

hydroOne



# NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON MAY 4, 2017  
AND MANAGEMENT INFORMATION CIRCULAR



# Notice of 2017 annual meeting of shareholders and availability of proxy materials

Hydro One Limited (*Hydro One* or the *company*) is providing you with access to its management information circular (the *circular*) for its 2017 annual meeting of shareholders (the *meeting*) electronically via notice and access, instead of mailing out paper copies, as permitted by Canadian securities regulators. Electronic delivery is more environmentally friendly and significantly reduces the cost of printing and mailing materials to shareholders. All shareholders are reminded to review the circular before voting. Shareholders with questions about notice and access can call 1-855-887-2244 toll-free, for service in English or French. This notice provides details of the date, time and place of the meeting, including the matters to be voted on at the meeting. Accompanying this notice is a form of proxy or voting instruction form that you will need to vote by proxy.

Notice is hereby given that an annual meeting of shareholders of Hydro One will be held:

## When:

Thursday, May 4, 2017  
9:30 a.m. (Eastern Time)

## Where:

Ryerson University  
7<sup>th</sup> Floor Auditorium  
55 Dundas St. W.  
Toronto, Ontario  
M5G 2C3

for the following purposes and to transact any other business that may properly come before the meeting and any postponement(s) or adjournment(s) thereof:

## Matters to be Voted on by Shareholders

**Financial Statements:** receive Hydro One's 2016 audited consolidated financial statements together with the report of the external auditors on those statements

**Election of Directors:** elect directors to the board for the ensuing year

**Appointment of External Auditors:** appoint KPMG LLP as external auditors for the ensuing year and authorize the directors to fix their remuneration

**Say on Pay:** an advisory resolution on Hydro One's approach to executive compensation

**Other Business:** to transact such other business as may properly come before the meeting and any postponement(s) or adjournment(s) thereof

## Section of Circular

See "Business of the Meeting – 1. Financial Statements"

See "Business of the Meeting – 2. Election of Directors"

See "Business of the Meeting – 3. Appointment of External Auditors"

See "Business of the Meeting – 4. Advisory Vote on Executive Compensation"

See "Other Information – Other Business"

## How do I get an electronic copy of the circular?

Electronic copies of the circular may be accessed online on Hydro One's website at [www.HydroOne.com/InvestorMaterials](http://www.HydroOne.com/InvestorMaterials) or under the Hydro One Limited profile on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com). You can also access our 2016 annual report (the *annual report*) in the same manner.

## How do I get a paper copy of the circular?




In addition to being able to quickly view or print the circular and/or annual report online at our website, you can request a paper copy of either or both documents be sent to you by regular postal delivery, free of charge. Requests may be made by phone, email or online, as may be applicable, using the methods below, which are different depending on whether you are: (i) a non-registered (beneficial) shareholder who holds common shares through a broker or other intermediary; or (ii) a registered shareholder who holds a share certificate or statement from a direct registration system confirming your ownership of common shares.

If you are a non-registered (beneficial) shareholder	By phone (English/French): 1-877-907-7643 (toll-free within North America) or 905-507-5450 By email: <a href="mailto:noticeandaccess@broadridge.com">noticeandaccess@broadridge.com</a> (outside of North America) Online: <a href="http://www.proxyvote.com">www.proxyvote.com</a> (enter the control number located on the voting instruction form)
If you are a registered shareholder	By phone (English/French): 1-855-887-2243 (toll-free within North America) By email: <a href="mailto:investor.relations@HydroOne.com">investor.relations@HydroOne.com</a>

A paper copy will be mailed to you within three business days of receiving your request, if the request is made at any time prior to the meeting. To receive the meeting materials prior to the proxy deadline (as defined below) for the meeting, you should make your request before 5:00 p.m. (Eastern Time) on April 25, 2017. For requests received on or after the date of the meeting, a paper copy will be mailed to you within 10 calendar days after receiving your request. Following the meeting, the meeting materials will also remain available at [www.proxyvote.com](http://www.proxyvote.com) for a period of at least one year after the meeting materials were filed on SEDAR.

## How do I vote my shares?

If you cannot attend the meeting, you may vote by proxy in any of the following ways. You will need the control number contained in the accompanying form of proxy or voting instruction form in order to vote.

Internet voting	 For non-registered (beneficial) shareholders, go to <a href="http://www.proxyvote.com">www.proxyvote.com</a> For registered shareholders, go to <a href="http://www.investorvote.com">www.investorvote.com</a>
Telephone voting	 Call the toll-free number shown on the form of proxy or voting instruction form
Voting by mail or delivery	 Complete the form of proxy or voting instruction form and return it in the envelope provided

To be valid, registered shareholders must return their proxies using one of the above applicable methods to Computershare Trust Company of Canada, Hydro One's transfer agent, by no later than 9:30 a.m. (Eastern Time) on May 2, 2017 (the proxy deadline) or, if the meeting is postponed or adjourned, no later than 48 hours (not including Saturdays, Sundays or statutory holidays in Ontario) prior to the reconvened meeting. Non-registered shareholders should return their voting instruction forms using one of the above methods at least one business day in advance of the proxy deadline to allow sufficient time for their voting instructions to be provided by their intermediary to Computershare Trust Company of Canada.

Hydro One reserves the right to accept late proxies and to waive the proxy deadline, with or without notice, but is under no obligation to accept or reject any particular late proxy.

## The meeting

The meeting will be audio webcast live and a rebroadcast will also be available following the meeting at [www.HydroOne.com/InvestorMaterials](http://www.HydroOne.com/InvestorMaterials).

The contents of the circular and the sending thereof to the shareholders have been approved by Hydro One's board of directors.

DATED at Toronto, Ontario this 23<sup>rd</sup> day of March, 2017.

By order of the board of directors



Maureen Wareham  
Corporate Secretary

Please **review** the circular **prior** to voting



## Letter from the chair of the board

Dear Shareholder,

You are invited to attend Hydro One Limited's annual meeting of shareholders (the *meeting*), which will be held at the 7<sup>th</sup> Floor Auditorium of Ryerson University located at 55 Dundas St. W., Toronto, Ontario M5G 2C3, at 9:30 a.m. (Eastern Time) on Thursday, May 4, 2017. At the meeting, you will have an opportunity to ask questions and to meet with the board of directors, management and your fellow shareholders. If you are unable to attend in person you may view a live webcast of the meeting on our website at [www.HydroOne.com/InvestorMaterials](http://www.HydroOne.com/InvestorMaterials).

At this meeting, you will be voting on several important matters so please take the time to carefully consider the information set out in the management information circular. Your vote is important. If you cannot attend the meeting in person and you owned Hydro One Limited common shares on March 17, 2017, you may use the enclosed proxy or voting instruction form to submit your vote prior to the meeting.

Sincerely,

A handwritten signature in black ink that reads "D. Denison".

David F. Denison, O.C.  
Chair of the Board  
Hydro One Limited



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# 2017 Management Information Circular

You have received this management information circular (the *circular*) because you owned Hydro One common shares as of the close of business on March 17, 2017 (the *record date*), and have the right to vote at our annual meeting.

Management is soliciting your proxy for the shareholder meeting on May 4, 2017.

In this document:

- *we, us, our, the company* and *Hydro One* mean Hydro One Limited
- *you* and *your* mean holders of our common shares
- *common shares* and *shares* mean the common shares of Hydro One

This document tells you about the meeting and governance and compensation matters at Hydro One. We have organized it into separate sections to make it easy to find what you're looking for, and to help you vote with confidence.

We pay the cost of proxy solicitation for all registered owners and for beneficial owners, other than beneficial owners who object to their name and address being given to the company. We are soliciting proxies mainly by mail, but you may also be contacted by phone, mail or in person by employees of Hydro One or Computershare Trust Company of Canada (*Computershare*), our transfer agent. We may also engage solicitation agents at a nominal cost to contact you.

The date of this circular is March 23, 2017 but all information in the circular is provided as of March 17, 2017 and all dollar amounts are in Canadian dollars, unless indicated otherwise.

All references to financial results are based on Hydro One's financial statements, prepared in accordance with United States Generally Accepted Accounting Principles (*US GAAP*). References in this circular to the meeting include any postponement(s) or adjournment(s) that may occur.

Read about the four items of business and how to vote your shares

pages 2 – 29

1 BUSINESS OF THE MEETING

Learn about our governance practices and the board

pages 30 – 46

2 CORPORATE GOVERNANCE

Find out what we paid our executive officers in 2016 and why

pages 47 – 86

3 EXECUTIVE COMPENSATION

# Business of the Meeting

## Items of Business

As set out in the notice of meeting, shareholders of Hydro One will be asked to consider and, as required, vote on the following four matters at the meeting:

### 1. Financial Statements

The audited consolidated financial statements of Hydro One for the fiscal year ended December 31, 2016 and the report of the external auditors on the financial statements will be received.

### 2. Election of Directors

The company's board of directors (the *board*) comprises 15 directors. At the meeting, the shareholders will be asked to elect 15 directors in accordance with Hydro One's majority voting policy (the *majority voting policy*), which is explained in more detail starting on page 8. All directors so elected will hold office until the next annual meeting of shareholders or until their successors are elected or appointed.

Other details respecting the nominees for election as directors are set out under "About the nominated directors" starting on page 8.

The board recommends that you vote *FOR* the election to the board of each of the nominated directors.

### 3. Appointment of External Auditors

The external auditor of Hydro One is KPMG LLP (*KPMG*), Chartered Professional Accountants, located in Toronto, Ontario. KPMG was initially appointed as the external auditor of Hydro One on August 31, 2015. KPMG has also acted as the external auditor of Hydro One's principal subsidiary (Hydro One Inc.) since 2008. Shareholders are being asked to approve the appointment of KPMG as the external auditor of Hydro One for the ensuing year and to authorize the directors of Hydro One to fix their remuneration.

The aggregate fees billed by KPMG to Hydro One and its subsidiaries in 2016 and 2015 for professional services are presented below:

	Year ended December 31, 2016	Year ended December 31, 2015
Audit Fees <sup>(1)</sup>	\$1,524,814 <sup>(2)</sup>	\$1,376,500 <sup>(3)</sup>
Audit-Related Fees <sup>(4)</sup>	\$ 488,854	\$ 412,200
Tax Fees		
SR&ED <sup>(5)</sup> Tax Credit Claim	\$ 90,000	\$ 90,000
General Tax Advice	\$ 57,500	N/A
Other Fees <sup>(6)</sup>	\$ 413,643	N/A
<b>Total</b>	<b>\$2,574,811</b>	<b>\$1,878,700</b>

#### Notes:

- <sup>1</sup> The nature of the services rendered was: audit of annual financial statements of the company and its subsidiaries and statutory and regulatory filings.
- <sup>2</sup> Additional services in 2016 included: IFRS reporting to the Province, audit of annual financial statements of acquired companies and audit of financial system enhancements and complex accounting.
- <sup>3</sup> \$475,000 of these fees related to the company's initial public offering completed on November 5, 2015, were recovered from the Province of Ontario.
- <sup>4</sup> The nature of the services rendered was: translations and audit of the Hydro One Pension Plan and services reasonably related to the performance of the audit or review of the company's financial statements that are not reported under Audit Fees.
- <sup>5</sup> Scientific Research and Experimental Development.
- <sup>6</sup> Other Fees include services related to due diligence activities.

The board recommends that you vote FOR the approval of the appointment of KPMG as the external auditors of Hydro One and authorize the directors of Hydro One to fix their remuneration.

#### 4. Advisory Vote on Executive Compensation

Our compensation program seeks to attract, retain, motivate and reward individuals through competitive pay practices which reinforce Hydro One's pay-for-performance philosophy. It is designed to focus employees on developing and implementing strategies that create and deliver value for shareholders. Hydro One believes that its compensation program is consistent with these objectives, and is in the best interests of shareholders. For detailed disclosure of our executive compensation program, see "Executive Compensation" starting on page 48.

The board has adopted a policy to hold an advisory vote on the approach to executive compensation (*say on pay*) at each annual meeting. This shareholder *say on pay* vote forms an important part of the ongoing process of engagement between shareholders and the board on executive compensation.

At the meeting, shareholders will have an opportunity to vote on our approach to executive compensation through consideration of the following *say on pay* advisory resolution:

*"Resolved, on an advisory basis and not to diminish the role and responsibilities of the board of directors, that the shareholders accept the approach to executive compensation disclosed in the management information circular delivered in advance of the 2017 annual meeting of shareholders of the company."*

This resolution conforms to the form of resolution recommended by the Canadian Coalition for Good Governance and is in the same form as our *say on pay* resolution that was approved by the shareholders at our 2016 annual meeting of shareholders. Approval of this resolution requires that it be passed by a majority of the votes cast by shareholders thereon in person and by proxy. Because your vote is advisory, it will not be binding upon the board. However, the board will take into account the results of the vote when considering future executive compensation arrangements.

**The board recommends that you vote FOR approval of the advisory resolution on Hydro One's approach to executive compensation.**

At our 2016 annual meeting, the *say on pay* resolution was approved by shareholders, with shareholders holding 536,272,521 common shares voting in favour representing approximately 99.96% of the votes cast on the resolution.



# Information About Voting

## Delivery of Proxy Materials

As permitted by Canadian securities regulators, Hydro One is providing shareholders with electronic access to its circular for the company's annual meeting of shareholders and its 2016 annual report, instead of mailing out paper copies. This means of delivery is more environmentally friendly and will reduce the cost of printing and mailing materials to shareholders.

Shareholders will receive a notice of availability of proxy materials (*notice*) together with a form of proxy or voting instruction form. The notice provides instructions on how shareholders may access and review an electronic copy of the circular and how shareholders may request a paper copy. Shareholders who have already provided instructions on their account to receive paper copies of the circular will receive a paper copy of the circular with a copy of the notice

regarding its electronic availability. The notice also provides instructions on voting at the meeting.

Proxy materials are being sent to registered shareholders directly and will be sent to intermediaries to be forwarded to all non-registered (beneficial) shareholders. We pay the cost of proxy solicitation for all registered owners and for beneficial owners other than beneficial owners who object to their name and address being given to the company. An objecting beneficial owner will only receive proxy materials if their intermediary assumes the cost of delivery.

## Shares Outstanding

As of March 17, 2017, there were 595,000,000 common shares outstanding, each carrying the right to one vote per common share.

The *Electricity Act, 1998* (Ontario) and our articles preclude any person or company (or combination of persons or companies acting jointly or in concert), other than the Province, from owning, or exercising control or direction over, more than 10% of any class or series of voting securities, including common shares of Hydro One.

## Who Can Vote

You have the right to one vote per common share held on the record date for the meeting, March 17, 2017.

Other than Her Majesty the Queen in Right of Ontario, as represented by the Minister of Energy (the *Province*), any person, or an entity controlled by a person, who beneficially owns shares that are, in the aggregate, more than 10% of the eligible votes that may be cast at the meeting, may not vote any of their shares.

As of March 17, 2017, our directors and executive officers were not aware of any person or entity who beneficially owns, directly or

indirectly, or exercises control or direction over more than 10% of our outstanding common shares, other than the Province, which holds 416,803,660 common shares (representing approximately 70.1% of the outstanding common shares).

Under a governance agreement the company entered into with the Province on November 5, 2015 (the *governance agreement*), the Province is required to vote in favour of the nominees identified in this circular except in the case of contested director elections and where the Province seeks to replace the board in accordance with the governance agreement by withholding votes or voting for removal.

## How to Vote

How you vote depends on whether you are a non-registered (beneficial) shareholder who holds common shares through a broker or other intermediary or a registered shareholder who holds a share certificate or statement from a direct registration system confirming your ownership of common shares. You can vote in person or you can appoint someone to attend the meeting and vote your shares for you (called voting by proxy). Please read these instructions carefully.

	Non-Registered (Beneficial) Shareholders	Registered Shareholders
	Your intermediary has sent you a voting instruction form. We may not have records of your shareholdings as a non-registered shareholder and you must follow the instructions from your intermediary to vote.	Our transfer agent has sent you a proxy form.
<b>If you want to come to the meeting and vote in person</b>	<p>Use the voting instruction form provided by your intermediary.</p> <p>In most cases, you simply print your name in the space provided for appointing a proxyholder and return the voting instruction form as instructed by your intermediary. Your intermediary may also allow you to do this through the Internet. Do <b>not</b> complete the voting section of the voting instruction form, because you will be voting at the meeting.</p> <p>If the voting instruction form does not provide a space for appointing a proxyholder, you may have to indicate on the voting instruction form that you wish to receive a proxy form, and then return the form as instructed by your intermediary. The intermediary will mail a proxy form that you will need to complete, sign and return to our transfer agent, Computershare.</p> <p>When you arrive at the meeting, please register with Computershare.</p>	<p>Do <b>not</b> complete the proxy form or return it to us. Simply bring it with you to the meeting.</p> <p>When you arrive at the meeting, please register with our transfer agent, Computershare.</p>
<b>If you do not plan to attend the meeting</b>	<p>Complete the enclosed voting instruction form and return it to your intermediary.</p> <p>You can either mark your voting instructions on the voting instruction form and return it to your intermediary or you can appoint a proxyholder to attend the meeting and vote your common shares for you. Alternatively, shareholders may also vote online, by telephone or by mail or delivery, by following the instructions shown on the voting instruction form.</p>	<p>Complete the enclosed proxy form and return it to Computershare.</p> <p>You can either mark your voting instructions on the proxy form or you can appoint another person to attend the meeting and vote your shares for you.</p> <p>Alternatively, shareholders may also vote online, by telephone or by mail or delivery, by following the instructions shown on the proxy form.</p>

## BUSINESS OF THE MEETING

	Non-Registered (Beneficial) Shareholders	Registered Shareholders
Returning the form	<p>Return your voting instruction form using one of the methods noted on the voting instruction form provided by your intermediary.</p> <p>Remember that your intermediary must receive your voting instructions in sufficient time to act on them, generally one business day before the proxy deadline below.</p> <p>For your votes to count, Computershare must receive your voting instructions from your intermediary by no later than the proxy deadline, which is 9:30 a.m. Eastern Time on May 2, 2017, or if the meeting is postponed or adjourned, no later than 48 hours (not including Saturdays, Sundays or statutory holidays in Ontario) before the postponed or adjourned meeting convenes.</p>	<p>The enclosed proxy form tells you how to submit your voting instructions.</p> <p>Computershare must receive your proxy, including any amended proxy, by no later than the proxy deadline, which is 9:30 a.m. Eastern Time on May 2, 2017, or if the meeting is postponed or adjourned, no later than 48 hours (not including Saturdays, Sundays or statutory holidays in Ontario) before the postponed or adjourned meeting convenes.</p> <p>You may return your proxy by mail, in the envelope provided.</p>
Changing your vote/revoking your proxy	<p>If you have provided voting instructions to your intermediary and change your mind about your vote, or you decide to attend the meeting and vote in person, contact your intermediary to find out what to do.</p> <p>If your intermediary gives you the option of using the Internet to provide your voting instructions, you can also use the Internet to <i>change</i> your instructions, as long as your intermediary receives the new instructions in enough time to act on them before the proxy deadline. Contact your intermediary to confirm the deadline.</p>	<p>If you change your mind about how you voted before the meeting and you want to revoke your proxy, you must deliver a signed written notice specifying your instructions to one of the following:</p> <ul style="list-style-type: none"> <li>our Corporate Secretary, by 4:00 p.m. Eastern Time on the last business day before the meeting (or any postponement(s) or adjournment(s), if the meeting is postponed or adjourned). Deliver to: 483 Bay Street, South Tower, 8th Floor Reception, Toronto, Ontario, Canada M5G 2P5 Attention: Corporate Secretary</li> <li>the chair of the meeting, before the meeting starts or any postponed or adjourned meeting reconvenes.</li> </ul> <p>You can also change your voting instructions by sending amended instructions to Computershare by the proxy deadline noted above, or by voting in person at the meeting.</p>

## How to Vote by Proxy

### Appointing your Proxyholder

Your proxy form or voting instruction form names David F. Denison or failing him, Mayo Schmidt (the *named proxyholders*), the chair of the board (*board chair*) and the President and Chief Executive Officer (*President and CEO*) of the company, respectively, as your proxyholder. **You have the right to appoint someone else to**

**represent you at the meeting.** Simply print the person's name in the blank space on the form or, if voting online, follow the instructions online. Your proxyholder does not have to be a shareholder of the company. Your proxyholder must attend the meeting to vote for you.

We reserve the right to accept late proxies and to waive the proxy deadline with or without notice, but are under no obligation to accept or reject a late proxy.

## How your Proxyholder will Vote

Your proxyholder must vote according to the instructions you provided on your proxy form or voting instruction form, including on any ballot that may be called for at the meeting. For directors and the appointment of the external auditors, you may either vote for or withhold, and for all other matters, you may vote for or against. **If you do not specify how you want to vote, your proxyholder can vote your shares as he or she wishes.** Your proxyholder will also decide how to vote on any amendment or

variation to any item of business in the notice of meeting or any new matters that are properly brought before the meeting, or any postponement(s) or adjournment(s).

**If you properly complete and return your proxy form or voting instruction form, but do not appoint a different proxyholder, and do not specify how you want to vote, David F. Denison or failing him, Mayo Schmidt, the named proxyholders, will vote for you as follows:**

Matters to Vote on	How Management Proxyholders Will Vote if No Choice is Specified
Election of directors	FOR each nominee
Appointment of the external auditors at a remuneration to be fixed by the board	FOR
Advisory vote on executive compensation	FOR

## Confidentiality

To keep voting confidential, Computershare counts all proxies. Computershare only discusses proxies with us when legally necessary, when a shareholder clearly intends to communicate with management or the board of directors, or when there is a proxy contest.

## Questions at the Meeting

At the meeting, you will have an opportunity to ask questions and to meet with the board of directors, management and your fellow shareholders. The chair of the meeting reserves the right to limit questions from shareholders in order to ensure as many shareholders as possible will have the opportunity to ask questions.

## Voting Results

We will file the voting results with securities regulators after the meeting and also post the results on our website at [www.HydroOne.com/InvestorMaterials](http://www.HydroOne.com/InvestorMaterials). The results will include details regarding the percentage of support received on each matter.

## Questions About Voting

If you are a registered shareholder, please contact Computershare with any questions about voting. You will find their contact information on the inside of the back cover of this circular. If you are a non-registered (beneficial) shareholder and you have questions about voting, please contact your intermediary by following the instructions on your voting instruction form.

## Special Arrangements

If you plan on attending the meeting and require special arrangements for hearing, access and/or translation, please contact our Corporate Secretary at [CorporateSecretary@HydroOne.com](mailto:CorporateSecretary@HydroOne.com).

## About the nominated directors

This year, 15 directors are proposed for election to our board.

The director profiles, starting on page 9, tell you about each director's skills, experience and other important things to consider, including how much equity in Hydro One they own and any other public company boards they sit on.

Just as important are the skills these directors have as a group. These directors have been selected based on their abilities, independence, commercial experience, governance expertise with public companies, customer service, and knowledge about the electricity sector and public policy. You can learn more about our expectations for directors and how the board functions beginning on page 27.

### Independence

Of the 15 nominated directors, 14 are independent. For Hydro One's purposes, an independent director is one who is independent of Hydro One and independent of the Province. Directors will be independent of Hydro One if they are independent within the meaning of all Canadian securities laws governing the disclosure of corporate governance practices and stock exchange requirements imposing a number or percentage of independent directors. Pursuant to Canadian securities laws, a director who is "independent" within the meaning of applicable securities laws is one who is free from any direct or indirect relationship which could, in the view of the board, be reasonably expected to interfere with a director's independent judgement, with certain specified relationships deemed to be non-independent. A director will be "independent of the Province" if he or she is independent of Hydro One under Ontario securities laws governing the disclosure of corporate governance practices, where the Province and certain specified provincial entities are treated as Hydro One's parent under that definition, but excluding current directors where the relationship ended before August 31, 2015. The governance agreement requires each of the directors, other than the CEO, to be both independent of Hydro One and independent of the Province. The Chair of Hydro One is independent of Hydro One and the Province.

None of the independent directors have ever served as an executive of the company. Having an independent board is one of the ways we ensure that the board is able to operate independently of management and make decisions in the best interests of Hydro One and our shareholders. Mayo Schmidt is not an independent director because of his role as the company's President and CEO.

### Length of Service

Each of the nominated directors is currently a member of the board. All of the nominees were initially elected to the board on August 31, 2015 in connection with the formation of the company and were re-elected to the board at our 2016 annual meeting of shareholders. If elected, each nominated director will serve until the earlier of our next annual meeting of shareholders or until his or her successor is elected or appointed.

Prior to becoming directors of the company, two of the independent director nominees and the chair of the board previously served on the board of directors of the company's wholly owned subsidiary, Hydro One Inc. Ms. Gale Rubenstein and Mr. George Cooke have served on the board of directors of Hydro One Inc. since March 30, 2007 and January 26, 2010, respectively. Mr. David Denison, the board chair, served as the chair of the board of Hydro One Inc. since April 16, 2015. The board benefits from the continuity and insight of these director nominees.

### Majority Voting Policy

The board has adopted a majority voting policy for the election of directors. This policy provides that in an uncontested election, any nominee for director who receives more *withheld* votes than *for* votes will immediately tender his or her resignation for consideration by the board. The board will review the matter and take whatever actions it determines are appropriate in the circumstances. The director who has tendered his or her resignation pursuant to this policy will not participate in any deliberations of the committee or the board regarding the resignation. In this instance, the other directors shall consider, and within 90 days of the election meeting, determine whether or not to accept the resignation.

The Province and Hydro One entered into the governance agreement on closing of Hydro One's initial public offering on November 5, 2015 which addresses the role of the Province in the governance of Hydro One and, among other things, requires Hydro One to maintain a majority voting policy for director elections. For more details about the governance agreement, see the description of our corporate governance practices starting on page 30.

Under the governance agreement, the Province may not withhold its votes for the nominees proposed for election in an uncontested election unless the Province withholds from voting for all nominees other than the CEO and, at the Province's discretion, the chair. Where directors have received a majority withheld vote as a result of the Province withholding its vote from their election in an uncontested election and have tendered their resignations, the board will take whatever actions it determines are appropriate, and the directors who received a majority withheld vote may participate in that determination. A resignation will be accepted absent exceptional circumstances and is effective when accepted by the board. A press release disclosing the directors' determination shall be issued promptly following such determination and, if the resignation is not accepted, will include the reasons for non-acceptance.
















The majority voting policy does not apply to a contested election where the number of candidates for director validly nominated exceeds the number of directors to be elected at that meeting.

## Director Profiles

Unless indicated otherwise, the information in each director profile is provided as of March 17, 2017. The profiles tell you about the directors who are currently standing for election, including:

- a brief biography of each nominee, their age and their place of residence;
- principal occupation and education;
- the year they were first elected or appointed as a director and their independence status;
- whether they are a nominee of the Province under the governance agreement;
- their experience and skills;
- other public company boards they serve on (other than the company and Hydro One Inc.);
- how much equity they hold in Hydro One and the percentage of their share ownership requirements achieved;
- their attendance at board and committee meetings held in 2016; and
- the voting results from their election at our 2016 annual meeting held on May 31, 2016.

## Our Director Nominees at a Glance

	I. Bourne	C. Brindamour	M. Caira	C. Clark	G. Cooke	D. Denison	M. Harris	J. Hinds	K. Jackson	R. Jamieson	F. Lankin	P. S. Orsino	J. Peverett	G. Rubenstein	M. Schmidt
Citizenship															
Public Board Interlocks	-	-	-	✓	-	-	✓	-	-	-	-	-	-	-	-
Independent Director	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗
Age	69	46	63	63	63	64	59	60	59	64	62	62	58	64	59
Gender	M	M	M	M	M	M	F	M	F	F	F	M	F	F	M
Audit Committee		✓			✓			✓		✓	✓	★			
Health, Safety, Environment, First Nations & Métis Committee					✓		★	✓	✓	✓				✓	
Human Resources Committee	★	✓	✓	✓			✓						✓	✓	
Nominating, Corporate Governance, Public Policy & Regulatory Committee	✓		✓	✓					✓		✓	✓	★		

★ denotes committee chair

## Ian Bourne, 69



Alberta, Canada

Director since

August 31, 2015

Independent

Nominee of the Province

Chair, Ballard Power Systems Inc.

