

# 2022 Task Force on Climate-related Financial Disclosures

The Task Force on Climate-related Financial Disclosures (TCFD) was established to improve and increase reporting of consistent and comparable climate-related financial risk disclosures in the private sector. Hydro One is committed to understanding the risks and opportunities posed by climate change on our business and providing transparent disclosures of our progress year over year.

We started our journey reporting in alignment with the TCFD recommendations in 2021 (in the 2020 Sustainability Report) and are committed to the sustained improvement of our TCFD reporting. In 2022, we continued to expand our analysis to better understand the future impact of climate change on our business by conducting a climate exposure analysis and preliminary vulnerability screening, that will inform our climate adaptation strategy in the future.

A summary of our alignment with the TCFD recommendations is as follows:

Summary of Alignment With TCFD Recommendations	Location
<p><b>Governance –</b>  <b>Hydro One’s Board of Directors (the Board) and management acknowledge the importance of good governance practices in management of climate-related issues.</b></p> <p>Hydro One has strong governance and management structures in place to oversee and manage climate-related risks and opportunities.</p> <p><b>Board Oversight</b></p> <ul style="list-style-type: none"> <li>Hydro One’s Board, through its committees, including the Indigenous Peoples, Safety and Operations (IPSO) Committee, oversees sustainability at Hydro One.</li> <li>The IPSO Committee reviews our approach to sustainability-related issues, including the environment, operations and grid reliability and efficiency. Further, the IPSO Committee reviews material climate and environment events or developments.</li> <li>The IPSO Committee also assesses the Company’s programs and approaches related to sustainability objectives, including the standards against which the Company reports about areas such as climate change.</li> <li>The enterprise risk management (ERM) function facilitates the development of the annual risk profile. Both environmental, social and governance (ESG) and climate risks are considered within the corporate risk profile.</li> </ul> <p><b>Management Oversight</b></p> <ul style="list-style-type: none"> <li>Hydro One’s ESG approach, program and strategy are overseen at an executive level by the Executive Vice President, Strategy, Energy Transition and Human Resources and supported by a Vice President (VP)-level Sustainability Committee. The Committee provides strategic advice and perspectives on current, emerging, and key sustainability issues, including climate change, and provides directional oversight for all other ESG-related committees at the Company.</li> <li>Hydro One established a Director-level Climate Change Committee to oversee all matters related to climate change. This cross-functional team meets regularly to focus on strategies and approaches to mitigate and adapt to climate change.</li> </ul>	<p><a href="#">Governance</a> section of the 2022 Sustainability Report</p> <p><a href="#">Board of Directors Mandate</a></p> <p><a href="#">IPSO Committee Mandate</a></p> <p><a href="#">Management Information Circular</a></p>

