

DELIVERING A POWERFUL FUTURE

2017 Corporate Social
Responsibility Report

hydroOne

About This Report

Hydro One's 2017 Corporate Social Responsibility (CSR) Report updates the progress we made during the past year to advance our health, safety, environmental and social performance. Our report is organized around Hydro One's five strategic CSR pillars: customers come first, using resources responsibly, people and potential, powering economies, and building a grid for the future. It also describes our performance under the Canadian Electricity Association's (CEA's) Sustainable Electricity™ Program, which promotes the integration of CSR in business decision-making and pursues leading practices in continuous improvement.

As our CSR strategy and reporting program continue to evolve in support of Hydro One's business strategy, we will review further opportunities to align our reporting with the internationally recognized Sustainability Reporting Standards, developed by the Global Reporting Initiative (GRI).

The information in this report reflects our performance from January 1, 2017 to December 31, 2017 and covers our Canadian operations. This CSR report is limited to Hydro One Limited (referred to as "Hydro One" throughout this report). All dollar amounts are in Canadian dollars. The scope of the report excludes Hydro One Remote Communities Inc. and Hydro One Telecom Inc.



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A company as large as Hydro One touches every corner of the province. Our countless stakeholders depend on us to operate responsibly and transparently.

CSR at Hydro One

One of the most important tools we have for transforming Hydro One into a best-in-class electricity utility is our CSR program. CSR provides a solid platform to drive performance improvements across our transmission and distribution networks and to build a sustainable future.



CSR at Hydro One

A Message from our
Acting President and CEO
and CFO and Chief
Corporate Affairs and
Customer Care Officer



Paul Dobson
Acting President and CEO
and CFO



Jason Fitzsimmons
Chief Corporate Affairs and
Customer Care Officer

2017 was an important year of transition for Hydro One. We unveiled our new business strategy, which outlines our goal to become one of North America's leading utilities. We are confident this strategy will create considerable value for our shareholders and other stakeholders.

We also took important steps to improve our CSR performance as we work to deliver electricity that is among the cleanest, safest and most reliable on the continent.

Sadly, in December, we experienced the tragic loss of four Hydro One employees while they were completing work on a transmission tower near Tweed. This is a difficult reminder that much work still remains to achieve our goal of eliminating all serious workplace injury incidents.

Achieving Hydro One's business goals will require the disciplined execution of our strategy – a strategy that is focused on customers and centred around three pillars: optimization and innovation, diversification and growth.

One of the most important tools we have for transforming Hydro One into a best-in-class electricity utility is our CSR program. CSR provides a solid platform to drive performance improvements across our transmission and distribution networks, and to build a sustainable future.

Our vision for a sustainable future translates into Hydro One's five pillars of CSR: customers come first, using resources responsibly, people and potential, powering economies and building a grid for the future. These pillars support the execution of our business strategy in many meaningful ways.

Optimization & Innovation

Hydro One is transforming through a culture of operational excellence and continuous improvement. We seek to be excellent in every facet of our operations, to the benefit of our customers, employees, communities and shareholders. Hydro One plans to invest in innovation to modernize the transmission and distribution grids, improving reliability and efficiencies, as well as building a platform for connecting distributed energy resources. These are business imperatives, but also environmental imperatives to respond to the challenge of climate change and the emerging low-carbon economy.

Whether we employ technology to improve the quality of our service, reduce the number of our trucks on the road, or to optimize our procurement spending, our goal is to continuously improve our performance. Since 2016, we have improved our customer

satisfaction rates, with a 5% increase in distribution customer satisfaction and a 10% increase in transmission customer satisfaction.

We strive to be a more innovative and efficient organization in everything we do. To find out more about our plans to put customers first, use resources responsibly, and build a grid for the future, click [here](#).

Diversification

The electricity industry is transforming from a large centralized system to smaller localized distributed generation systems. These changes and the pace of change pose a challenge, but Hydro One is adapting our grid investments to reflect this new reality and to provide new energy services that customers are demanding. This business model also requires a more nimble and entrepreneurial approach and a culture that is willing to challenge conventional thinking.

"WE ARE COMMITTED TO RUNNING A SUSTAINABLE AND SOCIALLY RESPONSIBLE UTILITY, NOW AND INTO THE FUTURE."

— Jason Fitzsimmons

As we prepare our next generation of leaders, our succession and development plans will build upon those with diverse backgrounds and experience, as well as individuals who can visualize what it will take to succeed in the future. To learn more about our plans to develop the potential of our people, put customers first and build a grid for the future, click [here](#).

Growth

We announced a merger agreement with Avista Corporation, which has been providing reliable and safe energy to its customers in the Pacific Northwest USA since 1889. Avista has an excellent reputation for environmental stewardship and for creating shared value for its business and community stakeholders. We will share best practices in CSR as we move forward and grow together.

Another opportunity we are pursuing is to become the primary business partner to Indigenous communities by 2021. Our team has been working diligently over the past 10 years to foster new business opportunities with First Nations across Ontario.

To find out more about how these sustaining partnerships and investments are advancing our plans to build a grid for the future, power local economies and expand Hydro One's business, click [here](#).

2017 Performance

Hydro One made significant progress in improving our CSR performance this past year. We achieved Bronze certification for Progressive Aboriginal Relations (PAR) from the Canadian Council for Aboriginal Business (CCAB), which provides a strong platform for increasing Indigenous participation in our supply chain going forward. We were very encouraged by the positive consumer response to our energy conservation programs, helping us to deliver sustained energy savings throughout 2017 and land 51% ahead of our overall provincial mid-term energy conservation target. Finally, we outlined our CSR plans for 2018 and beyond, where we will be further advancing our CSR approach and framework.

Over the next five years, our workforce demographics will evolve as the baby boom generation prepares to retire, putting pressure on our workforce. Our Human Resources team is stepping up recruitment activities to ensure our workforce plans support Hydro One's new business strategy and build a more diverse and highly motivated leadership team.

2018 Plans

Over the coming year, we expect to finalize our CSR strategy and programs, working to ensure they are fully integrated into our business strategy and provide guidance as we transform Hydro One into a best-in-class electricity utility. We will also ensure our team has the training, tools and resources they need to execute and deliver on our CSR commitments.



Paul Dobson

Acting President and CEO and CFO



Jason Fitzsimmons

Chief Corporate Affairs and
Customer Care Officer

2017 Highlights

\$53.8m

Bill savings for customers

2017 Equipment Replacement/Retrofit Program attracted 1,937 customers and \$15.3M in bill savings

922 GWh

Saved against mid-term target of 611 GWh since 2015



Bronze-level certified under
CCAB's PAR Program

Hydro One At-a-Glance

Hydro One is Ontario's largest electricity transmission and distribution provider with more than 1.3 million valued customers, over \$25 billion in assets and annual revenues of nearly \$6 billion.

Our team of approximately 7,400 skilled and dedicated regular and non-regular employees proudly and safely serves suburban, rural and remote communities across Ontario, through our approximately 30,000 circuit kilometres of high-voltage transmission and approximately 123,000 circuit kilometres of primary low-voltage distribution networks. Hydro One is committed to the communities we serve and has been rated by Corporate Knights as a top utility in Canada for our corporate citizenship, sustainability and diversity initiatives. In 2017, Hydro One was ranked 11th overall in the Best 50 Corporate Citizens in Canada report. We are also one of only six utility companies in Canada to achieve the Sustainable Electricity Company™ designation from the CEA.

Our Businesses

Hydro One is one of North America's largest electrical utilities.¹ Our transmission and distribution system safely and reliably serves communities throughout Ontario. Our customers are suburban, rural and remote homes and businesses across our province.

Transmission

Our transmission system transmits high-voltage electricity from nuclear, hydroelectric, natural gas, wind and solar sources to our distribution customers and industrial customers across Ontario.

\$1.6b

Revenues (Net of Purchased Power)
for Transmission

Our Customers

- Large directly-connected industrial customers
- Large and small businesses
- Local distribution companies

Growth Opportunities

Integration of Hydro One
Sault Ste. Marie LP customers.

Distribution

The Hydro One distribution system is the largest in Ontario. It consists of approximately 123,000 circuit kilometres of primary low-voltage power lines serving over 1.3 million customers.

\$1.5b

Revenues (Net of Purchased Power)
for Distribution

Our Customers

- Residential and business customers
- 55 municipal utility customers
- Farmers

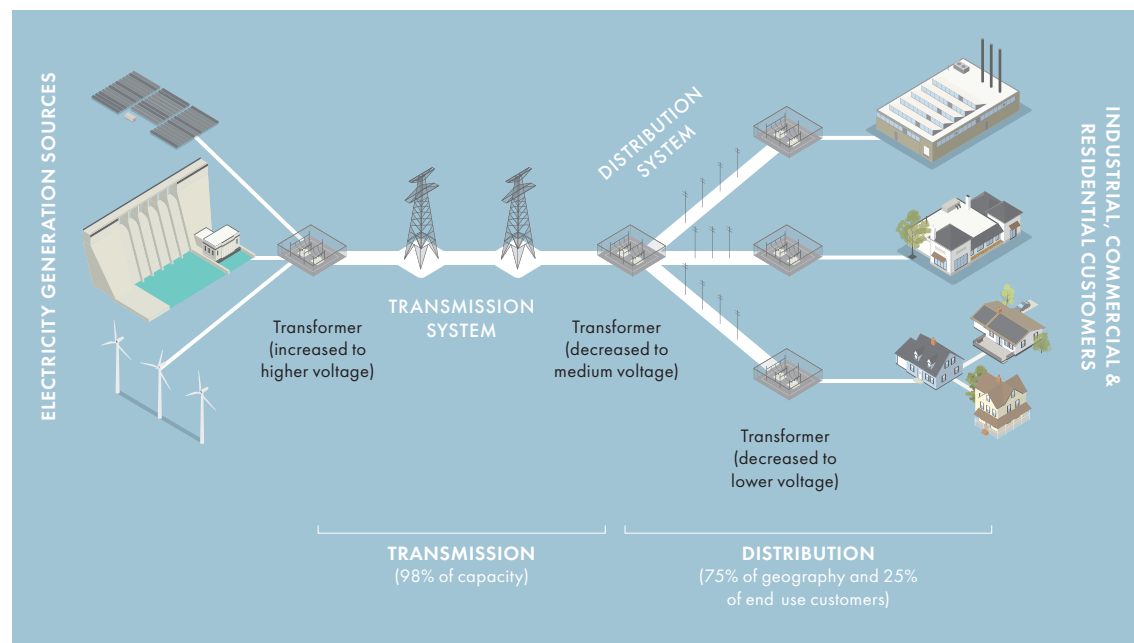


The electricity industry is transforming from a large centralized system to smaller localized distributed generation systems. These changes and the pace of change pose a challenge, but Hydro One is adapting our grid investments to reflect this new reality and to provide new energy services that customers are demanding.

1. Based on assets.

Hydro One's Role in the Electrical Power System

Hydro One is committed to building a sustainable future for all Ontarians. The sheer scale of our operations – the geographic area we cover, the millions of people we serve and the economies we impact – makes it essential we do our part to follow environmentally friendly practices. We contribute by delivering electricity that is among the cleanest, safest and most reliable in North America.



Electricity is produced at a generating site, such as a wind farm or power plant, and moves through a power grid network that includes electricity substations, transformers and high voltage lines that connect to the transmission network. From there it moves across medium-voltage transmission lines that connect to distribution substations and on to low-voltage power lines that connect to customers. At Hydro One we are responsible for the transmission of power from generating sites and the distribution of power to end customers. We do not own any power generating facilities.

2017 Facts & Figures

7,400 (approx.)

Skilled and dedicated regular and non-regular employees

over 1.3m

Valued customers

88

First Nations communities served

\$1.6b (approx.)