Other Public Company Directorships

- Ballard Power Systems Inc.
- Wajax Corporation

Skills/Areas of Expertise include:

Accounting/Finance  
 Energy Sector  
 Human Resources/Union Relations  
 Information Technology  
 Risk Management

Not eligible for re-election in 2023

Mr. Ian Bourne is the chair of the board of directors of Ballard Power Systems Inc. (2006-present), a leader in proton exchange membrane fuel cell technology. He is a director of the Canada Pension Plan Investment Board (CPPIB), Wajax Corporation (WJX) and the Canadian Public Accountability Board (CPAB). He is also the former chair of the board of directors of SNC-Lavalin Group Inc. (2013-2015), for whom he was a director from 2009 to 2015 and also served as that company's Interim Chief Executive Officer from March 2012 to October 2012. Mr. Bourne is chair of the Governance Committee of CPPIB and has been a member of the Human Resources committee of CPPIB, CPAB, Ballard Power Systems Inc. (BLDP) and SNC-Lavalin Group Inc. (SNC). Mr. Bourne has also served on the Audit Committees of CPPIB, WJX, BLDP and SNC. He was a director of Canadian Oil Sands Limited (2007-2016) and served as the chair of the Corporate Governance and Compensation Committee and was a member of the Audit Committee. Mr. Bourne has been active in serving on a variety of community based organizations including the Calgary Philharmonic Orchestra, The Glenbow Museum and The Calgary Foundation. He holds a Bachelor of Commerce degree from Mount Allison University and is a Fellow of the Institute of Corporate Directors.

### Public Board Interlocks

None

Board/Committee Memberships	2016 Attendance <sup>(1)</sup>	
Board of Directors	10 of 10	100%
Human Resources Committee (Chair)	7 of 7	100%
Nominating, Corporate Governance, Public Policy & Regulatory Committee	6 of 6	100%

### Annual Meeting Voting Results<sup>(2)</sup>

	Votes For		Votes Withheld	
2016	536,332,303	99.97%	142,752	0.03%

## Equity Ownership<sup>(3)</sup>

Year	Common shares	Director DSUs	Value of common shares(\$) <sup>(4)</sup>	Value of director DSUs (\$) <sup>(3)</sup>	Total value of common shares and director DSUs (\$) <sup>(3)(4)</sup>	Meets share ownership requirements <sup>(5)(6)</sup>
2016	2,000	4,713	47,740	111,129	158,869	On target
2015	0	1,949	0	47,394	47,394	
Net Change	+2,000	+2,764	+47,740	+63,735	+111,475	

## Charles Brindamour, 46



Ontario, Canada

### Director since

August 31, 2015

### Independent

Chief Executive Officer, Intact Financial Corporation

### Other Public Company Directorships

■ Intact Financial Corporation

### Skills/Areas of Expertise include:

Business Transformation

Capital Markets

Consumer

Large Company Senior Executive

Risk Management

Not eligible for re-election in 2027

Mr. Charles Brindamour is the Chief Executive Officer of Intact Financial Corporation, Canada's largest property and casualty insurance provider. Mr. Brindamour is a director of Intact Financial Corporation, The Geneva Association, the Business Council of Canada, the C.D. Howe Institute, Branksome Hall and the Insurance Bureau of Canada. He is also a member of the Advisory Committee of the University of Waterloo's Climate Change Adaptation Project, serves on the advisory board of Gibraltar Growth Corporation and is co-chair of Laval University's "Grande Campagne". Mr. Brindamour is a graduate of Laval University in Actuarial Sciences and an associate of the Casualty Actuarial Society.

### Public Board Interlocks

None

### Board/Committee Memberships

	2016 Attendance <sup>(1)</sup>	
Board of Directors	10 of 10	100%
Human Resources Committee	7 of 7	100%
Audit Committee	6 of 6	100%

### Annual Meeting Voting Results<sup>(2)</sup>

	Votes For		Votes Withheld	
2016	535,579,304	99.83%	895,751	0.17%

## Equity Ownership<sup>(3)</sup>

Year	Common shares	Director DSUs	Value of common shares(\$) <sup>(4)</sup>	Value of director DSUs (\$) <sup>(3)</sup>	Total value of common shares and director DSUs (\$) <sup>(3)(4)</sup>	Meets share ownership requirements <sup>(5)(6)</sup>
2016	15,000	8,378	328,950	197,563	526,513	Yes (3.3x)
2015	15,000	3,466	328,950	84,257	413,207	
Net Change	0	+4,912	0	+113,306	+113,306	



## Marcello (Marc) Caira, 63



Ontario, Canada

Director since

August 31, 2015

Independent

Nominee of the Province

Vice-Chairman, Restaurant Brands  
International Inc.

Other Public Company Directorships

■ Restaurant Brands International Inc.

Skills/Areas of Expertise include:

Business Transformation

Consumer

Human Resources/Union Relations

Large Company Senior Executive

Stakeholder Engagement (including First Nations  
and Métis)

Not eligible for re-election in 2027

Mr. Marc Caira is the Vice-Chairman of the board of directors of Restaurant Brands International Inc., a multinational quick service restaurant company. He is also a director of the Minto Group, a private real estate developer and on the board of governors of Seneca College, a leading post-secondary educational institution. Prior to his appointment as Vice-Chairman of Restaurant Brands International Inc. in December 2014, Mr. Caira was President and Chief Executive Officer of Tim Hortons Inc. (July 2013-December 2014), a multinational fast food restaurant, a member of the executive board of Nestlé S.A. in Switzerland, a transnational food and beverage company, and Chief Executive Officer of Nestlé Professional. Mr. Caira holds a Diploma in Marketing Management from Seneca College, Toronto (1977) and is a graduate of the Director Program at The International Institute for Management Development, Lausanne, Switzerland.

### Public Board Interlocks

None

### Board/Committee Memberships

### 2016 Attendance<sup>(1)</sup>

Board/Committee Memberships	2016 Attendance <sup>(1)</sup>
Board of Directors	10 of 10 100%
Human Resources Committee	7 of 7 100%
Nominating, Corporate Governance, Public Policy & Regulatory Committee	6 of 6 100%

### Annual Meeting Voting Results<sup>(2)</sup>

	Votes For		Votes Withheld	
2016	536,336,453	99.97%	138,602	0.03%

## Equity Ownership<sup>(3)</sup>

Year	Common shares	Director DSUs	Value of common shares(\$) <sup>(4)</sup>	Value of director DSUs (\$) <sup>(3)</sup>	Total value of common shares and director DSUs (\$) <sup>(3)(4)</sup>	Meets share ownership requirements <sup>(5)(6)</sup>
2016	9,100	8,378	199,290	197,563	396,853	On target
2015	9,100	3,466	199,290	84,257	283,547	
Net Change	0	+4,912	0	+113,306	+113,306	

## Christie Clark, 63



Ontario, Canada

Director since

August 31, 2015

Independent

Corporate Director

### Other Public Company Directorships

- Air Canada
- Choice Properties Real Estate Investment Trust
- Loblaw Companies Limited

### Skills/Areas of Expertise include:

Accounting/Finance  
Business Transformation  
Human Resources/Union Relations  
Large Company Senior Executive  
Risk Management

Not eligible for re-election in 2027

Mr. Christie Clark is a corporate director. He serves as a director of Loblaw Companies Limited, a Canadian food and pharmacy retailer, Air Canada, a Canadian airline company, and Choice Properties Real Estate Investment Trust, an owner, manager and developer of retail and commercial real estate across Canada. He previously served as the Chief Executive Officer and Senior Partner of PricewaterhouseCoopers LLP from July 2005 to July 2011. Mr. Clark is a Fellow of the Institute of Chartered Professional Accountants of Ontario, and in addition to his public company board memberships, he is on the Board of the Canadian Olympic Committee and is a member of the Advisory Board of the Smith School of Business at Queen's University. He is currently the Director in Residence for the Institute of Corporate Directors' national short course, "Audit Committee Effectiveness". Mr. Clark holds a Bachelor of Commerce degree from Queen's University and a Master of Business Administration degree from the University of Toronto.

### Public Board Interlocks

Loblaw Companies Limited with Marianne Harris

### Board/Committee Memberships

	2016 Attendance <sup>(1)</sup>	
Board of Directors	10 of 10	100%
Human Resources Committee	7 of 7	100%
Nominating, Corporate Governance, Public Policy & Regulatory Committee	6 of 6	100%

### Annual Meeting Voting Results<sup>(2)</sup>

	Votes For		Votes Withheld	
2016	536,368,012	99.98%	107,043	0.02%

## Equity Ownership<sup>(3)</sup>

Year	Common shares	Director DSUs	Value of common shares (\$) <sup>(4)</sup>	Value of director DSUs (\$) <sup>(3)</sup>	Total value of common shares and director DSUs (\$) <sup>(3)(4)</sup>	Meets share ownership requirements <sup>(5)(6)</sup>
2016	0	8,378	0	197,563	197,563	On target
2015	0	3,466	0	84,257	84,257	
Net Change	0	+4,912	0	+113,306	+113,306	

## George Cooke, 63



Ontario, Canada

Director since

August 31, 2015

Independent

Nominee of the Province

President, Martello Associates Consulting and  
Chair, OMERS Administration Corporation

Other Public Company Directorships

■ N/A

Skills/Areas of Expertise include:

Accounting/Finance

Energy Sector

Government/Regulatory/Public Policy

Human Resources/Union Relations

Risk Management

Not eligible for re-election in 2027

Mr. George Cooke is a corporate director and the Chair of the board of directors of OMERS Administration Corporation, CANATICS (Canadian National Insurance Crime Services) and the Ontario Lottery and Gaming Corporation. Mr. Cooke is the former President and CEO of The Dominion of Canada General Insurance Company (The Dominion), a property and casualty insurance company, a position he held from 1992 to August 2012. In August 2012, Mr. Cooke retired from his role as President of The Dominion and continued to hold the position of Chief Executive Officer of The Dominion until December 31, 2012. Mr. Cooke obtained a Bachelor of Arts degree (Hons.) in Political Studies and a Master of Business Administration degree from Queen's University. He also holds an Honorary Doctor of Laws degree from Assumption University in Windsor.

## Public Board Interlocks

None

Board/Committee Memberships	2016 Attendance <sup>(1)</sup>	
Board of Directors	10 of 10	100%
Audit Committee	6 of 6	100%
Health, Safety, Environment and First Nations & Métis Committee	4 of 4	100%

Annual Meeting Voting Results<sup>(2)</sup>

	Votes For		Votes Withheld	
2016	536,367,192	99.98%	107,863	0.02%

Equity Ownership<sup>(3)</sup>

Year	Common shares	Director DSUs	Value of common shares (\$) <sup>(4)</sup>	Value of director DSUs (\$) <sup>(3)</sup>	Total value of common shares and director DSUs (\$) <sup>(3)(4)</sup>	Meets share ownership requirements <sup>(5)(6)</sup>
2016	0	8,378	0	197,563	197,563	On target
2015	0	3,466	0	84,257	84,257	
Net Change	0	+4,912	0	+113,306	+113,306	

## David F. Denison, 64



Ontario, Canada

### Director since

August 31, 2015

### Independent

Board Chair, Hydro One Limited and Hydro One Inc.

### Other Public Company Directorships

- Allison Transmission Holdings Inc.
- BCE Inc.
- Royal Bank of Canada

### Skills/Areas of Expertise include:

Accounting/Finance  
Capital Markets  
Information Technology  
Large Company Senior Executive  
Risk Management

Not eligible for re-election in 2027

Mr. David F. Denison is the board chair of Hydro One and Hydro One Inc. He is a corporate director and previously served as President and Chief Executive Officer of the Canada Pension Plan Investment Board, a global investment management organization, from 2005 to 2012. Prior to that, Mr. Denison was President of Fidelity Investments Canada Limited. Mr. Denison is a director of the Royal Bank of Canada, Bell Canada, Allison Transmission Holdings Inc. and serves as Vice-Chair of Sinai Health Systems. He is also a member of the Investment Board and International Advisory Committee of the Government of Singapore Investment Corporation, the International Advisory Council of China Investment Corporation, and Co-Chairs the Investment Committee for the University of Toronto. Mr. Denison earned Bachelor degrees in mathematics and education from the University of Toronto and is a Chartered Professional Accountant and a Fellow of the Institute of Chartered Accountants of Ontario. Mr. Denison is an Officer of the Order of Canada.

### Public Board Interlocks

None

### Board/Committee Memberships

	2016 Attendance <sup>(1)</sup>	
Board of Directors	10 of 10	100%

*Mr. Denison is not a member of any committee but does attend all committee meetings*

### Annual Meeting Voting Results<sup>(2)</sup>

Year	Votes For		Votes Withheld	
	Count	Percentage	Count	Percentage
2016	536,244,627	99.96%	240,428	0.04%

## Equity Ownership<sup>(3)</sup>

Year	Common shares	Director DSUs	Value of common shares (\$) <sup>(4)</sup>	Value of director DSUs (\$) <sup>(3)</sup>	Total value of common shares and director DSUs (\$) <sup>(3)(4)</sup>	Meets share ownership requirements <sup>(5)(6)</sup>
2016	1,000	13,615	23,530	321,040	344,570	On target
2015	0	5,632	0	136,917	136,917	
Net Change	+1,000	+7,983	+23,530	+184,123	+207,653	

## Margaret (Marianne) Harris, 59



Ontario, Canada

Director since

August 31, 2015

Independent

Corporate Director

### Other Public Company Directorships

- Loblaw Companies Limited
- Sun Life Assurance Company of Canada
- Sun Life Financial Inc.

### Skills/Areas of Expertise include:

Accounting/Finance  
 Capital Markets  
 Government/Regulatory/Public Policy  
 Human Resources/Union Relations  
 Risk Management

Not eligible for re-election in 2027

Ms. Marianne Harris is a corporate director. She is the chair of the board of directors of the Investment Industry Regulatory Organization of Canada (IIROC), a self-regulatory organization that oversees investment dealers and trading activity on debt and equity marketplaces in Canada. Prior to becoming a corporate director, Ms. Harris was Managing Director of the Bank of America Merrill Lynch and President, Corporate and Investment Banking for Merrill Lynch Canada Inc. In addition to her position as Chair of IIROC, she is a director of Sun Life Financial Inc. and Sun Life Assurance Company of Canada and Loblaw Companies Limited. Ms. Harris is also a member of the Dean's Advisory Council at the Schulich School of Business (York University) and the Advisory Council of the Hennick Centre for Business and Law (York University). Ms. Harris holds a Master of Business Administration degree from the Schulich School of Business, a Juris Doctorate degree from Osgoode Hall Law School (York University) and a B.Sc. (Honours) from Queen's University.

### Public Board Interlocks

Loblaw Companies Limited with Christie Clark

Board/Committee Memberships	2016 Attendance <sup>(1)</sup>	
Board of Directors	10 of 10	100%
Human Resources Committee	7 of 7	100%
Health, Safety, Environment and First Nations & Métis Committee (Chair)	4 of 4	100%

### Annual Meeting Voting Results<sup>(2)</sup>

	Votes For		Votes Withheld	
2016	536,372,194	99.98%	102,861	0.02%

## Equity Ownership<sup>(3)</sup>

Year	Common shares	Director DSUs	Value of common shares (\$) <sup>(4)</sup>	Value of director DSUs (\$) <sup>(3)</sup>	Total value of common shares and director DSUs (\$) <sup>(3)(4)</sup>	Meets share ownership requirements <sup>(5)(6)</sup>
2016	0	9,426	0	222,258	222,258	On target
2015	0	3,899	0	94,789	94,789	
Net Change	0	+5,527	0	+127,469	+127,469	

## James Hinds, 60



Ontario, Canada

Director since

August 31, 2015

Independent

Corporate Director

Other Public Company Directorships

- Allbanc Split Corp.

Skills/Areas of Expertise include:

Accounting/Finance

Business Transformation

Capital Markets

Energy Sector

Government/Regulatory/Public Policy

Not eligible for re-election in 2027

Mr. James Hinds is a corporate director. He is also a director of Allbanc Split Corp., a mutual fund company. He is a retired investment banker, having previously served as Managing Director of TD Securities Inc., prior to which he held positions at CIBC Wood Gundy Inc. and Newcrest Capital Inc. Mr. Hinds was the past chair of the Independent Electricity System Operator (IESO), a Crown corporation responsible for operating the electricity market, and was also chair of the former Ontario Power Authority Board of Directors (2010-2014) until its merger with the IESO effective January 1, 2015. Mr. Hinds received a Bachelor of Arts degree from Victoria College at the University of Toronto, a Master of Business Administration from the Wharton School of Business and a law degree from the University of Toronto Law School.

## Public Board Interlocks

None

## Board/Committee Memberships

2016 Attendance<sup>(1)</sup>

Board/Committee Memberships	2016 Attendance <sup>(1)</sup>
Board of Directors	10 of 10 100%
Audit Committee	6 of 6 100%
Health, Safety, Environment and First Nations & Métis Committee	4 of 4 100%

Annual Meeting Voting Results<sup>(2)</sup>

	Votes For		Votes Withheld	
2016	536,373,645	99.98%	101,410	0.02%

Equity Ownership<sup>(3)</sup>

Year	Common shares	Director DSUs	Value of common shares (\$) <sup>(4)</sup>	Value of director DSUs (\$) <sup>(3)</sup>	Total value of common shares and director DSUs (\$) <sup>(3)(4)</sup>	Meets share ownership requirements <sup>(5)(6)</sup>
2016	50,000	8,378	1,183,115	197,563	1,380,678	Yes (8.6x)
2015	25,000	3,465	569,219	84,257	653,476	
Net Change	+25,000	+4,913	+613,896	+113,306	+747,202	

## Kathryn Jackson, 59



Pennsylvania, United States

Director since

August 31, 2015

Independent

Nominee of the Province

Corporate Director

Other Public Company Directorships

- Cameco Corporation
- Portland General Electric Company
- Tennessee Valley Authority

Skills/Areas of Expertise include:

Business Transformation  
 Energy Sector  
 Government/Regulatory/Public Policy  
 Information Technology  
 Stakeholder Engagement (including  
 First Nations and Métis)

Not eligible for re-election in 2027

Dr. Kathryn Jackson is a corporate director. She also heads the energy and technology consulting practice for KeySource, serving clients in business growth, technology development and energy services across commercial markets and in the U.S. federal sector. Until 2015, she was the Senior Vice President and Chief Technology Officer of RTI International Metals Inc. (2014-2015), a U.S. titanium producer, and also served as Head of Overall Research and Development Activities. Prior to joining RTI, Dr. Jackson was Senior Vice President and Chief Technology Officer at Westinghouse Electric Company, a U.S. nuclear power company. Dr. Jackson has also served as executive vice president of River Systems Operations and Environment and the corporate environmental officer at the Tennessee Valley Authority (TVA). In her 17 years with TVA, she was responsible for the management of the 6,000 megawatt hydropower system, flood control, navigation, dam safety, public lands management, environmental services, and research and development activities. Dr. Jackson is a director of Portland General Electric Company and Cameco Corporation and previously served as Chair of the Independent System Operator New England. She is an advisor to Carnegie Mellon University's Engineering School and the Complex Engineered Systems program, and is a member of the advisory board of the Carnegie Mellon Electricity Industry Center. Dr. Jackson holds a Doctorate and a Master's degree in Engineering and Public Policy from Carnegie Mellon University, a Master's degree in Industrial Engineering Management from the University of Pittsburgh and a Bachelor's degree in Physics from Grove City College.

### Public Board Interlocks

None

### Board/Committee Memberships

	2016 Attendance <sup>(1)</sup>	
Board of Directors	10 of 10	100%
Nominating, Corporate Governance, Public Policy & Regulatory Committee	6 of 6	100%
Health, Safety, Environment and First Nations & Métis Committee	4 of 4	100%

### Annual Meeting Voting Results<sup>(2)</sup>

	Votes For		Votes Withheld	
2016	536,370,092	99.98%	104,963	0.02%

## Equity Ownership<sup>(3)</sup>

Year	Common shares	Director DSUs	Value of common shares (\$) <sup>(4)</sup>	Value of director DSUs (\$) <sup>(3)</sup>	Total value of common shares and director DSUs (\$) <sup>(3)(4)</sup>	Meets share ownership requirements <sup>(5)(6)</sup>
2016	0	7,444	0	175,540	175,540	On target
2015	0	2,555	0	62,128	62,128	
Net Change	0	+4,889	0	+113,412	+113,412	

## Roberta Jamieson, 64



Ontario, Canada

### Director since

August 31, 2015

### Independent

President and Chief Executive Officer,  
Indspire

### Other Public Company Directorships

■ N/A

### Skills/Areas of Expertise include:

Consumer  
Energy Sector  
Government/Regulatory/Public Policy  
Risk Management  
Stakeholder Engagement (including  
First Nations and Métis)

Not eligible for re-election in 2027

Ms. Roberta Jamieson is a Mohawk woman from the Six Nations of the Grand River Territory in Ontario, where she still resides. She is also President and Chief Executive Officer of Indspire, Canada's premiere Indigenous-led charity, and Executive Producer of the Indspire Awards, a nationally broadcast gala honouring Indigenous achievement. Ms. Jamieson was the first First Nations woman to earn a law degree in Canada; the first non-parliamentarian appointed an ex-officio member of a House of Commons Committee; the first woman Ombudsman of Ontario (1989-1999); and in December 2011, she was the first woman elected Chief of the Six Nations of the Grand River Territory. She was also a Director of the Ontario Power Generation Inc. Board of Directors (2012-2015). Ms. Jamieson was appointed a Member of the Order of Canada in 1994 and promoted to an Officer in 2016. Ms. Jamieson holds a Bachelor of Laws from the University of Western Ontario.

### Public Board Interlocks

None

### Board/Committee Memberships

Board/Committee Memberships	2016 Attendance <sup>(1)</sup>	
	2016	2015
Board of Directors	10 of 10	100%
Audit Committee	6 of 6	100%
Health, Safety, Environment and First Nations & Métis Committee	4 of 4	100%

### Annual Meeting Voting Results<sup>(2)</sup>

Year	Votes For		Votes Withheld	
	2016	2015	2016	2015
	536,364,089	99.98%	110,966	0.02%

## Equity Ownership<sup>(3)</sup>

Year	Common shares	Director DSUs	Value of common shares (\$) <sup>(4)</sup>	Value of director DSUs (\$) <sup>(3)</sup>	Total value of common shares and director DSUs (\$) <sup>(3)(4)</sup>	Meets share ownership requirements <sup>(5)(6)</sup>
2016	0	4,189	0	98,781	98,781	On target
2015	0	1,732	0	42,128	42,128	
Net Change	0	+2,457	0	+56,653	+56,653	



## Frances Lankin, 62



Ontario, Canada

## Director since

August 31, 2015

## Independent

Corporate Director

## Other Public Company Directorships

■ N/A

## Skills/Areas of Expertise include:

Business Transformation

Consumer

Government/Regulatory/Public Policy

Human Resources/Union Relations

Stakeholder Engagement (including

First Nations and Métis)

Not eligible for re-election in 2027

Hon. Frances Lankin is a corporate director. She was the former President and CEO of the United Way Toronto (2001-2010), a Toronto-based charity. In 2009, Ms. Lankin was appointed to the Queen's Privy Council for Canada and served for five years as a member of the Security Intelligence Review Committee. In 2014, Ms. Lankin was appointed to the Premier's Advisory Council on Government Assets whose mandate was to review and identify opportunities to modernize government business enterprises, and in 2011 and 2012, she co-lead a review of Ontario's social assistance system as part of the province's poverty reduction strategy. Ms. Lankin is a Director of the Ontario Lottery and Gaming Corporation and Chair of the Social Responsibility Committee of the Board. Ms. Lankin was appointed a Member of the Order of Canada in 2012 and in April of 2016, was appointed to the Senate of Canada where she sits as an Independent Senator from Ontario.

## Public Board Interlocks

None

Board/Committee Memberships	2016 Attendance <sup>(1)</sup>	
Board of Directors	10 of 10	100%
Audit Committee	6 of 6	100%
Nominating, Corporate Governance, Public Policy & Regulatory Committee	6 of 6	100%

Annual Meeting Voting Results<sup>(2)</sup>

	Votes For		Votes Withheld	
2016	536,361,389	99.98%	113,666	0.02%

Equity Ownership<sup>(3)</sup>

Year	Common shares	Director DSUs	Value of common shares (\$) <sup>(4)</sup>	Value of director DSUs (\$) <sup>(3)</sup>	Total value of common shares and director DSUs (\$) <sup>(3)(4)</sup>	Meets share ownership requirements <sup>(5)(6)</sup>
2016	0	4,189	0	98,781	98,781	On target
2015	0	1,732	0	42,128	42,128	
Net Change	0	+2,457	0	+56,653	+56,653	

## Philip S. Orsino, 62



Ontario, Canada

Director since

August 31, 2015

Independent

Corporate Director

Other Public Company Directorships

- Bank of Montreal

Skills/Areas of Expertise include:

Accounting/Finance

Business Transformation

Capital Markets

Large Company Senior Executive

Risk Management

Not eligible for re-election in 2027

Mr. Philip S. Orsino is a corporate director. He was the President and Chief Executive Officer of Jeld-Wen Inc., a global integrated manufacturer of building products from 2011 until he retired in 2014. Formerly until October 2005, Mr. Orsino was the President and Chief Executive Officer of Masonite International Corporation for 22 years. Mr. Orsino is a director of The Bank of Montreal and chair of its Audit and Conduct Review Committee and a director of The Minto Group, a private real estate developer, and Chair of the Audit Committee. He was the recipient of the 2003 Canada's Outstanding CEO of the Year Award and received the University of Toronto's Distinguished Business Alumni Award for 2002. He is a Fellow of the Chartered Accountants and holds a degree from Victoria College at the University of Toronto. Mr. Orsino was appointed an Officer of the Order of Canada in 2004.

## Public Board Interlocks

None

Board/Committee Memberships	2016 Attendance <sup>(1)</sup>	
Board of Directors	9 of 10	90%
Audit Committee (Chair)	6 of 6	100%
Nominating, Corporate Governance, Public Policy & Regulatory Committee	6 of 6	100%

Annual Meeting Voting Results<sup>(2)</sup>

	Votes For		Votes Withheld	
2016	536,364,932	99.98%	110,123	0.02%

Equity Ownership<sup>(3)</sup>

Year	Common shares	Director DSUs	Value of common shares(\$) <sup>(4)</sup>	Value of director DSUs (\$) <sup>(3)</sup>	Total value of common shares and director DSUs (\$) <sup>(3)(4)</sup>	Meets share ownership requirements <sup>(5)(6)</sup>
2016	10,000	4,713	257,519	111,129	368,648	On target
2015	0	1,949	0	47,394	47,394	
Net Change	+10,000	+2,764	+257,519	+63,735	+321,254	

## Jane Peverett, 58



British Columbia, Canada

Director since

August 31, 2015

Independent

Nominee of the Province

Corporate Director

Other Public Company Directorships

- Canadian Imperial Bank of Commerce
- Canadian Pacific Railway Limited
- Encana Corporation
- Northwest Natural Gas Company

Skills/Areas of Expertise include:

Accounting/Finance

Energy Sector

Government/Regulatory/Public Policy

Human Resources/Union Relations

Large Company Senior Executive

Not eligible for re-election in 2027

Ms. Jane Peverett is a corporate director. She was President and Chief Executive Officer (2005-2009) of the British Columbia Transmission Corporation, which was responsible for the high voltage electricity transmission system in British Columbia. Prior to that, she was President and CEO of Union Gas Limited. Ms. Peverett currently serves as a director of the Canadian Imperial Bank of Commerce and chairs its Audit Committee, a director of Northwest Natural Gas Company, and a director of Canadian Pacific Railway. Ms. Peverett also serves as a director of Encana Corporation and chairs its Audit Committee, but will not be standing for re-election in 2017. Ms. Peverett earned a Bachelor of Commerce degree from McMaster University and a Master of Business Administration degree from Queen's University. She is also a Certified Management Accountant, a Fellow of the Society of Management Accountants and holds the ICD.D designation from the Institute of Corporate Directors.

