and Utility Arborist (Accredited by the Ontario College of Trades)
- Advisory committees with Conestoga and St. Clair Colleges

DIVERSITY AND INCLUSION

Diversity and inclusion make us stronger and more innovative, aligning us with our diverse customers and stakeholders. What's more, a wider range of voices and perspectives enable us to view the world through different eyes and make us more responsive to a wider range of concerns.



We've made significant progress at increasing diversity at the Board of Directors and senior management levels but claim only modest progress at middle management and staff levels, particularly among skilled trades.

DIVERSITY & INCLUSION STRATEGY

The new Diversity and Inclusion strategy is helping to shift Hydro One's workforce and leadership profile. The strategy declares our ambition to become an industry leader, recognized across Ontario for a culture of inclusion. Our goal is to attract a larger proportion of women, Indigenous people, visible minorities and people with disabilities.

We'll achieve our diversity and inclusion goals by advancing along five paths: workforce planning; recruitment; succession planning; education and leadership development; and cultural guidance and outreach. We've also committed to reporting our progress quarterly to the Board of Directors.



The Diversity and Inclusion strategy is also guided by our:

- Corporate Diversity and Inclusiveness Policy
- Fair Hiring Policy
- Workplace Human Rights and Anti-Harassment Policy and Procedure
- Developing Accommodation Plans for Employees with Disabilities Procedure
- Diversity Committee of representatives from two unions and management. The committee meets quarterly to review progress, assess plans and issue guidance to managers and staff

INCREASING WOMEN'S REPRESENTATION



APPROXIMATELY

33%

OF EXECUTIVES
ARE WOMEN

(Vice President and
above or equivalent)

While the number of women across Hydro One is growing, it could be further accelerated. We believe the drive to increase female representation is not only a “women’s issue,” restricted to women advocating on behalf of each other. We view it as an organizational issue that necessarily includes men.

MARC, or Men Advocating Real Change, is one of the more innovative initiatives at Hydro One. As a catalyst for conversation and change, MARC is an employee resource group for men and women working together to achieve greater gender parity in the workplace.

In 2016, 25 male leaders were chosen for a two-day workshop on identifying the barriers to women’s advancement, techniques for challenging the status quo, and understanding unconscious bias against women in the workplace.

MARC has been so successful that it is now a permanent employee resource group at Hydro One.

BOARD OF DIRECTORS

MEN	60%
WOMEN	40%
MINORITY GROUPS	6.6%

EXECUTIVES (VP AND ABOVE)

MEN	66.7%
WOMEN	33.3%
MINORITY GROUPS	3%

We will report on comparisons to labour market availability in the 2017 CSR Annual Report, as the Federal Government will be releasing its 2016 long-form census results in November 2017.

INCREASING WOMEN'S REPRESENTATION

CONTINUED

WOMEN IN TRADES, TECHNOLOGY AND ENGINEERING NETWORK (WTTE)

The 300-member WTTE provides resources and advocacy for attracting more women into trades, technology and engineering positions at Hydro One. With senior management support, WTTE members are helping to shift our workplace culture, particularly for women in non-traditional jobs. They empower and inspire women at every level of the organization by:

- Hosting networking forums where women in trades, technology and engineering connect and share their stories and support
- Launching programs that foster greater inclusion
- Attracting leadership support
- Raising awareness of the challenges women face in male-dominated environments



HYDRO ONE WOMEN IN ENGINEERING PROGRAM

If our goal is to increase the number of women applicants for engineering jobs at Hydro One—and across the industry—we must begin by increasing the number of women in classrooms.

Hydro One is doing exactly that by partnering with four universities to develop new outreach programs for elementary and high school girls. The partnership is designed to increase girls' awareness and pique their interest in engineering as a career.

Our flagship Hydro One Women in Engineering University Partnership includes Ryerson University, University of Ontario Institute of Technology, University of Waterloo, and Western University. The goal is to increase enrolment and career opportunities for female students pursuing STEM studies, with special emphasis on electrical and mechanical engineering.