Capital investments to renew and modernize infrastructure

1 of 6

Utility companies in Canada to achieve the Sustainable Electricity Company™ designation from the CEA



2017 CSR Performance Overview

CEA Principle by Pillar	Indicator	2015	2016	2017	i
Customers Come First					
Stakeholder Engagement and Transparency	Transmission customer satisfaction (%)	85%	78%	88%	Page 15
	Distribution customer satisfaction (%)	70%	66%	71%	Page 15
Electricity Demand, Efficiency and Conservation	Savings from energy conservation and demand management programs (GWh)	310	208	404	Page 17
Using Resources Responsibly					
Environmental Stewardship	Spill recovery rate (%)	93%	95%	88%	Page 23
Climate Change Mitigation and Adaptation	Scope 1 GHG emissions (tCO ₂ e)	121,478	147,405	144,115	Page 26
	Scope 2 GHG emissions (tCO ₂ e)	202,282	201,488	197,738	Page 27
People and Potential					
Employee, Contractor and Public Health and Safety	Total annual recordable injury rate (# of recordable injuries per 200,000 hours worked)	1.7	1.1	1.2	Page 33
	Number of employees eligible to retire within 5 years (% of workforce)	32%	33%	27%	Page 32
Human Resources and Workplace	Executive breakdown (% of executive employees)	22.2% women 77.8% men 5.5% minority groups	33.3% women 66.7% men 3% minority groups	37.1% women 62.9% men 11.4% minority groups	Page 32
Powering Economies					
Indigenous Engagement	Indigenous procurement spend (\$ millions) (New indicator for 2017)	Not recorded	Not recorded	\$24.1	Page 36
Economic Value and Community Investments	Community investment donations and sponsorships (\$ millions)	\$1.8	\$1.8	\$2.16	Page 38
	Full-time regular employees	5,500	5,500	5,400	Page 38
	Full-time non-regular employees (i.e. skilled trades, engineering, professional and managerial personnel)	2,000	2,000	2,000	Page 38
Building a Grid For the Future					
Infrastructure Renewal and Modernization and Business Model Pressures	Capital investment (\$ billions) (New indicator for 2017)	\$1.66	\$1.69	\$1.60	Page 42
Systems Reliability	Transmission System Average Interruption Duration Index (SAIDI) (hours per delivery point per year)	0.73	1.35	0.71	Page 42
	Distribution System Average Interruption Duration Index (SAIDI) (hours per customer per year)	7.6	7.8	7.9	Page 42

Our Approach to CSR



IN RECOGNIZING OUR POWER TO IMPROVE PEOPLE'S LIVES, WE STRIVE TO DEVELOP RESPECTFUL LONG-TERM RELATIONSHIPS WITH OUR EMPLOYEES, INDIGENOUS PEOPLES AND THE COMMUNITIES IN WHICH WE OPERATE.

Core Values & Code of Conduct

At Hydro One, we are led by our purpose to make the impossible, possible for our customers, as well as the communities we serve. Our core values guide how all employees behave, how we do our work and how we interact with one another. These values – safety comes first, stand for people, empowered to act, optimism charges us and win as one – are the foundation of our business. They are reflected in our Code of Business Conduct (“the Code”), which defines how the employees, officers and directors of Hydro One should act. For Hydro One to be successful, we must continually earn the trust and confidence of our customers, investors, stakeholders and each other. Our core values guide our actions and decisions by reminding us of who we are and who we strive to be in all of our business activities.

The Code 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, fraud 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. Code violations may also result in criminal and/or civil liability.

To download a copy of our Code of Business Conduct, go to: www.HydroOne.com/careers/code-of-conduct

Policies

Hydro One is committed to achieving world-class environmental, health and safety performance. In recognizing our power to improve people’s lives, we strive to develop respectful long-term relationships with our employees, Indigenous Peoples and the communities in which we operate. We have a number of policies in place that support this:

- [Environmental Policy](#)
- [Health and Safety Policy](#)
- [Public Safety Policy](#)
- [Indigenous Relations Policy](#)
- [Whistleblower Policy](#)
- [Corporate Disclosure Policy](#)
- Hydro One’s Workplace Human Rights and Anti-Harassment Policy
- [Corporate Diversity and Inclusiveness Policy](#)

Our Core Values

Safety Comes First – Nothing is more important than the health and safety of our employees, our customers and the public. We make the world a safer place by setting a high bar that others aspire to.

Stand for People – We foster an open, collaborative work environment. We work to build relationships internally and externally based on trust and mutual respect. We believe in equality for all people and view diversity as a source of our strength.

Empowered to Act – We recognize our power to improve people’s lives. We are ready to act in any situation. We capitalize on opportunities. We make the impossible, possible.

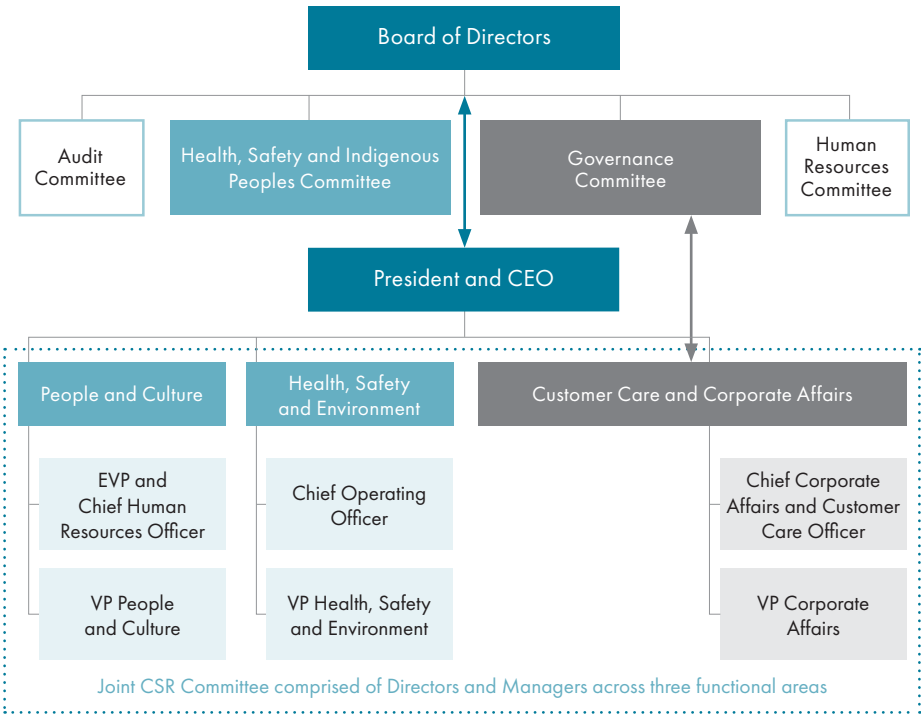
Optimism Charges Us – Optimism creates potential in everything we do. We think creatively and innovatively to turn challenges into opportunities.

Win as One – Winning is about doing well while also doing good. It means working together as one Company to deliver strong results for our customers, communities, employees and shareholders.

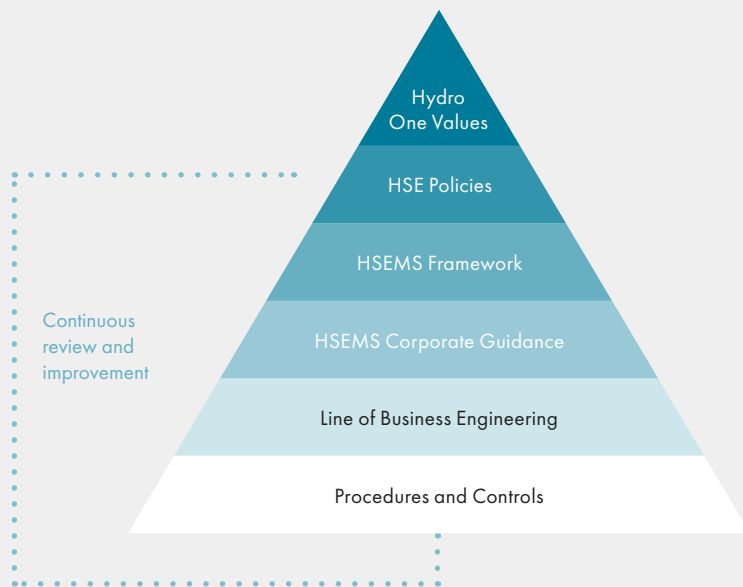
CSR Oversight & Management

Responsibility for CSR resides with the Vice Presidents of Corporate Affairs; Health, Safety and Environment; and People and Culture and with the Chief Operating Officer; Chief Corporate Affairs and Customer Care Officer; and Executive Vice President and Chief Human Resources Officer and ultimately with the President and CEO. A Joint CSR Committee convenes Hydro One Directors and Managers who provide perspectives on current, emerging

and material issues, as well as related strategic stakeholder engagement. The Joint CSR Committee reports to the Governance Committee of the Board of Directors. Additionally, Hydro One’s Disclosure Committee reviews and approves the accurate disclosure and reporting of our CSR practices and performance, as well as the timely, accurate and complete disclosure of developments that have a significant and material impact on the Company.



Management Systems



Hydro One operates 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, to 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 and OHSAS 18001 internationally recognized standards.¹

The HSEMS drives the identification of HSE risks to the Company and the setting of targets and initiatives to manage these risks and demonstrate continuous improvement. In 2017, Environmental Services applied the risk identification process, our understanding of compliance obligations and industry benchmarking to establish four key areas of focus.

These include:

1. **Climate Change** (including greenhouse gas [GHG] management and reporting, sulphur hexafluoride [SF₆] management, document control, corporate awareness)
2. **Resource Management** (including water sampling programs, waste management, heritage management)
3. **Contaminated Lands** (including land assessment and remediation [LAR] program, polychlorinated biphenyls [PCBs] management, spill response)
4. **Biodiversity** (including pollinator species protection, partnerships with other organizations, avian protection programs, training)

We will continue to refine our HSEMS and pursue these improvement opportunities as we finalize our CSR framework and strategy and integrate them into Hydro One's business strategy.

Hydro One also adheres to other industry-leading management programs and is designated as a CEA Sustainable Electricity Company™, which is based primarily on meeting ISO 26000 Guidance on Social Responsibility.

1. ISO stands for the International Organization for Standardization and OHSAS is the Occupational Health and Safety Assessment Series.

Materiality

We have used the CEA’s 10 principles of sustainable development to identify key issues of importance to the industry and to guide our disclosure throughout this report. Additionally, we conducted a peer benchmarking review to inform the selection of targeted performance indicators and to enhance Hydro One’s overall reporting and disclosure framework in this area.

This report also reflects the interests and expectations of Hydro One’s stakeholders and partners, including customers, employees, local communities, Indigenous communities and partners, regulators, shareholders, suppliers, contractors, governments, non-governmental organizations and the general public.

The following table shows how the CEA principles align with our five CSR pillars.