### Public Board Interlocks

None

Board/Committee Memberships	2016 Attendance <sup>(1)</sup>	
Board of Directors	10 of 10	100%
Human Resources Committee	7 of 7	100%
Nominating, Corporate Governance, Public Policy & Regulatory Committee (Chair)	6 of 6	100%

### Annual Meeting Voting Results<sup>(2)</sup>

	Votes For		Votes Withheld	
2016	536,372,397	99.98%	102,658	0.02%

## Equity Ownership<sup>(3)</sup>

Year	Common shares	Director DSUs	Value of common shares(\$) <sup>(4)</sup>	Value of director DSUs (\$) <sup>(3)</sup>	Total value of common shares and director DSUs (\$) <sup>(3)(4)</sup>	Meets share ownership requirements <sup>(5)(6)</sup>
2016	0	4,713	0	111,129	111,129	On target
2015	0	1,949	0	47,394	47,394	
Net Change	0	+2,764	0	+63,735	+63,735	

## Gale Rubenstein, 64



Ontario, Canada

### Director since

August 31, 2015

### Independent

### Nominee of the Province

Partner, Goodmans LLP

### Other Public Company Directorships

■ N/A

### Skills/Areas of Expertise include:

Consumer  
Energy Sector  
Government/Regulatory/Public Policy  
Human Resources/Union Relations  
Stakeholder Engagement (including First Nations and Métis)

Not eligible for re-election in 2027

## Equity Ownership<sup>(3)</sup>

Year	Common shares	Director DSUs	Value of common shares(\$) <sup>(4)</sup>	Value of director DSUs (\$) <sup>(3)</sup>	Total value of common shares and director DSUs (\$) <sup>(3)(4)</sup>	Meets share ownership requirements <sup>(5)(6)</sup>
2016	0	4,189	0	98,781	98,781	On target
2015	0	1,732	0	42,128	42,128	
Net Change	0	+2,457	0	+56,653	+56,653	

Ms. Gale Rubenstein is a partner of the law firm Goodmans LLP and a member of the firm's Executive Committee. Ms. Rubenstein was senior counsel to the Pan Canadian Investors Committee for Third Party Structured Asset Backed Commercial Paper, counsel to liquidators of numerous financial institutions, counsel to the Province in connection with the General Motors and Chrysler restructurings and counsel to the Superintendent of Financial Services (Ontario) regarding the Algoma and Stelco restructurings. She has authored numerous papers on the insolvency of insurance companies and banks. She obtained her Bachelor of Laws degree from Osgoode Hall Law School (York University) and is a member of the Canada Deposit Insurance Corporation Advisory Panel on Resolution and a Fellow of the Insolvency Institute of Canada, the Osgoode Hall Alumni Association, the Ontario Heart and Stroke Foundation and Outside the March Theatre Company.

### Public Board Interlocks

None

### Board/Committee Memberships

### 2016 Attendance<sup>(1)</sup>

Board of Directors	8 of 10	80%
Human Resources Committee	6 of 7	86%
Health, Safety, Environment and First Nations & Métis Committee	4 of 4	100%

### Annual Meeting Voting Results<sup>(2)</sup>

	Votes For		Votes Withheld	
2016	536,372,805	99.98%	102,250	0.02%

## Mayo Schmidt, 59



Ontario, Canada

Director since

August 31, 2015

Not Independent

President and Chief Executive Officer,  
Hydro One and Hydro One Inc.

Other Public Company Directorships

- Agrium Inc.

Skills/Areas of Expertise include:

Business Transformation  
Consumer  
Governmental/Regulatory/Public Policy  
Large Company Senior Executive  
Risk Management

Re-election eligibility criteria is not applicable for the President and CEO.

Mr. Mayo Schmidt is the President and Chief Executive Officer of Hydro One. Prior to joining Hydro One, Mr. Schmidt served as President and Chief Executive Officer at Viterra, Inc., a global food ingredients company operating in 14 countries. Early in his career, Mr. Schmidt held a number of key management positions of increasing responsibility at General Mills, Inc. until he joined ConAgra as President of their Canadian operations and spearheaded ConAgra's expansion into Canada. In 2007, he led a \$2.0 billion acquisition of Agricare United, then a \$2.2 billion acquisition of ABB, Australia's leading agriculture corporation growing Viterra, Inc. from a \$200 million market capitalization to finally a sale in 2012 for over \$7.5 billion. Mr. Schmidt currently sits on the Board of Directors of Agrium Inc. as Chairman of the Governance Committee and Chairman of the Special Committee for the Merger of Equals of Agrium and Potash Corp. forming a \$38 billion global fertilizer giant. He is a member of Harvard University Private and Public, Scientific, Academic and Consumer Food Policy Group, and is on Washburn University's Foundation board of Trustees. Mr. Schmidt received his Honorary Doctorate of Commerce from Washburn in 2016 and his B.B.A. from Washburn in 1980.

### Public Board Interlocks

None

Board/Committee Memberships	2016 Attendance <sup>(1)</sup>	
Board of Directors	10 of 10	100%
<i>Mr. Schmidt is not a member of any committee but does attend all committee meetings</i>		

### Annual Meeting Voting Results<sup>(2)</sup>

	Votes For		Votes Withheld	
2016	536,370,965	99.98%	104,090	0.02%

## Equity Ownership<sup>(7)</sup>

Year	Common shares	PSUs/RSUs/ management DSUs	Value of common shares(\$) <sup>(4)</sup>	Value of management DSUs, PSUs and RSUs (\$) <sup>(3)</sup>	Total value of common shares and PSUs/RSUs/ management DSUs (\$) <sup>(3)(4)</sup>	Meets share ownership requirements <sup>(5)</sup>
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For details on Mr. Schmidt's compensation please refer to page 64.

## Notes:

- <sup>1</sup> The directors of Hydro One are also directors of Hydro One Inc. and the two boards and each committee thereof hold joint meetings. See also "Director Attendance" on page 26.
- <sup>2</sup> The annual meeting held on May 31, 2016 was the company's first ever annual meeting of shareholders. The company became a reporting issuer on October 29, 2015.
- <sup>3</sup> The equity ownership of each director is presented as at April 1, 2016 in respect of 2015 and March 17, 2017 in respect of 2016. The value of director DSUs is calculated using the closing price of our common shares on the TSX on the date of grant of the director DSU being:

Date of Grant	TSX Closing Value
December 31, 2015	\$22.29
March 31, 2016	\$24.31
March 31, 2016 (dividend equivalents)	\$23.48 (value date of March 18, 2016)
June 30, 2016	\$25.96
June 30, 2016 (dividend equivalents)	\$24.49 (value date of June 15, 2016)
September 30, 2016	\$25.90
September 30, 2016 (dividend equivalents)	\$25.62 (value date of September 15, 2016)
December 30, 2016	\$23.58
December 30, 2016 (dividend equivalents)	\$23.22 (value date of December 15, 2016)

Fractional director DSUs can be granted, with fractions computed to three decimal places. The number of director DSUs in this table have been rounded. Mr. Schmidt, as President and CEO, is not eligible to receive director DSUs as he is not a non-employee director.

- <sup>4</sup> The value of the common shares held by each applicable director is calculated using the acquisition cost per share of such common shares on the date of purchase.
- <sup>5</sup> Pursuant to the corporate governance guidelines, each non-employee director is expected to achieve his or her share ownership target (being 3x the annual board membership retainer) within the later of six years following the closing of the company's initial public offering and the date of appointment to the board. The current corporate governance guidelines require a non-employee director's share ownership to be calculated on December 31<sup>st</sup> each year (based on the original acquisition cost or grant value) and compared to the share ownership requirement. Mr. Schmidt, as the President and CEO, is subject to different share ownership requirements. For details on the share ownership requirements applicable to him, and the status of his compliance with them, see pages 60 and 65.
- <sup>6</sup> The status under share ownership requirement is calculated by dividing the directors' total value of common shares and director DSUs by the amount of the annual retainer being \$160,000 for all directors (other than the Chair) and \$260,000 for the Chair.
- <sup>7</sup> For details on Mr. Schmidt's compensation please refer to page 64.

## BUSINESS OF THE MEETING

### Cease Trade Orders and Bankruptcies

Except as described below, no director:

- is, or within the last 10 years has served as, a director or (i) a chair, vice-chair or president, (ii) a chief executive officer or chief financial officer, (iii) a vice-president in charge of a principal business unit, division or function including sales, finance or production; or (iv) an individual performing a policy making function (each of (i), (ii), (iii) and (iv), an *executive officer*) of any company that, during such service or within a year after the end of such service, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- is, or within the last 10 years has served as, a director, chief executive officer or chief financial officer of any company that, during such service or as a result of an event that occurred during such service, was subject to an order (including a cease trade order or similar order or an order that denied access to any exemption under securities legislation), for a period of more than 30 consecutive days; or
- within the last 10 years has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director.

In May 2004, Saskatchewan Wheat Pool Inc. (SWP), a predecessor to Viterro Inc., initiated a disposition of its hog operations, which had been carried on through certain of its subsidiaries, through a court supervised process under the *Companies' Creditors Arrangement Act* (Canada). On April 12, 2005, the Saskatchewan Financial Services Commission issued a cease trade order against four of SWP's subsidiaries for failing to file the required annual continuous disclosure documents. The cease trade order was revoked on October 18,

2010 pursuant to Viterro Inc.'s application to effect a re-organization of the entities in question. Mr. Schmidt served as an officer and/or director of these entities at the time.

Mr. Orsino was a director of CFM Corporation from July 2007 until his resignation in March 2008. In April 2008, CFM filed for protection under the *Companies' Creditors Arrangement Act* (Canada).

Ms. Peverett was a director of Postmedia Network Canada Corp. between April 2013 and January 2016. On October 5, 2016, within one year of Ms. Peverett's resignation from the board of directors, Postmedia completed a recapitalization transaction (the *recapitalization transaction*) pursuant to a court approved plan of arrangement under the *Canada Business Corporations Act*. As part of the recapitalization transaction, approximately US \$268.6 million of debt was exchanged for shares that represented approximately 98% of the outstanding shares at that time. Additionally, Postmedia repaid, extended and amended the terms of its outstanding debt obligations pursuant to the recapitalization transaction.

### Penalties or Sanctions

None of the directors of Hydro One have been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or have entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

### Director Attendance

Directors are expected to attend board meetings, meetings of the committees on which they serve and the annual meeting of shareholders. The average attendance of all directors at board and committee meetings in 2016 was 98% and 99.5%, respectively.

Number of Board and Committee Meetings (January 1, 2016 to December 31, 2016)<sup>(1)</sup>

	Regular	Special	In Camera Sessions
Board	10	–	9
Audit Committee	6	–	5
Health, Safety, Environment and First Nations & Métis Committee	4	–	4
Human Resources Committee	7	–	7
Nominating, Corporate Governance, Public Policy & Regulatory Committee	6	–	6

Note:

<sup>1</sup> The directors of Hydro One are also directors of Hydro One Inc. and the two boards and each committee thereof hold joint meetings.

## What We Expect From Our Directors

We expect our directors to have personal attributes that contribute to the board, to devote the necessary time for board and committee duties, to act with integrity, to exercise independent

business judgment and to stay informed and participate fully in board matters. The board has adopted a written position description that sets out the board's expectations for directors, including the following:

<b>Personal Attributes</b>	<ul style="list-style-type: none"> <li>• Business expertise, financial literacy and understanding of the Canadian business community and previous experience serving in a senior executive or leadership position</li> <li>• High ethical standards and integrity in personal, business and professional dealings</li> <li>• Strong listening, communication and advocacy skills and motivation and ability to engage effectively in board and committee work</li> </ul>
<b>Stewardship</b>	<ul style="list-style-type: none"> <li>• Understand and contribute to fulfilling the company's mission and vision, strategies and objectives</li> <li>• Comply with the corporate governance guidelines of the company and perform their duties as board members</li> <li>• Ability to act independently of management (for directors who are not members of management) and to be accountable for board decisions to stakeholders as a whole, and not to any specific shareholders or other stakeholders</li> </ul>
<b>Integrity</b>	<ul style="list-style-type: none"> <li>• Act honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances</li> <li>• Act in the highest ethical manner and with integrity in all personal, business and professional dealings and in compliance with the company's code of business conduct</li> </ul>
<b>Participation</b>	<ul style="list-style-type: none"> <li>• Devote sufficient time to his or her responsibilities and prepare for each board and relevant committee meeting</li> <li>• Attend board and committee meetings and shareholder meetings and actively participate in board and committee deliberations and decisions</li> <li>• Work constructively and effectively with other directors, officers, employees and advisors of the company</li> </ul>
<b>Education</b>	<ul style="list-style-type: none"> <li>• Continuously advance his or her knowledge about the company's business and operations, the communities in which it operates and emerging trends and issues and significant strategic initiatives</li> </ul>

All of the company's directors must be of high quality and integrity and have:

- significant experience and expertise in business or that is applicable to business,
- served in a senior executive or leadership position,
- broad exposure to and understanding of the Canadian or international business community,
- skills for directing the management of a company, and
- motivation and availability,

in each case, to the extent appropriate for a business of the complexity, size and scale of the business of Hydro One and on a basis consistent with the highest standards for directors of leading Canadian publicly listed companies. These director qualification requirements are codified in the terms of the governance agreement.



## BUSINESS OF THE MEETING

### Director Compensation

The by-laws of the company provide that directors may receive remuneration for their services as determined by the board and be reimbursed for all expenses incurred in fulfilment of their duties, including travel expenses. The company's director compensation, travel and expense policy applies to non-employee directors. Mr. Schmidt, as President and CEO, does not receive any separate compensation for his service on the board. Details regarding Mr. Schmidt's compensation can be found under "Executive Compensation" starting on page 65.

The chart below outlines Hydro One's director compensation program.

Role	Cash Component (\$)	Equity Component (\$)	Total (\$)
Board chair	130,000	130,000	260,000
All other directors	80,000	80,000	160,000
Committee chair retainers	20,000	—	20,000
Board/Committee meeting attendance		No meeting attendance fees	

Directors also receive a reasonable per meeting allowance for travel and other expenses incurred to attend meetings in accordance with a company approved policy. No additional compensation is paid to directors to prepare for board or committee meetings. For 2016, the directors of Hydro One received all of the equity component of their annual director retainer payable in director DSUs.

Directors receive 50% of their annual director retainer as an equity component in the form of common shares or director deferred share units (*director DSUs*). Hydro One has adopted a non-employee director deferred share unit plan providing for awards of director DSUs to Hydro One directors other than the President and CEO. A director DSU is an award that entitles the participant to receive an amount equivalent to the value of a common share at settlement following termination of service with Hydro One and its subsidiaries. Director DSUs vest immediately and accrue dividend equivalents when dividends are paid on the common shares. Directors may also elect to receive up to 100% of their annual and committee chair retainer compensation in director DSUs.

### Director Share Ownership Requirements

Hydro One believes that the interests of shareholders and directors are better aligned when directors hold significant investment in Hydro One. The corporate governance guidelines require directors who are non-executives of Hydro One to retain a minimum holding of common shares or director DSUs equal to three times (3x) their total annual board retainer (calculated including the equity portion), valued at the original grant value or acquisition cost, by the later of six years following the closing of the company's initial public offering on November 5, 2015 and the date of his or her appointment to the board. The ownership requirement for directors is \$480,000, except for the board chair, whose share ownership requirement is \$780,000.

## Director Compensation Table

The following table provides a summary of the compensation earned by non-employee directors of Hydro One from Hydro One and its subsidiaries for the year ended December 31, 2016:

Name	Total Compensation				Form of Payment <sup>(1)</sup>		
	Board Retainer (\$)	Committee Chair Fees (\$)	Travel Fees (\$)	Total Fees (\$) <sup>(1)</sup>	Received as Cash (\$)	Value Received as director DSUs <sup>(2)</sup> (\$)	Director DSU Component of Total Compensation (%)
Ian Bourne	160,000	20,000	12,000	192,000	102,000	90,000	50
Charles Brindamour	160,000	N/A	–	160,000	–	160,000	100
Marcello (Marc) Caira	160,000	N/A	–	160,000	–	160,000	100
Christie Clark	160,000	N/A	–	160,000	–	160,000	100
George Cooke	160,000	N/A	–	160,000	–	160,000	100
David Denison	260,000	N/A	–	260,000	–	260,000	100
Margaret (Marianne) Harris	160,000	20,000	–	180,000	–	180,000	100
James Hinds	160,000	N/A	–	160,000	–	160,000	100
Kathryn Jackson	160,000	N/A	12,000	172,000	12,000	160,000	100
Roberta Jamieson	160,000	N/A	4,000	164,000	84,000	80,000	50
Frances Lankin	160,000	N/A	10,500	170,500	90,500	80,000	50
Philip S. Orsino	160,000	20,000	–	180,000	90,000	90,000	50
Jane Peverett	160,000	20,000	20,000	200,000	110,000	90,000	50
Gale Rubenstein	160,000	N/A	–	160,000	80,000	80,000	50

### Notes:

- <sup>1</sup> All amounts in this table are pre-tax. Amounts reported include the portion of the director's board retainer, committee chair retainer and travel fees payable in cash.
- <sup>2</sup> All director DSUs are fully vested upon grant. Values do not include the value of any additional DSUs received in the form of dividend equivalents.

# Corporate Governance

Hydro One and the board recognize the importance of corporate governance to the effective long term management of the company. Independence, integrity and accountability are the foundation of our approach to corporate governance. This section discusses our approach to corporate governance, our board and its priorities and what we expect from our directors.

## Hydro One's Corporate Governance Practices

We are committed to best practices. Hydro One maintains corporate governance policies, procedures and practices consistent with the

best practices of leading Canadian publicly listed companies, which commitment is reflected in the terms of the governance agreement. Our practices meet or exceed the rules and regulations issued by Canadian Securities Administrators and the Toronto Stock Exchange, including the national policy entitled "Corporate Governance Guidelines" and related disclosure requirements. The board regularly reviews and revises the company's governance practices in response to changing governance expectations, regulations and best practices.

### Governance at a Glance

✓ What We Do	✗ What We Don't Do
✓ 14 of the 15 nominated directors are independent (page 8)	✗ No slate voting for directors
✓ Board committees are 100% independent (page 36)	✗ No management directors on board committees
✓ Separate roles of board chair and the CEO (page 33)	✗ No over-boarded directors; no director sits on more than 4 public company boards <sup>(1)</sup>
✓ Board chair is an independent director (page 33)	✗ No stock option awards for directors
✓ Majority voting policy for directors (page 8)	✗ No staggered board
✓ Shareholders will have annual say on pay (see page 3)	✗ No dual class shares, non-voting or subordinated voting shares
✓ Term limits for directors (page 38)	✗ No monetization or hedging of our common shares or equity compensation
✓ Disclose directors' equity holdings (starting on page 10)	
✓ Share ownership requirements for directors (page 28)	
✓ Strong risk oversight (page 31)	
✓ Board committees have full authority to retain independent advisors	
✓ Limits on other public company directorships and board interlocks (page 39)	
✓ 40% female directors, which meets our diversity policy target of 40% female directors (page 39)	
✓ Independent directors meet without management present at each board and committee meeting (page 36)	
✓ Formal annual board assessments (page 39)	
✓ Code of business conduct to guide ethical behaviour (page 32)	
✓ Shareholders and other stakeholders can contact the board chair, independent directors and committee chairs (inside of the back cover)	
✓ Formal director orientation and education program (page 34)	
✓ Formal succession planning process for executives, including the CEO, and the board (page 32)	
✓ Reasonable quorum requirements – a majority of the board or committee is required to meet quorum and quorum for shareholder meetings is at least 2 persons holding at least 25% of the common shares	
✓ No casting votes for board chair	

#### Note:

<sup>1</sup> Totals do not include directorships on Hydro One Inc. Our governance agreement with the Province requires the board of directors of Hydro One Inc. to have the same members as the company's board.

## About the Governance Agreement

In connection with the November 2015 closing of the initial public offering of the company, Hydro One entered into the governance agreement with the Province, which describes certain principles that govern how Hydro One will be managed and operated, including that the Province, in its capacity as a holder of common shares, will engage in the business and affairs of Hydro One as an investor and not as a manager. Among other things, the governance agreement:

- requires that except for the CEO, all board members be independent of Hydro One and independent of the Province;
- addresses the director nomination process, including the requirement to maintain a board of between 10 and 15 members and prescribing the maximum number of directors that may be nominated by the Province (please refer to page 38);

- requires Hydro One to maintain a majority voting policy for director elections and restricts the Province's ability to withhold from voting for directors except where the Province replaces the entire board other than the CEO and, at the Province's discretion, the board chair;
- requires approval by special resolution of the directors of the appointment and annual confirmation of the CEO, the board chair and changes to key governance practices of the company;
- restricts the right of the Province to exercise certain shareholder rights, such as to requisition a shareholder meeting to consider a fundamental change, or to solicit others to exercise rights which the Province is restricted from exercising; and
- restricts the acquisition of voting securities by the Province but grants the Province pre-emptive rights with respect to future issuances of voting securities.

Approval of the board by way of a special resolution of at least two-thirds of the votes cast at a board meeting or the unanimous written consent of all directors is required in order to make changes to the director skills matrix, board diversity policy, majority voting policy, stakeholder engagement policy, corporate disclosure policy, corporate governance guidelines, mandate for the Hydro One Ombudsman, mandates of the board and its committees, position descriptions for the CEO, the board chair, the directors and the committee chairs, code of business conduct, whistleblower policy, executive share ownership guidelines and anti-hedging policy and compensation recoupment policy.

A copy of the governance agreement has been filed on SEDAR and is available under Hydro One's profile at [www.sedar.com](http://www.sedar.com). Additional details respecting the terms of the governance agreement are also provided in Hydro One's most recent annual information form that is also available under Hydro One's profile at [www.sedar.com](http://www.sedar.com).

The structure and role of the board is consistent with the best practices of leading Canadian publicly listed companies and the governance agreement.

## Board Mandate

The mandate of the board is to oversee the business and affairs of Hydro One. As part of that mandate, the board is responsible for overseeing the interests of Hydro One's customers which are fundamental to, and inform, Hydro One's business and strategy. The board approved the mandate of the Hydro One Ombudsman who reports directly and regularly to the nominating, corporate governance, regulatory & public policy committee of the board. The board also receives comprehensive customer service reports which are a standing item at every regular board meeting. The board has adopted a written mandate, which is attached as Schedule "A" to this circular.

## Board's Role in Strategy

The board oversees our strategic direction and holds management accountable for executing the company's strategy. The board participates in our strategic planning process throughout the year by reviewing and approving our strategic plan (taking into account the opportunities and risks of our business), regularly scrutinizing management's execution of business plans and their results and annually assessing the company's performance against financial and other objectives established in the company's business plans, past performance and industry peers. The board dedicates at least one meeting every year for these purposes.

## Board's Role in Overseeing Risk

Our risk oversight framework sets the foundation for overseeing the identification and management of our principal business risks. The board reviews and approves our major risk policies, our enterprise risk management framework and a list of key risks that the company plans to prioritize in the next year. The audit committee reviews the company's enterprise risk management framework and assesses the adequacy and completeness of the process for identifying and assessing the key risks facing the company.

## CORPORATE GOVERNANCE

The board retains overall responsibility for overseeing the management of risk for the company. The audit committee assists the board by ensuring that the risks identified are allocated where appropriate to the board committees, consistent with the general scope of their respective responsibilities. As part of their assessment, the committees are expected to consider the likelihood and magnitude of the specific risks within their mandates and, through committee cross-appointments and other procedures, the potential compounding effects of risks. The board reviews the company's risk profile and risk tolerances annually with the officers of the company while the President and CEO has ultimate accountability for managing the company's risks.

To assist the board in identifying the key risks faced by the company, management presents an assessment of key risks and risk mitigation/management to the board on an annual basis along with how such risks are mitigated or managed. The last assessment was completed on November 11, 2016. A comprehensive description of all of the key risks facing the company is provided in the company's Management's Discussion and Analysis for the fiscal year ended December 31, 2016 and in other filings made by the company with the securities regulatory authorities in Canada. The board's assessment of the relative significance of these risks may change over time.

### Internal Controls and Management Information Systems

The board oversees the integrity and effectiveness of our management information systems and internal controls and approves our internal control policy. The work is carried out mainly by the audit committee, which oversees our key controls over financial reporting, certifications of internal controls over financial reporting and disclosure controls and procedures. The audit committee meets separately with the Chief Financial Officer (the CFO) and head of internal audit and also with the external auditors without management present, receives regular reports from management and the internal audit department on our internal controls and any significant deficiencies in controls, and oversees Hydro One's code of business conduct (the *code of business conduct*) and Hydro One's whistleblower policy (the *whistleblower policy*), which includes procedures for receiving and resolving complaints about accounting or auditing matters.

### Talent Management: Leadership Development, Succession Planning and Performance Assessment

Our talent management strategy focuses on developing our executive talent to support our long term business strategy and ensure management succession. The board oversees development and

implementation of our talent management leadership development strategy with the support of the human resources committee. The human resources committee reviews the qualifications, experience and capabilities of executives on the succession plan, reviews candidates for our most senior roles, including the President and CEO, and endorses executive appointments to the board for approval.

The human resources committee reviews the President and CEO's assessment of the performance of his direct reports who hold an executive vice-president position and, in particular, the committee assesses the President and CEO's performance against his mandate and the short and long term objectives that were set at the beginning of the year.

### Ethical Business Conduct

The company has a written code of business conduct that applies to all employees, directors and officers of Hydro One and its subsidiaries.

The code of business conduct sets out Hydro One's core values and establishes standards to define how employees, officers and directors of Hydro One should act. The code of business conduct addresses, among other things, health and safety matters, conflicts of interest, discrimination and harassment, confidentiality, insider trading, environmental protection, safeguarding Hydro One's assets (including accounting and financial reporting) and relationships with outside stakeholders including investors, customers, public officials and third parties, conduct during investigations and compliance and reporting obligations. The full text of the code of business conduct can be found on Hydro One's website at [www.HydroOne.com](http://www.HydroOne.com) or is available under Hydro One's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The board monitors compliance with the code of business conduct through the audit committee. Any actual, potential or suspected violation of the code of business conduct can be reported anonymously to the company's corporate ethics officer, as confidential designee of the company, in accordance with the whistleblower policy.

### Whistleblower Policy

The whistleblower policy is designed as a safeguard against threats to the integrity of our financial reporting, threats to health and safety, wrongdoing by employees, representatives and business partners and actual, potential or suspected violations of our code of business conduct and applicable laws. Employees concerned about any of these matters are encouraged to discuss the matter with their supervisor and may report concerns anonymously through the

company's independent third-party service provider at [www.clearviewconnects.com](http://www.clearviewconnects.com). The whistleblower policy protects employees who make a report in good faith. All reports are investigated internally or by an independent external party, and appropriate action is taken. The audit committee reviews all matters reported under the whistleblower policy and their disposition.

## Stakeholder and First Nations and Métis Engagement

The company is committed to understanding the interests of and maintaining and enhancing long term relationships with its investors, regulators, governments, creditors, employees, customers, suppliers, non-governmental organizations and other stakeholders and communities in which the company operates, including First Nations and Métis communities. The board has adopted a stakeholder engagement policy in order to promote open, effective and sustained dialogue with stakeholders consistent with the company's insider trading policy, the corporate disclosure policy and with the company's obligations to provide fair disclosure and maintain effective disclosure controls and procedures. The board, or an appropriate committee of the board, reviews the content of the company's major communications to the investing public, including, without limitation, quarterly and annual reports, earnings releases, management's discussion and analysis, information circulars, the annual information form and any registration statements or prospectuses that may be issued, filed or otherwise distributed. Shareholders may make their views known through individual voting for directors, the annual say on pay advisory vote and other matters submitted to shareholders for approval.

## Board Structure

### Board Chair

The board chair is responsible for leading the board in carrying out its duties and responsibilities effectively, efficiently and

independent of management. Under the governance agreement, the board chair is nominated and confirmed annually by special resolution of the board. The board chair is required to be separate from the President and CEO and must be independent of Hydro One and independent of the Province.

The board chair's key responsibilities include providing leadership to the board to enhance the board's effectiveness for certain accountabilities, including supervision of management of the company and oversight of the relationships between the board, management, shareholders, customers and other stakeholders. The board chair presides over all board meetings, chairs all sessions with the independent directors, supports and assists in director orientation and continuing education and ensures that an appropriate system is in place to annually evaluate the performance of the board as a whole.

### President and CEO

The President and CEO is responsible for managing and providing strategic direction to Hydro One, including the development and implementation of plans, policies, strategies and budgets for the growth and profitable operation of the company. Under the governance agreement, the appointment of the President and CEO is confirmed annually by special resolution of the board.

### Board Committees

Four standing committees assist the board in carrying out its duties and responsibilities. Descriptions of the committee mandates and membership are included in the circular starting on page 40. Except for the board chair and the President and CEO, all directors serve on at least one board committee. The board chair regularly attends each committee meeting by standing invitation. The President and CEO does not sit on any board committees because he is not independent; however he regularly attends and participates at committee meetings.

Copies of the board committee mandates are posted in the corporate governance section of our website at [www.HydroOne.com/InvestorRelations/CorporateGovernance](http://www.HydroOne.com/InvestorRelations/CorporateGovernance)

### Committee Chairs

Committee chairs must be independent directors. They are responsible for providing leadership to the committee, facilitating the functioning of the committee independently of management and reporting to the board on its activities and its compliance with the committee's mandate, and providing input to the board chair and the chair of the nominating, corporate governance, public

policy & regulatory committee on succession planning for their position and each committee, generally.

### Position Descriptions

The board has adopted written position descriptions for the board chair, the President and CEO, directors, and the chair of each board committee.

## Orientation and Continuing Education

The company has implemented an orientation program for new directors in accordance with Hydro One's corporate governance guidelines (the *corporate governance guidelines*).

