

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. U/392; 92

MAYO M. SCHMIDT
Exhibit O O U/7

Governance Agreement between Hydro One and the Province of Ontario

HYDRO ONE LIMITED

GOVERNANCE AGREEMENT

Dated as of November 5, 2015

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GOVERNANCE AGREEMENT

THIS AGREEMENT is made as of the 5th day of November, 2015

B E T W E E N:

HYDRO ONE LIMITED a corporation incorporated under the laws of the Province of Ontario

(“**Hydro One**”)

– and –

HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO

(the “**Province**”), as represented by the Minister of Energy

RECITALS:

- A. The Province has determined that in order to strengthen the long-term performance of Hydro One and generate value for Ontarians it is desirable to broaden the ownership of Hydro One pursuant to the Offering.
- B. The Province and Hydro One wish to establish the governance structure for Hydro One given the Province’s position as a significant and responsible shareholder of Hydro One.
- C. In the Prospectus, the Province has stated that it intends to sell additional common shares of Hydro One over time. Pursuant to the *Electricity Act, 1998* (Ontario), the Minister of Energy on behalf of the Province has the authority to dispose of its interest in Hydro One and enter into any agreement the Minister considers necessary or incidental to the disposition of any such interest. However, under the *Electricity Act, 1998* (Ontario) (i) the Province is not permitted to sell Voting Securities if as a result the Province would own less than 40% of any class or series of Voting Securities and (ii) if as a result of the issuance of additional Voting Securities by Hydro One, the Province owns less than 40 per cent of the outstanding number of Voting Securities of any class or series, the Province is required to take steps to increase its ownership (subject to the Lieutenant Governor in Council determining the manner by which, and the time by or within which, the Voting Securities shall be acquired) to not less than 40 per cent of the outstanding number of Voting Securities of that class or series, in accordance with the provisions of that statute.
- D. Given the Province’s stated intention about future sales by it of common shares of Hydro One, the Province is prepared to commit not to acquire previously issued Voting Securities in the future if the Province would, after that acquisition, own more than 45% of any class or series of Voting Securities.
- E. Given the Province’s ownership obligations with respect to Voting Securities in accordance with the *Electricity Act, 1998* (Ontario), Hydro One is prepared to provide the

Province with a pre-emptive right to acquire up to 45% of certain new issuances of Voting Securities by Hydro One.

- F. Hydro One and the Province wish to enter into this Agreement to give effect to the matters set out in the Recitals and to govern the Province's relationship with Hydro One in its capacity as a holder of Voting Securities.

In consideration of the mutual covenants and agreements contained in this Agreement and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each of the Parties), the Parties agree as follows.

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement:

1.1.1 “**Ad Hoc Nominating Committee**” has the meaning given to that term in Section 4.7.2;

1.1.2 “**Agreement**” means this Governance Agreement and all Schedules attached to this agreement, in each case as they may be amended, supplemented or replaced from time to time in accordance with this Agreement;

1.1.3 “**Annual Confirmation Meeting**” means the first meeting of Directors after each annual meeting of Shareholders;

1.1.4 “**Arbitration Rules**” has the meaning given to that term in Section 7.1;

1.1.5 “**Articles**” means the articles of incorporation of Hydro One, as amended from time to time;

1.1.6 “**Board**” means the board of directors of Hydro One;

1.1.7 “**Board Diversity Policy**” means the policy on board diversity approved by the Board and in effect on the date of this Agreement, as it may be amended from time to time in accordance with Section 2.4.2;

1.1.8 “**Business Day**” means any working day, Monday to Friday inclusive, but excluding statutory and other holidays, namely: New Year's Day; Family Day; Good Friday; Easter Monday; Victoria Day; Canada Day; Civic Holiday; Labour Day; Thanksgiving Day; Remembrance Day; Christmas Day; Boxing Day and any other day identified as a “holiday” under Section 88 of the *Legislation Act, 2006* (Ontario);