CEA Principles Aligned with Hydro One’s Five CSR Pillars

	Highest Priority	High Priority
Customers Come First		
1. Stakeholder Engagement and Transparency		•
2. Electricity Demand, Efficiency and Conservation	•	
Using Resources Responsibly		
3. Environmental Stewardship	•	
Resource Management		•
Contaminated Sites	•	
Biodiversity	•	
4. Climate Change Mitigation and Adaptation	•	
People and Potential		
5. Employee, Contractor and Public Health and Safety	•	
6. Human Resources and Workplace	•	
Powering Economies		
7. Indigenous Engagement	•	
8. Economic Value and Community Investments	•	
Building a Grid for the Future		
9. Infrastructure Renewal and Modernization		•
10. Business Model Pressures		•

Assurance

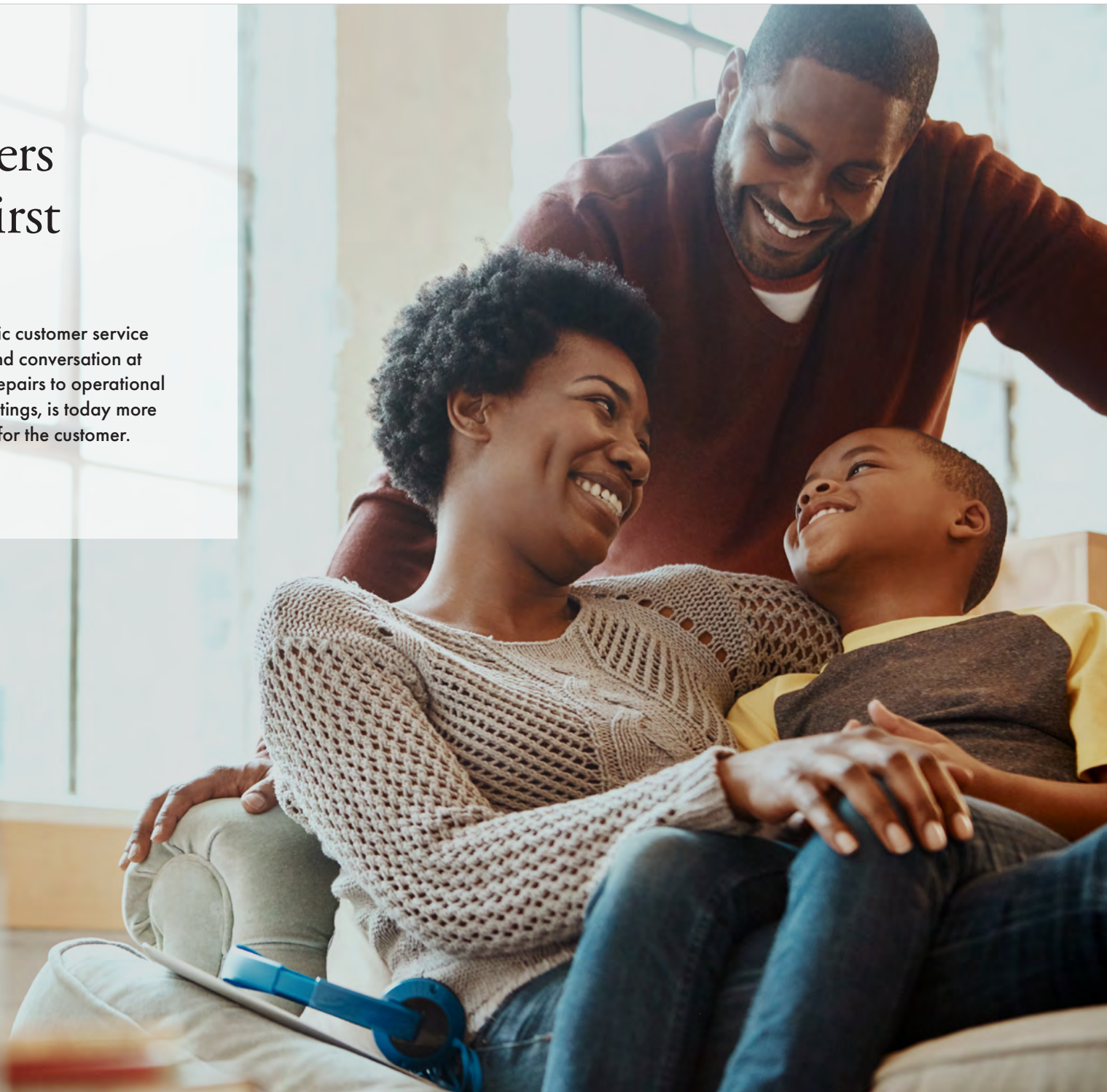
We have taken steps to assure the content and data included in this report is accurate to the best of our knowledge. Internally, subject matter experts have provided and verified all data included in this report and the report in its entirety has been reviewed and approved by key members of Hydro One’s senior management team. Externally, several data points are third-party verified. As part of our CEA Sustainable Electricity Company™ designation, our System Average Interruption Duration Index (SAIDI) and health and safety statistics (injury frequency and lost-time injuries) are third-party reviewed and verified. The Independent Electricity System Operator (IESO) audits and verifies our energy savings data on an annual basis. However, the values included in this report are our submitted values and will be verified after the publication of this report.



175 Hydro One employees were hard at work for 10 days in September helping to restore power to the people of Florida after Hurricane Irma pummelled the region. Over the course of two weeks, utilities from across the North Atlantic Mutual Assistance Group helped restore power to more than 4.4 million Florida Power & Light customers.

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.



Stakeholder Engagement and Transparency

Approach

A company as large as Hydro One touches every corner of the province. Our countless stakeholders depend on us to operate responsibly and with transparency. It is therefore critical that we keep formal and informal communication channels open, listen to what individuals, groups and organizations have to say and advocate on their behalf.

The Hydro One External Relations team is chiefly responsible for engaging with stakeholders. They function as the liaison

between elected officials, interest groups, local residents and the Company. However, various other lines of business also engage with stakeholders.

Hydro One's most important stakeholders are our residential, commercial and industrial customers. In 2017, we made enormous strides to ensure our customers come first – a cultural transformation we called “Flip the Switch” – signifying a renewed culture of exceptional service across our organization.



SOME OF OUR KEY STAKEHOLDERS AND HOW WE ENGAGE WITH THEM

Customers

- Regular call centre and third-party surveys
- Energy-saving tips, advice, rebates and other programs posted online and via social media, as well as advertised in local media
- High usage and outage alerts
- Toll-free numbers and direct mail
- Sponsorship and attendance at annual fairs and events
- Focus groups

Investors

- Press releases, quarterly reports, quarterly calls with financial media, annual reports
- Annual general meetings of shareholders
- Investor events

Regulators and Government

- Advocacy for low-income communities
- Advocacy for Indigenous communities

- Regular interaction with local Member of Provincial Parliament (MPP) offices
- Public conferences

Employees

- Internal newsletters and bulletins
- Quarterly Health and Safety Divisional meetings
- Employee town hall events
- Employee engagement surveys

Non-Governmental Organizations (NGOs)

- CSR reports
- Industry association conferences and events
- Personal interaction

Industry Associations

- Regular meetings and conferences
- Participation on committees
- Joint representations to regulators

SOME OF OUR KEY PARTNERS AND HOW WE ENGAGE WITH THEM

Communities

- Public events focusing on safety and information
- Visits and presentations by Hydro One staff at town halls and council meetings
- Community-specific outreach
- Community investments
- Sponsorship and participation at local events
- Project-specific information tours
- Representation at post-secondary schools, training and employment centres and job fairs
- Ontario Energy Board (OEB) community meetings

Indigenous Peoples and Communities

- Dedicated Indigenous Relations Department
- Visits by staff and senior leaders to Indigenous communities
- Representation at Indigenous post-secondary schools, training and employment centres and job fairs
- Indigenous procurement workshops and networking sessions with contractors
- Recruitment of community members to act as liaisons between local communities and Hydro One

Customer Satisfaction

Distribution

2017	71
2016	66
2015	70

Transmission

2017	88
2016	78
2015	85

While customer satisfaction levels decreased slightly during Hydro One's transition to a public company, performance improvements have driven higher levels of satisfaction between 2016 and 2017.



85%

of customer issues resolved during first call

Performance

Our Customer Comes First approach to business is helping to fuel our growth and fulfill our obligations to the OEB, our shareholders and communities.

Distribution customer satisfaction increased to 71% in 2017, an increase of 5% since 2016, largely due to better customer power rates and strong operational performance in all functional areas, including billing, contact centre, collection and conservation. Transmission customer satisfaction increased to 88% in 2017, an increase of 10% since 2016,



partially attributed to the improved customer power rates, as well as to enhanced customer reporting and a renewed commitment to customer advocacy.

Flipping the Switch on how we do business continued to make a difference in the lives of our customers in 2017. Customers tell us they are experiencing significant reductions in their monthly bills, better service and a wider range of offerings.

- **Extended Contact Centre hours:** Responding to requests for more convenient hours that fit customer schedules, we opened our Contact Centres on Saturdays (9:00 a.m. to 3:00 p.m.) and extended our weekday hours (7:30 a.m. to 8:00 p.m.) – making Hydro One the first electricity service provider in Ontario to do so. For power outages and other emergencies, we provide 24 hour assistance.
- **Increased community service & presence:** Hydro One continued to increase our presence in local communities through drop-in sessions, our mobile Electricity Discovery Centre and by opening regional customer service desks at our Sudbury Field Business Centre and piloting customer service offices at our London and Markham Contact Centres.
- **More direct customer engagement:** Our traveling customer service team visited over 20 cities, towns and Indigenous communities throughout the year, meeting customers face-to-face to help answer questions about their bills, provide information about smart meters and help them learn more about conserving energy and reducing their [usage](#).
- **Better online access:** We redesigned our HydroOne.com website and [myAccount](#) self-service portal to make them more intuitive, providing a rich array of information and tools, such as Predict My Bill.
- **More financial relief:** We eliminated security deposits for residential customers and significantly reduced deposit requirements for our business customers. We also expanded relief measures to help customers who accumulated balances on their accounts over the winter, including the suspension of winter disconnections. We also provided a range of support to Indigenous customers through the First Nations Delivery Credit, [First Nations Conservation program](#) and Hydro One's Get Local program. We advocated on behalf of our customers to the Provincial government for the Fair Hydro Plan, which resulted in a decrease of 31% for typical customer bills and rate fairness for Hydro One rural and northern customers.

Key Programs & Future Initiatives

We announced two far-reaching customer initiatives in 2017 that underscore our commitment to Hydro One's culture of service. Following extensive research and substantial direct feedback from thousands of customers, we completely redesigned the format of Hydro One's electricity bills. The new, easy to understand electricity statements began rolling out to over 1.3 million of our valued customers in December 2017. The new version of the bill also translates well digitally as an e-bill on both web and mobile applications. Hydro One advocated for the ability to change our electricity bill after learning that more than 40% of customers found it confusing and

difficult to understand and determining that 38% of calls to our Customer Contact Centre were related to bill misunderstandings. The new bill changes have already improved customer understanding and have resulted in fewer calls to the Contact Centre. They are also expected to reduce costs. No costs will be returned to customers.

Late in the year, we announced that Hydro One Contact Centre representatives would be transitioning back from a third-party provider, allowing our Hydro One employees to better serve customers, by providing a more seamless experience. This transition will also deliver improved service quality, flexibility and cost efficiency. By coming back into the organization, the representatives will play a large part in advancing Hydro One's renewed service culture, assuring customers they are now connecting directly with Hydro One service leaders and decision makers who will be better equipped to serve them.

Customers Come First

On Thursday, February 16, 2017, 28 senior leaders from Hydro One joined the Company's Customer Call Centre team from 7:30 a.m. to 8:00 p.m. and encouraged customers to call in and provide direct feedback. It's all part of our effort to engage in meaningful dialogue with customers and transform into a customer-focused company.

The event underscored that Hydro One is changing the way we do business and we are committed to listening and speaking directly to our customers.

Senior leaders listened and engaged with more than 800 customers with conversations centred on affordability and billing. Nearly 48,000 people also engaged with Hydro One Day online videos and social media posts.

While listening is an important first step, Hydro One is following that up with action. We are working to keep our costs down and keep any increases on our portion of the bill, the delivery line, to what is required to ensure that electricity is delivered to our customers when and where they need it. These efforts were one of the reasons the majority of Hydro One customers had a rate decrease in 2017.

hydro one
Your Electricity Statement
For the period of: May 1, 2018 – May 26, 2018

CUSTOMER NAME: 1234 Main St
MAY 26, 2018
This statement is issued on: June 7, 2018

What do I owe?
\$144.59
See covered for a summary of how we calculated your charges

How much did I use?
You powered your home with 1,000 kWh of electricity this period

When is it due?
June 26, 2018

What does my electricity usage look like?
Your usage has decreased by 17% compared to the same period last year.
Find out more by logging into myAccount at www.hydroone.com

What do I need to know?
Ontario's Fair Hydro Plan saved you \$80 off my pre-paid bill. This amount will be credited to your account.

For billing, quick answers, and much more visit www.hydroone.com

For emergencies or reporting outages 1-800-454-1235 (24hrs)

For service inquiries and payments 1-800-664-0976 (Mon to Fri 9 a.m. to 8 p.m.)

hydro one Hydro One Inc. 100 King Street West, Toronto, ON M5X 1C8

Please return this slip with your payment

hydro one
Total amount you owe \$144.59
Amount enclosed \$

1234 Main St
Toronto, ON M5H 1A1



Electricity Demand, Efficiency and Conservation



Our consumer-facing Deal Days Events remain our most popular incentive program, providing instant discounts for the purchase of energy-saving lighting and other equipment.