When new directors join the board, they are provided with briefings by management on the key aspects of the company's business affairs, activities, corporate governance structure, and its policies and procedures. In addition, directors are also provided with access to the company's secure board portal which provides online access to all meeting materials required for the meetings and the director's information manual which contains information on board and committee mandates, position descriptions for the board chair, President and CEO, committee chairs, and individual directors, and copies of the company by-laws and corporate governance guidelines.

The company also supports continuing education opportunities outside the company and each director is encouraged to attend external forums, conferences, seminars and education programs dealing with subject matters that are applicable to the member's role on the board or its committees or to increase the member's knowledge of the company's industry and other areas of interest relevant to the company's businesses and affairs. Approval by the board chair or the chair of the nominating, corporate governance, public policy & regulatory committee is required to attend such programs with the financial support of the company.

In 2016, a majority, if not all, of the board nominees participated in both internal and external education sessions including those listed in the following table:

Internal/ External	Topic	Presented/Hosted by	Attended By
Internal	System Planning and Ontario's Electricity Network	Independent Electricity System Operator	Board of directors
	Enterprise Risk Management	Senior Management	Audit committee
	Regulatory Overview	Senior Management	Audit committee
	Legislative Overview and Update	Senior Management	Nominating, corporate governance, public policy & regulatory committee
	First Nations & Métis Relations	Senior Management	Board of directors
	IT Overview & Cybersecurity	Senior Management	Audit committee
	Utility of the Future	Boston Consulting Group	Board of directors
	Ontario Climate Change Update	Senior Management	Nominating, corporate governance, public policy & regulatory committee
	Understanding the (Hydro One) Bill	Senior Management	Board of directors
	Electromagnetic Fields	Senior Management	Health, safety, environment and First Nations & Métis committee
	U.S. President Elect Trump's Potential Policy Changes and Impacts on the Energy Sector	Expert Panel Discussion	Board of directors

Internal/ External	Topic	Presented/Hosted by	Attended By
External	Audit Quality Indicators Roundtable	Canadian Public Accountability Board	D. Denison (speaker) C. Clark (speaker)
	Long Termism and Shareholder Engagement	Deloitte	J. Peverett
	2016 National Conference	Institute of Corporate Directors	I. Bourne D. Denison (speaker)
	The Board's Role in Crisis Management	Institute of Corporate Directors	J. Peverett (panelist)
	Board's Role: Directing for Digital Disruption	Institute of Corporate Directors	M. Harris
	Cybersecurity: Considerations for the Board in Addressing the Risks and Reacting to an Attack	Institute of Corporate Directors	J. Peverett
	Indigenous Law Issues 2016	Law Society of Upper Canada	G. Rubenstein
	2016 Pension Forum	Northwind Professional Institute	G. Rubenstein
	Energy Conference 2016	Ontario Energy Association	J. Hinds
	Are Canadian Directors Ready for a Corporate Crisis?	Osler, Hoskin & Harcourt LLP	C. Clark J. Hinds G. Rubenstein
	Stanford-Rotman Corporate Governance Day	Rotman School of Management	I. Bourne D. Denison (panelist)
	CEO Selection and Oversight of Long-Term Incentive Plans/How ISS Develops and Applies its Policies/ Pay for Long-Term Performance	Tapestry Networks	M. Harris
	Risk and the Compensation Committee	Tapestry Networks	M. Harris



## Independence of the Board of Directors

The board currently consists of 15 directors, 14 of whom are both independent of Hydro One and independent of the Province. The

following table summarizes the committee memberships and independence status of board members.

Director	Committees				Independence	
	Audit	Nominating, Corporate Governance, Public Policy & Regulatory	Human Resources	Health, Safety, Environment and First Nations & Métis	Independent of Hydro One	Independent of the Province
Ian Bourne		✓	Chair		✓	✓
Charles Brindamour	✓		✓		✓	✓
Marcello (Marc) Caira		✓	✓		✓	✓
Christie Clark		✓	✓		✓	✓
George Cooke	✓			✓	✓	✓
David Denison					✓	✓
Margaret (Marianne) Harris			✓	Chair	✓	✓
James Hinds <sup>(1)</sup>	✓			✓	✓	✓
Kathryn Jackson		✓		✓	✓	✓
Roberta Jamieson <sup>(1)</sup>	✓			✓	✓	✓
Frances Lankin	✓	✓			✓	✓
Philip S. Orsino	Chair	✓			✓	✓
Jane Peverett		Chair	✓		✓	✓
Gale Rubenstein			✓	✓	✓	✓
Mayo Schmidt <sup>(2)</sup>	–	–	–	–	–	–

### Notes:

<sup>1</sup> Mr. Hinds was previously a director and the chair of the IESO and Ms. Jamieson was previously a director of Ontario Power Generation Inc., but because those relationships ended before August 31, 2015, they are independent of the Province within the meaning of the governance agreement.

<sup>2</sup> Mr. Schmidt is not independent because he is the President and CEO of Hydro One.

At each meeting of the board, the independent directors hold an in camera meeting at which members of management are not present unless the board chair otherwise determines. During 2016, 9 such in camera sessions without management were held. Each committee of the board also holds regular in camera meetings, unless the chair of the applicable committee determines otherwise. As well, the audit committee meets regularly, but no less than quarterly, with the CFO, the head of the company's internal audit function and the external

auditors in separate in camera executive sessions to discuss any matters that the audit committee or any of these groups believes should be discussed privately. The audit committee also holds in camera sessions at each meeting of the committee without management or non-independent directors present, unless otherwise determined by the audit committee chair. These sessions encourage open and candid discussion among the directors.

## Skills and Experience of the Board

Each director brings relevant experience to the board. The matrix below shows the board's mix of key skills and experience in areas that are important to the company's business. The skills and

experience matrix is also used to identify those skills for which the company will recruit when making changes to its board. The following chart outlines the top five key areas of skills and experience for each director.

Director	Major Competencies										
	Accounting/ Finance	Human Resources/ Union Relations	Consumer	Energy Sector	Capital Markets	Stakeholder Engagement (including First Nations and Métis)	Government/ Regulatory/ Public Policy	Information Technology	Risk Management	Business Transformation	Large Company Senior Executive
Ian Bourne	✓	✓		✓				✓	✓		
Charles Brindamour			✓		✓				✓	✓	✓
Marcello (Marc) Caira		✓	✓			✓				✓	✓
Christie Clark	✓	✓							✓	✓	✓
George Cooke	✓	✓		✓			✓		✓		
David Denison	✓				✓			✓	✓		✓
Margaret (Marianne) Harris	✓	✓			✓		✓		✓		
James Hinds	✓			✓	✓		✓			✓	
Kathryn Jackson				✓		✓	✓	✓		✓	
Roberta Jamieson			✓	✓		✓	✓		✓		
Frances Lankin		✓	✓			✓	✓			✓	
Philip S. Orsino	✓				✓				✓	✓	✓
Jane Peverett	✓	✓		✓			✓				✓
Gale Rubenstein		✓	✓	✓		✓	✓				
Mayo Schmidt			✓				✓		✓	✓	✓
<b>Total directors with experience</b>	<b>8</b>	<b>8</b>	<b>6</b>	<b>7</b>	<b>5</b>	<b>5</b>	<b>9</b>	<b>3</b>	<b>9</b>	<b>8</b>	<b>7</b>

## Description of Competencies

**Accounting/finance:** senior financial officer of a publicly listed company or major organization or experience in financial accounting and reporting, and corporate finance (familiarity with internal financial controls, Canadian or US GAAP, and/or International Financial Reporting Standards);

**Human resources/union relations:** strong understanding of human resource development, organizational/personal development and training working with a unionized workforce and compensation, benefit and pension programs, with specific expertise in executive compensation programs;

**Consumer:** experience with mass consumer-facing business;

**Energy sector:** experience in the electricity industry, combined with a strong knowledge of market participants;

**Capital markets:** experience in investment banking, finance or in major mergers and acquisitions;

**Stakeholder engagement (including First Nations & Métis):** experience in or a strong understanding of communications and relations with investors, customers, regulators, and community relations, especially experience in relations with First Nations & Métis communities;

**Government/regulatory/public policy:** experience in, or a strong understanding of, the workings of government and public policy in Canada and internationally;

**Information technology:** experience in information technology with major implementations of management systems;

## CORPORATE GOVERNANCE

**Risk management:** experience or understanding of enterprise risk management systems, procedures and practices;

**Business transformation:** experience driving strategic direction changes and leading growth of an organization;

**Large company senior executive:** experience as a chief executive officer, chief operating officer or chief financial officer of a publicly listed company or major organization.

### Nomination of Directors

The nominating, corporate governance, public policy & regulatory committee identifies qualified candidates for election to the board, having regard for their independence, background, experience and skills and the alignment of such candidates' experience and skills with Hydro One's needs. Under the governance agreement, the Province is entitled to nominate the number of directors that is equal to 40% of the number of directors to be elected (rounded to the nearest whole number). The nominating, corporate governance, public policy & regulatory committee communicates with and makes recommendations to the Province respecting potential candidates for director, including potential candidates for nomination by the Province. The Province has no obligation to nominate any of the individuals recommended as one of its director nominees.

Director nominees must meet the director qualification standards set out in the governance agreement, including the prescribed director independence requirements and requirements under securities laws and applicable stock exchange rules. If a proposed nominee is replacing an existing director, under the governance agreement, the nominee must also, when taking into account existing directors and other confirmed nominees, enable the board to satisfy the board composition requirements of Hydro One's director skills matrix, board diversity policy and other governance standards. A majority of the board must at all times be resident Canadians.

Not later than 60 days prior to the date by which proxy solicitation materials must be mailed for Hydro One's annual meeting of shareholders, each of the Province and the nominating, corporate governance, public policy & regulatory committee will notify the other of its proposed director nominees. If a proposed nominee is not already a director of Hydro One or is then a director but whose circumstances have materially changed in a way that would affect whether she or he would continue to meet the director qualification standards under the governance agreement, then the Province or the committee, as the case may be, will have 10 business days to confirm that nominee or reject that nominee on the basis that the nominee does not meet those director qualification standards.

If a director nominee of the Province or the nominating, corporate governance, public policy & regulatory committee is rejected, the Province or the committee will be entitled to nominate additional candidates until a nominee is confirmed by the other. If no replacement nominee is confirmed for a director who was expected to depart from the board and that director does not resign, that director shall be re-nominated. The Province and the committee will use commercially reasonable efforts to confirm director nominees prior to the date by which proxy solicitation materials must be mailed for the annual meeting of shareholders.

The Province is required under the governance agreement to vote in favour of all director nominees of Hydro One. That obligation is subject, however, to the Province's overriding right to withhold from voting or otherwise seek a shareholder meeting to remove and replace the entire board, including in each case its own director nominees but excluding the CEO and, at the Province's discretion, the board chair.

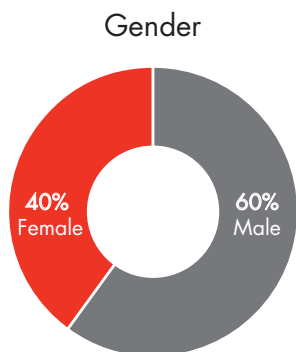
### Board Renewal and Term Limits

The company's board is committed to a process of renewal and succession planning for directors. The board has adopted term limits on board service and a mandatory retirement age, which are set out in the corporate governance guidelines.

Non-executive directors cannot stand for re-election 12 years after the date on which the director first began serving on the board, except in special circumstances (including if necessary to facilitate orderly board renewal) on the recommendation of the nominating, corporate governance, public policy & regulatory committee. No director shall be appointed or elected as a director after that person has reached 75 years of age, unless otherwise determined by the board.

### Diversity Policy

The board has adopted a board diversity policy (the *diversity policy*) which formalizes the company's commitment to diversity and its desire to maintain a board comprising talented and dedicated directors whose skills, experience, knowledge and backgrounds reflect the diverse nature of the business environment in which it operates, including an appropriate number of female directors. The board aspires towards a board composition in which at least 40% of the directors on the board are women. The board has met this as 40% of the directors of the board are women (6 out of the 15). In considering the composition of the board and the identification of qualified nominees for election as directors, the nominating, corporate governance, public policy & regulatory committee assesses the diversity policy's effectiveness in promoting a diverse board on an annual basis.



In addition to the board’s formal diversity policy, Hydro One strives to ensure an inclusive corporate culture where all employees are valued and have equal access to opportunities. Hydro One strives to ensure that its gender diversity is appropriately reflected at all levels of the organization, including executive positions after taking into account all relevant factors, such as merit, capability and equal treatment of employees. As at March 17, 2017, approximately 33% of executives (those who hold a vice president role and above or equivalent) (11 out of 33) across Hydro One are women. Of these 11 women, one of them is in an executive officer position. See the company’s most recent annual information form for a list of the executive officers of Hydro One.

Targets are not currently in place for the number of women in executive officer positions, and the board has not yet made any determination as to whether or not targets should be set for the number of women in executive officer positions. The human resources committee’s 2017 work plan includes the executive leadership team consulting with the appropriate board committee(s) to review the level of gender diversity in executive officer positions and a determination regarding targets.

## Service on Other Boards

### *Limit on Directorships*

The company recognizes that the board can benefit when a director also serves on the board of another company. However, as directors are expected to devote the time necessary to fulfill their responsibilities, a director’s acceptance of additional positions as a corporate director of for-profit corporations is subject to the board’s review and we limit the number of public company boards they can serve on (in each case, excluding service on the board of the company and the board of directors of Hydro One Inc.). Each non-management director is expected to hold no more than four public company directorships and the President and CEO should not hold more than one such directorship.

In addition, the audit committee mandate provides that no member of the audit committee may serve on the audit committee of more than two other publicly traded companies unless the board has first determined that such simultaneous service would not impair the ability of the member to serve effectively on the audit committee. No current director or director nominee serves on more than four public company boards (excluding Hydro One) and no member of the audit committee serves on more than two public company boards.

### *Board Interlocks*

The board seeks to avoid having more than one board interlock at any given time. A “board interlock” is a circumstance where two or more directors of the board serve on the board of directors of the same publicly-traded company (excluding in the case of the company directors, Hydro One Inc.). Directors may not accept an invitation to join the board of another publicly-traded company, and new candidates for service on the board will not be invited to join the board, if it would result in there being more than one board interlock (or would increase the number of directors involved in the same board interlock), in each case unless approved by the board. The company currently has one board interlock as set out below.

Company	Directors	Committee Membership
Loblaw Companies Limited	Christie Clark Marianne Harris	Audit Committee (Chair) Audit Committee

## Assessments

The nominating, corporate governance, public policy & regulatory committee is responsible for overseeing the annual assessment of the effectiveness of the board as a whole, each board committee, the board chair, each committee chair and each individual director (having regard to the mandate of the board and the mandate of the relevant committee, as the case may be). Peer assessments and self-evaluations are conducted at the individual

director level. At the completion of the assessments, the committee reviews the annual board and committee performance evaluation process, makes recommendations to the board, and reports to the board chair the results of both the annual assessment and performance evaluation process. The process includes the completion of written questionnaires and one-on-one meetings with the board chair to discuss individual performance and the effectiveness of the board and committees.

## Committee Reports

The board has established four committees: (i) the audit committee; (ii) the nominating, corporate governance, public policy & regulatory committee; (iii) the health, safety, environment and First Nations & Métis committee; and (iv) the human resources committee. All members of these committees are persons determined by the board to be independent. A majority of the members of each committee are residents of Canada. The board committees are responsible for assisting the board in fulfilling its oversight responsibilities relating to the matters set out in each committee mandate, which were approved by the board.

### Audit Committee



Philip S. Orsino (Chair)

The audit committee must consist of at least three directors, all of whom must be independent and “financially literate” (within the meaning of other applicable requirements or guidelines for audit committee service under securities laws or the rules of any applicable stock exchange, including National Instrument 52-110 *Audit Committees*).

At least one member of the audit committee must qualify as an “audit committee financial expert” as defined by the applicable rules of the United States Securities and Exchange Commission. Of the audit committee members, each of Philip S. Orsino, Charles Brindamour, George Cooke and James Hinds qualify as an audit committee financial expert.



Charles Brindamour



George Cooke

Each of the audit committee members has an understanding of the accounting principles used to prepare Hydro One’s financial statements and experience with the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting. For more information about the audit committee, see the section entitled “Audit Committee” in the company’s most recent annual information form.



James Hinds



Roberta Jamieson

Under its mandate, the audit committee’s responsibilities include:

- overseeing the independence, qualification and appointment of external auditors
- overseeing the appointment of the head of the Company’s internal function
- overseeing the integrity of Hydro One’s financial statements and financial reporting process, including the audit process and Hydro One’s internal control over financial reporting, disclosure controls and procedures and compliance with other related legal and regulatory requirements
- overseeing the performance of Hydro One’s finance function, internal auditors and external auditors
- overseeing the auditing, accounting and financial reporting process
- reviewing and recommending the interim and annual financial statements, management’s discussion and analysis of the financial condition of the company and the results of its operations for release to shareholders



Frances Lankin

The audit committee is also responsible for overseeing regulatory matters, the code of business conduct and whistleblower policy, the enterprise risk management framework and reviewing the company’s privacy and data security measures.

The committee met *in camera* without management and with its external and internal auditors at 5 of its 6 meetings.

The committee reviewed its mandate and is satisfied that it carried out its duties and responsibilities.

### 2016 Accomplishments and Highlights

- Conducted the annual review of the committee’s mandate to ensure its adequacy;
- Reviewed the results of the annual performance evaluation of the committee;

#### *Oversight of External Auditors*

- Evaluated and assessed the performance of the external auditors including members of their audit team;
- Recommended the appointment of the external auditors;
- Reviewed and approved audit and non-audit fees and services;
- Reviewed the external auditors' annual audit plan;
- Monitored the effectiveness of the relationship among the external auditors, management and the committee;

#### *Oversight of Internal Auditors*

- Approved the internal auditors' annual audit plan;
- Monitored the activities of the internal audit department and reviewed the internal auditors' reports which included internal audit dashboards, audit reports and management action plans;

#### *Oversight of Accounting Principles and Practices*

- Reviewed and discussed with management and the external auditors, among other things:
  - the quality, appropriateness and acceptability of the company's accounting principles, practices and policies used in its financial reporting;
  - all significant financial reporting issues and judgments made in connection with the preparation of financial statements;

#### *Oversight of Financial Reporting and Disclosures*

- Reviewed and recommended the company's interim and annual financial statements and the disclosure contained in the related management's discussion & analysis;
- Reviewed internal controls over financial reporting and disclosure controls and procedures with management;

#### *Oversight of Finance and Regulatory Matters*

- Reviewed the organizational structure and effectiveness of the finance function;
- Received an overview of the company's 2016-2017 insurance program;
- Received regulatory updates;
- Reviewed summary business expense reports and provided oversight in respect of the approval process of executive expenses;

#### *Code of Business Conduct and Whistleblower Policy*

- Conducted the annual review of the company's code of business conduct and whistleblower policy;
- Received reports on activity under the whistleblower policy;

#### *Enterprise Risk Management*

- Reviewed the company's Risk Management Framework;
- Reviewed and recommended the allocation of specific risk categories to the board and each of the committees; and
- Received reports relating to the company's information technology (IT) systems, including cybersecurity and IT activities.

Nominating, Corporate Governance, Public Policy & Regulatory Committee



Jane Peverett (Chair)

The nominating, corporate governance, public policy & regulatory committee must consist of at least three directors, all of whom must be independent. These individuals are charged with reviewing, overseeing and evaluating the corporate governance and nominating policies of Hydro One.

Under its mandate, the nominating, corporate governance, public policy & regulatory committee's responsibilities include:

- making recommendations on the company's corporate governance framework, policies, guidelines and its approach to governance issues
- assessing, on an annual basis, the effectiveness of the board as a whole, each committee, the board and committee chairs, and each individual director and making recommendations to the board on such matters
- managing the process for nominating new directors to the board in accordance with the governance agreement, including recommending nominees to the board
- overseeing director orientation and continuing education
- appointing and overseeing the company's internal Ombudsman



Ian Bourne



Marcello (Marc) Caira

The nominating, corporate governance, public policy & regulatory committee is also responsible for recommendations on director compensation, reviewing the implementation of the company's corporate social responsibility framework, overseeing public policy and regulatory matters, and overseeing the sponsorship and donations program.



Christie Clark



Kathryn Jackson

**2016 Accomplishments and Highlights**

- Conducted the annual review of the committee's mandate to ensure its adequacy;
- Reviewed the results of the annual performance evaluation of the committee;

**Corporate Governance**

- Reviewed the company's corporate governance practices against best practices;
- Received updates on best corporate governance practices and trends;
- Received and reviewed a report on directors' expenses;

The committee met *in camera* without management present at each of its meetings.

The committee reviewed its mandate and is satisfied that it carried out its duties and responsibilities.

**Board Composition, Roles, Director Nominations and Board Evaluations**

- Oversaw the director nomination process under the governance agreement;
- Assessed independence of non-executive directors;
- Reviewed and revised the director skills matrix;
- Conducted assessments of individual directors, the board, board committees, the board chair and committee chairs;

**Compliance with Disclosure Requirements**

- Reviewed the corporate governance disclosure in the 2016 management information circular;

**Director Orientation and Continuing Education**

- Reviewed and enhanced the director education program;

*Corporate Social Responsibility*

- Received reports on corporate social responsibility;

*Public Policy and Regulatory*

- Provided oversight of the Ombudsman's office including the budget, key performance indicators, and the Ombudsman's terms of reference;
- Received quarterly reports from the Hydro One Ombudsman;
- Reviewed the company's government relations policy;
- Received a report on the company's sponsorship and donations program; and
- Received reports on external and government relations.



Health, Safety, Environment and First Nations & Métis Committee



Margaret (Marianne) Harris (Chair)



George Cooke



James Hinds



Kathryn Jackson



Roberta Jamieson



Gale Rubenstein

The health, safety, environment and First Nations & Métis committee must consist of at least three directors, all of whom must be independent.

Under its mandate, the health, safety, environment and First Nations & Métis committee's responsibilities include:

- overseeing effective occupational health and safety and environmental policies and programs at Hydro One
- overseeing Hydro One's relationship with First Nations and Métis communities and the company's implementation of the First Nations and Métis relations policy
- reviewing Hydro One's preparedness for crisis response with respect to health, safety and environmental matters
- reviewing the health, safety and environment performance update and monitoring the recordable injuries frequency rate

The health, safety, environment and First Nations & Métis committee is also responsible for reviewing management's occupational health and safety training and education programs to build a safety first approach throughout the company, reviewing reports of actual health, safety and environment events and management's response, discussing the company's environmental objectives and reviewing the internal auditor's audit plans for auditing controls and procedures for health, safety and environmental risks.

**2016 Accomplishments and Highlights**

- Conducted the annual review of the committee's mandate to ensure its adequacy;
- Reviewed the results of the annual performance evaluation of the committee;
- Reviewed and approved the committee's 2017 work plan;

**Relationship with First Nations and Métis**

- Received reports on First Nations and Métis relations;
- Reviewed the First Nations & Métis policy and framework;

**Occupational and Public Health, Safety and the Environment**

- Reviewed and approved the company's health and safety, environmental, workplace violence and harassment and public safety policies;
- Received the 2015 health, safety and environment performance results;
- Received quarterly health, safety and environment performance results;
- Reviewed significant event reports on health, safety and environment incidents, including those involving the public;
- Reviewed reports on the company's health, safety and environment programs, emerging issues and regulation updates;
- Received reports on the company's approach to corporate social responsibility and the development of a corporate social responsibility report;

**Internal Audit**

- Reviewed the internal audit health, safety and environment audit reports; and
- Reviewed the 2016 and 2017 health, safety and environment audit plans.

The committee met *in camera* without management present at each of its meetings.

The committee reviewed its mandate and is satisfied that it carried out its duties and responsibilities.

## Human Resources Committee



Ian Bourne (Chair)



Charles Brindamour



Marcello (Marc) Cairn



Christie Clark



Margaret (Marianne) Harris



Jane Peverett



Gale Rubenstein

The committee met *in camera* without management present at each of its meetings.

The committee reviewed its mandate and is satisfied that it carried out its duties and responsibilities.

The human resources committee must consist of at least three directors, all of whom must be independent.

Under its mandate, the human resources committee's responsibilities include:

- reviewing the compensation, attraction and retention of key senior management
- reviewing and recommending to the board compensation payable, including appropriate performance incentives, to the President and CEO and certain designated employees
- reviewing the administration of employee compensation and incentive plans and programs and the company's pension plans
- implementing executive share ownership guidelines, the anti-hedging prohibitions and the compensation recoupment policy
- annually reviewing and recommending succession plans for the President and CEO and certain designated employees, and contingency preparedness plans
- monitoring, reviewing and recommending the company's labour relations strategy and collective bargaining mandates and agreements

The human resources committee's responsibilities also include ensuring that the company's compensation programs are aligned with the company's strategic plans and risk profile, retaining appropriate compensation consultants and reviewing the company's succession planning and talent management processes for all non-union employees, assessing the integrity of the President and CEO and designated employees, and reviewing the company's workplace diversity and inclusion plans and the results of employees' engagement evaluations.

### 2016 Accomplishments and Highlights

- Conducted the annual review of the committee's mandate to ensure its adequacy;
- Reviewed the results of the annual performance evaluation of the committee;
- Reviewed and approved the committee's 2017 work plan;

### Executive Compensation

- Engaged Hugessen and reviewed their 2016 annual work plan;
- Approved the executive compensation comparator group;
- Recommended the 2016-2018 performance measures for the performance share units;
- Recommended the 2015 STIP awards for the President and CEO;
- Approved the 2015 STIP awards for the direct reports to the President and CEO;
- Approved the 2016 base pay adjustments for the direct reports to the President and CEO;
- Recommended the 2016 individual scorecard and compensation for the President and CEO;
- Approved the 2016 individual scorecards for the direct reports to the President and CEO;
- Recommended the LTIP awards for the President and CEO, the direct reports to the President and CEO, and specific employees;
- Reviewed the 2017 LTIP measures, the 2017 individual scorecards for the President and CEO and the direct reports to the President and CEO;

Human Resources Committee

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*Compensation Policies*

- Received reports on 2016 trends in executive compensation, governance and shareholder engagement and regulatory matters;
- Recommended the executive compensation framework;
- Implemented the first scorecard in the company's history with weighted measures;
- Reviewed the 2017 company scorecard;
- Recommended the 2015 STIP fund for non-executives;
- Recommended the 2016 base pay and pension plan contributions for management and non-union staff;
- Implemented the executive share ownership guidelines and the management deferred share unit plan;

*Pension Plans*

- Received reports relating to the pension plans and pension division activities;
- Approved the management pension committee terms of reference;
- Approved amendments to the defined benefit pension plan as required;
- Approved the defined benefit pension plan's statement of investment policies and procedures;
- Approved the defined contribution pension plan's statement of investment policies and procedures;
- Reviewed the defined benefit pension plan's pension and investment strategy;
- Approved the Hydro One defined benefit pension plan audited financial statements for the year ended December 31, 2015;

*Compensation Risks*

- Received a report regarding compensation risk assessment;

*Succession Planning and Talent Development*

- Reviewed the succession planning process and status of succession plans for the President and CEO and his direct reports;
- Reviewed organizational structure and talent strategy and plans for high potential employees;

*Compliance with Disclosure Requirements*

- Reviewed the annual disclosure of the company's executive compensation discussion and analysis included in the 2016 management information circular;

*Culture and Integrity*

- Reviewed results of the employee engagement survey; and
- Reviewed and discussed diversity at the executive level.

# Executive Compensation

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# I – Letter to Shareholders

Dear fellow shareholders,

On behalf of Hydro One's Human Resources Committee (the *committee*), I am pleased to share with you our 2016 compensation discussion and analysis, as well an overview of the committee's activities.

## Compensation Structure and Philosophy

The company's compensation structure and philosophy were formulated in 2015 in connection with Hydro One's initial public offering and designed to ensure alignment of shareholder and executive interests, and reinforce a pay-for-performance culture. Our goal is to provide total compensation opportunities that are market competitive and enable us to attract, retain, motivate and reward highly qualified executives with the skills to develop and sustain safe, reliable and affordable services.

The company's compensation program consists of the following key components:

- **Base salary:** Salary ranges based on peer comparator groups with individual base salary reflecting merit and potential.
- **Short Term Incentive Plan (STIP):** The STIP rewards the achievement of annual company and individual performance goals. The STIP opportunity is expressed as a percentage of base salary and payouts may range from 0% to 200% based on performance. Both the STIP opportunity and the weighting of company and individual goals are based on job category and are aligned with the relevant peer groups. STIP awards are subject to clawback under certain conditions.
- **Long Term Incentive Plan (LTIP):** The LTIP rewards long term value creation and encourages employee retention. The LTIP grants vest at the end of a specific performance period and, based on the level of the role, a portion of each grant is subject to specific performance measures. At the time of grant, LTIP values are expressed as a percentage of base salary. Executives are required to retain shares in accordance with share ownership guidelines.
- **Hydro One implemented a Defined Contribution Pension Plan (DCPP),** consistent with peer company comparators, for new externally hired management and non-union

employees. Management and non-union employees who were participants in the existing Defined Benefit Pension Plan (DBPP) prior to the introduction of the DCPP continue to be members of the DBPP. All of the named executive officers discussed in the circular participate in the DCPP.