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<p><b>Strategy –</b>  <b>Hydro One is committed to the ongoing assessment and understanding of climate change risks and opportunities and the impacts on Hydro One’s strategies and business operations.</b></p>	
<ul style="list-style-type: none"> <li>Climate-related risks and opportunities have historically been and continue to be assessed annually through our routine project and operating, maintenance and administration planning processes across Hydro One’s business. Material risks and opportunities are integrated within Hydro One’s long-term business planning and strategy.</li> <li>Hydro One’s corporate strategy considers the risks of climate change as an integral element of our “Plan, Design and Build a Grid for the Future” strategic priority. We are pursuing various strategic initiatives to build a grid for our customers that is reliable, resilient and flexible while balancing our environmental responsibility.</li> </ul>	<ul style="list-style-type: none"> <li>Planet section of the 2022 Sustainability Report</li> <li>Energizing Life for Customers section of the 2022 Sustainability Report</li> </ul>
<p><b>Identifying Climate-Related Risks</b></p>	
<ul style="list-style-type: none"> <li>In 2020, Hydro One conducted an enterprise-level assessment to identify climate-related risks and opportunities, led by our ERM team with input from internal cross-functional subject matter experts.</li> <li>In 2021, Hydro One conducted climate change scenario analyses to identify the possible financial implications of climate change (positive and negative). High, intermediate and low projections of future climate change scenarios were evaluated – to perform a high-level, top-down quantitative analysis.</li> <li>The results of the 2021 scenario analysis indicated that forecast acute impacts of climate change have the potential to affect Hydro One infrastructure and operations through increased frequency of extreme weather, flooding and wildfire occurrences and potential increases in freezing rain. The analysis found that weather-related changes could affect Hydro One in all scenarios while physical impacts to infrastructure were anticipated to be highest in the high-warming scenario.</li> <li>In 2022, we conducted a detailed climate study to characterize and map the changes in climate and weather that are forecast in Ontario to 2080. The locations of Hydro One’s assets were overlaid on the weather mapping to identify assets that could be affected by climate changes forecast for the intermediate and high scenarios used in the 2021 assessment.</li> <li>The preliminary results of the climate study indicate that by 2050:             <ul style="list-style-type: none"> <li>Maximum summer temperatures in Hydro One’s southern Ontario service area could approach or exceed the hottest observed temperature in Ontario (≥42.2°C).</li> <li>Extreme precipitation is projected to increase most significantly in southeastern Ontario to the east of Lake Huron and Georgian Bay; northwestern Ontario could experience increases in longer-duration five-day precipitation events, but less exposure to shorter-duration one-day events.</li> <li>The potential for asset icing across Hydro One’s entire service territory may increase due to the potential atmospheric temperature fluctuations around 0°C.</li> <li>Northern Ontario will see an increase in wildfire risk due to drought and increasing temperatures.</li> </ul> </li> <li>In 2023, we plan to dive deeper into the potential for Hydro One’s infrastructure and assets to be adversely or materially affected by these projected climate changes in light of current design, operation and maintenance processes in place to establish a preliminary corporate climate adaptation plan by year-end.</li> <li>Our material climate-related risks are detailed in our annual and interim management’s discussion and analysis. Hydro One’s corporate strategy considers these risks, through our “Plan, Design and Build a Grid for the Future” strategic priority.</li> </ul>	<ul style="list-style-type: none"> <li>2022 Annual Report</li> <li>2021 TCFD Report</li> </ul>

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<ul style="list-style-type: none"> <li>• <b>Physical:</b> Significant climate-related impacts to Hydro One's business are physical risks to our assets. Our facilities are exposed to the effects of severe weather conditions and natural disasters. The Company recognizes the risks associated with potential climate change and has developed plans to respond as appropriate. Climate change may have the effect of shifting weather patterns and increasing the severity and frequency of extreme weather events and natural disasters, which could impact Hydro One's business. The Company's facilities may not withstand occurrences of these types in all circumstances. Notwithstanding Hydro One's efforts to adapt and increase grid resilience, the Company's facilities are exposed to risks which may have an adverse effect on grid resilience.</li> <li>• The Company could also be subject to claims for damages from events which may be proximately connected with the Company's assets (for example, forest fires), claims for damages caused by its failure to transmit or distribute electricity or costs related to ensuring its continued ability to transmit or distribute electricity. The Company does not have insurance for damage to its transmission and distribution wires, poles and towers located outside its transmission and distribution stations resulting from these or other events. Where insurance is available for the Company's other assets and for damage claims, such insurance coverage may have deductibles, limits and/or exclusions that may still expose the Company to material losses.</li> <li>• <b>Policy:</b> We regularly monitor climate change policy developments and assess their potential impact on our business. While we are not a large emitter of GHG, we do seek to minimize our greenhouse gases emissions as part of our strategy to limit our environmental impact. We have developed internal programs to monitor and mitigate, to the extent reasonable, the impacts of GHG emissions, including emissions from SF<sub>6</sub> leaks, and operational fuel use. In addition, we engage in proactive policy development to support greater electrification in Ontario. Policy risks and opportunities are managed by our Regulatory and Policy teams.</li> <li>• <b>Regulatory:</b> Our efforts to build a grid for the future, enable the energy transition, and enhance the resilience of the Ontario grid exist within a regulated context. We continually assess and, where appropriate, advocate changes in the regulatory environment that have an impact on our ability to implement our strategy, and we seek to identify regulatory barriers and/or changes needed for the energy transition, electrification, and to enhance the grid's resilience. We also regularly review and support development standards, including our specifications, to account for changes in national standards to ensure we are hardening our infrastructure to withstand climate-related hazards.</li> <li>• <b>Market:</b> Hydro One aims to increase the resilience of the grid and support Ontario in unlocking the electrification potential of our economy to mitigate climate change. To realize the electrification and decarbonization potential of the grid, while also ensuring electricity security, Ontario's grid requires significant investments in efficient, smart and flexible system infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">2021 TCFD Report</a></li> </ul>
<p><b>Identification of Climate-Related Opportunities</b></p> <ul style="list-style-type: none"> <li>• There is opportunity for growth in electricity demand as Ontario increases the electrification and decarbonization of transportation, buildings and industry to mitigate climate change. For Hydro One this opportunity includes, but is not limited to, providing an expanded set of services such as greener solutions and products to manage energy efficiency and usage.</li> <li>• We provide new products and services to customers to help mitigate climate change impacts. <ul style="list-style-type: none"> <li>– We have invested in the Ivy Charging Network™ (“Ivy”), one of Ontario's largest, most connected EV fast-charger networks which connects the north to the south and the east to the west.</li> <li>– Ivy has launched Ivy Home to provide turnkey, finance home charging and Level 2 charging through an innovative charging as-a-service business model.</li> <li>– Our wholly owned subsidiary AUX Energy deploys financed, turnkey electrification solutions including battery energy storage, and fleet electrification design, deployment and operations solutions.</li> </ul> </li> <li>• We introduce new innovations through our grid resiliency strategy and through our “Innovate and Grow” strategic priority. These are intended to address the impacts of climate change, improve grid reliability, and potentially reduce costs.</li> <li>• The climate scenario analysis conducted in 2021 also illustrated the opportunities in a low-carbon transition by providing greater clarity as to the scale of electricity demand under different scenarios. There is high potential for significant demand increase in all scenarios, but particularly in the low and intermediate warming scenarios. To capitalize on this expected increase in demand, Hydro One will need to continue to invest in the grid.</li> <li>• Hydro One's strategic priority to “Plan, Design and Build a Grid for the Future” aligns with the risks and opportunities posed by climate change. Through our adaptation program, we are continually investing in grid resilience.</li> </ul>	