Approach

Hydro One helps customers reduce their monthly bills through electricity conservation programs. Being their trusted energy advisor and promoting a culture of conservation will not only improve their monthly finances, it will help our province shrink its carbon footprint and lessen Ontario's need to build new generating capacity. Hydro One delivers energy conservation programs on behalf of the IESO, to provide energy efficiency upgrades, retrofits, retail incentives and financial and advisory support to help our residential, commercial and industrial customers manage their costs and reduce their energy needs.

Performance

Customers continued to respond enthusiastically to our energy conservation and efficiency offerings and services. Their sustained interest and support have helped Hydro One exceed our mandated mid-term target by 51%.

This target is part of the province's 2015-2020 Conservation First Framework, which provides a roadmap to reducing total electricity consumption in the province by 8.7 terawatt hours (TWh) by December 31, 2020. Hydro One is required to contribute 1,221 gigawatt hours (GWh) of energy savings to that target. At mid-term of the mandate period and with the sustained support of our customers, we are well on our way to achieving that goal.

Since 2015, we have achieved total savings of 922 GWh (unverified) against our mid-term target of 611 GWh.

In 2017, the 20 energy conservation and demand management programs we offer to our customers, achieved 404 GWh (unverified) in energy savings for Ontario.

Residential Programs

Our residential programs – which include our Deal Days Program, Heating and Cooling Incentives, New Home Construction Program and Home Assistance Program – continued to contribute extensive and sustained energy savings, delivering 55% of our total savings in 2017. Our consumer-facing Deal Days Events, which we run in conjunction with national retail chains, remain our most popular incentive program, providing instant discounts (formerly redemption coupons) for the purchase of energy-saving lighting and other equipment. Another in-demand consumer program provides rebates on energy-efficient heating and air conditioning units, which continues to see significant consumer response. In total for 2017, our residential customers redeemed almost 10 million coupons and installed over 23,000 furnace and air conditioning units.

Commercial Programs

Our commercial programs – which include energy audits, equipment retrofits, direct install lighting and high performance new construction – delivered 38% of our total energy savings in 2017. Hydro One

1. All 2017 energy savings figures are estimates and are subject to audit and verification by the IESO.



Energy Innovators

Watch how Richard's Coffeehouse in Brockville, Ontario, became energy innovators by participating in Hydro One's Small Business Lighting program – our 45,000th installation.

[Watch the Video](#)



51%

Ahead of our mid-term provincial energy conservation target

representatives worked with small and mid-sized businesses to assess and install more energy efficient equipment such as motors, fans and cooling units. In 2017 Hydro One customers undertook 1,937 Equipment Replacement/Retrofit projects and generated \$15.3 million in bill savings. Our direct install lighting for small businesses and retail establishments, which provides up to \$2,000 in lighting upgrades, remained very popular in 2017, garnering positive public response and attracting 2,988 customers.

Industrial Programs

Our industrial programs – which offer process and system upgrades and energy management support – delivered 7% of total energy savings in 2017. These programs are targeted to large industrial customers with major capital projects that require extensive lead times and business cases to gain customer, board and executive-level approvals. We anticipate the bulk of these projects coming on-line leading up to 2020, as we work with these large customers to advance their business cases to internal stakeholders.

The energy conservation team will continue to manage and monitor the overall program portfolio, ensuring our Residential, Commercial and Industrial programs continue to drive energy savings for our customers.

Key Programs & Future Initiatives

In 2017, we introduced new programs to support Indigenous communities, customers needing additional conservation advice and support and/or low-income customers.

We launched the First Nations Conservation Program, which provides free energy audits, appliance upgrades and home weatherization to First Nations communities. This program is expected to run to 2020, potentially serving every First Nation community in the province and helping individuals save energy and make their homes more comfortable.

We also continued to expand our Get Local Program – bringing it to more Indigenous communities, as well as non-Indigenous communities and offering face-to-face meetings and assistance – and our Home Assistance program, which assists customers who need a little help to save on their electricity bill.

In 2018, our energy conservation team will begin administering the delivery of Ontario's new Affordability Fund, which provides customers who do not qualify for low-income conservation programs with access to energy efficient home improvements. The fund helps families and individuals with energy-efficient upgrades – such as power bars and

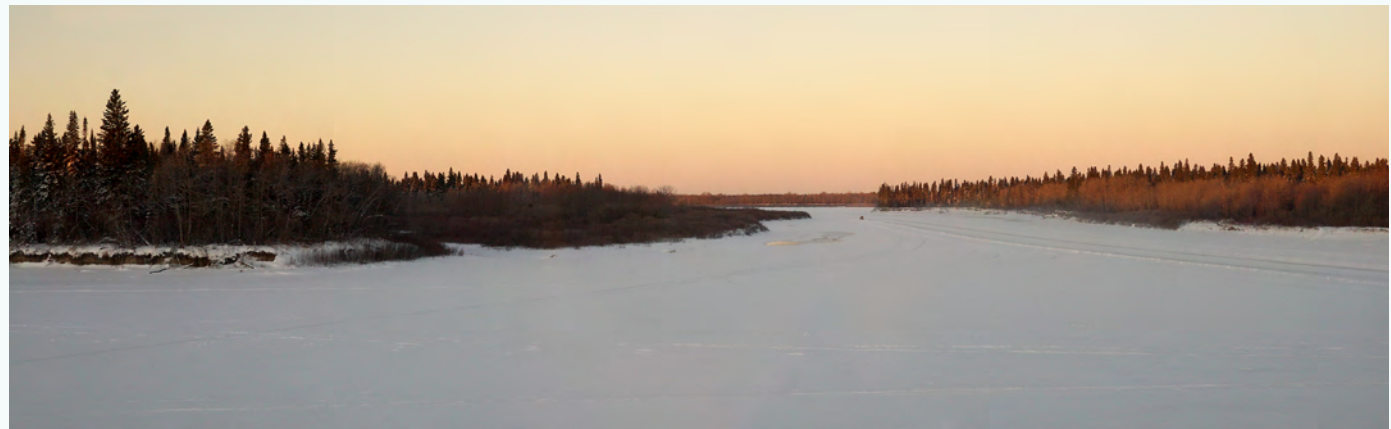
timers, energy-efficient shower heads and LEDs – that will save them money. Customers in greater need may qualify for more substantial upgrades, such as appliances, a programmable thermostat and insulation. This year, we are targeting to enroll at least 6,000 Hydro One customers in the [program](#).



“It’s more than just about lightbulbs. This is one step in a process. The big impact will hopefully be in the conversations circulating around conservation of energy. If we can collaboratively move things along in achieving energy security and creating a more resilient community then I think we’re on the right path.”

Jean-Pierre Chabot,
MoCreebec Economic Development Officer

Weathering the Elements in Moosonee



Moosonee is located in Ontario’s beautiful northern wilderness, touching the edge of the Arctic and far removed from the standard comforts experienced in most of the province. There are approximately 400 homes in Moosonee and its neighbouring island community of Moose Factory, with 90% of homes electrically **heated**.

There are many challenges to living in such a remote community, including limited connection to Ontario’s road system. In such cases, travelers must arrive by train or plane, with the closest town, Timmins, located 315 km to the south.

Despite such challenges, the community was anxious to learn more about Hydro One’s Home Assistance Program (HAP). Our team swung into action, travelling north to deliver a community information session and promote the benefits of HAP on community radio, one-on-one information sessions, town posters and social media. The response was overwhelmingly positive. We delivered HAP to 288 homes in 2017; we conducted home audits in October and delivered appliances to 51 homes in mid-December and mid-January. Weatherization installation in 259 homes is set to begin in spring 2018. The successful response

to this program – which complements our First Nations Conservation and Get Local Programs – will drive our efforts to expand this initiative further across the province.

Learn more

[Saving money and energy for small businesses](#)

[Hydro One Retrofit Program](#)

Using Resources Responsibly

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



Environmental Stewardship



We seek to avoid or minimize our impacts on the environment and to protect and conserve the ecosystems and biological diversity that surround our sites.

Approach

We seek to avoid or minimize our impacts on the environment – to air, land and water – and to protect and conserve the ecosystems and biological diversity that surround our sites. Each Hydro One line of business is accountable for managing the environmental aspects of its operations in line with our Environmental Policy. The Hydro One HSEMS and management programs provide a framework to meet our compliance obligations, set environmental targets, assess and mitigate environmental risks and advance leading practices. This section of the report provides more details on:

- resource management;
- contaminated sites;
- biodiversity.

Resource Management



\$30.1m

invested in prevention and environmental management, emissions treatment, waste disposal & remediation in 2017

Approach

Hydro One has well established programs for management of matters relating to water and waste and is currently making key improvements to our management of heritage resources, including built, landscape and archaeological. A key part of this management initiative includes established governance and regulatory compliance.

Permits & Approvals

Our Environmental Services team is extensively involved in obtaining the necessary permits and approvals for the design, construction and operation of new facilities or upgrades to existing ones. From the outset of a project, we undertake baseline studies of the environmental features. These include, but are not limited to, an examination of natural heritage, cultural heritage and social

resources surveys to determine potential impacts. We also work with First Nations and Métis communities, municipal and provincial government officials and agencies, as well as interested persons and interest groups to inform them of such projects, as well as to identify and resolve potential concerns. Finally, we work closely with construction staff to ensure compliance with our commitments related to permits or approvals.

Performance

Over the past five years, Hydro One has undergone 103 inspections by the Ministry of the Environment and Climate Change and by Environment and Climate Change Canada relating to our waste and PCB storage sites and environmental compliance approvals. No compliance charges resulted from these 103 inspections.

Continual Improvement

We have made improvements in how we track our environmental management spending, which includes prevention and environmental management, emissions treatment, remediation and waste disposal (e.g. conventional waste, waste subject to regulation such as PCB waste, oil filled equipment, etc.), investing \$30.1 million in 2017.

Six environmental audits were completed in 2017, including an assessment of site conformance with our HSEMS and compliance with environment and safety regulations, covering 36 locations.

Key Programs & Future Initiatives

Our successful monitoring, sampling and management approaches to waste and water will continue. In 2018 we will focus on establishing a Heritage Management Program in collaboration with our regulator, the Ministry of Tourism, Culture and Sport. Specific goals for 2018 include:

- Creation of a draft "Identification and Evaluation" process for heritage assets; and
- Establishment of an internal Heritage Management Committee.

Contaminated Lands



In 2017, we remediated seven sites, conducted Phase II environmental site assessments of 12 properties and continued to monitor 33 locations at a total cost of \$6.1 million.

Approach

Hydro One has well-established processes regarding the management of contaminated lands, including a Land Assessment & Remediation (LAR) program, management of PCBs and spill response. The six audits referenced previously also included audits assessing our PCB handling and phase-out and contaminated lands management programs. Action plans have been developed to address the audit findings.

Performance

Spills

Hydro One, on average, experiences approximately one spill per day. We have a team of specially trained responders who are on-call 24/7 and who are supported by external environmental spill response contractors. During 2017, we logged 337 spills and had an 88% recovery rate of the volumes spilled. This represents a 6.5% decrease in our recovery rate from the previous year. This change was the result of an 18,000 litre non-PCB mineral insulating oil (MIO) spill from an on-site tanker truck. Hydro One coordinated an active remediation response to this release. In total, 13,256 litres (74%) of MIO were recovered. This lower than usual recovery rate was primarily due to the local geology of coarse ground cover where this incident took place. Since the incident, Hydro One is implementing the recommended improvements identified in the Incident Investigation Report.

Land Assessment & Remediation (LAR) Program

Hydro One has a proactive LAR program to identify and, where necessary, remediate historical contamination from past operations, where the company used certain long-lasting chemicals at our facilities. The program systematically identifies contamination at or from these facilities and, where necessary, remediation plans are developed for Hydro One properties and affected adjacent private properties. In 2017, we remediated seven sites, conducted

Phase II environmental site assessments of 12 properties and continued to monitor 33 locations at a total cost of approximately \$6.1 million.