## 2016 Committee Activities

The Board approved the corporate scorecard with weighted company goals, as well as individual goals for the President and CEO and his direct reports who hold an executive vice-president position. Detailed scorecard performance measures are shown on page 74.

The quantitative corporate scorecard results, as well as individual performance relative to certain strategic objectives, were the basis for determining 2016 STIP payouts for the named executive officers. The Board approved a corporate performance multiplier of 153.1% based on corporate scorecard results, including improved net income and safety scores, and successful delivery of operating objectives and customer commitments. Key scorecard highlights included:

- **Injury free workplace:** Safety results exceeding target validating our continued focus on promoting a safety culture;
- **Customer outcomes:** Well ahead in meeting transmission commitments and achievement of distribution IT enablement projects;
- **Net income:** Exceeded target by 5% primarily due to lower corporate costs and bad debt expenses; and
- **Key infrastructure investments:** Well above target performance in three of four measures achieved through effective work planning and project management.

Achievements of the named executive officers are detailed in their respective 2016 compensation profiles in the compensation discussion and analysis.

In addition to its considerable focus on the implementation of the new compensation programs in 2016, the committee also oversaw the recruitment of key executives, pension plan governance and performance, and the development of a labour relations strategy.

## 2017 Priorities

The committee believes that Hydro One's executive compensation philosophy and structure are effectively aligned with performance and shareholder interests. We will continue to monitor the compensation program's effectiveness as the company's transformation progresses.

In 2017, the committee will oversee implementation of the company's talent management programs. The company's structured, outcomes based approach to talent management is focused on matching the right talent to the right roles, diversity and accelerating the development of high potential employees. We believe this focus on talent management will enable Hydro One to create a robust talent pipeline ready to respond to changing market conditions and achieve our corporate strategy. The committee will also continue to oversee the advancement of the company's labour relations strategy and bargaining mandate, as well as pension plan performance.

Thank you for taking the time to read the following detailed compensation discussion and analysis. We trust it provides the information that will enable you to cast an informed 'say on pay' vote at the upcoming annual meeting of shareholders. We welcome any comments or questions you may have, and invite you to submit them by email c/o the Corporate Secretary at [CorporateSecretary@HydroOne.com](mailto:CorporateSecretary@HydroOne.com).

Sincerely,



Ian Bourne  
Chair of the Human Resources Committee



## II – Compensation Discussion and Analysis

This Compensation Discussion and Analysis (CD&A) provides information regarding the company's compensation philosophy as well as its compensation practices, policies and plans. This CD&A pertains to Hydro One and its subsidiaries, including Hydro One Inc. Unless the context otherwise requires, references in the CD&A to the company and Hydro One refer to Hydro One and its subsidiaries and references to executive(s) refer to employees of the company who hold a vice-president role and above and this includes the named executive officers (see "Named Executive Officers" – page 55).

### a. Compensation Philosophy and Guiding Principles

Hydro One's executive compensation program seeks to provide total compensation opportunities that are market competitive and attract, retain, motivate and reward highly qualified executives with the calibre of talent and skills necessary to deliver on its corporate strategy, grow its business and increase shareholder value. We are focused on becoming a more competitive and commercially-oriented company with increased accountability for our outcomes and a greater linkage between our compensation programs, employee performance, productivity and efficiencies. Our compensation strategy is guided by the following principles which are reflected in the compensation arrangements for our named executive officers (see "Named Executive Officers – page 55).

Principle	Objective
Performance-oriented	To provide pay-for-performance and align performance objectives to strategy and core values over the short and long term horizon to reinforce our strategic business objectives and a performance-oriented culture.
Long term focus	To reward sustainable growth that supports long term value creation for shareholders and customers.
Market competitive	To attract and retain high performing employees with compensation targeted at or around the market median, but with pay outcomes that can pay above the median depending on performance.
Individual accountability	To foster a culture of individual ownership and accountability.
Balanced approach to risk	To support an appropriate level of risk taking that balances short and long term company objectives.
Shared responsibility	To require employees to share responsibility for compensation risks and responsibilities.
Simple and integrated	To provide programs that are simple to understand and administer and will communicate the integrated value of monetary and non-monetary rewards.

## b. Compensation Practices at a Glance

The table below highlights executive compensation practices we have implemented to drive performance and achieve shareholder value.

✓ WHAT HYDRO ONE DOES	✗ WHAT HYDRO ONE DOES NOT DO
✓ Pay for performance – aligns pay with both corporate and individual performance and uses several performance measures to avoid undue focus on any particular measure (see pages 50 and 61)	✗ Does not allow executives to hedge their holdings of common shares, PSUs or RSUs as it would undermine alignment with shareholder interests
✓ Align pay to shareholder returns – a significant portion of total compensation is delivered in equity awards, principally in performance share units (PSUs) and restricted share units (RSUs) (see page 59)	✗ No loans to executives
✓ Pay at risk – 79% of the 2016 target total direct compensation for the President and CEO is at-risk pay – variable, contingent and not guaranteed (see page 64)	✗ No reloading of options or evergreen option plan limits
✓ Share ownership – requires all of our executives to own a significant number of shares in Hydro One (see page 60)	✗ No repricing of stock options
✓ Performance based vesting – PSUs vest at the end of three years based on results relative to corporate performance measures (see page 59)	✗ No option-based awards have been granted to date
✓ Benchmarking – executive compensation benchmarked against a size and industry appropriate comparator group and targeted at or around the market median (see pages 55 and 56)	
✓ Caps on incentive payouts – short term incentive plan payouts are capped at a maximum of 200% of target. PSUs are also capped at 200% of target (see pages 58 and 59)	
✓ Clawbacks – recoupment policy applies to all executives with respect to their incentive compensation – recently updated to include wrongdoing/misconduct (see page 62)	
✓ Board discretion – board retains discretion as it deems necessary to address exceptional circumstances not contemplated by the performance measures	
✓ Time periods – incentive plans cover a range of time periods to balance short term objectives and longer term performance measurement (see pages 58 and 59)	
✓ Anti-hedging – directors, executives and other employees are prohibited from hedging their shares or equity-based compensation (see page 61)	
✓ Independent advice – the human resources committee may receive compensation advice from an independent advisor (see page 52)	
✓ Fixed number limits on equity plans involving share issuances (see page 83)	
✓ Executive perquisites are an immaterial part of total compensation (see page 76)	



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### c. Compensation Governance

#### i) Governance Framework

Hydro One's management team, the board's human resources committee and our compensation advisors all play a key role in determining compensation for the company's directors and executives.

#### *Human Resources Committee*

The human resources committee is responsible for assisting the board in fulfilling its oversight responsibilities relating to the compensation, and attraction and retention of key senior management (see "Corporate Governance – Committee Reports – Human Resources Committee"). Current members of the human resources committee are:

- Mr. Ian Bourne, Chair
- Mr. Charles Brindamour

- Mr. Marcello (Marc) Caira
- Mr. Christie Clark
- Ms. Margaret (Marianne) Harris
- Ms. Jane Peverett
- Ms. Gale Rubenstein

All of our human resources committee members have gained relevant experience in human resources and compensation by serving as an executive officer (or equivalent) of a major organization and/or through prior service on the compensation committee of a stock exchange listed company or otherwise. Please refer to the biographies and skills and expertise of our human resources committee members described starting on page 10 of the circular. In addition to the skills and experience of the members identified on page 37 of the circular, the table below also shows the experience of the current members in various relevant areas.

	Number of committee members with specific experience or expertise
Human resources experience (experience with benefit, pension and compensation programs (in particular, executive compensation))	6 of 7
Risk management experience (knowledge and experience with internal risk controls, risk assessments and reporting as it pertains to executive compensation)	6 of 7
Executive leadership experience (experience as a senior executive/officer of a public company or major organization)	6 of 7

#### *Compensation Advisors*

##### (a) Hugessen Consulting Inc.

In both 2015 and 2016, the human resources committee retained Hugessen Consulting Inc. (Hugessen) as compensation advisors independent of management. Hugessen is an independent consulting firm that provides advice to boards and compensation committees on executive compensation. In 2015, Hugessen was retained to assist in the development of a new compensation framework for Hydro One

as a public company. In 2016, Hugessen was retained to provide advice on the competitiveness and effectiveness of Hydro One's compensation programs and to provide updates to the human resources committee on executive compensation best practices and evolving governance trends in both Canada and the United States. All decisions and actions taken by the human resources committee and the board have been taken based on numerous factors and circumstances which may, but do not necessarily, reflect the information or advice provided by Hugessen.

Hugessen's fees incurred during 2016 and 2015 regarding services provided to the company and its subsidiaries are as follows:

Year	Executive Compensation Related Fees	All other Fees
Year ended December 31, 2016	\$104,029	\$0
Year ended December 31, 2015	\$316,739	\$27,178 <sup>(1)</sup>

Note:

<sup>1</sup> Fees for consulting services related to director compensation for the board.

## (b) Willis Towers Watson

In 2016, management of Hydro One engaged Willis Towers Watson to perform a variety of advisory services including conducting a risk assessment of its executive compensation program in the context of the Canadian Securities Administrators' (CSA) disclosure rules and reviewing the peer groups that were used for benchmarking compensation in 2015.

Willis Towers Watson's fees incurred during 2016 for the compensation risk assessment and peer group review are as follows:

Year	Executive Compensation Related Fees
Year ended December 31, 2016	\$18,000

## ii) Decision-Making Process to Determine Compensation

Hydro One's compensation decision-making process involves management, the human resources committee, advice from third-party advisors, and the board for final approval. Joint meetings of

the human resources committee and the board are held (with the human resources committee and board of Hydro One Inc.), as applicable, to ensure compensation is arrived at on a corporate-wide basis. Outlined below is a general overview of the process that the company follows in determining compensation.

- Management recommends program design.
- The human resources committee reviews and recommends the program and performance measures to the board for approval.
- The human resources committee approves the compensation payable to the President and CEO's direct reports who hold an executive vice-president position (including the named executive officers).
- Board approves the compensation payable to the President and CEO after receiving the human resource committee's recommendation.

### 1. Design of the compensation program

Management designs the Hydro One compensation program.

Management presents its recommended compensation program to the human resources committee, which reviews the recommendations (with its independent advisor), and then provides the human resources committee's recommendations to the board for approval.

Beginning in 2015 and continuing into 2016, Hydro One transitioned from a compensation program that was comprised solely of fixed pay (including benefits) and short term incentive pay (subject to compensation restraint legislation) to a compensation program with a greater proportion of variable "at risk" compensation including a long term incentive component and a stronger performance-based short term incentive plan component. The human resources committee continues to monitor the compensation program to ensure it is achieving its intended results and may refine the program over time to ensure it continues to be aligned with the company's strategy and long term objectives.

Further details regarding the company's short term incentive and long term incentive plans are provided on pages 58 and 59.

### 2. Choice of performance measures and annual targets

Management suggests objectives for the company and prepares corporate performance measures with their respective weightings for the incentive plans.

The human resources committee reviews the corporate performance measures and related weightings proposed by management for the short term incentive plan and the long term incentive plan and may accept them or suggest modifications. Once the human resources committee has completed its review, it recommends the corporate performance measures and related weightings to the board for approval.

At the beginning of each year, the President and CEO reviews and sets the annual individual objectives and performance measures that will be used to assess the individual performance of each of the President and CEO's direct reports who hold an executive vice-president position (including the named executive officers) for purposes of the STIP. The objectives are designed to support Hydro One's strategy.

For the President and CEO's direct reports who hold an executive vice-president position (including the named executive officers), the

## EXECUTIVE COMPENSATION

human resources committee reviews and approves their individual annual objectives and performance measures, with adjustments as appropriate.

Similarly, at the beginning of the year, the human resources committee reviews and considers the President and CEO's annual individual objectives and performance measures, may amend them, and then recommends them to the board for approval.

### 3. Set targets for executive compensation

With assistance from its independent advisor, the human resources committee develops and recommends target compensation and variable pay for the direct reports of the President and CEO who hold executive vice-president positions, including the named executive officers identified on page 55, after reviewing the results of its benchmarking analysis (see pages 55 and 56 for information about our benchmarking analysis and compensation peer groups). For other executives, management develops and recommends target compensation and variable pay after reviewing compensation for similar roles and responsibilities within the comparator peer groups. The peer groups used for benchmarking compensation are reviewed annually by the human resources committee.

### 4. Assess company performance

Early in the first quarter of every year, management assesses company performance against the corporate performance measures approved by the board and makes recommendations on the results to the human resources committee.

The human resources committee reviews management's recommendations, together with input from its independent advisor, considers whether adjustments are necessary or appropriate to reflect events occurring during the performance period that affect the applicable performance objective and recommends to the board for approval the degree to which corporate performance measures for the incentive plans were met.

The board reviews the recommendations of the human resources committee and approves the company performance results for compensation purposes.

### 5. Assess individual performance

In reviewing the performance and compensation of his direct reports who hold an executive vice-president position (including the named executive officers), the President and CEO:

- assesses their performance against their annual objectives; and
- recommends to the human resources committee their salary, short term incentive awards and long term incentive awards, taking into account past performance, previous awards, future potential and market position.

The human resources committee completes an in-depth assessment of the President and CEO's individual performance in leading the company towards its corporate goals and executing against Hydro One's long term strategy, including:

- overall company performance;
- implementation of the President and CEO's strategies to increase shareholder value; and
- achievement of the President and CEO's annual objectives.

### 6. Award compensation

The human resources committee reviews, finalizes and approves the compensation, including base salary and incentive awards of the President and CEO's direct reports who hold an executive vice-president position (including the named executive officers).

The President and CEO is not involved in determining his own compensation. The human resources committee reviews the President and CEO's self-assessment (and consults with its independent advisor) before considering his compensation.

The human resources committee's independent advisor, if required, may provide an analysis for the human resources committee to review when making its decisions about President and CEO compensation.

Following such review, the human resources committee recommends the compensation of the President and CEO to the board for approval.

## d. Named Executive Officers

For purposes of compensation disclosure, this CD&A discloses information about the President and CEO, the CFO and the three other most highly compensated executive officers who provided

services to the company and its subsidiaries during 2016 (collectively, the *named executive officers* or *NEOs*). The NEOs for 2016 are as follows:

Name	Title	Summary of Information
Mayo Schmidt	President and Chief Executive Officer	See Pages 64 and 65
Michael Vels	Chief Financial Officer	See Pages 66 and 67
Gregory Kiraly	Chief Operating Officer	See Pages 68 and 69
Ferio Pugliese	EVP, Customer Care and Corporate Affairs	See Pages 70 and 71
James Scarlett	EVP and Chief Legal Officer	See Pages 72 and 73

This CD&A pertains to Hydro One and its subsidiaries, including Hydro One Inc.

## e. Hydro One's Approach to Compensation

The following section discusses the compensation structure, programs and significant elements of compensation for the company's NEOs.

The target total direct compensation for 2016 for all executives, including the NEOs, was set by the board, taking a range of factors into account, including its stated compensation philosophy to be at or around the median of the relevant peer groups as well as comparing executives compensation relative to each other. Actual compensation takes into consideration each individual's performance as well as skills and experience as benchmarked thorough an extensive executive search process. Each role requires a high level of skill and proven experience with large, complex publicly traded enterprises, either as an executive with, or an advisor to, such enterprises. For details on their 2016 target total direct compensation and actual compensation, see their individual compensation profiles starting on page 64.

### *Benchmarking and Pay Positioning for President and CEO and the CFO*

The company's compensation philosophy is to provide total compensation opportunities that are competitive in the context of relevant peer groups for various management levels. For purposes of determining the compensation for Hydro One's President and CEO and the CFO, the company identified a primary reference group consisting of the four largest utilities listed on the TSX plus four other TSX listed companies within the broader energy industry of comparable size and scope of operations to Hydro One. These eight companies are listed in the following table:

#### Compensation Peer Group

Fortis Inc.	ATCO Inc.
Emera Incorporated	TransAlta Corp.
Pembina Pipeline Corporation	Keyera Corp.
AltaGas Ltd.	Inter Pipeline Ltd.

In selecting this group of peers, the company considered scoping criteria that are reflective of the size, scale and complexity of Hydro One's businesses, including revenue, assets, market capitalization and enterprise value. Companies were selected generally based on a range of approximately 0.5x to 2.0x Hydro One's positioning on the criteria set out in the chart on the next page at the time of selection.

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## Hydro One vs. Pay Benchmarking Comparator Group

\$MM, CAD



Pay Benchmarking Comparator Group



Notes:

- As at December 31, 2016. "Market Capitalization" is calculated based on the number of common shares outstanding multiplied by the closing share price and "Total Enterprise Value" is calculated based on Market Capitalization, plus net debt.
- The Market Capitalization of Hydro One was \$14 billion and its Total Enterprise Value was \$25 billion as at December 31, 2016.
- Last 12 months' total assets and total revenues are calculated as at December 31, 2016.
- Information in this chart was prepared by Hugessen using data from S&P Capital IQ.

### Benchmarking and Pay Positioning for NEOs other than President and CEO and the CFO

Compensation for 2016 for all executives (including the NEOs other than the President and CEO and the CFO) reflected consideration of a separate compensation peer group consisting of 21 Canadian-based entities that had been selected in 2015 based on criteria such as organizations with revenue of at least \$1 billion, reporting in the heavy industrial sector, with a large unionized workforce, a pay-for-performance culture, and many engineering/technologist job positions.

These 21 companies are listed in the following table (the bolded companies have been included in the primary peer group for the President and CEO and the CFO):

**Core Utility Peers**

- AltaGas
- ATCO Group
- Capital Power Corporation
- Emera Inc.**
- Enbridge Inc.
- Fortis Inc.
- Inter Pipeline Ltd.
- Keyera Corp.
- Pembina Pipeline Corporation
- TransAlta Corp.
- TransCanada Corporation

**Other – Asset Intensive Companies**

- Agrium Inc.
- Bombardier Inc.
- Canadian National Railway
- Canadian Pacific Railway Ltd.
- Canadian Tire Corporation
- CGI Group Inc.
- Intact Financial Corporation
- Rogers Communications Inc.
- SNC Lavalin Group Inc.
- Telus Corporation

## Components of Compensation

Hydro One's compensation structure includes base salary, an annual short term incentive, a long term incentive and benefits. The human resources committee determined that only PSUs and RSUs would be awarded under the long term incentive plan in 2016.

Awards under the company's short term incentive plan for the NEOs was based on achievement of company and individual goals with 80% allocated to company goals and 20% to individual goals.

The table below describes the components of compensation for the named executive officers:

	Component	Form	Objectives
Fixed	Base Salary	Cash  Annual base salaries are based on job function, individual performance and experience and market competitiveness	<ul style="list-style-type: none"> <li>Attract and retain talent, as well as provide a predictable and steady income.</li> </ul>
	Pension	New DCPD for the NEOs and new hires <sup>(1)</sup>	<ul style="list-style-type: none"> <li>Provide market-competitive retirement arrangements to attract and retain talent, while moving toward more sustainable pension plans.</li> </ul>
	Benefits	Group health, life and disability benefits	<ul style="list-style-type: none"> <li>The NEOs participate in benefit programs and flexible benefits plans available to all employees.</li> </ul>
Variable	Short Term Incentive	Cash - executives can choose to receive some or all in the form of deferred share units ( <i>management DSUs</i> ) available under the management deferred share unit plan adopted by the company	<ul style="list-style-type: none"> <li>Motivate and reward achievement of annual business and financial performance objectives. A portion of annual incentives are tied to corporate and individual performance measures aligned with annual objectives.</li> </ul>
	Long Term Incentive	PSUs and RSUs  Award is made as a percentage of base salary; in 2016, award was an equal allocation of PSUs and RSUs. In 2017, grants will be allocated 60% to PSUs and 40% to RSUs	<ul style="list-style-type: none"> <li>Motivate and align executives with long term strategy and shareholders' interests.</li> </ul>
	Non-Union Employee Share Ownership Plan	Market-purchased shares acquired by payroll deduction up to a maximum 6% of base salary with a 50% company match <sup>(2)</sup>	<ul style="list-style-type: none"> <li>Encourage share ownership and increase alignment with shareholders' interests.</li> </ul>

### Notes:

<sup>1</sup> The existing registered DBPP which was originally established on December 31, 1999 by Hydro One Inc., the company's wholly owned subsidiary, was closed to new non-union employees effective September 30, 2015. The NEOs and other new non-union employees hired on or after July 1, 2015 who were not eligible to join the DBPP as of September 30, 2015 participate in the DCPD effective January 1, 2016. Existing non-union employees who were eligible members of the DBPP as of September 30, 2015 continue to participate in the existing DBPP. For further details on the existing DBPP, see "Defined Benefit Registered Pension Plan" starting on page 79.

<sup>2</sup> In 2015, the company also introduced share grant plans for qualifying union-represented employees. While these plans do not affect Hydro One's executives (including the NEOs) or non-union employees, they increase the alignment of eligible unionized employees in the success of Hydro One. In addition, the company also introduced a Society Represented Employee Share Ownership Plan (*Society ESOP Plan*) to enable certain eligible employees that are represented by the Society of Energy Professionals (*Society-represented employees*) to acquire common shares of the company in a

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convenient and regular method through payroll deduction. The eligible Society-represented employees are permitted to contribute a maximum of 4% of their base salary with a company match of 25%. The vesting period for the Society ESOP Plan is 2 years. In addition, the eligible Society-represented employees can only participate in either the share grant plan or the Society ESOP Plan, but not both.

For further details on these plans, see "Share Grant Plans for Certain Members of the Power Workers' Union and The Society of Energy Professionals" starting on page 86.

### *About the Short Term Incentive Plan*

Hydro One's short term incentive plan is designed to, among other things:

- reward participants for achievement of annual company and individual performance goals, and
- focus on the drivers of value creation.

The company's short term incentive plan is available to all full time non-union employees, including executives. Provided below is a summary of the components of the short term incentive plan.

Component of the Short Term Incentive Plan	Impact on Award
How the award is determined	The amount of the award is a function of the executive's incentive target, company performance and his or her individual performance.  For NEOs, weighting is 80% company performance and 20% individual performance.
Company performance	Company performance is based on financial and non-financial measures as detailed starting on page 61.
Individual performance	Individual performance is assessed based on the achievement of company aligned performance objectives with a focus on delivering differentiated rewards to top performers. See each NEO's compensation profile starting on page 64.
Range of awards	Awards may range from 0 to 200% of target.
Human Resources Committee/Board Judgment	The human resources committee considers whether adjustments are necessary or appropriate to reflect events occurring during the performance period.
Payout	Cash or, at the option of an eligible executive, management DSUs. Management DSUs are fully vested and accrue dividend equivalents when dividends are paid on the common shares and are redeemable for cash at the prevailing market price of the common shares upon settlement after the executive ceases to be employed.
Clawbacks	Amounts can be forfeited or clawed back under certain conditions.

## About the Long Term Incentive Plan

Hydro One's long term incentive plan was introduced in 2015 with the first grants made in early 2016. It is designed to, among other things:

- reward executives for longer term value creation;
- attract and retain talent; and
- foster alignment with shareholder interests.

The company's long term incentive plan is available to executives and certain non-union employees of Hydro One and its subsidiaries as determined by the human resources committee. Non-employee directors are not eligible to participate. Awards under the LTIP are expected to be settled in newly issued common shares. Provided below is a summary of the components of the LTIP as implemented by the human resources committee in respect of specific grants under the LTIP in 2016.

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### Types of Awards

*PSUs:* A performance share unit is an award that entitles the participant to receive common share(s) in the future subject to the achievement of specified performance criteria. Below the performance threshold, the participant will receive no common shares. At target performance, the participant will receive one common share. At maximum performance, the participant will receive two common shares.

*RSUs:* A restricted share unit is an award that entitles the participant to receive one common share in the future, subject to continued employment during the vesting period.

While none of the following have been granted, the LTIP also allows for the grant of options, share appreciation rights, restricted shares, deferred share units and other share based awards at the discretion of the human resources committee.

### Vesting

Unless otherwise determined by the human resources committee:

*PSUs:* Awards granted in 2016 vest at the end of the three year performance period (December 31, 2018), subject to a performance multiplier of 0 to 200% based on achievement of specific performance measures.

*RSUs:* Awards granted in 2016 vest on December 31, 2018, with the exception of special grants for new hires.

Both PSUs and RSUs accrue dividend equivalents and are settled in common shares in accordance with the performance results and/or vesting requirement.

### Human Resources Committee/Board Judgment

For PSUs, the human resources committee considers whether adjustments are necessary or appropriate to reflect events occurring during the performance period.

### Clawbacks

Amounts can be forfeited or clawed back under certain conditions.

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For further details respecting the key terms and conditions of the LTIP, see " – Securities Authorized for Issue Under Equity Compensation Plans – Long Term Incentive Plan" starting on page 82.

## LTIP Grants in 2016

The aggregate value of PSU and RSU grants for each NEO is calculated as a percentage of the NEO's base salary at the time of grant. In 2016, this value was divided equally between PSUs and RSUs. On November 11, 2016 the board approved a change to the allocation for 2017 such that the grant value will be allocated 60% to PSUs and 40% to RSUs. This will result in a higher at-risk element of compensation for the NEOs as it increases the proportion of incentives subject to performance measures.

On March 31, 2016, the board granted PSUs and RSUs to various executives including the President and CEO and the CFO. For the other NEOs, the board granted PSUs and RSUs on the date of their first day of employment based on the LTIP targets established for their specific role and as benchmarked against the relevant peer group.

Each PSU granted in 2016 vests on December 31, 2018 subject to achieving certain performance thresholds for the three-year average earnings per share for the period from January 1, 2016 to December 31, 2018 (the *performance period*) and provided that the average dividend rate is not decreased for any rolling 12 months during the performance period. In the event the average dividend rate is decreased for any rolling 12 months during the performance period, no PSUs will vest regardless of whether the performance thresholds are met. In respect of the performance thresholds, below a certain performance threshold, no PSUs will



## EXECUTIVE COMPENSATION

vest. At the target performance threshold (assuming the dividend rate is not reduced for any rolling 12 months during the performance period), the PSUs vest at the target level of 100% and will entitle the holder to one common share for each PSU granted. At or above the maximum performance threshold (assuming the average dividend rate is not reduced for any rolling 12 months during the performance period), the PSUs vest at the maximum level of 200% and will entitle the holder to two common shares for each PSU granted. Between performance thresholds, PSUs are earned on an interpolated basis. For greater clarity, the average dividend rate for any rolling 12 months during the performance period may not be lower than the annualized quarterly dividend rate at the time of grant.

Each RSU granted in 2016 vests on December 31, 2018 assuming the individual has remained employed by the company or its subsidiaries through such date, except in respect of certain RSUs granted to Mr. Pugliese upon hire which vest on May 31, 2017 and May 31, 2018. The vesting periods for these specific RSUs granted to Mr. Pugliese align with short-term incentive plan payouts and long term incentive plan payouts which were forfeited by Mr. Pugliese as a result of his departure from his former employer. Each vested RSU entitles the holder to one common share.

For further details on the grants of PSUs and RSUs made to the named executive officers, see "2016 Compensation Profiles" below.

## Employee Share Ownership

Hydro One strongly supports share ownership by its employees and, accordingly, offers an employee share ownership plan for non-union employees. Hydro One has also adopted minimum share ownership requirements for the named executive officers and other executives. Hydro One prohibits its executives from hedging or otherwise undermining the risk alignment benefits from share ownership and equity compensation awards.

### *Non-Union Employee Share Ownership Plan*

The non-union employee share ownership plan provides participants with the opportunity to acquire common shares purchased on the market through payroll deduction. It is designed to:

- promote an ownership mentality amongst non-union employees;
- align the interests of non-union employees with shareholder interests; and
- increase employee awareness and interest in Hydro One performance.

All regular non-union employees not represented by a union who have completed at least six months of continuous service with the company or its subsidiaries prior to the date of enrolment in the plan are eligible to participate. Provided below is a summary of the components of the non-union employee share ownership plan.

<b>Source of shares</b>	Shares are purchased on the market at prevailing prices (non-dilutive).
<b>Employee contribution</b>	Up to 6% of base salary, through payroll deduction.
<b>Employer match</b>	Hydro One matches 50% of the employee contribution up to a maximum of \$25,000 per year.
<b>Vesting</b>	All shares purchased with contributions vest immediately.

As at March 17, 2017, 82% of eligible non-union employees were enrolled in Hydro One's non-union employee share ownership plan.