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<p><b>Risk Management –</b>  <b>Hydro One has an ERM process to identify, assess and manage risks across the business, including climate-related risks and opportunities.</b></p> <ul style="list-style-type: none"> <li>• The Board and its committees are responsible for oversight of the critical enterprise risks of the business, which include ESG. The Board ensures that management has an effective risk management framework, programs and risk mitigation strategies in place, with a view to achieving an appropriate balance between the risks incurred as well as the potential returns and the long-term sustainability of the Company.</li> <li>• The Board oversees and assesses the adequacy and effectiveness of programs and processes for identifying, assessing, and managing or mitigating the Company's principal risks and ensuring that primary oversight responsibility for each of the key risks identified in the ERM framework is assigned to the Board or one of its committees.</li> <li>• The ERM team provides an annual corporate risk profile report and quarterly updates on the Company's risk profile to the Board and its committees, consistent with the risk management oversight accountabilities of their mandates and as allocated by the Board. These reports chronicle the most "critical" risks to the achievement of the corporate strategy.</li> <li>• The identification, assessment and management of climate-related risks are integrated within management's risk accountabilities and Hydro One's ERM process. The ERM process enables Hydro One to proactively consider the critical and emerging enterprise risks essential to the achievement of our strategic objectives in an integrated, systematic and transparent manner.</li> <li>• Climate-related risks and opportunities are identified and assessed through multiple channels within the organization, including the Sustainability and Environmental teams, and considered part of both the ERM and internal audit planning process.</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Management Information Circular</a></li> </ul>
<p><b>Metrics and Targets –</b>  <b>Hydro One reports year-over-year performance across many areas, including GHG emissions, capital investments and reliability.</b></p> <ul style="list-style-type: none"> <li>• As an electricity transmission and distribution company, Hydro One is not considered a "high emitter" of GHG under Canadian law. Accordingly, we are not required to report on GHG emissions (other than SF<sub>6</sub>). However, we recognize that GHG emissions are important to many of our stakeholders, and we disclose our annual GHG emissions.</li> <li>• Hydro One has committed to achieving net-zero GHG emissions by 2050. We have established a target to achieve a 30% GHG reduction by 2030, compared to the 2018 baseline.</li> <li>• We measure and report annually on reliability indicators including system average interruption duration index (SAIDI) and system average interruption frequency index (SAIFI) for our distribution and transmission business.</li> <li>• A key metric of our corporate scorecard for all our management team is reliability, which is impacted by climate-related events.</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Planet</a> section of the 2022 Sustainability Report</li> <li>• <a href="#">GHD Letter of Assurance</a></li> <li>• <a href="#">2022 ESG Performance Summary</a></li> </ul>