Governance

As a result of the findings from the 2017 SF₆, PCB handling-phase out and LAR audits, a cross-functional, multi-line of business Director-level advisory committee has been established to address environmental matters affecting multiple business units and facilitate increased collaboration between teams.

Key Programs & Future Initiatives

Action plans have been developed to address the audit findings from the LAR and PCB management programs. These programs and the spill response program will be maintained in 2018 with continual improvements ongoing.

Spill Recovery Rate (%)

2017	88
2016	95
2015	93



24/7

on-call emergency
response team

Biodiversity



Approach

At Hydro One, we are continually working to minimize our impact on the ecosystems, habitats and biodiversity that surround our sites. We take a multifaceted approach, combining regulatory requirements with leading practices in biodiversity management and government priorities wherever possible. Internally, our Biodiversity Advisory Committee (BAC) develops, reviews and recommends leading practices for biodiversity opportunities within Hydro One. We also have in place a Biodiversity Management Plan and multiple Engineering Standards. The Management Plan, along with these Standards, direct Hydro One's planning of large capital projects to minimize our impact on natural habitats and ecosystems.

Performance

As part of Hydro One's business optimization strategy, we introduced a state-of-the-art vegetation management program known as Optimal Cycle Protocol (OCP). OCP involves a shorter tree clearing and trimming cycle where crews focus on defects along Hydro One's vast distribution line every three years, rather than full right-of-way management every eight to 10 years. In 2017, 45% of outages were because of trees.

In 2017, Hydro One developed a Biodiversity Management Plan, outlining plans regarding our biodiversity priorities. We identified four key areas to focus our ongoing efforts which include avian protection, pollinators, invasive species and training and created targets for 2018.

Avian Protection

Throughout the province, Hydro One installed 12 new osprey nesting boxes in 2017 to develop and restore osprey habitats. Additionally, Hydro One has worked closely with the CEA over the past two years to develop a Bird Beneficial Management Practices Guide for Utilities, which was just recently published. We also assisted in osprey banding activities to help track their lifecycle and migration patterns.

Pollinators

A key initiative is protecting Ontario's pollinator species, such as bees and butterflies, which are essential to our ecosystem and agricultural industry.

Many pollinators have been in decline for a number of years, due to loss of habitat, invasive species and other risks. In 2017, we planted 42 hectares with pollinator-friendly plants across the province. This was a decrease from the 62 hectares planted in 2016, reflecting the fact that we plant pollinator species based on best vegetation management practices. This planting work supports major initiatives in Canada and the United States focused on increasing pollinator habitat and food sources for a variety of species, such as Ontario's Pollinator Health Action Plan, the goal of which is to restore, enhance and protect 400,000 hectares of pollinator habitat in Ontario.

Invasive Species

We also enhanced our ability to protect and develop habitats by adding two new layers into our in-house information tracking system, known as the Biodiversity Geographic Information System (GIS) Portal. This web-based program maps all key environmental features of a project site for all Hydro One businesses and identifies commitments made to customers, regulators, municipalities and the public. During the year, we added new Source Water Protection and Invasive Species layers into the features we now track. These new layers help us both proactively plan work to minimize impacts on the environment and to comply with the Invasive Species legislation. The invasive species layer is used to help us plan work by identifying their locations and developing alternate route access points so we can avoid their spread.

Training

A key biodiversity priority is preserving and protecting species at risk (SAR) to ensure compliance with the Ontario *Endangered Species Act* and the federal *Species at Risk Act*. In 2017, we developed an Environmental Field Considerations Operations Training package to help our field staff identify and work around environmental risks. Training is being rolled out to provide specific guidance and new processes to support work planning with a renewed emphasis on avoiding impacts to SAR and their habitats. A SAR evaluation is undertaken for every Hydro One project. Hydro One averages over 100 SAR-related registrations annually, each requiring an evaluation of whether the work impact can be avoided or minimized and a related work plan.

Key Programs & Future Initiatives

In 2017 we created specific targets for 2018 as part of our long-term planning and goal setting efforts. We plan to advance and track our efforts related to the four focus areas identified in our Biodiversity Management Plan based on the following four specific initiatives and established targets for 2018:

- Develop and finalize Avian Protection Plan, based on CEA Best Management Practice (BMP) documents. This will include providing training and direction to our field staff regarding avoiding and protecting migratory birds, woodpeckers and raptors.

 104
hectares

of pollinator-friendly
plants sown since 2016

- Continue building and maintaining osprey nesting boxes and support osprey banding efforts with a goal of addressing each request in 2018 and tracking the volume of requests. This will be accomplished through a pool of funds available to install new nesting boxes/repairing damaged boxes.
- Support bird banding efforts of ospreys with a target of at least two banding events in summer of 2018.

Pollinators

We will continue to support planting of pollinator plots through Environmental Services programs, as well as support and provide tracking of programs through our Forestry line of business. We will continue to focus on invasive species education by providing direction, advice and training assistance to field staff. We have efforts underway to provide support for pollinator planting projects and SAR habitat restoration. Specific targets for 2018 include the creation of approximately 45 hectares of pollinator plots including habitat restoration along the Trans Canada Trail following the construction of the Leamington Transmission Station.

Partnerships

Hydro One would like to work collaboratively and partner with local groups and environmental organizations around the province on biodiversity initiatives. This may include a focus on the topics of pollinators and ongoing monitoring. The specific target for 2018 is to establish partnerships with two external organizations and define the program scope.

Training

To support ongoing compliance with respect to biodiversity and SAR, training is required for internal Hydro One staff. The specific target for 2018 is to ensure that field staff from operational lines of business attend awareness sessions on “Environmental Field Considerations” including a review of top environmental project risks – specifically SAR, nuisance beavers, in-water works and tracking related regulatory commitments. The sessions are to be delivered by Environmental Services staff and take place across the province with a target completion date at the end of the second quarter of 2018.

**Clarington Habitat Creation Project**

The new Clarington Transformer Station (TS) is expected to be fully in-service in 2018, providing a safe and reliable supply of power to support the growing communities in the eastern part of the Greater Toronto Area (GTA). Our environmental team completed the Clarington TS Habitat Creation Plan in 2016. Site preparation and the first plantings at the property began in the Fall of 2017.

During the Class Environmental Assessment (EA) process for the Clarington TS project, Hydro One committed to a habitat creation/loss ratio of 2:1 in the vicinity that surrounds the Clarington TS. In order to offset the 2.6 hectares of permanent habitat loss, the Habitat Creation Plan for the Clarington TS now includes approximately 16 hectares of new habitat, which far exceeds the original commitment of 5.2 hectares.

Our focus in 2017 was on beginning the extensive habitat creation work around the Project site, including approximately 3.15 hectares of shrub thicket and deciduous forest which were planted in the Fall of 2017. Another key focus during the 2017 growing season was on controlling and removing invasive species, including several mature Common Buckhorn shrubs. In 2018, additional invasive species will be controlled or removed and approximately 15.6 hectares of additional habitat will be created or restored.

Climate Change Mitigation and Adaptation

Hydro One envisions a low carbon future. We are committed to being part of the solution in the fight against climate change and in building a low carbon economy. We contribute by delivering electricity that is among the cleanest, safest and most reliable in North America.

Approach

As the largest transmission and distribution company in Ontario, Hydro One is working diligently to manage GHG emissions. We are developing a policy which will reflect our commitment to:

- Managing our carbon footprint;
- Managing our assets to increase resiliency to better withstand climate change and weather extremes;
- Working cooperatively with our customers to reduce their energy usage and promote a culture of conservation;
- Supporting and collaborating with governments and business to achieve a carbon-neutral future;



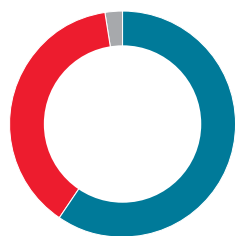
- Addressing the risks and opportunities associated with climate change through an integrated multi-disciplinary risk identification assessment and management process; and
- Disclosing climate change related risks and opportunities through public reporting such as the Carbon Disclosure Project (CDP) and Annual Financial Reports.

We are continuing to take steps toward mitigating and adapting to climate change. Our efforts include working with communities, customers and organizations to collectively reduce our energy consumption; investing in research and innovation; identifying risks; enhancing our performance measurement and disclosure of GHG emissions to the CDP; and through the publication of this annual CSR report.

Hydro One was designated a Sustainable Electricity Company™ by CEA in 2015 and has maintained this designation annually. We became a member of the CEA Climate Change Adaptation Working Group in 2017 and have the opportunity to influence the dialogue on climate change adaptation for the transmission and distribution utility sector. Going forward, as temperatures change and extreme weather events become more frequent, we will continue to take steps to ensure we have the capacity to respond in emergencies and adapt to changing environmental conditions.

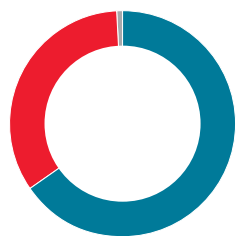
 **7,000** tco₂e
reduction in GHG emissions

Total Scope 1 Emissions (tonnes)



● GHG emissions for fleet	85,906
● GHG emissions for SF ₆	54,853
● GHG emissions for natural gas	3,356

Total Scope 2 Emissions (tonnes)



● GHG emissions for electricity	1,554
● GHG emissions for transmission line losses	129,487
● GHG emissions for distribution line losses	66,697

Total GHG Emissions (units)

2017	144,115	197,738
2016	147,405	201,488
2015	121,478	202,282

- Scope 1
- Scope 2



Performance

Hydro One reports Scope 1 and Scope 2 GHG emissions.

Scope 1, or Direct Emissions, refers to emissions from operations by the reporting organization.¹

In Hydro One's case, we generate direct emissions by operating vehicles during the normal course of business and from SF₆. This gas is used as an insulating medium in high-voltage circuit breakers and gas-insulated switchgear. Hydro One made improvements to our SF₆ reporting and tracking during 2017. It was also the first year that a third-party verified our GHG emissions calculations. These measures will allow more accurate tracking of emissions within Hydro One and contribute to establishing baseline data for potential future objectives and targets. As in previous years, in 2017 our primary source of Scope 1 emissions was our fleet. In 2017 we saw a reduction in fleet emissions of 7.8% due to the implementation of our Fleet Right-Sizing Program which identified and removed under-utilized vehicles from our fleet. Our SF₆ emissions increased 9.5% in 2017 due to releases associated with breaker failures at eight transformer stations.

Scope 2, or Indirect Energy Emissions, refers to emissions from the consumption of purchased electricity, heat or steam by an organization. Examples include buying electricity to heat and cool buildings and line losses (when electricity is delivered over a power line, a small amount of power is normally consumed or lost as heat). Scope 2 emissions are not directly controlled by Hydro One 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. In 2017, Scope 2 emissions for electricity and transmission line losses were virtually unchanged from 2016 emissions. Hydro One saw a 5% reduction in distribution line losses.

Overall, our total GHG emissions in 2017 decreased approximately 7,000 tCO₂e (carbon dioxide equivalents), primarily the result of our Fleet Right-Sizing Program and line loss reductions.²

Additionally, in 2017 Hydro One supported Ontario's Climate Change Action Plan and engaged with both the Ontario Ministry of Environment and Climate Change and Environment and Climate Change Canada on this file.

1. 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. While Management estimates that the uncertainty range for Scope 1 emissions is less than 5% which is consistent with Ontario Regulation 143/16: Quantification, Reporting and Verification of Greenhouse Gas Emissions, Hydro One continues to improve its GHG emissions estimation procedures and training for staff inputting data.

2. 2015 data does not include Scope 1 natural gas emissions. In 2016, Scope 1 natural gas emissions were the result of natural gas heating off site and totalled 4,138 tonnes in 2016 and 3,356 tonnes in 2017.