### *Executive Share Ownership Guidelines*

To better align the interests of the company's executives with the interests of Hydro One's shareholders, the company has put in place share ownership guidelines. Under these guidelines, the company's executives are subject to share ownership requirements which can be met through direct or beneficial ownership of the company's common shares, management DSUs and/or time-vested RSUs granted under the long term incentive plan. Individuals have until the later of five years from: (a) the closing date of the initial public offering of Hydro

One's shares in November 2015; and (b) the date they first became subject to these requirements to satisfy the share ownership requirements. Employees who were subject to these requirements and are promoted or appointed into a position that is subject to a higher share ownership requirement have three years from the date of their promotion or appointment to meet the higher minimum requirement. In 2016, the board amended the executive share ownership guidelines to clarify the executive categories to which they apply and the applicable share ownership requirements for such categories.

The share ownership requirements as a multiple of annual base salary are set forth in the table below:

Position	Multiple of Base Salary
President and Chief Executive Officer	5x
Direct reports to the President and CEO – Executive Vice Presidents or equivalent	3x
Direct reports to the President and CEO – Senior Vice President Level or equivalent	2x
Other Executives – Senior Vice President Level or equivalent, and Vice President Level or equivalent	1x

### Prohibition on Hedging Share Ownership

Directors, executives and other employees are prohibited from purchasing financial instruments that are designed to hedge, offset or otherwise reduce or limit their economic risk, including with respect to a decrease in market value of equity securities of the company granted as compensation or held, directly or indirectly, by such individuals. Prohibited transactions include hedging strategies, equity monetization transactions, transactions using short sales, put options, call options, exchange contracts, derivatives and other types of financial instruments (including, but not limited

to, prepaid variable forward contracts, equity swaps, collars and exchange funds), and the pledging of or granting of any other security interest in equity securities of the company as security for any loan where recourse is limited to the pledged security.

### f. Key Performance Measures

For 2016, Hydro One used a mix of financial and non-financial performance measures to support our compensation guidelines and to drive company performance.

Key performance measures	How they are used in Hydro One's executive compensation plans
<i>Financial Measures</i>	
Net Income	<i>Short term incentive</i> – to increase shareholder value by increasing earnings
Three-year Average Earnings Per Share / Dividend Rate	<i>Long term incentive – PSUs</i> – to encourage a sustained increase in shareholder value over a three-year period
<i>Non-Financial Measures</i>	
Safety	<i>Short term incentive</i> – to reinforce the importance of keeping our employees and customers safe
Customer-related Measures	<i>Short term incentive</i> – to align employees with customer interests
Work Program Accomplishments	<i>Short term incentive</i> – to align employees with regulatory and customer goals

See page 74 for more information about the performance measures and results related to the company's corporate scorecard.

### g. Say on Pay

Hydro One strives to compensate its executives in a manner that is fair, competitive and linked to performance. The company endeavours to provide executive compensation disclosure which satisfies all legal requirements, is aligned with best practices and is complete, clear and understandable. This is done in order to assist shareholders in forming a reasoned judgment about compensation practices at Hydro One.

The board believes in shareholder engagement and offers shareholders the opportunity to make their views on the company's approach to executive compensation known to the company. As such, Hydro One has adopted an annual say on pay advisory vote on executive compensation as part of its stakeholder engagement policy. The directors of the corporation remain responsible for overseeing the company's executive compensation practices and are not relieved of these responsibilities by a positive advisory vote by shareholders.

At our annual meeting of shareholders held on May 31, 2016, 536,272,521 (or approximately 99.96%) of the votes cast approved our overall approach to executive compensation.

## EXECUTIVE COMPENSATION

### h. Compensation Risk Management

Hydro One's compensation program is structured to provide an appropriate balance of risk and reward consistent with the company's risk profile and to ensure that compensation practices do not encourage excessive risk-taking by executives. Such risk mitigation practices include the following:

<b>Pay Mix</b>	<p>The variable component of Hydro One's compensation program (which includes both short term and long term incentives) represents a sufficient percentage of "at-risk" compensation to motivate executives and other employees of the company to focus on both short term and long term results and performance criteria.</p> <p>All elements of compensation, together, ensure a balance in the mix of fixed and variable compensation, short term and long term incentives, cash versus equity, and performance-based versus time-based awards.</p>
<b>Capped Payouts</b>	<p>The maximum amount an executive can receive under the short term incentive plan is capped at 200% of target. PSUs are also capped at 200% of target.</p> <p>Long term incentives (currently PSUs and RSUs) will vest over a specific vesting period, with both PSUs and RSUs vesting at the end of the period (with a three-year performance term for PSUs).</p>
<b>Effective Design of Long Term Incentive Mix</b>	<p>A combination of time-vesting and performance-vesting long term incentives and varied performance measures provide a balanced approach to driving performance, avoid undue risk-taking and align management with long term shareholder interests.</p>
<b>Clawbacks</b>	<p>Executives may be required to forfeit outstanding incentive awards and repay incentive compensation that have already been paid if, among other things, there is wrongdoing, misconduct, a material misstatement of Hydro One's financial results, an error in any financial or operating measure used to determine incentive compensation amounts, or as may be required by applicable laws, stock exchange rules or other regulatory requirements. This applies to cash bonuses, the value of options, PSUs, RSUs and other equity-based compensation awards, whether vested or unvested, including those which have been paid or settled.</p>
<b>Share Ownership Requirements</b>	<p>Executives are required to meet share ownership requirements through ownership of our shares, management DSUs or RSUs (excluding PSUs and stock options) and must maintain such ownership post-retirement for 24 months (in the case of our President and CEO and CFO) or 12 months (in the case of other executives).</p>
<b>Anti-hedging</b>	<p>Executives are prohibited from hedging or otherwise undermining their alignment with shareholder interests resulting from their holdings of common shares and equity compensation awards.</p>

### i. Compensation Cost

#### *Compensation Cost of NEOs as % of Net Income*

The following table shows the total compensation for the NEOs of the company for 2016 and 2015 as a proportion of net income of the company.

	2016	2015 <sup>(1)</sup>
Reported net income (\$000s)	\$746,000	\$713,000
Aggregate NEO compensation as reported in the summary compensation table (\$000s)	\$11,714	\$4,536
Cost of NEO compensation as a % of net income	1.57%	0.64%

<sup>(1)</sup> The compensation cost for NEOs in 2015 was significantly lower due in part to compensation being pro-rated for Mr. Schmidt and Mr. Vels for the length of their respective service.

### Aggregate Dilutive Impact of Equity-Based Compensation Arrangements

The following table shows the aggregate dilutive impact of our equity-based compensation arrangements.

	2016
<b>Overhang</b> – number of common shares available for issuance under all equity-based compensation arrangements as a percentage of the total number of outstanding common shares at December 31, 2016, being 595,000,000 common shares	2.91%
<b>Dilution</b> – number of common shares issuable pursuant to outstanding awards as a percentage of the total number of outstanding common shares at December 31, 2016 <sup>(1)(2)</sup>	0.94%
<b>Burn rate</b> – number of common shares issuable pursuant to awards granted during the year as a percentage of the total number of outstanding common shares at December 31, 2016 <sup>(2)</sup>	0.039%

#### Notes:

- <sup>1</sup> In connection with the company's initial public offering, rights to receive an aggregate of 5,416,449 common shares were granted to certain employees represented by the Power Workers' Union and The Society of Energy Professionals pursuant to two share grant plans. At December 31, 2016 rights to receive an aggregate of 5,334,415 common shares remain outstanding. For further details, see " – Share Grant Plans for Certain Members of the Power Workers' Union and The Society of Energy Professionals" starting on page 86.
- <sup>2</sup> LTIP awards consisting of PSUs and RSUs granted in 2016 and outstanding at December 31, 2016 represent 230,600 common shares issuable, assuming all PSUs vest at 100% of their target and all RSUs vest in full.

## j. 2016 Compensation Profiles

The 2016 compensation profiles for our named executive officers start on the following page.

## EXECUTIVE COMPENSATION

### President and CEO

#### Mayo Schmidt, 59



#### President and CEO

Toronto, Ontario, Canada

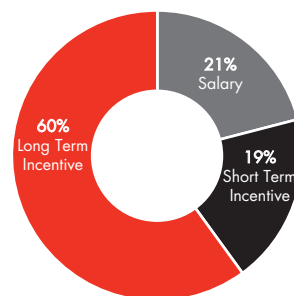
Mr. Mayo Schmidt is the President and Chief Executive Officer of Hydro One. Prior to joining Hydro One, Mr. Schmidt served as President and Chief Executive Officer at Viterra, Inc., a global food ingredients company operating in 14 countries. Early in his career, Mr. Schmidt held a number of key management positions of increasing responsibility at General Mills, Inc. until he joined ConAgra as President of their Canadian operations and spearheaded ConAgra's expansion into Canada. In 2007, he led a \$2.0 billion acquisition of Agricore United, then a \$2.2 billion acquisition of ABB, Australia's leading agriculture corporation growing Viterra, Inc. from a \$200 million market capitalization to finally a sale in 2012 for over \$7.5 billion. Mr. Schmidt currently sits on the Board of Directors of Agrium Inc. as Chairman of the Governance Committee and Chairman of the Special Committee for the Merger of Equals of Agrium and Potash Corp. forming a \$38 billion global fertilizer giant. He is a member of Harvard University Private and Public, Scientific, Academic and Consumer Food Policy Group, and is on Washburn University's Foundation board of Trustees. Mr. Schmidt received his Honorary Doctorate of Commerce from Washburn in 2016 and his B.B.A. from Washburn in 1980.

As President and CEO, Mr. Schmidt is responsible for transformational leadership of Hydro One from a corporation wholly owned by the Province to a publicly-traded commercial enterprise that has: a strategy for growth; a strong customer-oriented business focus; operational leadership to improve performance, productivity, manage costs and enhance shareholder value; and a culture that prioritizes the well-being and safety of all Hydro One employees and the safety of the public Hydro One serves.

#### 2016 Target Total Direct Compensation

Base Salary	\$850,000
Short Term Incentive	\$765,000 (90% of base salary)
Long Term Incentive	\$2,380,000 (280% of base salary)
Target Total Direct Compensation	\$3,995,000

#### 2016 target compensation mix



#### 2016 Performance

Mr. Schmidt successfully spearheaded the transformation of Hydro One in its first full year as a public company with numerous achievements and milestones.

In 2016, Mr. Schmidt completed his executive leadership team based on their collective ability to lead and execute the company's long-term strategic priorities and objectives. His executive team now consists of Judy McKellar – Executive Vice President and Chief Human Resources Officer, Michael Vels – Chief Financial Officer, Greg Kiraly – Chief Operating Officer, Paul Barry – Executive Vice President, Strategy and Corporate Development, Ferio Pugliese – Executive Vice President, Customer Care and Corporate Affairs and James Scarlett - Executive Vice President and Chief Legal Officer.

Under Mr. Schmidt's leadership, the company has made significant progress toward changing the culture of the company to a commercial organization that is customer focused and performance driven. In keeping with this initiative, the company has delivered productivity savings of approximately \$25 million (capital and OM&A) while responsibly investing in the Province's electrical infrastructure to sustain a strong, modern and reliable grid. The company also achieved its best annual health and safety performance on record with a recordable rate of 1.1, exceeding the company's target of 1.6 and bringing it close to a world-class level of below 1.0.

Significant progress has been made, and is continuing, in building and furthering relationships with key stakeholders. Noteworthy achievements include advancing initiatives for customers aimed at making electricity rates affordable in Ontario, launching Hydro One's Winter Relief Program which helped 1,400 customers reconnect their electricity service for the winter, and establishing a First Nations and Métis outreach program.

The company strengthened its capabilities to acquire and integrate other electric utilities, thereby positioning Hydro One for future earnings growth. We acquired Great Lakes Power Transmission for \$376 million, increasing Hydro One's transmission market share in Ontario to 98%. Two previously acquired electricity distributors, Haldimand County Hydro Inc. and Woodstock Hydro Services Inc. were successfully integrated into Hydro One, and in August 2016, Hydro One agreed to purchase Orillia Power Distribution Corporation.

Mr. Schmidt also oversaw a two year transmission cost-of-service rate application before the Ontario Energy Board (OEB) applying some of the principles of the OEB's renewed regulatory framework. This was the company's first ever filing as a commercial organization and it incorporated extensive customer engagement. The company also made important progress this year on the regulatory front, where it now has a plan with a clear line of sight to the imminent transition from a cost of service-based regulatory model to a more performance-based, customer-focused regulatory model.

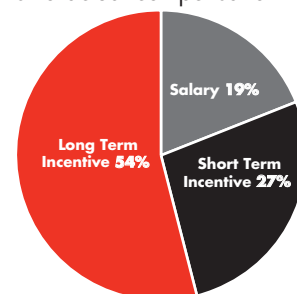
The company's corporate responsibility culture was recognized on several occasions:

- In June 2016, Hydro One was ranked as the top utility in the annual ranking of the Corporate Knights: Canada's Best 50 Corporate Citizens.
- In December 2016, the company was named one of Greater Toronto's Top Employers for 2017 as a result of its support of women in trades and the advancement of female employees through initiatives such as the Women in Leadership Accelerated Development program.
- In early January 2017, the company was named one of Canada's Top Employers for Young People by Mediacorp on the basis of programs and initiatives we offer to attract and retain younger workers.

**Actual Compensation** – Mr. Schmidt's base salary of \$850,000 as at December 31, 2016 has remained unchanged since his date of hire in August 2015.

	2015 (pro-rated)	2016
Base Salary	\$281,154	\$850,000
Short Term Incentive	\$243,038	\$1,170,000 <sup>(1)</sup>
Long Term Incentive	\$787,231	\$2,379,948 <sup>(2)</sup>
Total direct compensation	\$1,321,423	\$4,399,948

2016 actual compensation mix



Number of common shares owned as at December 31, 2016: 13,850

Number of PSUs as at December 31, 2016: 48,950

Number of RSUs as at December 31, 2016: 48,950

Number of management DSUs: 48,622

Value of Common shares(\$) <sup>(3)</sup>	Value of RSUs and Management DSUs (\$) <sup>(3)</sup>	Total value for share ownership requirements(\$) <sup>(4)</sup>	As a multiple of base salary	Status under ownership guidelines <sup>(5)</sup>	Value of PSUs(\$) <sup>(3)(6)</sup>	Total value of equity holdings(\$) <sup>(3)</sup>
309,147	2,356,902	2,666,049	3.14x	On target	1,189,974	3,856,023

Notes:

- <sup>1</sup> For 2016, Mr. Schmidt was granted a short term incentive award of \$1,170,000 representing a full year payout of 153% of his target opportunity. Mr. Schmidt elected to take 100% of his short term incentive award in management DSUs.
- <sup>2</sup> In 2016, Mr. Schmidt was granted long term equity incentive awards with an aggregate value on the date of grant of \$2,379,948 consistent with the terms of his employment agreement (subject to rounding). These awards were granted in the form of 48,950 PSUs and 48,950 RSUs. Both PSUs and RSUs accrue dividend equivalents and are settled in common shares in accordance with the performance results and/or vesting requirement. The amounts shown exclude dividend equivalent amounts earned on the PSUs and RSUs granted. The dividend equivalent amount for Mr. Schmidt for 2016 was \$61,942.
- <sup>3</sup> Values are based on the acquisition cost per share of the common shares on the date of purchase, the original grant value (for PSUs, RSUs and management DSUs) and assumes the PSUs vest at 100% of their target and the RSUs vest in full. Management DSUs are fully vested and accrue dividend equivalents when dividends are paid on the common shares and are redeemable for cash at the then prevailing market price of the common shares upon settlement after the NEO ceases to be employed. The value of management DSUs for Mr. Schmidt was calculated on the grant date by dividing (a) the amount of his annual incentive payout (less any pension contributions) to be paid in management DSUs by (b) the market price of our common shares, with fractions computed to three decimal places (decimal places are not shown).
- <sup>4</sup> For purposes of the share ownership requirements, value is calculated using the original grant value (for RSUs and management DSUs) and the acquisition cost (for common shares).
- <sup>5</sup> Mr. Schmidt has until November 5, 2020 (five years from the closing date of the initial public offering of Hydro One's shares) to meet the share ownership requirements.
- <sup>6</sup> PSUs are not included in calculating compliance with the share ownership requirements.

## EXECUTIVE COMPENSATION

### CFO

#### Michael Vels, 55



**Chief Financial Officer**  
Palgrave, Ontario, Canada

Michael Vels is the Chief Financial Officer of Hydro One.

Before joining Hydro One, Mr. Vels was the Chief Financial Officer for Maple Leaf Foods Inc. Mr. Vels had over 20 years of experience with Maple Leaf Foods Inc. where he was responsible for leading organizational change, multiple capital market transactions, business acquisitions and divestitures, information technology transformations and restructurings. He also served on the board of directors of Maple Leaf Foods Inc.'s public traded subsidiary, Canada Bread Company, Limited. Mr. Vels led complex multi-divisional finance teams, information solutions and communications and investor relations functions and has considerable experience with mergers, acquisitions and divestitures. He currently serves on the Board of Directors of Canada's National Ballet School.

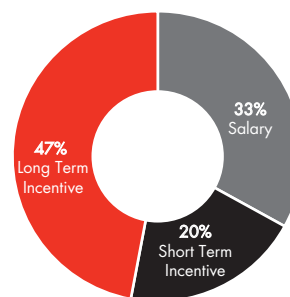
Mr. Vels earned a Bachelor of Accountancy from the University of Witwatersrand, in Johannesburg, South Africa. He is a Chartered Accountant (South African Institute of Chartered Accountants) and he has earned his ICD.D (Institute of Corporate Directors) designation.

As CFO, Mr. Vels is responsible for finance and treasury, regulatory, information technology, risk and pensions, and supporting the President and CEO and the board to achieve transformational change at Hydro One and implement its strategic objectives.

#### 2016 Target Total Direct Compensation

Base Salary	\$500,000
Short Term Incentive	\$300,000 (60% of base salary)
Long Term Incentive	\$700,000 (140% of base salary)
Target Total Direct Compensation	\$1,500,000

#### 2016 target compensation mix



#### 2016 Performance

Mr. Vels participated with the President and CEO in a review of the company's operations immediately after the company's initial public offering to set regulatory strategy, identify potential efficiency improvements, improve capital and procurement processes and begin the transformation of the company to a customer focused, commercial organisation.

Mr. Vels led the regulatory organisation in filing and defending a transmission application that is customer focused and performance driven, with scorecards, and outcome measures that reflect management's new direction, responsive to a new customer engagement process. The Information Solutions group prepared a comprehensive strategy to reduce costs, increase security and become more business focused, with aggressive process and cost improvement goals for the next three years that will add value and enable the business to achieve its transformational goals. During 2016, the Information Solutions group achieved productivity savings in the amount of \$5.5 million.

Mr. Vels strengthened process and capabilities to acquire and integrate other electric utilities to enable more future acquisitions. The company purchased Great Lakes Power Transmission in a competitive bid process, increasing Hydro One's transmission market share in Ontario to 98%. Two previously acquired electricity distributors, Haldimand Country Hydro Inc. and Woodstock Hydro Services Inc. were successfully integrated into Hydro One using new processes and governance and, in August 2016, Hydro One agreed to purchase Orillia Power Distribution Corporation.

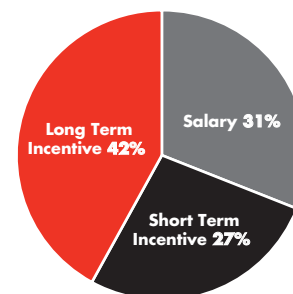
The Finance group undertook several projects to simplify and eliminate processes and policies that were not efficient, reducing redundant policies by approximately 80%, and building a higher quality, lower cost control framework for President and CEO and CFO controls certification. Business case preparation was strengthened and streamlined. Significant progress was made to improve scorecards, metrics and outcome measures to enable better visibility of business progress, including a new performance based scorecard to support the company's new compensation systems.

Mr. Vels led the successful secondary offering of approximately \$1.97 billion of common shares by the Province of Ontario and the issuance of approximately \$2.3 billion in aggregate of public debt at historically low coupons and competitive A rated credit spreads. The company's Investor Relations group increased equity analyst coverage to 15 analysts and received an award for Best Investor Relations for an IPO in respect of its November 2015 initial public offering.

**Actual Compensation** – Mr. Vels’ base salary of \$500,000 as at December 31, 2016 remains unchanged since his date of hire in July 2015.

2016 actual compensation mix

	2015 (pro-rated)	2016
Base Salary	\$253,846	\$500,000
Short Term Incentive	\$152,308	\$447,444 <sup>(1)</sup>
Long Term Incentive	\$355,385	\$700,128 <sup>(2)</sup>
Total direct compensation	\$761,539	\$1,647,572



Number of common shares owned as at December 31, 2016: 26,720

Number of PSUs as at December 31, 2016: 14,400

Number of RSUs as at December 31, 2016: 14,400

Value of Common shares(\$) <sup>(3)</sup>	Value of RSUs(\$) <sup>(3)</sup>	Total value for share ownership requirements(\$) <sup>(4)</sup>	As a multiple of base salary	Status under share ownership guidelines <sup>(5)</sup>	Value of PSUs(\$) <sup>(3)(6)</sup>	Total value of equity holdings(\$) <sup>(3)</sup>
600,141	350,064	950,205	1.9x	On target	350,064	1,300,269

**Notes:**

- <sup>1</sup> For 2016, Mr. Vels was granted a short term incentive award of \$447,444 representing a full year payout of 149% of his target opportunity
- <sup>2</sup> In 2016, Mr. Vels was granted long term equity incentive awards with an aggregate value on the date of grant of \$700,128 consistent with the terms of his employment agreement (subject to rounding). These awards were granted in the form of 14,400 PSUs and 14,400 RSUs. Both PSUs and RSUs accrue dividend equivalents and are settled in common shares in accordance with the performance results and/or vesting requirement. The amounts shown exclude dividend equivalent amounts earned on the PSUs and RSUs granted. The dividend equivalent amount for Mr. Vels for 2016 was \$18,221.
- <sup>3</sup> Values are based on the acquisition cost per share of the common shares on the date of purchase, the original grant value (for PSUs and RSUs) and assumes the PSUs vest at 100% of their target and the RSUs vest in full.
- <sup>4</sup> For purposes of the share ownership requirements, value is calculated using the original grant value (for RSUs) and the acquisition cost (for common shares).
- <sup>5</sup> Mr. Vels has until November 5, 2020 (five years from the closing date of the initial public offering of Hydro One’s shares) to meet the share ownership requirements.
- <sup>6</sup> PSUs are not included in calculating compliance with the share ownership requirements.



EXECUTIVE COMPENSATION

Chief Operating Officer

Gregory Kiraly, 52



Chief Operating Officer  
Toronto, Ontario, Canada

Effective September 12, 2016, Gregory Kiraly was appointed to the role of Chief Operating Officer (COO) of Hydro One.

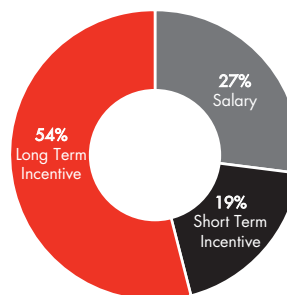
As COO, Mr. Kiraly oversees the transmission and distribution value chain including Planning, Engineering, Construction, Operations, Maintenance, and Forestry; Shared Services functions including Facilities, Real Estate, Fleet, and Procurement; and the Telecom and Remote Communities subsidiaries. Mr. Kiraly is a power and utilities executive with 30 years of experience. He has an extensive background in energy transmission and distribution, in both electricity and gas, having served in various executive leadership roles across three of the largest investor-owned utilities in the U.S.; Pacific Gas and Electric (PG&E), Commonwealth Edison (ComEd), and Public Service Electric & Gas Company (PSE&G).

Mr. Kiraly most recently held the role of Senior Vice President, Electric Transmission and Distribution for PG&E in San Francisco, and also served in several other key executive assignments over the past eight years. Prior to joining PG&E, Mr. Kiraly held executive-level positions at Commonwealth Edison (Exelon) in Chicago from 2000-2008 in the areas of Distribution System Operations, Construction and Maintenance, and Energy Delivery. Mr. Kiraly started his career at PSE&G in New Jersey, having served in various leadership roles over 15 years, where his accountabilities focused on Health and Safety, Electric and Gas Distribution.

2016 Target Total Direct Compensation

Base Salary	\$550,000
Short Term Incentive	\$385,000 (70% of base salary)
Long Term Incentive	\$1,072,500 (195% of base salary)
Target Total Direct Compensation	\$2,007,500

2016 target compensation mix



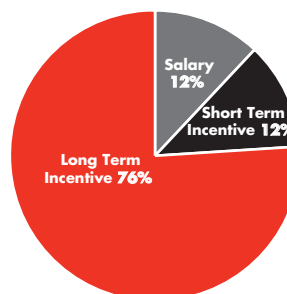
2016 Performance

The company achieved a 33% year over year improvement in safety performance and a significant improvement in transmission reliability. As a result of improved processes and enhanced governance, major construction projects, with varying degrees of complexity, were completed. Additionally, productivity savings in the amount of \$14.1 million were achieved as a result of lines and forestry initiatives and supplier/procurement consolidations/efficiencies.

Actual Compensation – Mr. Kiraly’s base salary was set at \$550,000.

	2015	2016 (pro-rated)
Base Salary	N/A	\$169,230
Short Term Incentive	N/A	\$166,363 <sup>(1)</sup>
Long Term Incentive	N/A	\$1,072,744 <sup>(2)</sup>
Total direct compensation	N/A	\$1,408,337

2016 actual compensation mix



Number of common shares owned as at December 31, 2016: 0

Number of PSUs as at December 31, 2016: 20,830

Number of RSUs as at December 31, 2016: 20,830

Value of Common shares(\$) <sup>(3)</sup>	Value of RSUs(\$) <sup>(3)</sup>	Total value for share ownership requirements(\$) <sup>(4)</sup>	As a multiple of base salary	Status under share ownership guidelines <sup>(5)</sup>	Value of PSUs(\$) <sup>(3)(6)</sup>	Total value of equity holdings(\$) <sup>(3)</sup>
0	536,372	536,372	0.98x	On target	536,372	1,072,744

Notes:

- <sup>1</sup> For 2016, Mr. Kiraly was granted a short term incentive award of \$166,363 representing a payout of 142% of his target opportunity pro-rated for the length of his service in 2016.
- <sup>2</sup> In 2016, Mr. Kiraly was granted long term equity incentive awards with an aggregate value on the date of grant of \$1,072,744 consistent with the terms of his employment agreement (subject to rounding). These awards were granted in the form of 20,830 PSUs and 20,830 RSUs. Both PSUs and RSUs accrue dividend equivalents and are settled in common shares in accordance with the performance results and/or vesting requirement. The amounts shown exclude dividend equivalent amounts earned on the PSUs and RSUs granted. The dividend equivalent amount for Mr. Kiraly for 2016 was \$9,690.
- <sup>3</sup> Values are based on the acquisition cost per share of the common shares on the date of purchase, the original grant value (for PSUs and RSUs) and assumes the PSUs vest at 100% of their target and the RSUs vest in full.
- <sup>4</sup> For purposes of the share ownership requirements, value is calculated using the original grant value (for RSUs) and the acquisition cost (for common shares).
- <sup>5</sup> Mr. Kiraly has until September 12, 2021 (five years from the effective date of his appointment) to meet the share ownership requirements.
- <sup>6</sup> PSUs are not included in calculating compliance with the share ownership requirements.

## EXECUTIVE COMPENSATION

### EVP, Customer Care and Corporate Affairs

#### Ferio Pugliese, 48



#### EVP, Customer Care and Corporate Affairs

Toronto, Ontario, Canada

Effective September 9, 2016, Ferio Pugliese was appointed to the role of Executive Vice President, Customer Care and Corporate Affairs of Hydro One.

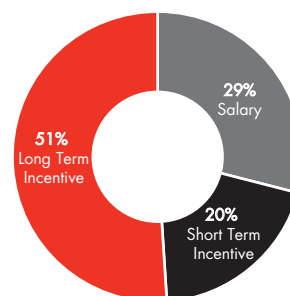
Prior to his appointment, Mr. Pugliese held progressively senior leadership roles in hospitality, pulp and paper and airline industries with responsibility for human resources, operations and customer service. Since 2007, Mr. Pugliese was a member of the Executive Leadership team at Westjet Airlines serving as Westjet's Executive Vice President People, Culture and Inflight Services and in 2013 led the launch and successful operation of the company's regional airline as President of Westjet Encore. Westjet Encore was recognized for having the continent's top on-time performance for regional airlines in 2015. Mr. Pugliese is highly recognized as a market leader in customer service and brings expertise in building and leading a winning culture focused on serving customers and communities.