33

HYDRO ONE WOMEN
IN ENGINEERING
SCHOLARSHIPS
AWARDED TO DATE

The partnership also:

- Ensures that participating universities have complementary initiatives for increasing access and support for women in engineering
- Enhances undergraduate success by providing mentoring and other networking opportunities with working female engineers
- Provides added support for female engineering graduates—such as co-op assignments, internships and job preparation—as they transition into the workforce

In 2014 Hydro One also launched Women in Engineering Scholarships, which awards eleven \$5,000 scholarships annually to women in engineering in Ontario. Winners have an opportunity to complete a paid career-related work term at Hydro One. We've awarded 33 of these scholarships to date.

GROWING INDIGENOUS EMPLOYMENT

We're increasing the number of opportunities for Indigenous people to join our workforce by focusing on young applicants. Our Summer Student Outreach Program, for example, earmarks a portion of positions for students of First Nations, Métis or Inuit descent. The program runs from May to August and is open to students who are returning to college or university in the fall.

In partnership with Confederation College in Thunder Bay, we also offer a Pre-Tech (Electrical) Program for Indigenous students. The Ontario certificate program is designed to encourage more Indigenous students from northern Ontario to apply but is also open to non-Indigenous students. The goal is 50% Indigenous participation.

The Pre-Tech Program gives students the skills and academic background they need to pursue an apprenticeship in electrical power distribution and related fields.

Also in 2016, we began to develop the Indigenous Network Circle employee resource group, to encourage networking, mutual support and resources for Indigenous employees.

10% OF HYDRO ONE SUMMER STUDENT JOBS ARE EARMARKED FOR INDIGENOUS STUDENTS

EMPOWERING STUDENTS



Janna Cutting, from the Mohawk Nation of Akwesasne, is one of Hydro One's stellar summer students. She has worked as a Human Resources Assistant for the past two years.

When Janna's not at Hydro One, the ambitious 21-year-old studies at the University of Guelph, where she's earning a degree in International Development and a certificate in Civic Engagement and Global Citizenship, focusing on Aboriginal Affairs.

Following last summer's work placement at Hydro One, Janna took her fall semester studies to East China Normal University in Shanghai.

2.3%

OF OUR
WORKFORCE
IS INDIGENOUS

ENABLING PEOPLE WITH DISABILITIES

The Hydro One AID Network (accessibility, inclusivity, disability) is a forum for employees with disabilities and their supporters. They meet to discuss issues, raise awareness about their work experience and develop solutions for making Hydro One a more inclusive place for people with disabilities.

Hydro One complies with the *Accessibility for Ontarians with Disabilities Act* and makes accommodations for people with disabilities.

Difference is not just a strength — it's also a source of inspiration and guidance for all employees.



LEVELLING THE PLAYING FIELD FOR STUDENTS

To increase the diversity of applicants, we award scholarships to deserving students who might someday work at Hydro One.

They include up to 15 Leonard S. (Tony) Mandamin Scholarships, awarded annually to Indigenous students from Ontario. In addition to a \$5,000 financial award, we offer recipients the opportunity to complete a paid developmental work term at Hydro One.

To date, we've awarded 45 scholarships.

Through the William Peyton Hubbard Memorial Award, we recognize two academically outstanding black students attending college or universities in Ontario. The award is named after Toronto's first black alderman, controller and acting mayor, who advocated for the development and public ownership of hydroelectric power in the late 19th and early 20th centuries. Recipients receive a financial award of \$5,000 and an opportunity for a paid developmental student work placement at Hydro One.

HEALTH AND SAFETY

At Hydro One, employee health and safety are a top priority. They are core values embedded in everything we do, from the safety protocols that guide work at heights to remote service calls and middle-of-the-night power restoration after a storm.

Hydro One employees deserve a healthy, injury-free workplace. For their commitment and service, they have the right to expect to return home, safe and sound, at the end of every workday.

Our target of zero workplace injuries and illnesses demonstrates Hydro One's ambition. Through increased vigilance, continuous training and company-wide awareness, this ambitious goal is well within reach.