Ontario's Cap and Trade Program, as established by the Climate Change Mitigation and Low-carbon Economy Act, 2016, was a market-based system that put a price on carbon, capped the amount of GHGs businesses could emit, and provided incentives and mechanisms to reduce overall emissions. Hydro One was a mandatory participant in the Cap and Trade Program and remained compliant in 2017 by purchasing the required emission allowances through the Joint Auction between California, Quebec and Ontario.

In 2017, we continued to invest in research and innovation related to climate change adaptation. During the year, Hydro One's service area experienced six extreme weather events, impacting more than 10% of customers. Hydro One is investing in research to better manage these risks including:

- Collaborating with the University of Western Ontario for the WindEE project, which is studying the impact of tornadoes and downbursts on transmission lines with multiple structures. Results will guide more robust designs.
- Designing a microgrid training program in Kleinburg, including a functioning microgrid and controller for training and research of renewable solar generation. This will augment Kleinburg's existing 2 kW solar facility, lithium ion battery energy storage.
- Investing in Telematics has allowed integrated telecommunications, Global Positioning

System (GPS) and informatics to stream live data from every vehicle to centralized Fleet Services.

The telematics data we are gathering has allowed for more efficient deployment and management of vehicles, safer and more energy-efficient driver behaviour and reduced fuel and maintenance costs, while also extending the life of Hydro One vehicles. These baseline results can contribute to clearer objectives and targets around fleet emissions.

- Our Fleet Services were active throughout 2017. The team reduced the number of fleet vehicles, introduced a new hybrid bucket truck and began conversations regarding fleet electrification.

Key Programs & Future Initiatives

Governance and accountability for climate change adaptation and mitigation begins with the Board of Directors, which is accountable for climate-related issues within the organization. In 2017, the Health, Safety, Environment and Indigenous Peoples (HSEIP) Committee of the Board of Directors requested an in-depth review of current best practices related to climate change, with a goal of strengthening Hydro One's governance framework and practices. A number of actions have been recommended to align Hydro One with industry leading practices in this area. In 2018 and beyond, we plan to:

- Develop more clearly defined accountabilities

for managing climate change, along with a policy and strategy that identifies key actions to mitigate and adapt to the impacts of climate change;

- Enhance disclosure reporting of climate change adaptation and mitigation measures, with a goal of continuous improvement; and
- Continue to strengthen our methodologies for gathering baseline data and measuring emissions, in order to create an emissions benchmark and identify emerging risks.

Through these and other initiatives, we will continue to take steps to adapt to and mitigate climate change risks as we move toward a low-carbon future.



People and 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.

Employee, Contractor and Public Health and Safety



Our health and safety values extend to protecting the well-being of all people, including our customers, Indigenous peoples and the communities in which we operate. We incorporate public safety considerations into our business practices and decisions and we promote public awareness of safety issues related to our electrical facilities.

Approach

Nothing is more important than the health and safety of our employees, our customers and the public. That is why we work relentlessly with our employees and those who work for us to achieve world-class health and safety performance. Our Journey to Zero initiative – which targets zero injuries and illnesses in the workplace – focuses on enhancing our leadership safety skills, providing employees and apprentices with the skills and tools they need to better identify hazards and minimizing the likelihood of errors that could lead to injury, customer interruptions or damage to assets. Our Health and Safety Improvement Plan is supported by our HSEMS.

Our health and safety values extend to protecting the well-being of all people, including our customers, Indigenous peoples and the communities in which we operate. We incorporate public safety considerations into our business practices and decisions and we promote public awareness of safety issues related to our electrical facilities.

Performance

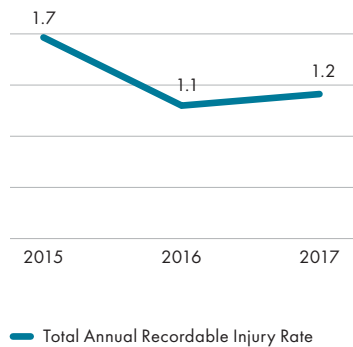
In December, we experienced the tragic loss of four Hydro One employees while they were being transported in a helicopter to access a transmission tower near Tweed, Ontario. The entire Hydro One family came together for the families and to support teammates in the wake of this tragedy. This event hardened our resolve to achieve our goal of an injury-free workplace. The accident remains under investigation by the Transportation Safety Board of Canada and the Ontario Ministry of Labour. Hydro One is cooperating with these investigators. We are conducting our own review of our operating practices and procedures to understand how this tragedy occurred and to prevent any future occurrences.

In 2017, Hydro One achieved a recordable injury rate of 1.2 per 200,000 hours worked, a 9% increase over 2016 levels, reflecting the multi-fatality helicopter incident.

During the year, we undertook a number of initiatives to improve our overall safety performance. Key among them were:

- A health and safety assessment, conducted biennially by DuPont Sustainable Solutions, which included a review of office and field documentation; 16 site visits across all lines of business and work environments; leadership and worker interviews; and an employee safety perception survey. Initiatives built around the DuPont recommendations are now being reviewed by the Executive team and Board of Directors, with implementation planned in 2018. These initiatives will focus on opportunities to provide more targeted safety messaging and discussions, improve leadership visibility on safety matters and model expected safety behaviours, in order to avoid complacency.
- A review of our internal reporting of near-miss incidents, a key tool in identifying and preventing incidents and accidents in the workplace. We value such reporting because it provides an opportunity to learn from a near-miss incident that could have had a more severe outcome. By sharing these incidents across all of our facilities, our goal is to ensure they are not repeated. We are currently reviewing options and appropriate systems to implement enhanced near-miss reporting in 2018.
- A drive to improve cultural awareness of health and safety, highlighting health and safety roles and responsibilities, the critical importance of adhering to safety rules and procedures and the need for continuous risk identification and goal-setting to improve performance.

Annual Recordable Injury Rate (per 200,000 hours worked)



- A continued focus on making the workplace a safer and less stressful environment, a key factor in improving our collective health and safety performance. In 2017, 670 Hydro One employees completed the Mental Health First Aid course to help them identify and respond quickly during a mental health problem or crisis of one of their staff or colleagues.

Finally, as part of our commitment to protect the public, we regularly conduct emergency response drills to demonstrate our readiness to respond during times of crisis, such as extreme weather events, human health emergencies, technical failures and cybersecurity, terrorism or vandalism attacks. In 2017, we conducted 186 emergency preparedness drills, including table top and what-if scenario exercises, with positive results in terms of team responsiveness and organization, as well as a few opportunities to update administrative details.

Key Programs & Future Initiatives

In 2018, beyond our near-miss reporting and DuPont survey initiatives, we are introducing three safety-oriented initiatives to drive performance improvements.

We will conduct leadership skills training to help managers facilitate conversations with employees about setting safety expectations and the need to take a consistent approach to applying safety rules. We also plan to highlight the importance of safety with incoming employees, apprentices and younger

Hydro One employees recognized for keeping people safe

Our employees are empowered to act when something isn't right.

In November, the CEA recognized 12 Hydro One employees for demonstrating this outstanding quality by presenting them with Lifesaving Awards. The awards are presented annually to any employee of a CEA member company who was involved in a lifesaving attempt, or who acted to prevent further harm to someone who was injured or in need of immediate help.

THE CANADIAN ELECTRICITY INDUSTRY STRIVES TO BE AMONG THE SAFEST IN THE WORLD.

members of our workforce, with a focus on developing the necessary skills to identify workplace hazards. We are developing a tool box of procedures to help all employees identify error-likely situations and ways to eliminate the risk of any damage to assets, health, safety or customer interruption.



Watch the video

Calvin Stein of Hydro One, an "average farm boy" saves girl from being trampled to death.

Read more

[Forestry crew saves co-worker's life](#)
[Employees perform lifesaving first aid](#)

Human Resources and Workplace

Hydro One's new business strategy is designed to help innovate, diversify and grow our company. It requires an entrepreneurial approach and a culture that is willing to challenge conventional thinking. As we prepare our next generation of leaders, our succession and development plans will build upon those with diverse backgrounds and perspectives, as well as individuals who can visualize what it will take to succeed in the future.

Developing Talent, Building Capability

Approach

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.



58 hours

of training per employee

Performance

In 2017, we merged Hydro One's Leadership and Organizational Development group with the Training and Development Services team into one new learning team – Learning and Organizational Development (LOD).

LOD has a mandate to provide learning and development that builds relevant organizational capability and delivers proven business impact. (LOD pillars explained at right.)

With over a quarter of our current workforce eligible to retire within five years, our investment in better training and development will help us attract and retain a highly motivated, skilled and dedicated workforce. In 2017, we nurtured and grew our talent base by providing 464,000 hours of training, or 58 hours per employee. By 2022 we anticipate 27.4% or 1,478 of our employees will be eligible for retirement.

Key Programs & Future Initiatives

Improving our ability to gather quality data, provide smarter reporting and make better decisions is a key priority across all of our training and development programs in 2018. We will employ innovation and automation to help establish benchmarks for our key programs and to ensure strong alignment with Hydro One's values and business imperatives.

Diversity & Inclusion

Approach

Our current Diversity and Inclusion Strategy is helping to shift Hydro One's workforce and leadership profile. It declares our ambition to become an industry leader, recognized for a culture of inclusion. Our goal is to attract a larger proportion of women, Indigenous people, visible minorities and people with disabilities. This will make us stronger and more innovative, aligning us with our diverse customers and stakeholders. Our strategy supports Hydro One's Workplace Human Rights and Anti-Harassment Policy and our Corporate Diversity and Inclusiveness Policy.

Employees Eligible to Retire Within Five Years (% of Workforce)

2017	27.4
2016	33.0
2015	32.0

LEARNING AND ORGANIZATIONAL DEVELOPMENT (LOD)

The new LOD is organized around four pillars, which will better support our business mandate and provide an engaging learning experience for our employees.

- 1 Trades and Technical Learning**
Focused on delivering Instructor-led and online learning programs.
- 2 Solution Designers (developers, logistics experts and Learning Management Systems administrators)**
Dedicated to delivering program content.
- 3 Leadership Development and Management**
Focused on identifying and building core competencies and skills, while providing hands-on learning experiences and exposure. This work includes developing the leadership competencies of our current and future leaders.
- 4 Learning Effectiveness**
Dedicated to developing new ways to measure the impact and effectiveness of training and development courses we offer, to ensure they are relevant to our business needs and meaningful to our employees.



On the Leading Edge

We launched a two-day Leadership Workshop in 2017, designed to help participants maximize their effectiveness within Hydro One. The workshop is intended to lead participants to higher levels of self-awareness, provide a framework for effective leadership and give them a foundation to achieve higher levels of performance.

It also encourages participants to utilize these new concepts and skills to make a positive business impact, such as drive improved performance, develop more

trusting relationships or save time in meeting. Well received, LOD's task is to now go beyond the traditional post-course survey results and find out whether participants have successfully taken the course concepts back into their working worlds, to provide real and sustainable business impact. In addition to customized online surveys, individual interviews will be conducted. A full report on this new program, its learning approach and overall impact will be prepared in 2018, with a recommendation on further rollout across Hydro One.

We will 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 report our progress on these matters to the Board of Directors and have set diversity goals.



37.1%

of executive leadership
are women

Performance

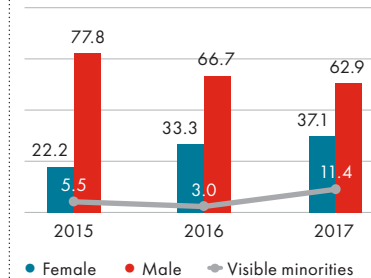
During 2017, the Catalyst Accord was signed to demonstrate Hydro One's public commitment to gender parity. Catalyst is a global, non-profit organization focused on accelerating progress for women through workplace inclusion. Through this accord, Catalyst issued a call to action for Canadian corporations to increase the overall proportion of board seats and executive officer roles held by women to 30% by the end of 2022. Hydro One committed to maintaining at least 30% female board members and 30% female executives.

We are committed to increasing the representation of women in executive positions as part of our strategy and in 2017, we saw a modest increase in the number of female executives, as a result of increased diligence in hiring diverse executives.