Mr. Pugliese was recognized by Caldwell Partners as one of Canada's Top 40 under 40 in 2007. He holds a Master of Arts degree in Adult Education from Central Michigan University, an Honours Bachelor of Arts degree in Social Science and an Honours Bachelor of Commerce degree from the University of Windsor.

#### 2016 Target Total Direct Compensation

Base Salary	\$525,000
Short Term Incentive	\$367,500 (70% of base salary)
Long Term Incentive	\$945,000 (180% of base salary)
Target Total Direct Compensation	\$1,837,500

#### 2016 target compensation mix



#### 2016 Performance

In 2016, the Customer Care and Corporate Affairs line of business delivered the following improvements to the business: achieved productivity savings of \$1.8 million as a result of billing initiatives; the contact centre received 2.7 million calls in 2016, of which 78% were answered in 30 seconds; billing accuracy exceeded the Ontario Energy Board's year-end target of 98%; a renewed focus on the collections program led to a \$31 million decrease (21%) year-over-year in the overdue receivables balance; and the company met its 2016 conservation and demand management energy savings targets.

Using valuable expertise and insight, Mr. Pugliese helped advance affordability initiatives for customers aimed at making electricity rates affordable in Ontario. Mr. Pugliese also began undertaking a full review of the company's customer-facing policies. This included the launch of Hydro One's Winter Relief program in December 2016. This new initiative helped 1,400 customers who were experiencing extreme hardship get their electricity service reconnected for the winter.

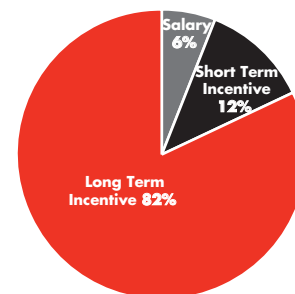
Mr. Pugliese also helped advance Hydro One's relationships with First Nations customers. His team visited 11 high-priority First Nations communities across the Province and conducted over 500 one-on-one sessions with customers to answer their billing questions and address specific issues related to affordability program enrolment.

In 2016, Hydro One received the 2016 ESource Utility Ad Awards, 2016 Summit Creative Awards, 2016 IABC OVATION Awards and Corporate Knights Canada's top utility on measures of corporate social responsibility.

Actual Compensation – Mr. Pugliese’s base salary was set at \$525,000.

2016 actual compensation mix

	2015	2016 (pro-rated)
Base Salary	N/A	\$163,557
Short term incentive	N/A	\$163,093 <sup>(1)</sup>
Long Term Incentive	N/A	\$945,152 <sup>(2)</sup>
Special Awards – STIP	N/A	\$192,787 <sup>(3)</sup>
Special Awards – LTIP	N/A	\$1,399,802 <sup>(3)</sup>
Total direct compensation	N/A	\$2,864,391



Number of common shares owned as at December 31, 2016: 0

Number of PSUs as at December 31, 2016: 45,130

Number of RSUs as at December 31, 2016: 45,130

Value of Common shares (\$) <sup>(4)</sup>	Value of RSUs (\$) <sup>(4)</sup>	Total value for share ownership requirements (\$) <sup>(5)</sup>	As a multiple of base salary	Status under ownership guidelines <sup>(6)</sup>	Value of PSUs (\$) <sup>(4)(7)</sup>	Total value of equity holdings (\$) <sup>(4)</sup>
0	1,172,477	1,172,477	2.23x	On target	1,172,477	2,344,954

Notes:

- For 2016, Mr. Pugliese was granted a short term incentive award of \$163,093 representing a payout of 142% of his target opportunity pro-rated for the length of his service in 2016.
  - In 2016, Mr. Pugliese was granted long term equity incentive awards with an aggregate value on the date of grant consistent with the terms of his employment agreement. These awards were granted in the form of 18,190 PSUs and 18,190 RSUs.
  - In recognition of the forfeited short-term incentive plan payment as a result of his departure from his former employer, Mr. Pugliese received a one-time attraction incentive payment of \$192,787 to reflect the pro-rated portion of the bonus earned at target at his previous employer. This payment was made at the same time the Hydro One 2016 STIP payment was processed in early 2017. In addition, in recognition of the estimated LTIP value forfeited from his previous employer, Mr. Pugliese received the following attraction incentive equity awards in 2016:
    - a one-time award of PSUs equivalent to \$699,901 (subject to rounding and in the form of 26,940 PSUs) with vesting at December 31, 2018 (performance period: January 1, 2016 to December 31, 2018) and contingent on the standard terms and conditions of the other PSUs granted in 2016, including earnings per share relative to the performance targets and maintenance of the annualized dividend rate at a minimum level;
    - a one-time award of RSUs equivalent to \$699,901 (subject to rounding and in the form of 26,940 RSUs) with vesting as follows: 50% vest May 2017 and 50% vest May 2018.
- Both PSUs and RSUs accrue dividend equivalents and are settled in common shares in accordance with the performance results and/or vesting requirement. All equity incentive amounts granted to Mr. Pugliese exclude dividend equivalent amounts earned on the PSUs and RSUs granted. The total dividend equivalent amount for Mr. Pugliese for 2016 was \$21,180.
- Values are based on the acquisition cost per share of the common shares on the date of purchase, the original grant value (for PSUs and RSUs) and assumes the PSUs vest at 100% of their target and the RSUs vest in full.
  - For purposes of the share ownership requirements, value is calculated using the original grant value (for RSUs) and the acquisition cost (for common shares).
  - Mr. Pugliese has until September 9, 2021 (five years from the effective date of his appointment) to meet the share ownership requirements.
  - PSUs are not included in calculating compliance with the share ownership requirements.

EXECUTIVE COMPENSATION

EVP and Chief Legal Officer

James Scarlett, 63



EVP and Chief Legal Officer

Toronto, Ontario, Canada

Effective September 1, 2016, James Scarlett was appointed as Executive Vice President and Chief Legal Officer of Hydro One.

Prior to joining Hydro One, Mr. Scarlett was a Senior Partner at Torys LLP. He joined Torys in March 2000 and held a number of leadership roles at the firm, including head of Torys' Capital Markets Group, Mining Group and International Business Development Strategy. Mr. Scarlett was also a member of the firm's Executive Committee from 2009-2015. Prior to joining Torys, Mr. Scarlett was a partner at another major Canadian law firm. While at that firm Mr. Scarlett held leadership roles as head of its Corporate Group, Securities Group and as a member of its Board. Mr. Scarlett was also seconded to the Ontario Securities Commission in 1987 and was appointed as the first Director of Capital markets in 1988, a position he held until his return to private law practice in 1990. Mr. Scarlett is currently a director of Camp Oochigeas, a charity for kids with cancer.

Mr. Scarlett earned his law degree (J.D.) from the University of Toronto in 1981 and his Bachelor of Commerce Degree from the University of McGill in 1975. He is highly recognized in his profession having been consistently and repeatedly named to numerous prestigious lists and rankings. In 2015, Mr. Scarlett earned his ICD.D (Institute of Corporate Directors) designation.

2016 Target Total Direct Compensation

Base Salary	\$500,000
Short Term Incentive	\$350,000 (70% of base salary)
Long Term Incentive	\$900,000 (180% of base salary)
Target Total Direct Compensation	\$1,750,000

2016 Performance

Mr. Scarlett was instrumental in reducing the company's external legal costs through a Request for Proposal process. He played a significant role in the company's affordability initiatives and land use permits negotiations. Mr. Scarlett has been extensively involved in driving results and establishing productive settlement discussions with First Nations communities. He has also played a leadership role in sensitive investigations and third party service issues resulting in successful and low key outcomes.

Actual Compensation – Mr. Scarlett's base salary was set at \$500,000.

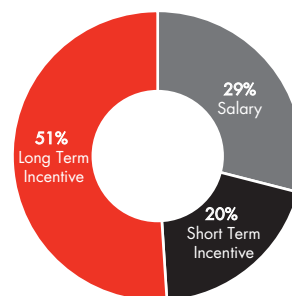
	2015	2016 (pro-rated)
Base Salary	N/A	\$167,307
Short Term Incentive	N/A	\$166,227 <sup>(1)</sup>
Long Term Incentive	N/A	\$899,888 <sup>(2)</sup>
Total direct compensation	N/A	\$1,233,422

Number of common shares owned as at December 31, 2016: 0

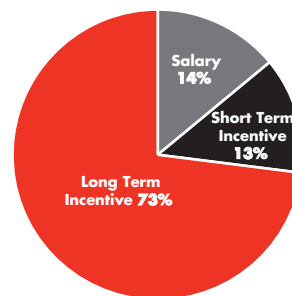
Number of PSUs as at December 31, 2016: 17,180

Number of RSUs as at December 31, 2016: 17,180

2016 target compensation mix



2016 actual compensation mix



Value of Common shares (\$) <sup>(3)</sup>	Value of RSUs (\$) <sup>(3)</sup>	Total value for share ownership requirements (\$) <sup>(4)</sup>	As a multiple of base salary	Status under ownership guidelines <sup>(5)</sup>	Value of PSUs (\$) <sup>(3)(6)</sup>	Total value of equity holdings (\$) <sup>(3)</sup>
0	449,944	449,944	0.9x	On target	449,944	899,888

Notes:

- <sup>1</sup> For 2016, Mr. Scarlett was granted a short term incentive award of \$166,227 representing a payout of 142% of his target opportunity pro-rated for the length of his service in 2016.
- <sup>2</sup> In 2016, Mr. Scarlett was granted long term equity incentive awards with an aggregate value on the date of grant of \$899,888 consistent with the terms of his employment agreement. These awards were granted in the form of 17,180 PSUs and 17,180 RSUs. Both PSUs and RSUs accrue dividend equivalents and are settled in common shares in accordance with the performance results and/or vesting requirement. The amounts shown exclude dividend equivalent amounts earned on the PSUs and RSUs granted. The dividend equivalent amount for Mr. Scarlett for 2016 was \$8,128.
- <sup>3</sup> Values are based on the acquisition cost per share of the common shares on the date of purchase, the original grant value (for PSUs and RSUs) and assumes the PSUs vest at 100% of their target and RSUs vest in full.
- <sup>4</sup> For purposes of the share ownership requirements, value is calculated using the original grant value (for RSUs) and the acquisition cost (for common shares).
- <sup>5</sup> Mr. Scarlett has until September 1, 2021 (five years from the effective date of his appointment) to meet the share ownership requirements.
- <sup>6</sup> PSUs are not included in calculating compliance with the share ownership requirements.

## k. 2016 Performance Based Compensation Determination

Payouts under the STIP for 2016 were based on Hydro One's performance against a balanced corporate scorecard consisting of 10 performance measures and targets which were established at the beginning of 2016. In measuring the Company's performance

against the targets, the human resources committee reviewed management's assessment of Hydro One's performance against each pre-established measure, and based on this and, using its informed judgement, approved or modified (as appropriate) the ultimate score for each performance measure and the aggregate corporate score.

## EXECUTIVE COMPENSATION

The following table sets out Hydro One's corporate performance measures for 2016. The board determined that, with respect to the performance measures, four were at maximum, three exceeded target, two were above threshold and one was below threshold. The human resources committee recommended, and the board approved, an overall corporate performance multiplier equal to 153.1% of the target.

Strategic Objectives	Definition	Measure	Actual	Target	% Weight	Achievement	% STIP
<b>Safety (10%)</b>	Recordable Incidents	Incidents per 200,000 hours	1.1	1.6	10.0%	200.0%	20.0%
<b>Customer (25%)</b>	Transmission (Tx) Satisfaction	% satisfied of total surveyed	79%	80%	5.0%	50.0%	2.5%
	Distribution (Dx) Satisfaction	% satisfied of total surveyed	66%	73%	7.5%	0.0%	0.0%
	Tx Customer Commitments	% of commitments kept made to Tx Customers	98%	74%	5.0%	200.0%	10.0%
	Dx Customer IT Enablement	Provide Customers tools and technology	3 projects	2 projects	7.5%	200.0%	15.0%
<b>Net Income (40%)</b>	Net Income to Common Shareholders	\$ Million	721	685	40.0%	170.6%	68.2%
<b>Work Program (25%)</b>	Dx Pole Replacement	# of Poles	12,355	12,000	5.0%	159.2%	8.0%
	Dx Line Clearing	KM Controlled	11,753	11,000	6.3%	168.5%	10.5%
	Tx In Service Capital	\$ Million	910.2	+3% or -5% (of \$910 Million)	7.5%	200.0%	15.0%
	Dx In Service Capital	\$ Million	654.9	+3% or -3% (of \$622 Million)	6.3%	61.7%	3.9%
Consolidated STIP Achievement							<b>153.1%</b>

As illustrated by the chart above, the company successfully delivered on its financial and operating plans. Key accomplishments included the following:

- (a) Injury free workplace: safety results exceeding target validating our continued focus on promoting a safety culture;
- (b) Customer outcomes: well ahead in meeting transmission commitments and achievement of distribution IT enablement projects;

(c) Net income: exceeded target by 5% primarily due to lower corporate costs and bad debt expenses; and

(d) Key infrastructure investments: well above target performance in 3 of 4 measures achieved through effective work planning and project management.

Individual performance which was considered in determining a portion of STIP payments to each NEO is summarized under each of the NEO's compensation profiles starting on page 64.

## I. Performance Graph

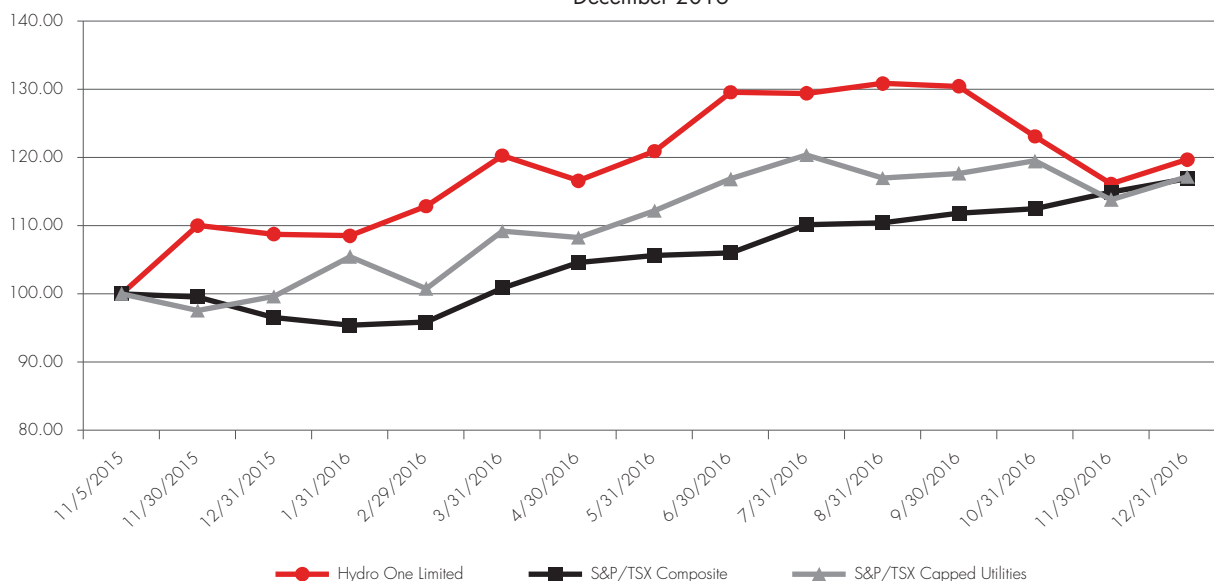
The following graph compares the total cumulative return of a shareholder who invested \$100 in Hydro One's common shares at November 5, 2015 (the first trading day for the Hydro One common shares on the TSX) to December 31, 2016, with that of the S&P/TSX Composite Index and S&P/TSX Capped Utilities Index and the trend in total compensation awarded to our NEOs over the same period.

As indicated by the graph, the shares of Hydro One have generated total shareholder returns that are competitive with, and exceed, those of the S&P/TSX Composite Index and the S&P/TSX

Capped Utilities Index during the period in which it has been a public company (from November 5, 2015 to December 31, 2016).

2016 was our first full year as a publicly traded company. Total compensation for the NEOs reflects achievement of the financial objectives, as well as non-financial objectives which are foundational to the transition of the organization. Actual total direct compensation of the NEOs is consistent with the total returns of the company's shares on the TSX, as well as the fact that 3 NEOs have only been in their roles for four months during the same time period.

Comparison of 14 Month Cumulative Total Return  
Assumes Initial Investment of \$100  
December 2016





### III – Compensation Details

#### Summary Compensation Table

The following table sets out the compensation earned by the NEOs during the fiscal years 2015 and 2016, as applicable.

Name and Principal Position	Year	Salary <sup>(1)</sup> (\$)	Non-equity incentive plan compensation (\$)			Annual incentive plans <sup>(5)</sup> (\$)	Long-term incentive plans (\$)	Pension value <sup>(11)</sup> (\$)	All other compensation <sup>(2)(6)</sup> (\$)	Total compensation (\$)
			Share-based awards (\$) <sup>(3)(4)(7)</sup>	Option-based awards (\$)	Annual incentive plans <sup>(5)</sup> (\$)					
Mayo Schmidt <i>President and Chief Executive Officer</i>	2016	850,000	2,379,948	N/A	1,170,000	N/A	64,024	20,081	4,484,053	
	2015	281,154	0	N/A	253,038 <sup>(8)</sup>	0	0 <sup>(10)</sup>	825,187 <sup>(8)(10)</sup>	1,359,379	
Michael Vels <i>Chief Financial Officer</i>	2016	500,000	700,128	N/A	447,444		37,869	13,873	1,699,314	
	2015	253,846	0	N/A	152,308 <sup>(9)</sup>	0	0 <sup>(10)</sup>	389,654 <sup>(9)(10)</sup>	795,808	
Gregory Kiraly <i>Chief Operating Officer</i>	2016	169,230	1,072,744	N/A	166,363	N/A	8,630	N/A	1,416,967	
Ferio Pugliese <i>EVP, Customer Care and Corporate Affairs</i>	2016	163,557	2,344,954	N/A	163,093	N/A	7,955	192,787	2,872,346	
James Scarlett <i>EVP and Chief Legal Officer</i>	2016	167,307	899,888	N/A	166,227	N/A	8,653	N/A	1,242,075	

#### Notes:

- Base salaries presented are actual amounts earned for fiscal years 2015 and 2016, as applicable. For the NEOs, they represent pro-rated amounts of their respective annual base salaries for 2015 or 2016, as applicable, depending on the year they joined the company: Mr. Schmidt – \$850,000 (2015), Mr. Vels – \$500,000 (2015), Mr. Gregory Kiraly – \$550,000 (2016), Mr. Ferio Pugliese – \$525,000 (2016) and Mr. James Scarlett – \$500,000 (2016).
- None of the NEOs are entitled to perquisites or other personal benefits which, in the aggregate, are worth more than \$50,000 or 10% of their annualized base salary for 2016.
- Each NEO is eligible to receive an annual LTIP award consistent with market practices and quantum for comparative companies as defined by the board. The mix of instruments which will comprise the LTIP award will be determined annually and may vary from year to year at the board's discretion. In 2016, each NEO was eligible to receive an LTIP award as a percentage of base salary divided equally between PSUs and RSUs (the PSUs and RSUs collectively referred to as the "Awards"). The number of PSUs and RSUs granted pursuant to the Awards were determined by reference to the closing price of the common shares of the Company on the grant date of the Awards. Both PSUs and RSUs accrue dividend equivalents and are settled in common shares in accordance with the performance results and/or vesting requirement. The amounts shown exclude dividend equivalent amounts earned on the PSUs, RSUs and management DSUs, as applicable. The dividend equivalent amounts for the NEOs in 2016 were as follows: Mr. Schmidt - \$61,942, Mr. Vels - \$18,221, Mr. Kiraly - \$9,690, Mr. Pugliese - \$21,180 and Mr. Scarlett - \$8,128. In 2017, it is expected that the LTIP award will be in the form of PSUs and RSUs split 60% as to PSUs and 40% as to RSUs.
- The dollar amounts represent the fair value of the awards on the grant date determined as a percentage of base salary (subject to rounding). The fair value of the PSUs and RSUs was determined by multiplying the number of units granted by the closing price of the common shares on the date of grant. As noted, the value of the awards is determined as a percentage of base salary, which is established based on benchmarking data. In 2016, the awards were an equal allocation of PSUs and RSUs.
- The short term incentive awards are attributed to the noted financial year, are based on a percentage of base salary and are paid by April 1 of the following year. Executives can elect to receive up to 100% of the short term incentive awards in management DSUs. In 2016, 44% of executives elected to defer all or a portion of their STIP awards into management DSUs. In 2016, Mr. Schmidt elected to take 100% of his short term incentive award in management DSUs. Mr. Pugliese, Mr. Kiraly and Mr. Scarlett were not eligible to make such an election in 2016. Each NEO, other than the President and CEO and the CFO, was granted a short term incentive award pro-rated for the length of his service in 2016.
- In recognition of the forfeited short-term incentive plan payment as a result of his departure from his former employer, Mr. Pugliese received a one-time attraction incentive payment to reflect the pro-rated portion of the bonus earned at target at his previous employer. This payment was made at the same time the Hydro One 2016 STIP payment was processed in early 2017. For Mr. Schmidt and Mr. Vels, the amounts in this column for 2016 represent the company's contributions to the Employee Share Ownership Plan made in December 2016 but settled in January 2017.

- <sup>7</sup> In recognition of the estimated LTIP value forfeited from his previous employer, Mr. Pugliese received the following attraction incentive equity awards:
- a one-time award of 2016 PSUs equivalent to \$699,901 (subject to rounding) with vesting at December 31, 2018 (performance period: January 1, 2016 to December 31, 2018) and contingent on the standard terms and conditions of the 2016 PSUs, including earnings per share relative to the performance targets and maintenance of the annualized dividend rate at a minimum level; and
  - a one-time award of 2016 RSUs equivalent to \$699,901 (subject to rounding) with vesting as follows: 50% vest May 2017 and 50% vest May 2018.

Both PSUs and RSUs accrue dividend equivalents and are settled in common shares in accordance with the performance results and/or vesting requirement. The above dollar amounts exclude dividend equivalents.

- <sup>8</sup> For 2015 only, in place of his long term incentive, Mr. Schmidt received a cash payment in respect of his target long term incentive award of 280% of base salary and a payment in respect of his target short term incentive award of 90% of base salary, in each case pro-rated from his September 3, 2015 start date.
- <sup>9</sup> For 2015 only, in place of his long term incentive, Mr. Vels received a cash payment in respect of his target long term incentive award of 140% of base salary and a payment in respect of his target short term incentive award of 60% of base salary, in each case pro-rated from his July 1, 2015 start date.
- <sup>10</sup> Messrs. Schmidt and Vels did not participate in the Hydro One DBPP in 2015. In lieu of the contribution to the Hydro One DCP, Messrs. Schmidt and Vels received a cash payment representing the contribution Hydro One would otherwise have made to the DCP. This cash payment was \$37,956 for Mr. Schmidt and \$34,269 for Mr. Vels and is included under "All other compensation".
- <sup>11</sup> For Messrs. Schmidt and Vels, the amounts include after tax dollars moved to a registered retirement savings plan for their benefit.

#### Outstanding Share-Based Awards and Option-Based Awards

The following chart provides details regarding outstanding option and share-based awards for the NEOs as of December 31, 2016:

Name	Option-based Awards <sup>(1)</sup>				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#) <sup>(2)</sup>	Market or payout value of share-based awards that have not vested (\$) <sup>(2)</sup>	Market or payout value of vested share-based awards not paid out or distributed (\$) <sup>(4)</sup>
Mayo Schmidt	N/A	N/A	N/A	N/A	100,447	2,441,890	1,166,928
Michael Vels	N/A	N/A	N/A	N/A	29,549	718,349	N/A
Gregory Kiraly	N/A	N/A	N/A	N/A	42,036	1,082,434	N/A
Ferio Pugliese <sup>(3)</sup>	N/A	N/A	N/A	N/A	91,075	2,366,134	N/A
James Scarlett	N/A	N/A	N/A	N/A	34,670	908,016	N/A

#### Notes:

- <sup>1</sup> The human resources committee has decided not to grant any option-based awards.
- <sup>2</sup> Amounts include all PSUs and RSUs granted in 2016, including dividend equivalents. The amounts assume PSUs vest at target.
- <sup>3</sup> In recognition of the estimated LTIP value forfeited from his previous employer, Mr. Pugliese received the following attraction incentive equity awards in 2016:
- <sup>a</sup> a one-time award of PSUs equivalent to \$699,901 (subject to rounding and in the form of 26,940 PSUs) with vesting at December 31, 2018 (performance period: January 1, 2016 to December 31, 2018) and contingent on the standard terms and conditions of the other PSUs granted in 2016, including earnings per share relative to the performance targets and maintenance of the annualized dividend rate at a minimum level; and
  - <sup>b</sup> a one-time award of RSUs equivalent to \$699,901 (subject to rounding and in the form of 26,940 RSUs) with vesting as follows: 50% vest May 2017 and 50% vest May 2018.
- <sup>4</sup> Total represents the aggregate value of short term incentive awards the NEO voluntarily elected to receive as management DSUs, and the dividend equivalents earned as additional management DSUs.

## EXECUTIVE COMPENSATION

### Incentive Plan Awards – Value Vested or Earned during the Year

Name and Principal Position	Option-based awards – Value vested during the year (\$) <sup>(1)</sup>	Share-based awards – Value vested during the year (\$) <sup>(2)</sup>	Non-equity incentive plan compensation – value earned during the year (\$) <sup>(3)</sup>
Mayo Schmidt <i>President and Chief Executive Officer</i>	N/A	1,166,928	1,170,000
Michael Vels <i>Chief Financial Officer</i>	N/A	N/A	447,444
Gregory Kiraly <i>Chief Operating Officer</i>	N/A	N/A	166,363
Ferio Pugliese <i>EVP, Customer Care and Corporate Affairs</i>	N/A	N/A	163,093
James Scarlett <i>EVP and Chief Legal Officer</i>	N/A	N/A	166,227

#### Notes:

- <sup>1</sup> The human resources committee has decided not to grant any option-based awards.
- <sup>2</sup> The value of share-based awards that vested, if any, during the fiscal year includes dividend equivalents earned on these awards during the period. Total represents the aggregate value of short term incentive awards (less any pension contributions) the NEO voluntarily elected to receive as management DSUs, and the dividend equivalents earned as additional management DSUs.
- <sup>3</sup> Each NEO, other than the President and CEO and the CFO, was granted a short term incentive award pro-rated for the length of his service in 2016. This column includes the full amount of the short term incentive awards even if a NEO elected to receive all or a portion as management DSUs.

### Defined Contribution Pension Plan

All of the named executive officers participate in the Hydro One DCP. Hydro One's DCP is designed to:

- attract and retain employees;
- result in lower and more stable cost over time compared to the Hydro One DBPP; and
- promote sharing of retirement savings responsibility between Hydro One and its employees.

A summary of the key terms of the Hydro One DCP is presented below:

<b>Eligibility</b>	All new non-union hires on or after September 30, 2015. All of the named executive officers participate in the DCP.
<b>Employee contribution</b>	Mandatory contribution of a minimum of 4% of pensionable earnings and a maximum contribution of 6% of pensionable earnings, subject to the limit outlined under the “– Supplemental plan” section below in this chart.
<b>Employer match</b>	Employee contributions are matched by Hydro One.
<b>Pensionable earnings</b>	Base salary plus actual short term incentive (but not exceeding 50% of base salary).
<b>Supplemental plan</b>	Once the total employee and employer contributions for the calendar year has reached the maximum contribution level permissible under a registered pension plan, as per the <i>Income Tax Act</i> (Canada), employee contributions cease. Employer matching contributions continue, with the after tax amount of such employer contributions made to a non-registered savings plan for the employee's benefit.

The following table summarizes the pension information for the NEOs participating in the Hydro One DCP as at December 31, 2016<sup>(1)</sup>

Name	Accumulated value at start of year (\$)	Compensatory (\$)	Accumulated value at year end (\$)
Mayo Schmidt <i>President &amp; CEO</i>	0.00	64,024	66,495
Michael Vels <i>Chief Financial Officer</i>	0.00	37,869	41,117
Gregory Kiraly <i>Chief Operating Officer</i>	0.00	8,630	8,724
Ferio Pugliese <i>EVP, Customer Care and Corporate Affairs</i>	0.00	7,955	8,070
James Scarlett <i>EVP and Chief Legal Officer</i>	0.00	8,653	8,948

**Note:**

<sup>1</sup> In respect of the President and CEO and the CFO, the totals include after tax amounts made to a non-registered savings plan for their benefit.