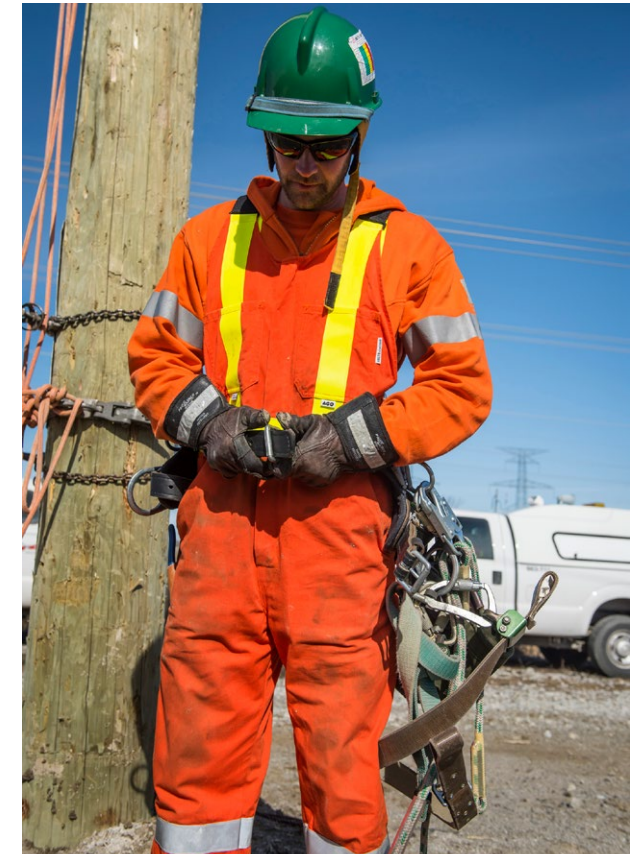


36

FORMAL JOINT
HEALTH & SAFETY
COMMITTEES
ACROSS COMPANY

1.1 TOTAL ANNUAL
RECORDABLE
INJURY RATE

per 200,000 hours worked



HEALTH AND SAFETY

CONTINUED

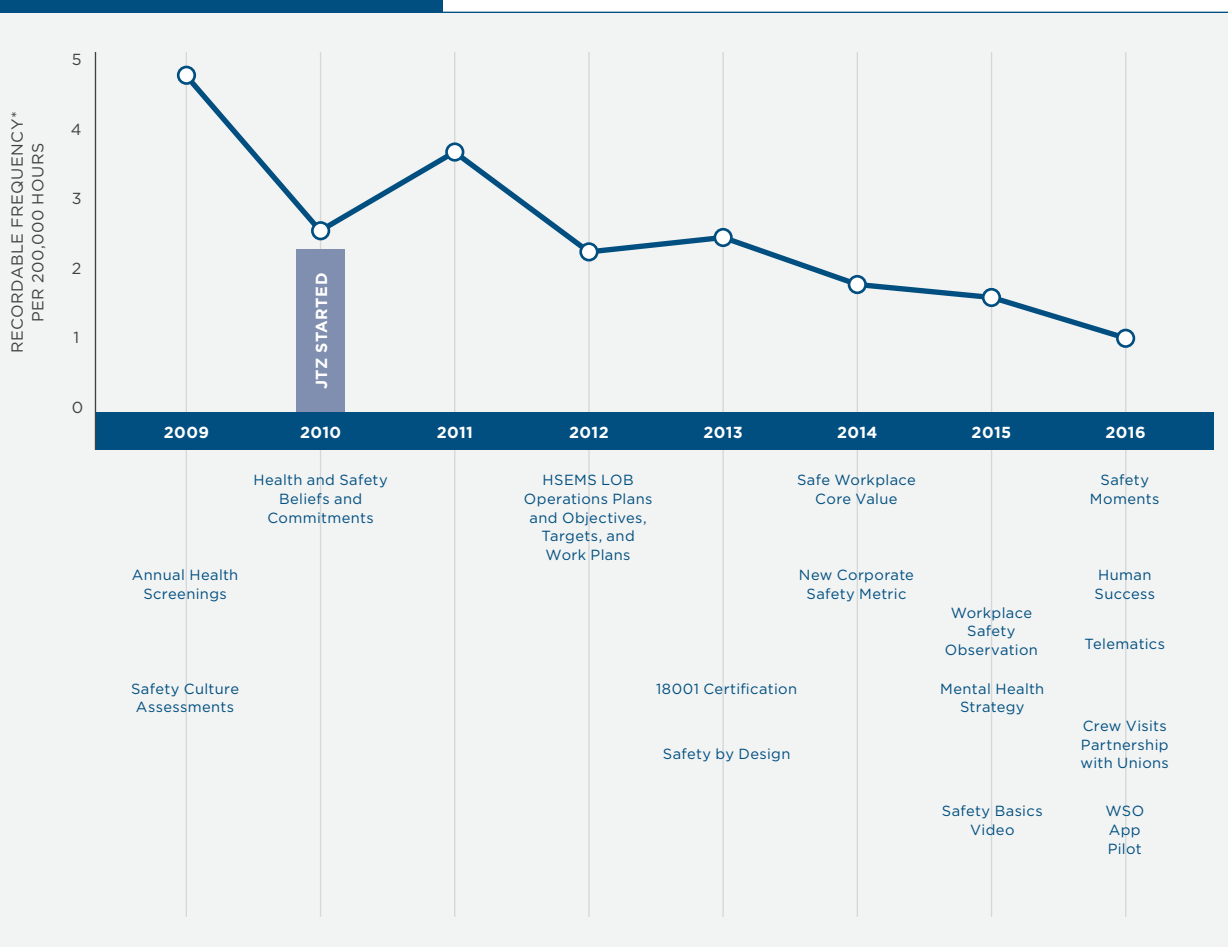
DRIVING THE JOURNEY TO ZERO

Journey to Zero is a key Hydro One partnership with our major unions and demonstrates our level of commitment to a zero-injury workplace. It's actually part of multiple formal commitments, under our Health, Safety and Environment Management System. Together with our unions, we made these commitments in 2009 and launched the continuous improvement program Journey to Zero in 2010. In the years since, we have reduced total recordable injuries by a remarkable 77%. In 2016, we achieved a recordable injury rate of 1.1 per 200,000 hours worked, indicating we're well on our way to world-class performance.

As the chart indicates, progress has been incremental. Making our workplace as safe as it can be takes company-wide dedication, planning and collaboration—especially if we're to keep complacency at bay. It takes commitments by the Board of Directors, senior management, unions and, equally, by every single employee at Hydro One. We're all working shoulder-to-shoulder to bring "zero" that much closer.

35% REDUCTION IN
TOTAL RECORDABLE
INJURIES
Compared to 2015

HEALTH & SAFETY PERFORMANCE



HEALTH AND SAFETY

CONTINUED

THE JOURNEY TO ZERO CONTINUES

As its name suggests, the road to a zero-injury workplace is neither straight nor simple. The journey is marked with frequent milestones, new initiatives and course adjustments. Some of these initiatives are shown in the Journey to Zero chart (see previous page). Through these and countless smaller actions, our overall health and safety trajectory has been positive. The journey continues.

100%

TOTAL WORKFORCE REPRESENTED
IN JOINT MANAGEMENT-WORKER
HEALTH AND SAFETY COMMITTEES

In 2016, we:

- Recertified for OHSAS 18001
(see to the right)
- Launched Phase 1 of the Human Success Program, which focuses on success fundamentals and five key tools to promote error-free decision-making
- Convened Health & Safety Focus meetings across the province
- Reviewed Safety by Design work practices and established a list of priority improvements for 2017
- Assessed Moving Vehicle Accident Prevention Programs with a view to improving them in the coming year
- Piloted Core Values Supervisor Feedback Surveys
- Increased worker participation in peer-to-peer Workplace Safety Observations
- Communicated Journey to Zero good news stories to further instill health and safety beliefs

RECERTIFYING FOR OHSAS 18001

In 2016, an external auditor recertified our HSEMS under Occupational Health and Safety Assessment Series (OHSAS) 18001. OHSAS is one of the world's most recognized occupational health and safety management systems.

We're particularly proud of this achievement. It demonstrates our commitment to world-class health and safety management, continuous improvement and steadfast pursuit of our goal of zero injuries and illnesses. It also demonstrates engagement from all levels of the organization.

HYDRO ONE

HEALTH AND SAFETY POLICY

The policy encapsulates the beliefs and commitments that drive our Journey to Zero Program and inform every project and action we undertake.

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 continue to:

- 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 employees 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

MAKING HEALTH AND WELLNESS A FAMILY AFFAIR

Our approach to health and safety can be summarized as care, vigilance and prevention — three principles that inform the Hydro One Employee Assistance program.

The program provides annual screening clinics across the province to employees and their families, along with health and wellness information.