1.1.9 “**Chair**” means the chair of the Board;

1.1.10 “**CEO**” means the Chief Executive Officer of Hydro One;

- 1.1.11 “**Circular Deadline**” has the meaning given to that term in Section 4.3.3;
- 1.1.12 “**Constating Documents**” means Hydro One’s articles of incorporation, certificate of incorporation, by-laws, or similar organizational documents, as the same may be amended from time to time;
- 1.1.13 “**Contested Meeting**” means a meeting of Shareholders for the purposes of electing Directors where the number of candidates for election as a Director validly nominated exceeds the number of Directors to be elected at that meeting;
- 1.1.14 “**Director**” means a director of Hydro One;
- 1.1.15 “**DRIP**” means any dividend re-investment arrangement established by Hydro One from time to time that is on terms (including as to discount rate) consistent with dividend re-investment arrangements of other publicly-traded utilities in Canada and that does not include a cash purchase option.
- 1.1.16 “**EA**” means the *Electricity Act, 1998* (Ontario);
- 1.1.17 “**Effective Date**” means the date the Offering is completed;
- 1.1.18 “**Excluded Issuance**” means the issuance of Voting Securities: (i) pursuant to employee or director compensation plans existing on the date hereof or plans adopted after the date hereof that comply with the rules of the TSX and, if required, have been approved by the TSX; (ii) pursuant to a DRIP; (iii) pursuant to a rights offering that is open to all Shareholders; or (iv) pursuant to any business combination, take-over bid, arrangement, asset purchase transaction or other acquisition of assets or securities of a third party;
- 1.1.19 “**Expected Departing Directors**” has the meaning given to that term in Section 4.3.1;
- 1.1.20 “**FAA**” means the *Financial Administration Act* (Ontario);
- 1.1.21 “**Governance Principles**” has the meaning given to that term in Section 2.1;
- 1.1.22 “**Governmental Authority**” means any federal, national, supranational, state, provincial or local government, any court, tribunal, arbitrator, authority, agency, commission, official, any Canadian or Provincial minister or the Crown or foreign equivalent or any non-governmental self-regulatory agency or other instrumentality of any government that, in each case, has jurisdiction over the matter in question;
- 1.1.23 “**Hydro One**” means Hydro One Limited;
- 1.1.24 “**Hydro One Entity**” means any Person controlled directly or indirectly by Hydro One where “control” has the meaning given to that term in the take-over bid rules under Ontario securities Laws;

1.1.25 “**Hydro One Ombudsman**” means the ombudsman for Hydro One appointed by the Board pursuant to Section 48.3 of the EA;

1.1.26 “**Hydro One’s Governance Standards**” has the meaning given to that term in Section 2.4.2;

1.1.27 “**Law**” means all laws, statutes, rules, regulations, ordinances, judgments, orders, writs, directives, decisions, rulings, decrees, awards and other pronouncements having the effect of law in Canada or in Ontario, or, as applicable, any foreign country or any other domestic or any foreign province, state, county, city or other political subdivision or of any Governmental Authority;

1.1.28 “**Majority Voting Policy**” means the majority voting policy of Hydro One approved by the Board and in effect on the date of this Agreement, as it may be amended from time to time in accordance with Sections 2.4.1 and 2.4.2;

1.1.29 “**material information**” means a “material fact” or a “material change” (as each of those terms is defined under applicable securities Laws);

1.1.30 “**Nominating and Governance Committee**” has the meaning given to that term in Section 3.5;

1.1.31 “**Nomination Deadline**” has the meaning given to that term in Section 4.3.3;

1.1.32 “**Nomination Notice**” has the meaning given to that term in Section 4.3.3;

1.1.33 “**OBCA**” means the *Business Corporations Act* (Ontario);

1.1.34 “**OEB**” means the Ontario Energy Board continued as a non-share capital corporation under the OEB Act;

1.1.35 “**OEB Act**” means the *Ontario Energy Board Act, 1998* (Ontario);