We are also working hard to attract more women into engineering positions at Hydro One. We renewed our four-year Hydro One Women in Engineering University Partnership program to increase enrolment and career opportunities for female students pursuing Science, Technology, Engineering and Mathematics (STEM) studies at Ryerson University, University of Ontario Institute of Technology, University of Waterloo and Western University. To date, we have awarded 43 Women in Engineering scholarships, which includes financial support and a 4 to 16 month work placement.

During the year, we began an extensive diversity and inclusion effectiveness review at Hydro One. We completed Phase 1 which included the analysis of our talent management data and conducted a corporate-wide diversity and inclusion survey.

Executive Position Breakdown by Gender (%)



We also developed a Human Resources Indigenous Recruitment Integration Plan, in direct consultation with the Indigenous Relations team, which supports our [Bronze level certification](#) in the CCAB PAR Program and requires a commitment to specific hiring targets. In 2017, we hired five new Indigenous people, bringing our total to 135, excluding apprentices. We plan to incrementally increase those hiring levels in 2018-2019. Our outreach goal for summer student hiring is to have 10% of positions filled by Indigenous students. We have increased that level to 15% for 2018.

Key Programs & Future Initiatives

In 2018, we expect to complete Phase 2 of our Diversity and Inclusion Effectiveness Review by conducting a corporate-wide survey and focus group discussions. We expect to then finalize our multi-year diversity and inclusion plan. We will advance our Indigenous hiring plans, with a goal to hire six new Indigenous employees during the year and launch an Indigenous Network Circle. With the release of the federal government's long-form census results in November 2017, we expect to analyze and report on comparisons to labour market availability data. A future priority is to consider LGBTQ2 community priorities and hiring opportunities, with a launch of a self-identification questionnaire expected in 2019.

Indigenous Network Circle

In 2017, we invited Hydro One's Indigenous employees to join us for a discussion centred on the workforce challenges they face and how we could improve the overall effectiveness of our culture and outreach. Thirty employees attended the session and indicated they were interested in creating a Network Circle to continue the discussion. Early in 2018, we conducted a full-day planning session to develop terms of reference and set goals for 2018. In 2018, we launched Hydro One's Indigenous Network Circle on June 21st, National Aboriginal Day in Canada.



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.



Indigenous Engagement

Our goal is to become the primary business partner of Indigenous communities in Ontario by 2021. In 2017, we developed an Indigenous Relations Strategy Framework Implementation Plan to guide our actions and to further engage with Indigenous communities in the coming years to achieve this goal.

Our First

In 2017 we developed our first 5-year Indigenous Relations Strategy Framework Implementation Plan

\$24.1m

total procurement spending with Indigenous businesses in 2017



Approach

We are committed to developing and maintaining respectful and positive relationships with Indigenous communities across the province. Forging relationships with Indigenous communities based upon trust, confidence and accountability is vital to achieving our corporate objectives.

We own and operate transmission assets on 23 First Nations reserves and provide distribution services directly to 88 First Nations communities and over 20,000 customers. Our Indigenous Relations team has staff dedicated to each region of the province as part of our commitment to building and growing our relationships with Indigenous communities.

Our goal is to become the primary business partner of Indigenous communities in Ontario by 2021. In 2017, we developed an Indigenous Relations Strategy Framework Implementation Plan to guide our actions and to further engage with Indigenous communities in the coming years to achieve this goal.

The key objectives of this strategy are to:

- Become top of class by fully integrating Indigenous relations into each line of business;
- Become the primary utility partner of Indigenous communities by creating business, technical, traditional knowledge and advocacy partnerships; and
- Support Indigenous leaders by working with communities and advocating for future leaders.

The strategy 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' HSEIP Committee. Indigenous relations is increasingly being integrated into our business and performance and is discussed at Board meetings and by the HSEIP Committee. A data tracking and management reporting framework has been developed to support the strategy's success.

Going forward, partnering with Indigenous communities will be a key growth opportunity that will help fuel our business strategy.

Performance

In parallel with the development of our strategy framework, Hydro One's application for Progressive Aboriginal Relations (PAR) certification was assessed and certified at the Bronze level by the CCAB during 2017. PAR Bronze certification signifies to communities that Hydro One recognizes:

- The business case for working with Aboriginal businesses and communities;
- The mutually-beneficial impact of business development with Aboriginal-owned businesses; and
- The value that Aboriginal people bring to the workplace and the potential of Aboriginal communities.

In support of our goal to become the primary business partner of Indigenous communities, we have set an annual target to increase Indigenous procurement spending by 20% year-over-year. In 2017, our total spend with Indigenous businesses was valued at \$24.1 million. As this is our first year of data, we will look to report against our procurement spending target in our 2018 report.



Canadian Council for
Aboriginal Business

Bronze-level certified under
CCAB's PAR Program

Six Nations MOU

In 2017, we signed a memorandum of understanding (MOU) with Six Nations of the Grand River Development Corporation (SNGRDC) in conjunction with the Ontario Ministry of Energy to complete the Niagara Reinforcement Line (NRL).

The MOU includes a contract offer to SNGRDC's joint-venture group to complete the remaining NRL transmission work; 25% equity ownership in the line for approximately \$13 million; and a grant for renewable energy capacity set-aside to Six Nations of the Grand River. This would be used by SNGRDC on behalf of Six Nations, for up to 300 megawatts of new projects within the region, if further renewable generation is needed in the future. Following 60 days of community consultation, the Six Nations Elected Council approved this solution in February of 2018. Project work is anticipated to begin in the second quarter of the year.

Hydro One's Indigenous Procurement Procedure Guidelines are designed to be fair, flexible and to maximize and leverage Indigenous business participation. Every Request for Proposal (RFP) includes participation clauses to encourage and support Indigenous businesses, with bidders ranking higher in the process based on their level of inclusion. These levers include: Indigenous business participation, desirable or preferred; Indigenous business participation specified for contract portions; targeted procurement with competition limited to Indigenous businesses; direct awards; and direct awards for remote communities (i.e. in situations where a remote community has a vendor available and is capable of fulfilling the contract).

In 2017, we completed Indigenous Cultural Awareness training for all Directors and above, which included online and in-class training. This supplemented a short Indigenous Cultural Awareness online training module all employees must take. We also had requests to deliver four in-depth customized Indigenous Cultural Awareness training workshops across different lines of business.

We visited 21 Indigenous communities and held over 1,500 one-on-one sessions with customers as part of Hydro One's Get Local Indigenous Relations Program. These sessions have been very well received by Indigenous communities. Customers receive advice on energy conservation programs, low-income assistance programs and repayment plans, with a goal of lowering their monthly electricity bills.

In February 2017, we introduced our first ever annual Indigenous engagement session between our senior leadership team and Ontario First Nation Chiefs. The session was well attended, with 71 out of 88 Chiefs invited in attendance, resulting in two-way learning and dialogue in areas of mutual interest. A similar session was conducted in May with all the Métis Nation of Ontario's Councils. We have posted all engagement session reports [here](#).

For more information on our direct Indigenous employment, please see the [Human Resources and Workplace](#) section of this report.

Key Programs & Future Initiatives

In 2018, we plan to roll out mandatory Indigenous Cultural Awareness online training to all manager levels with direct reports in each of our lines of business. We will also conduct another province-wide Indigenous engagement session, with a commitment to discuss, for example, reliability performance of electricity for Indigenous communities and the potential for conducting related studies.

As part of the rollout of the province's Affordability Fund, which has a mandate to include Indigenous communities, we have developed a proposal to be submitted to the Affordability Fund Trust to secure better benefits for Indigenous communities.

For the first time, we have identified an Indigenous Relations innovation goal to promote renewable energy projects and

partnerships with Indigenous communities across the province. To date, we have submitted two funding proposals to Natural Resources Canada. One proposal is to install electric vehicle charging stations near Indigenous communities to address gaps across Ontario. We engaged with and have support from, four specific First Nations communities, should the proposal move forward. Additionally, with a First Nation's support, we have submitted a proposal to build a battery storage facility on an island First Nation community that faces electricity reliability performance issues.

Finally, we are exploring an opportunity to partner with Indspire to increase our awards for Indigenous students from \$75,000 to \$200,000, as well as identifying paid work opportunities for Indspire Award recipients.

Economic Value and Community Investments

We contribute to the well-being of the communities we serve through the jobs we provide, the dividends we pay, the revenues we generate and the taxes and payments we make to government.

Approach

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 Hydro One transforms into a best-in-class electricity utility, we are strengthening the platforms we use to help maximize the value we bring to Ontario communities through our economic contributions, supply chain and community investment programs.



\$5.99b
annual revenue

Performance

Economic Value & Benefits

We contribute to the well-being of the communities we serve through the jobs we provide, the dividends we pay, the revenues we generate and the taxes and payments we make to government.

We employ approximately 7,400 skilled and dedicated regular and non-regular employees who proudly serve suburban, rural and remote communities across Ontario. In 2017, Hydro One paid approximately \$111 million in taxes to government and approximately \$536 million in dividends to our shareholders.

Supply Chain

Hydro One strives to be a supply chain leader through programs and technologies that protect people, manage impacts on the environment and promote energy efficiency. We pursue alignment with suppliers that share our vision of CSR and safety, while providing the right material or service at the right place, at the right time and for the best value. We recognize that a strong, diverse supplier community is essential to economic vitality and proactively seek opportunities to create strategic partnerships with our suppliers.

In 2017, we began developing a Supplier Code of Conduct for Board review and approval in 2018. We also continued to focus on reducing red tape throughout the Hydro One supply chain. We launched a new tool called Ariba, which replaces our former

sourcing tool and bidding engine. Our goal is to respond faster and ensure both Hydro One and our suppliers are operating more efficiently.

In total, we spent approximately \$1.15 billion on the procurement of all goods and services, with the proportion spent with Canadian suppliers remaining steady at 96%.

We also enhanced our commitment to buy goods and services from Indigenous communities and business partners, targeting to increase our Indigenous procurement spending by 20% year-over-year. To read more about our approach to Indigenous procurement, please see the [Indigenous Engagement section](#) of this report.

Community Investments

At Hydro One, we believe in not only powering communities by delivering electricity, but also by investing dollars into the communities where our people and customers live and work. In 2017, our Community Investment focus was on safety and injury prevention, STEM education and recreation projects for Indigenous communities. Contributions included a continuing partnership with the Ross Tilley Burn Centre at Sunnybrook Hospital to support the creation of a second burn unit operating room. We also supported the ACT Foundation by empowering Indigenous youth with life-saving skills through CPR and defibrillation training.

In 2017, we began reviewing opportunities to better measure and report on our community investment activities. This greater rigour will enable us to measure the impact of each initiative in order to maximize its value to Ontario communities.

We invested a total of \$2.16 million in our community donation and sponsorships program during the year, up from \$1.80 million (20%) in 2016. Total sponsorships, including employee volunteer sponsorships, accounted for \$1.15 million of that figure, a substantial increase from 2016 and reflects contributions to over 40 charitable partners and organizations.

The Hydro One Employees' and Pensioners' Charity Trust, in operation for more than 15 years – and with a history extending more than 70 years — reflects the strong philanthropic pulse that runs through our employee culture. The Trust raised \$1.32 million in 2017.

Hydro One's first priority is safety for our employees and the communities we serve.

 **96%**
of goods and services
procured in Canada (\$1.15b)

Key Community Programs & Investments:

Hydro One's PowerPlay Program

We believe in the power of sport and recreation to develop leadership skills, promote cooperation and encourage healthy lifestyle choices. The Hydro One PowerPlay Program fosters healthier Indigenous youth by providing funding to build new facilities, refurbish existing ones, or buy sports and recreational equipment. Project grants can be up to \$20,000. In 2017, we awarded two PowerPlay grants; one for upgrades to the Alderville First Nation Community Centre and the other to develop the Webequie First Nation Community Playground.

Hydro One Employees' & Pensioners' Charity Trust

In 2017, the \$1.3 million raised for the Trust through voluntary payroll deductions went to more than 950 registered charities. Employees can specify the amount deducted from their regular paycheck and Hydro One absorbs the Trust's operating, administrative and audit costs to ensure that 100% of charitable dollars go to the specified charities.