It's one more way Hydro One looks after the health and safety of its people.

Our **36** formal Joint Health & Safety Committees ensure that every Hydro One employee is represented, with programs and policies that safeguard their health, safety and wellness.

HYDRO ONE HEALTH AND SAFETY POLICY

CONTINUED

REDUCING WORKPLACE STRESSES WITH MENTAL HEALTH FIRST AID

Despite widespread national campaigns to raise awareness and reduce stigmatization, mental health issues continue to be under-reported. People who may be undergoing mental health or job-related stresses resist confiding with colleagues and even their families. And yet, mental health is just as valid and treatable as physical health.

Mental Health First Aid is a 12-hour course that reduces the stigma by raising awareness. It enables colleagues and managers, who are best placed to recognize symptoms, to provide “first aid” during a mental health problem or crisis. Like conventional first aid, mental health first aid is designed to stabilize a situation and minimize injury to the sufferer and others until professional care becomes available.

Course participants learn that prompt action can reduce suffering, provide needed relief and support to families, and make the workplace a safer and less stressful environment.

In 2016, 522 Hydro One managers and supervisors successfully completed the Mental Health First Aid course.



522

MANAGERS AND
SUPERVISORS
COMPLETED MENTAL
HEALTH FIRST AID
COURSE

TALKING HEALTH AND SAFETY

Between June and September, representatives from Hydro One, the Power Workers’ Union (PWU) and the Society of Energy Professionals visited eight work locations across the province to talk about health and safety and reinforce our shared commitment to Journey to Zero.

Hydro One and union leaders spoke about local conditions and equipment, lessons learned from past incidents, and applying best practices and safety basics. They also talked about celebrating employees who show exceptional safety performance.



These field visits are a collaborative effort between Hydro One, the Society of Energy Professionals and the PWU. By joining our forces, we have a united front on safety.

The visits were very well received by employees who provided positive feedback and comments, which is an important step in improving our processes and building a workplace that encourages open communication.

LOOKING AHEAD

TRAINING AND DEVELOPMENT

Talent Management: To help employees reach their potential faster and support Hydro One's transformation, we expect to launch a comprehensive upgrade of our Talent Management System to:

- Align talent management goals with the overall business more closely
- Enhance development and succession planning
- Integrate new recruits in a faster, friendlier and more seamless manner
- Simplify how our managers access key talent information

HEALTH AND SAFETY

We'll continuously improve our health and safety record across the company by:

- Expanding our Human Success Program
- Improving oversight through increased audits, effective workplace observations, action tracking and performance measures
- Stepping up engagement action planning
- Launching the Health and Safety Champions Awards Program
- Advancing health and safety training and development
- Collaborating with unions on shared health and safety goals
- Commencing Rule Book reviews in order to prepare for 2018 Infrastructure Health and Safety Association (IHSA) Safety Rules Review
- Conducting our fourth Safety Culture Assessment



INTRODUCTION

CUSTOMERS
COME FIRST

BUILDING A GRID
FOR THE FUTURE

POWERING
ECONOMIES

USING RESOURCES
RESPONSIBLY

PEOPLE &
POTENTIAL

GLOSSARY OF TERMS AND ABBREVIATIONS



GLOSSARY OF TERMS AND ABBREVIATIONS

Biodiversity

The variability among living organisms from all sources, including, without limiting the generality of the foregoing, terrestrial and marine and other aquatic ecosystems and the ecological complexes of which they form a part and includes the diversity within and between species and of ecosystems.

Source: *Environment Canada*

CEA

Refers to the Canadian Electricity Association. The association's membership is comprised of Canadian utilities and it acts as the national voice for safe, secure and sustainable electricity for all Canadians.

Source: *Canadian Electricity Association*

CO₂e

Refers to Carbon Dioxide Equivalent. Greenhouse gases have different global warming potential, and use CO₂e as a comparative measure using the functionally equivalent amount of Carbon Dioxide.

Crown

Refers to the state of Canada, the Province of Ontario, or the Canadian parliamentary government. Crown activity refers to any activity for which Canada or the Province is responsible through legislation, regulation, or policy. Activities may involve the issuance of tenure (permit, license, lease) or grants, or the approval to conduct a specific activity.