### Defined Benefit Registered Pension Plan

Hydro One Inc., the company's wholly owned subsidiary, established a contributory defined benefit registered pension plan (the DBPP) on December 31, 1999. Hydro One Inc. manages and invests the assets and liabilities of the pension fund as plan sponsor and administrator of the plan. Hydro One Inc. has closed participation in the Hydro One DBPP to new non-union hires effective September 30, 2015. Non-union employees who were eligible members of the DBPP as of September 30, 2015 continue to participate in the DBPP.

The DBPP provides a benefit, in respect of all years of service, which is based on each plan member's highest average earnings at the time of his or her termination or retirement. The value of the increase or decrease in the present value of the defined benefit obligation is affected by differences between actual compensation for the year and the earnings increase assumptions for the year, assumed at the end of the prior year. When the actual earnings increase is not in line with the assumed level, it impacts the total defined benefit obligation in respect of past service. If the expected highest average earnings based on the most recent information is lower than the highest average earnings based on

the prior year estimate, it results in a decrease in the defined benefit obligation.

None of the current NEOs participate in the Hydro One DBPP. The NEOs and other new non-union employees hired on or after July 1, 2015 who were not eligible to join the DBPP as of September 30, 2015 participate in the DCP effective January 1, 2016.

### Supplementary Pension Plan Benefits

Hydro One's supplementary pension plan (the supplementary pension plan) provides benefits that are in excess of Income Tax Act (Canada) limits and that cannot be provided under the registered plan. The supplementary pension plan is unfunded and the benefits from this plan are paid from general revenues. Hydro One Inc.'s obligations to participants under the supplementary pension plan are secured by a letter of credit.

None of the current NEOs participate in the supplementary pension plan.

## EXECUTIVE COMPENSATION

### Termination and Change of Control Benefits

Each of the NEOs is a party to an employment agreement with Hydro One governing the terms of their employment. The following table sets out the entitlements of the NEOs under various termination scenarios:

Compensation element	Resignation <sup>(1)</sup>	Retirement <sup>(2)</sup>	Termination without cause <sup>(3)</sup>	Termination following change in control <sup>(4)(5)</sup>	Termination with cause
Severance	None	None	2 x aggregate of base salary plus lower of (i) average annual bonus for the prior 3 years and (ii) target bonus for the year of termination	Same as termination without cause	None
Base Salary	Base Salary ends	Base Salary ends	Base Salary ends	Base Salary ends	Base Salary ends
Annual Incentive	Award forfeited	Award forfeited	Award forfeited	Award forfeited	Award forfeited
RSUs	Unvested units expire on date of resignation	Continue to vest according to schedule	Unvested units expire on date of termination <sup>(6)</sup>	Continue to vest according to schedule but only if rolled over to acquiror <sup>(6)</sup>	Award forfeited
PSUs	Unvested units expire on date of resignation	Continue to vest according to schedule	Unvested units expire on date of termination <sup>(6)</sup>	Continue to vest according to schedule but only if rolled over to acquiror <sup>(6)</sup>	Award forfeited
Pension	Entitled to accrued pension	Entitled to accrued pension	Entitled to accrued pension	Entitled to accrued pension	Entitled to accrued pension
Group health and welfare	Benefits end	Benefits end	Continue for up to 24 months	Continue for up to 24 months	Benefits end

#### Notes:

- <sup>1</sup> The President and CEO and the CFO may voluntarily resign their employment at any time by giving the board 6 months' written notice, while the other NEOs must give the board 3 months written notice.
- <sup>2</sup> An executive is considered to have 'retired' if the executive has given six months (three months in the case of the CFO) prior notice with the approval of the board, complies with such conditions as the board may require in connection with its approval and as may be reasonably required to facilitate transitional matters and is paid no cash severance payment or retirement allowance or equivalent. If these criteria are not satisfied, the termination of employment will be treated as a resignation, and the appropriate termination provisions will apply.
- <sup>3</sup> Payment of such amounts are conditional upon delivery of a full and final release document to the company and compliance with post-employment covenants respecting any applicable non-competition, non-solicitation and non-disparagement and maintaining the confidentiality of Hydro One's confidential information.
- <sup>4</sup> Treatment only applies to termination by the company without cause or by the executive with good reason within 24 months following a change in control and only applies to awards made prior to the change in control. There is no entitlement to any benefit upon a change in control without a termination of employment. "Good reason" means a material change in title, responsibilities or authority or a material reduction in base salary or in short term and long term incentive opportunity.
- <sup>5</sup> A 'change in control' will occur in the following circumstances:
  - more than 50% of the outstanding voting securities of the company are acquired;
  - all or substantially all of the assets of the company are sold, assigned or transferred other than to a wholly owned subsidiary;
  - an acquisition of the company via merger, amalgamation, consolidation, statutory arrangement or otherwise or the dissolution or liquidation of the company; or
  - the board passes a resolution confirming that a change in control has occurred.
As a result of limitations on the ownership of the company's shares under the *Electricity Act* (Ontario), there would have to be an amendment to such statute for a change in control to occur.
- <sup>6</sup> Pursuant to the terms of the LTIP, the board (or human resources committee if and when the administration of the LTIP is delegated to it) may permit the acceleration of vesting (or lapse of any restricted period) of the LTIP awards. For a summary of other terms and conditions of the LTIP, please refer to page 83.

The NEOs are not eligible for incremental payments or benefits except in the event of a termination by the company without cause or a resignation by the executive for good reason, both within 24 months following a change in control. The table below shows the incremental payments that would be made to the company's NEOs, if such events had occurred on December 31, 2016.

Name	Event	Severance (\$) <sup>(1)</sup>
<b>Mayo Schmidt</b> <i>President and Chief Executive Officer</i>	Termination without cause	3,230,000
<b>Michael Vels</b> <i>Chief Financial Officer</i>	Termination without cause	1,600,000
<b>Greg Kiraly</b> <i>Chief Operating Officer</i>	Termination without cause	1,870,000
<b>Ferio Pugliese</b> <i>EVP, Customer Care and Corporate Affairs</i>	Termination without cause	1,785,000
<b>James Scarlett</b> <i>EVP and Chief Legal Officer</i>	Termination without cause	1,700,000

Note:

<sup>1</sup> Severance payments are calculated based on annualized salary and the target short term incentive for the fiscal year 2016.

## IV – Securities Authorized For Issue Under Equity Compensation Plans

The following table provides a summary as of December 31, 2016, of the security based compensation plans pursuant to which equity securities of Hydro One may be issued.

Plan Category	Equity Compensation Plan	Number of securities to be issued upon exercise of outstanding options, warrants and rights (A)	Weighted-average exercise price of outstanding options, warrants and rights (\$) (B)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A)) <sup>(1)</sup> (C)
Equity compensation plans approved by shareholders	N/A	N/A	N/A	N/A
Equity compensation plans not approved by shareholders	Long Term Incentive Plan <sup>(1)</sup>	484,750	N/A	11,415,250
	Power Workers' Union Share Grant Plan	0	20.50 <sup>(2)</sup>	3,981,763
	The Society of Energy Professionals Share Grant Plan	0	20.50 <sup>(2)</sup>	1,434,686
<b>Total</b>		<b>484,750</b>	<b>N/A</b>	<b>16,831,699</b>

### Notes:

<sup>1</sup> Assumes for this purpose, PSUs vest at 100% of target.

<sup>2</sup> The number of common shares to which the eligible employees represented by the Power Workers Union and The Society of Energy Professionals are entitled to under the Grant Plans is determined as a percentage of salary and the price at which the Province agreed to sell the shares as reflected in the final prospectus of the initial public offering.

## Long Term Incentive Plan

A summary of the key terms of the LTIP are presented below:

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<b>Types of Awards</b>	<p><i>PSUs and RSUs.</i> (See pages 57 and 59 for details)</p> <p><i>Restricted shares.</i> A restricted share award is an award of common shares subject to forfeiture restrictions.</p> <p><i>DSUs.</i> A DSU is an award that entitles the participant to receive common shares following termination of employment or service with the company. DSUs may be subject to performance conditions or other vesting conditions.</p> <p>While none of the following have been granted, the LTIP also contemplates the possibility of grants of:</p> <p><i>Options.</i> An option is the right to acquire a common share on a future date on payment of the exercise price. The exercise price of an option may not be less than the fair market value of a common share on the date of grant. The term of an option may not exceed 10 years, unless extended due to the existence of a company trading blackout period.</p> <p><i>SARs.</i> A share appreciation right (<i>SAR</i>) is the right to receive common shares equal in value to the appreciation in the value of a common share over a period. The base price against which a <i>SAR</i> is to be measured may not be less than the fair market value of a common share on the date of grant. An option and a <i>SAR</i> may be granted in tandem, in which event the <i>SAR</i> will vest and be exercisable on the same dates as the related option and the exercise of the option results in the surrender of the <i>SAR</i>, and vice versa.</p> <p><i>Other awards.</i> Other awards are awards that are convertible into or otherwise based on the common shares.</p>
<b>Eligibility</b>	<p>Employees and consultants of Hydro One and its affiliates as determined by the human resources committee.</p> <p>Non-employee directors on the board are not eligible.</p>
<b>Maximum No. of Shares Authorized</b>	<p>11,900,000 common shares. Within that limit the maximum number of common shares which may be issued as PSUs, RSUs or DSUs is 4,760,000 common shares.</p> <p>If an award expires without exercise, is cancelled, forfeited or terminated or otherwise is settled without the issuance of common shares, common shares which were issuable under the award will be available for future grants. Common shares issued under awards of an acquired company that are converted, replaced or adjusted in connection with the acquisition will not reduce the number of shares available for awards under the LTIP unless otherwise required by law or stock exchange rule.</p>
<b>Insider Limits</b>	<p>Under the LTIP and any other Hydro One security based compensation arrangements:</p> <ul style="list-style-type: none"><li>• maximum number of common shares issuable to insiders at any time is 10% of the outstanding common shares.</li><li>• maximum number of common shares issuable to insiders within any one year period is 10% of the outstanding common shares.</li></ul>
<b>Company trading blackout periods</b>	<p>If an award is scheduled to expire during, or within five business days after, a company trading blackout period restricting employees from trading in common shares, then the award shall expire ten business days after such restricted trading period expires.</p>
<b>Death &amp; Disability</b>	<p>Unless otherwise determined by the human resources committee, a pro rata portion of the next instalment of the award due to vest shall immediately vest, based on the number of days elapsed since the last instalment vested compared to the period from the last vesting date to the next vesting date (or if none have vested, the date of grant). Any performance targets are deemed to have been met at 100% of the target performance level. Vested awards subject to exercise will remain exercisable for 90 days, or the award's normal expiration date if earlier.</p>

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## EXECUTIVE COMPENSATION

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<b>Retirement</b>	<p>Unless otherwise determined by the human resources committee, all unvested awards continue to vest and are settled and exercised in accordance with their terms.</p> <p>“Retirement” means:</p> <p>(a) If the employee:</p> <ol style="list-style-type: none"><li>i. is the CEO or reports directly to the CEO, the retirement has been approved by the board and the employee complies with such conditions as the board may require, and</li><li>ii. is not i above, the employee has reached age 65 or reached age 55 with a minimum of 10 years of service or such lesser age and/or service thresholds as the human resources committee may determine;</li></ol> <p>(b) the employee has given formal notice of their intention to retire six months in advance or such lesser period as the human resources committee may approve;</p> <p>(c) no cash severance payment or retirement allowance or equivalent is paid; and</p> <p>(d) the employee has complied with such transitional activities as may be reasonably required by Hydro One until the date the individual has ceased active employment.</p>
<b>Resignation</b>	<p>Unless otherwise determined by the human resources committee, all unvested awards are forfeited. Vested awards subject to exercise will remain exercisable for 90 days, or the award’s normal expiration date if earlier.</p>
<b>Termination For Cause</b>	<p>All awards, whether vested or unvested, are forfeited and cancelled.</p>
<b>Termination Without Cause</b>	<p>Unless otherwise determined by the human resources committee, awards other than options and SARs will be forfeited. Options and SARs, to the extent vested, will remain exercisable until the earlier of 90 days after the participant’s termination of service or the award’s normal expiration date.</p>
<b>Termination Without Cause Within 12 Months Following a Change in Control</b>	<p>Unless otherwise determined by the human resources committee or provided in an employment agreement, all awards granted prior to the time of the change in control and which are still outstanding, will continue to vest and be exercised or settled in accordance with their terms.</p>
<b>Change in Control</b>	<p>The human resources committee may provide for the conversion or exchange of outstanding awards for new awards or other securities of substantially equivalent value (or greater value) in any entity participating in or resulting from the change in control, or, for the accelerated vesting or delivery of shares under awards, or for a cash-out of outstanding awards.</p>
<b>Definition of Change in Control</b>	<p>Subject to certain exceptions, means:</p> <ul style="list-style-type: none"><li>• more than 50% of the outstanding voting securities of the company are acquired;</li><li>• all or substantially all of the assets of the company are sold, assigned or transferred, other than to a wholly owned subsidiary;</li><li>• an acquisition of the company via merger, amalgamation, consolidation, statutory arrangement or otherwise or the dissolution or liquidation of the company; or</li><li>• the board passes a resolution confirming that a change in control has occurred.</li></ul> <p>As a result of limitations on the ownership of the company’s shares under the <i>Electricity Act</i> (Ontario), there would have to be an amendment to such statute for a change in control to occur.</p>
<b>Assignability</b>	<p>Options are generally not assignable or transferable. Other awards may be assigned to a ‘permitted assign’ (as defined under Canadian securities law), which includes a spouse, registered retirement savings plan, registered retirement income fund or personal holding company.</p>
<b>Discretion</b>	<p>The human resources committee can accelerate vesting or exercisability of an award. The human resources committee may adjust performance objectives in an objectively determinable manner to reflect events occurring during the performance period that affect the applicable performance objective.</p>

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<b>Clawback</b>	The human resources committee may provide that an award may be subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of any clawback, recoupment or similar policy adopted by the company or as otherwise required by law or applicable stock exchange listing standards.
<b>Adjustments</b>	The human resources committee may make adjustments as it determines in its sole discretion to the terms of any award, the number and type of securities issuable under the award and the number of common shares issuable under the LTIP in the event of a subdivision or consolidation of common shares or any similar capital reorganization, or a payment of a stock dividend (other than a stock dividend that is in lieu of a cash dividend), or in the event of an amalgamation, combination, arrangement, merger or other transaction or reorganization of the company that does not constitute a change in control.
<b>Amendment</b>	<p>The human resources committee may amend the LTIP or outstanding awards, or terminate the LTIP as to future grants of awards, except that a change that would affect materially and adversely an employee's rights under the award is subject to the employee's consent unless expressly provided in the LTIP or the terms of the award at the time of grant.</p> <p>Shareholder approval is required for any amendment that:</p> <ul style="list-style-type: none"> <li>a) increases the number of common shares available for issuance under the LTIP or increases the limits on awards to insiders (except with respect to the adjustments described above),</li> <li>b) permits non-employee directors to receive awards,</li> <li>c) reduces the exercise price of an award (including by cancelling an award and reissuing an award to the same participant with a lower exercise price) except pursuant to the provisions of the LTIP which permit the human resources committee to make equitable adjustments in the event of transactions affecting the company or its capital,</li> <li>d) extends the term of any award beyond its original expiration date (except where the expiration date would have fallen within a company blackout period or within 5 business days thereof),</li> <li>e) permits an award to be exercisable or settled beyond 10 years from its grant date (except where the expiration date would have fallen within a company blackout period),</li> <li>f) permits awards to be transferred other than to a "permitted assign" (as defined under Canadian securities law) or for normal estate settlement purposes, or</li> <li>g) deletes or reduces the range of amendments which require shareholder approval.</li> </ul>

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The above description of the LTIP is summary in nature and is qualified in its entirety to the text of the LTIP.

## EXECUTIVE COMPENSATION

### Share Grant Plans for Certain Members of the Power Workers' Union and The Society of Energy Professionals

A summary of the key terms of the share grant plans referenced above is provided below:

	Power Workers' Union Share Grant Plan	The Society of Energy Professionals Share Grant Plan
<b>Benefit</b>	Right to receive common shares on April 1 of each year for up to a specified number of years beginning April 1, 2017.	Right to receive common shares on April 1 of each year for up to a specified number of years beginning April 1, 2018.
<b>Eligibility</b>	Employees represented by the Power Workers Union and contributing to the Hydro One DBPP as of April 1, 2015	Employees represented by The Society of Energy Professionals and contributing to the Hydro One DBPP as of September 1, 2015
<b>Maximum No. of Shares Authorized</b>	3,981,763 common shares (0.67% of the outstanding common shares)	1,434,686 common shares (0.24% of the outstanding common shares)
<b>Schedule for Delivery of Shares</b>	Each participant received a schedule setting out the shares to be delivered on each date subject to the participant's continuous employment, which schedule provided that the last delivery date would be the first to occur of: <ul style="list-style-type: none"> <li>• April 1, 2028;</li> <li>• the date the employee has &gt;35 years of pensionable service under the Hydro One defined benefit pension plan; and</li> <li>• the date the employee must, due to age, cease contributing to such plan under the current provisions of the <i>Income Tax Act</i> (Canada)</li> </ul>	Each participant received a schedule setting out the shares to be delivered on each date subject to the participant's continuous employment, which schedule provided that the last delivery date would be the first to occur of: <ul style="list-style-type: none"> <li>• April 1, 2029;</li> <li>• the date the employee has &gt;35 years of pensionable service under the Hydro One defined benefit pension plan; and</li> <li>• the date the employee must, due to age, cease contributing to such plan under the current provisions of the <i>Income Tax Act</i> (Canada)</li> </ul>
<b>Termination of employment</b>	Delivery of common shares ceases if participant has not been an employee continuously from April 1, 2015.	Delivery of common shares ceases if participant has not been an employee continuously from September 1, 2015.
<b>Assignability</b>	Right to receive common shares is non-assignable	Right to receive common shares is non-assignable
<b>Amendment</b>	Board may amend the plan at any time subject to the consent of the Power Workers' Union and provided that an amendment that would prejudice the right of a participant to be delivered common shares is subject to the participant's consent.  Shareholder approval is required for any amendment that: <ol style="list-style-type: none"> <li>increases the number of common shares reserved for issuance under the plan,</li> <li>permits non-employee directors to participate,</li> <li>allows equity-based awards other than grants of common shares to be made under the plan, or</li> <li>amends the amendment provisions other than to add additional matters requiring shareholder approval.</li> </ol>	Board may amend the plan at any time subject to the consent of The Society of Energy Professionals and provided that an amendment that would prejudice the right of a participant to be delivered common shares is subject to the participant's consent.  Shareholder approval is required for any amendment that: <ol style="list-style-type: none"> <li>increases the number of common shares reserved for issuance under the plan,</li> <li>permits non-employee directors to participate,</li> <li>allows equity-based awards other than grants of common shares to be made under the plan, or</li> <li>amends the amendment provisions other than to add additional matters requiring shareholder approval.</li> </ol>

The above description of the share grant plans is summary in nature and is qualified in its entirety to the text of each share grant plan.

# Other Information

## Directors' and Officers' Liability Insurance

Hydro One carries the following types of directors' and officers' liability insurance: (i) traditional directors' and officers' insurance (the *traditional policy*) which has a total policy limit of \$200 million in the aggregate, including defence costs; and (ii) public offering of securities directors' and officers' liability insurance (the *public offering of securities policy*) which has a total policy limit of \$200 million in the aggregate, including defence costs. Under these policies, Hydro One and its subsidiaries are reimbursed for payments made under indemnity provisions on behalf of directors and officers for actual or alleged wrongful acts committed in their insured capacity, subject to all the terms, conditions and exclusions of the policies. Each policy has a \$100,000 deductible for indemnifiable claims. The 2016 premium costs for these policies, exclusive of taxes, are as follows: (i) approximately \$411,709 for the traditional policy; and (ii) approximately \$17,733 (annualized portion of the total premium cost over the life of the policy) for the public offering of securities policy.

## Indebtedness of Directors, Officers and Employees

No director, executive officer, employee, former director, former executive officer or former employee or associate of any director or executive officer of Hydro One or any of its subsidiaries had any outstanding indebtedness to Hydro One or any of its subsidiaries except routine indebtedness or had any indebtedness that was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Hydro One or any of its subsidiaries.

## Interest of Informed Persons in Material Transactions

Other than as noted below and elsewhere in this circular, there are no material interests, direct or indirect, of any director or executive officer of the company, any shareholder that beneficially owns, or controls or directs (directly or indirectly), more than 10% of any class or series of Hydro One's common shares, or any associate or affiliate of any of the foregoing persons, in any transaction since

the commencement of the company's most recently completed financial year before the date hereof that has materially affected or is reasonably expected to materially affect the company.

In connection with the initial public offering, on November 5, 2015, the company entered into: (i) the governance agreement with the Province; and (ii) a registration rights agreement (the *registration rights agreement*) with the Province granting the Province certain rights with respect to future sales of common shares owned by the Province.

## Interest of Certain Persons in Matters to be Acted Upon

Other than the election of directors of Hydro One or as otherwise set out in this circular, no director or executive officer of the company, or any associate or affiliate of any of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the meeting.

## Shareholder Proposals and Nominations

A shareholder intending to submit a proposal at an annual meeting of shareholders of the company must comply with the applicable requirements of the *Business Corporations Act* (Ontario) and the company's by-laws. Any proposal to be considered at the 2018 annual meeting of the company must be received by the Corporate Secretary of Hydro One by no later than March 5, 2018.

Shareholders who wish to nominate candidates for election as directors must provide timely notice in writing to the Corporate Secretary, Hydro One Limited, 483 Bay Street, South Tower, 8<sup>th</sup> Floor Reception, Toronto, Ontario, Canada M5G 2P5 and include the information set forth in the company's by-laws. The notice must be made not less than 30 days (40 days where notice and access is to be used) prior to the date of the annual meeting of shareholders in 2018. See the company's by-laws for complete details on the procedures to be followed. The company's by-laws are available under Hydro One's profile on SEDAR at [www.sedar.com](http://www.sedar.com)

## Other Business

Management does not currently know of any matters to be brought before the meeting other than those set forth in the notice accompanying this circular.

## Additional Information

Additional information relating to Hydro One is available under Hydro One's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on our website at [www.HydroOne.com](http://www.HydroOne.com). For additional details concerning the governance agreement and the registration rights agreement, please refer to Hydro One's annual information form which is

available under Hydro One's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Additional financial information is provided in the consolidated financial statements and notes to the consolidated financial statements and management's discussion and analysis of Hydro One for 2016. Shareholders may request copies of Hydro One's financial statements and management's discussion and analysis by sending a request in writing to:

483 Bay Street  
c/o Corporate Secretary of Hydro One Limited  
8<sup>th</sup> Floor, South Tower  
Toronto, Ontario  
M5G 2P5



# Schedule "A" Hydro One Limited Mandate for the Board of Directors

The board of directors (the "Board") of Hydro One Limited (including its subsidiaries, the "Company") is elected by the shareholders and is responsible for overseeing the business and affairs of the Company. The Board seeks to discharge such responsibility by reviewing, discussing and approving the Company's strategic planning and organizational structure and supervising management, all with a view to preserving and enhancing the business of the Company and its underlying value.

## Responsibilities

While the Board maintains oversight of the Company's operations, it delegates to the Chief Executive Officer and senior management of the Company the responsibility for day-to-day management of the Company. The Board discharges its oversight responsibilities both directly and through its committees, the Audit Committee, the Nominating, Corporate Governance, Public Policy & Regulatory Committee, the Human Resources Committee and the Health, Safety, Environment, and First Nations & Métis Committee. In addition to these regular committees, the Board may appoint *ad hoc* committees periodically to address specific matters.

The Board's primary roles are overseeing both corporate performance and the quality, depth and continuity of management required to meet the Company's strategic objectives. Other principal duties include:

## Culture of Integrity

1. supporting a corporate culture of integrity and responsible stewardship.
2. satisfying itself, to the extent feasible, as to the integrity of the Chief Executive Officer and other executive officers, and that such individuals promote a culture of integrity throughout the Company.

## Capital and Financial Structure

3. approving the capital and financial structure of the Company.
4. approving the declaration and payment of dividends.

## Strategic Planning

5. overseeing and reviewing, questioning and approving the mission and vision of the Company as well as its strategy, objectives and goals, taking into account the opportunities available to the Company, the potential risks it faces, and the Company's risk appetite.
6. reviewing, providing input on, and approving the budget and business, financial and strategic plans proposed by management to enable the Company to reach its objectives and goals.
7. adopting processes for monitoring the Company's performance and progress toward its strategic and operational goals.

## Risk Management

8. overseeing the Company's enterprise risk management system for effectively identifying, monitoring and managing the risks it faces with a view to achieving a proper balance between the risks incurred and potential returns and the long term sustainability of the Company.
9. approving policies and procedures designed to ensure that the Company operates responsibly and in compliance with applicable laws and regulations.

## Appointment and Oversight of Management

10. approving the appointment of, and if necessary removing and replacing, the Chief Executive Officer, approving his or her compensation and approving succession plans for the Chief Executive Officer.
11. overseeing the process for appointment, removal and replacement of all other executive officers, their compensation and the succession planning processes of the Company.
12. delegating to senior management the authority for expenditures and transactions, subject to specified limits beyond which Board approval would be required.

## Corporate Governance

13. approving the Company's approach to corporate governance, having regard to the Governance Agreement between the Company and the Province of Ontario (as amended, revised or replaced from time to time, the "**Governance Agreement**"), including the Board's mandate, committee mandates, committee appointments, corporate governance guidelines, position descriptions for the Board Chair and of the committee chairs and director compensation and protection.
14. overseeing structures and procedures to enable the Board to exercise independent judgement.
15. overseeing succession-planning for the Board, orientation and educational opportunities for directors and the regular assessment of the effectiveness of the Board as a whole, each committee, the Board Chair, each Committee Chair, and each individual director.

16. delegating to Board committees oversight of specific matters, but except for the authority of the Nominating, Corporate Governance, Public Policy & Regulatory Committee over the management and oversight of the director nomination process pursuant to the Governance Agreement, otherwise retaining ultimate responsibility for those delegated matters
17. enforcing Board policy respecting confidentiality of the Company's proprietary information and Board deliberations.

## Communications and Reporting

18. monitoring and supporting investor relations activities and reporting annually to shareholders on the Board's exercise of its oversight responsibilities for the preceding year.
19. reviewing communications plans for shareholders, employees, customers, financial analysts, governments and regulatory authorities, the media and other stakeholders, as well as processes to ensure the timely, accurate and complete disclosure of developments that have a significant and material impact on the Company.
20. overseeing the accurate disclosure and reporting of the financial performance of the Company to shareholders, other security holders and regulators on a timely and regular basis;
21. assessing the Company's stakeholder engagement policies and practices including systems to accommodate feedback from shareholders and other stakeholders.

# How to Contact Us

<b>Investors</b>	Hydro One Investor Relations 483 Bay Street, South Tower, 7 <sup>th</sup> Floor Toronto, Ontario, Canada M5G 2P5 Email: investor.relations@HydroOne.com
<b>Customers</b>	Hydro One Networks Inc. P.O. Box 5700, Markham, Ontario, Canada L3R 1C8  Billing and Service Inquiries: Tel: 1-888-664-9376 Fax: 1-888-625-4401 (Toll-Free) or 905-944-3251 Email: CustomerCommunications@HydroOne.com  Report an Emergency (24 hours): Tel: 1-800-434-1235
<b>Shareholders</b> changes in share registration address changes dividend information lost share certificates estate transfers duplicate mailings	Computershare Trust Company of Canada 100 University Avenue, 8 <sup>th</sup> floor Toronto, Ontario, Canada M5J 2Y1 Tel: 1-800-564-6253 or 514-982-7555 Fax: 1-888-453-0330 or 416-263-9394 Email: service@computershare.com
<b>Independent directors</b>	Chair of the Board c/o the Corporate Secretary 483 Bay Street, South Tower, 8 <sup>th</sup> Floor Reception Toronto, Ontario, Canada M5G 2P5 Email: CorporateSecretary@HydroOne.com
<b>Executive compensation matters</b>	Chair of the Human Resources Committee c/o the Corporate Secretary 483 Bay Street, South Tower, 8 <sup>th</sup> Floor Reception Toronto, Ontario, Canada M5G 2P5 Email: CorporateSecretary@HydroOne.com

## Reminder about shareholder mailings

We announce our financial results by media release, and our financial statements and management's discussion and analysis (MD&A) are available on our website ([www.HydroOne.com](http://www.HydroOne.com)).

If you are a shareholder and want to receive paper copies of our interim financial statements and related MD&A and/or our annual financial statements and related MD&A in 2017, you must mark the request box at the bottom of your proxy form (registered shareholders) or voting instruction form (beneficial shareholders).

## Find the information you need on-line

Stay current with the latest Hydro One investor information and sign up for email alerts by visiting [www.HydroOne.com/InvestorRelations](http://www.HydroOne.com/InvestorRelations).





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