International Plowing Match

We have been supporting the International Plowing Match and Rural Expo, run by the Ontario Plowmen's Association, for many years. It is 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.

Making Communities Safer

Hydro One's first priority is safety for our employees and the communities we serve. To drive the safety message home and contribute to quality of life, we offer Safe Community Grants. The 2017 recipients were: Haldimand County for the Jarvis Lions Walking Trail, the Municipality of South Huron for a wheelchair lift at the community pool, the Municipality of Clarington for upgrades to Enniskillen Park, the Township of Madawaska Valley for a defibrillator for the North Fire Station and the Township of Rideau Lakes for the Lower Beverley Lake Park Playground.

Advancing Literacy in Indigenous Communities

In 2017, we partnered with the Lieutenant Governor's Indigenous Summer Reading Camps, which are managed through Frontier College. These camps make a huge difference in the lives of young people, reaching almost 2,700 children and youth in 24 First Nations in Northern Ontario during the year. The camps help prevent summer learning loss and promote a love of reading and learning so that students return to school better prepared to learn and succeed.

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.



Infrastructure Renewal and Modernization



We know that to reach our strategic objectives will require ongoing investments in our assets. By upgrading our infrastructure, we will deliver the reliable electricity that our customers and communities depend upon. We intend for these investments to contribute economically to local communities in Ontario by creating jobs, new skills and new opportunities.

Approach

Hydro One makes capital investments to maintain the safety, reliability and integrity of our transmission and distribution assets. In the same spirit, we continue to reinforce our position as a leading utility in North America and actively support the application of the reinforcement of Hydro One's grid. This includes the integration of industry standards that result in higher resilience, reliability and security. Investing in infrastructure renewal and modernization allows us to deliver best-in-class service and position our company for growth, benefiting both our transmission and our distribution customers.

Performance

Transmission

Hydro One's transmission network delivers energy to industrial and utility customers and accounts, providing approximately 98% of Ontario's transmission capacity, based on revenues approved by the Ontario Energy Board.

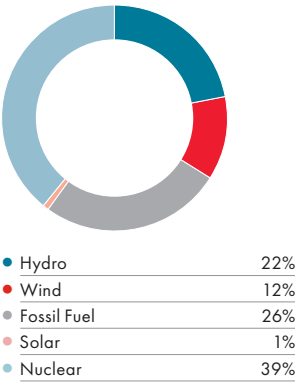
The transmission energy mix is composed of primarily nuclear electricity (39%), followed by fossil fuel electricity (26%), hydroelectricity (22%), wind (12%) and solar (1%).

We received OEB approval of our two-year cost of service plan and five-year capital plan during 2017. This plan ensures we continue to replace stations, equipment and lines that are at or near their end of life.

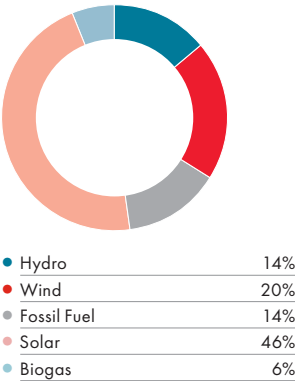
Distribution

Hydro One's distribution area is so large and thinly populated that locating, accessing and responding to outages takes longer and consumes more resources than it does for many other Canadian utilities. Our distribution circuits are configured to deliver greater efficiency in bringing power to remote areas, but lacks the redundancy that makes urban distribution systems more robust. In addition, the vast area accounts for a diverse exposure to environmental conditions, with incidents of ice, snow, drought, forest fires, torrential rain, floods, lightning storms, tornadoes and everything in between. These effects are felt year round in all areas of the province.

Energy Mix – Transmission (%)



Energy Mix – Distribution (%)



The distribution energy mix is composed of primarily renewable energy (86%); solar (46%), wind (20%), hydro (14%), and biogas (6%), and the remaining portion comprised of fossil fuel (14%).

On average, customers currently experience 2.5 power interruptions annually; and 46% of the time, power is restored between 60 minutes before and 30 minutes after the estimated restoration time given to the customer. In 2017, the system average length of an interruption, per customer, was 7.9 hours.

In 2017, we continued to invest in our distribution system to reduce both outage frequency and time of repairs. During the year, we strengthened or replaced weak links in the chain of reliability, including equipment with a higher failure potential due to its deteriorated condition, or equipment whose failure could affect larger groups of customers. We also invested in remote monitoring and control systems that enable us to locate a breakdown in real-time, dispatch repair crews more rapidly and enhance service by alerting customers and providing a realistic forecast of time to repair.

Projects

In 2017, Hydro One made capital investments totalling approximately \$1.6 billion in support of various infrastructure renewal and modernization projects. We currently have three major projects underway to enhance our capacity to provide the people of Ontario with a robust and reliable source of electricity.



Clarington Transmission Station: This project involves the construction of a new 500/230 kilovolt transformer station east of the GTA and the connection of the existing 230 kilovolt and 500 kilovolt transmission lines in the area. The station is required to ensure an adequate, safe and reliable supply of power to support the growing communities in the eastern part of the GTA. The estimated total project cost to complete Clarington is \$267 million, with an anticipated in-service date of 2018.

Supply to Essex County Transmission Reinforcement: Hydro One is constructing a new transmission station in the Municipality of Leamington and a 13 kilometre, double circuit 230 kilovolt transmission line on a new corridor to connect the station with the existing 230 kilovolt transmission line. The project is needed to provide for load growth in the Kingsville-Leamington area and to improve operational flexibility in the Windsor-Essex region in the long-term. The estimated

total project cost to complete Leamington’s reinforcement is \$57 million, with an anticipated in-service date of 2018.

East-West Tie Station Expansion: Hydro One is performing station upgrades to our Wawa, Marathon and Lakehead transmission stations. The upgrades are necessary to support the East-West Tie Line project, a priority project in the Province of Ontario’s Long-Term Energy Plan. The estimated total project cost to complete the East-West Tie Station expansion is \$157 million, with an anticipated completion date of 2021.

Key Programs & Future Initiatives

Hydro One is committed to executing on our strategy to transmit and distribute electricity safely and reliably in a manner that produces the greatest value for our customers.

In 2017, Hydro One invested \$5 million in research and development activities and \$3.8 million on disruptive technologies and distributed energy resources.

Optimization & Innovation

Innovation is a key focus and we plan to invest to modernize the transmission and distribution grids, improve reliability and efficiencies, as well as build a platform for connecting distributed energy resources. As part of our strategy to optimize and innovate across our networks, we are tackling distribution reliability. Two primary programs will result in improved reliability, including OCP for vegetation maintenance and distribution grid modernization, both of which will have a positive impact on reliability over the next few years.

We are developing a Non-Wires Alternatives strategy in 2018 to identify prudent opportunities to incorporate energy storage and, microgrid technologies into our distribution grid over the next 10 years. Part of this strategy will be to initiate several projects with strategic partners in 2018 to develop knowledge and expertise in this area that is changing quickly in terms of technology, economics and regulatory framework. We are also currently piloting several new technologies in the customer choice area.

The Demand Response for Operations initiative is evaluating three use cases:

1. The rollout of a new, integrated Distributed Energy Resource Management System that will enable customers (initially in Leamington) to connect a load that exceeds planning limits in exchange for the shedding of dispatchable loads (Automated Load Rejection Scheme);
2. The procurement and installation of behind-the-meter battery storage for commercial and industrial customers (Economic Dispatch of Battery Storage); and
3. Enabling operational control over large distributed generation for planned outages and emergency situations.

Diversification

The electricity industry is transforming from a system based on large centralized generation, transmission and distribution, to small-scale, distributed generation, as a result of declining technology costs and customers' desire for choice in electricity supply. Hydro One's strategy is to adapt our grid investments to reflect this new reality and to provide the new energy services that customers are demanding.

Hydro One will evaluate new businesses such as those providing behind-the-meter products and services that meet requirements for resiliency, reliability, sustainability, quality and security, more cost effectively than grid-only supply. We will also seek to invest in emerging technology that focuses on innovation in the electricity sector, to identify technologies that could disrupt our business, or that can enhance our business.

Growth

In July 2017, we announced our plan to merge with Avista Corporation, where we would acquire 100% of the shares of Avista Corporation, a fully-integrated, regulated transmission and distribution utility headquartered in Spokane, Washington. The acquisition, which is expected to close in the second half of 2018, following the necessary regulatory approvals, is expected to see Hydro One and Avista Corporation create a diversified and growing North American utility leader with tremendous enterprise value.

 \$1.6b

Spent on infrastructure
renewal and
modernization

Disruptive and Innovative Technologies

Our investments in innovation focus on assessing and developing technologies that improve our systems' productivity, health and safety and robustness. In a competitive environment, innovation helps us to keep pace with other North American utilities.

We focus our R&D efforts in two areas:

①

Disruptive Technologies

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

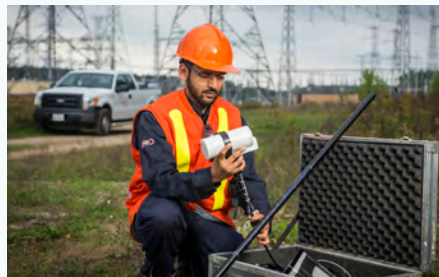


②

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.

In 2017, Hydro One invested \$5 million in research and development.



IN 2017, HYDRO ONE INVESTED \$5 MILLION IN RESEARCH AND DEVELOPMENT.



Business Model Pressures

As we transform our business to meet evolving customer needs and position ourselves as one of North America's leading utilities, we continue to evaluate technologies that could both disrupt or enhance our business. Our goal is to ensure resiliency, reliability, sustainability, quality and security of energy supply for our customers.

Hydro One faces a number of sustainability-centred pressures on our business model that have the potential to impact our business in the future, including, but not limited to, risks relating to: natural and unexpected occurrences such as severe weather conditions, natural disasters; cyber and physical attacks and resulting impacts on infrastructure; health, safety, environmental regulations, assessments and approvals; asset conditions and aging infrastructure; information technology infrastructure, data security and disruptive technologies; and workforce demographics and labour relations. Additionally, within the global energy utility sector, innovation is creating rapid change, leading to increasing industry decentralization, decarbonization and digitalization.

Hydro One is working proactively to respond to these risk factors and changing pressures that could potentially impact our business model. Indeed, as we transform our business to meet evolving customer needs and position ourselves as one of North America's leading utilities, we continue to evaluate technologies that could both disrupt or enhance our business. Our goal is to ensure resiliency, reliability, sustainability, quality and security of energy supply for our customers.

Applicable Laws & Regulations

Hydro One's core businesses are highly regulated. The licensed transmission and distribution businesses comply with relevant laws, the terms of their licences and with codes and rules issued by the OEB, including:

- Electricity Act
- Ontario Energy Board Act
- Distribution System Code
- Electricity Distribution Rate Handbook
- Retail Settlement Code
- Standard Supply Service Code

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

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

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

Customer Ombudsman

Hydro One's Office of the Ombudsman was established in March 2016 to provide a confidential, impartial and independent review of customer complaints that could not otherwise be resolved by the Company, as well as systemic investigations to uncover the root causes of ongoing problems. Sophie Petrillo was appointed Ombudsman in August 2017 and reports directly to the Board to ensure independence. By working with both customers and the Company, she aims to help Hydro One deliver just, fair, and equitable services to the public. To learn more, visit www.HydroOneOmbudsman.com

Privacy

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

Connect with Us

Receiving your feedback is a key element of our reporting process. It helps us to address the issues that matter most to our stakeholders. Please email us at CSR@HydroOne.com

For information about this report, please contact:
Jay Armitage
Director of Communications
Jay.Armitage@HydroOne.com

For Investor Relations, please contact:
Omar Javed
Vice President, Investor Relations
Investor.Relations@HydroOne.com

Discover more about our corporate social responsibility:
www.HydroOne.com/about/corporate-social-responsibility

Hydro One's corporate office is located at:
483 Bay Street, Toronto, ON M5G 2P5
www.HydroOne.com

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