Source: *House of Commons Canada*

Delivery Point (DP)

A delivery point is the point of supply where the energy from the Bulk Electric System is transferred to its customers, either through distribution systems or customers directly connected to the transmission system. To qualify as a delivery point, the following three criteria must be satisfied:

- The supply capacity rating must be equal to or larger than 1 MVA.
- The point of supply consists of a 3-phase system.
- Customers are consuming power from the point of supply. (If there is no power being delivered to customers, it is not a delivery point.)

Emissions

The release of greenhouse gases into the atmosphere over a period of time.

First Nation

A First Nation is a self-determined Aboriginal community and governing body that has the power to negotiate, on a government-to-government basis.

Gigawatt-Hour (GWh)

A standard unit for measuring electrical energy produced or consumed over time. One GWh is equal to one million kilowatt-hours.

Greenhouse Gas (GHG)

Gaseous constituents of the atmosphere, both natural and anthropogenic, that absorb and emit radiation at specific wavelengths within the spectrum of infrared radiation emitted by the Earth's surface, by the atmosphere itself and by clouds. Water vapour (H₂O), carbon dioxide (CO₂), nitrous oxide (N₂O), methane (CH₄) and ozone (O₃) are the primary greenhouse gases in the Earth's atmosphere. In addition, there are a number of entirely human-made greenhouse gases in the atmosphere, such as the halocarbons and other chlorine- and bromine containing substances.

Source: *Environment Canada*

HSEMS

Refers to Health, Safety, and Environmental Management System.

IESO

Refers to the Independent Electricity System Operator. The IESO delivers key services across the electricity sector including: managing the power system in real-time, planning for the province's future energy needs, enabling conservation and designing a more efficient electricity marketplace to support sector evolution.

Source: *IESO*

ISO 14001

International standard that specifies requirements for an environmental management system to enable an organization to develop and implement policy and objectives which take into account legal requirements and other requirements to which the organization subscribes, and the information about significant environmental aspects.

Source: *International Organization for Standardization*

ISO 26000

International standard that provides guidance on what social responsibility is, helps businesses and organizations translate principles into effective actions and shares best practices relating to social responsibility, globally. ISO 26000 provides guidance rather than requirements, so it cannot be certified unlike some other well-known ISO standards.

Source: *International Organization for Standardization*

Kilowatt (kW)

A measure of electrical power. One kilowatt is equal to 1,000 watts.

Kilowatt-Hour (kWh)

A standard unit for measuring electrical energy produced or consumed over time. One kWh equals the power consumption of 1,000 watts over one hour (or ten 100-watt light bulbs).

OEB

Refers to the Ontario Energy Board. The OEB acts as Ontario's independent energy regulator, making decisions and rules to ensure public interest is served and consumers are treated fairly and that the energy sector is reliable and sustainable.

OHSAS 18001

International standard that established occupational health and safety management systems.

Source: *OHSAS 18001 Health and Safety Standard*

Retrofit

Installation or modification of previously manufactured or constructed equipment with new or modified parts not available or considered necessary at the time of manufacture.

SAIDI

Refers to System Average Interruption Duration Index. SAIDI measures the average time (in minutes) during which customer service was interrupted. This is presented as minutes per delivery point (DP) per year.

SAIFI

Refers to System Average Interruption Frequency Index (SAIFI). SAIFI indicates the average number of interruptions customers experienced. This is presented as interruptions per delivery point (DP) per year.

Sulphur Hexafluoride (SF₆)

A synthetic gas that is colourless, odourless, non-toxic and non-flammable. SF₆ is primarily used in the electricity industry as insulating gas for high voltage equipment.



CONNECT WITH US

We invite your feedback and questions about this report.
Please email us at CSR@HydroOne.com



Discover more about our corporate social responsibility:

**[www.HydroOne.com/about/
corporate-social-responsibility](http://www.HydroOne.com/about/corporate-social-responsibility)**

CONNECT WITH US VIA SOCIAL MEDIA



*The report is in PDF format only.
All figures are in Canadian dollars.*

**For information about this report,
please contact:**

JAY ARMITAGE

Director of Communications

Jay.Armitage@HydroOne.com

**Hydro One's corporate office
is located at:**

483 Bay Street,
Toronto, ON M5G 2P5
www.HydroOne.com