1.1.36 “**Offer**” has the meaning given to that term in Section 6.1;

1.1.37 “**Offered Securities**” has the meaning given to that term in Section 6.1;

1.1.38 “**Offering**” means the initial public offering of common shares of Hydro One described in the Prospectus;

1.1.39 “**Offering Outside Date**” has the meaning given to that term in Section 6.2;

1.1.40 “**Official or Employee of the Province**” has the meaning given to that term in Schedule “A” to this Agreement;

- 1.1.41 “**Ordinary Board Resolution**” means a resolution of the Board passed by at least a majority of the votes cast at a meeting of the Directors, or consented to in writing by all of the Directors;
- 1.1.42 “**Party**” means a party to this Agreement and “**Parties**” means all of the parties to this Agreement;
- 1.1.43 “**Person**” means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, Governmental Authority, trust, trustee, executor, administrator, or other legal personal representative;
- 1.1.44 “**Proposed Offering**” has the meaning given to that term in Section 6.1;
- 1.1.45 “**Prospectus**” means the prospectus of Hydro One dated October 29, 2015;
- 1.1.46 “**Province**” has the meaning given to that term in the Recitals;
- 1.1.47 “**Provincial Nominee**” means any Director nominated by the Province to serve as a Director pursuant to the terms of this Agreement who has been duly elected or appointed to the Board;
- 1.1.48 “**Provincial Representative**” means the Minister of Energy or any other Person(s) designated from time to time in accordance with Section 8.9 by the Minister of Energy as representing the Province for the particular matter or matters under this Agreement stated in the relevant designation, provided that the Minister of Energy may designate no more than one Person for a particular matter;
- 1.1.49 “**Public Accounts**” has the same meaning as that term has when used in the FAA;
- 1.1.50 “**Public Entity**” has the meaning given to the term “public entity” in the FAA;
- 1.1.51 “**Recitals**” means the recitals to this Agreement;
- 1.1.52 “**Registration Rights Agreement**” means the registration rights agreement dated the date of this Agreement between the Province and Hydro One;
- 1.1.53 “**Removal Meeting**” has the meaning given to that term in Section 4.7.1;
- 1.1.54 “**Removal Notice**” has the meaning given to that term in Section 4.7.1;
- 1.1.55 “**Response**” has the meaning given to that term in Section 6.2;
- 1.1.56 “**Shareholder**” means a holder of Voting Securities;

1.1.57 “**Skills Matrix**” means the matrix of expertise, skills, experience and perspectives applied in recruiting and retaining Directors with a balance of expertise, skills, experience and perspectives, taking into consideration Hydro One’s mandate, risk profile, operations and ownership structure, approved by the Board and in effect on the date of this Agreement, as it may be amended from time to time in accordance with Section 2.4.2;

1.1.58 “**Specified Provincial Entities**” means each organization referred to in Sections 6 and 7 of Schedule “A” to this Agreement.

1.1.59 “**Special Board Resolution**” means a resolution of the Board passed by at least two-thirds of the votes cast at a meeting of the Directors, or consented to in writing by all of the Directors;

1.1.60 “**TSX**” means Toronto Stock Exchange;

1.1.61 “**Voting Security**” means a voting security of Hydro One where “voting security” has the meaning given to the term “voting security” in the EA; and

1.1.62 “**Voting Security Threshold**” has the meaning given to that term in Section 4.8.1.

1.2 Schedules

The following schedules are attached to this Agreement:

Schedule “A”	–	Official or Employee of the Province
Schedule “B”	–	Form of Confidentiality Agreement
Schedule “C”	–	Hydro One’s Governance Standards
Schedule “D”	–	Rules of Procedure for Arbitration

1.3 Interpretation

Unless otherwise expressly provided in this Agreement or the context requires a different interpretation, the following rules of interpretation shall apply:

1.3.1 The table of contents and headings and references to them set forth in this Agreement are for convenience of reference purposes only, do not constitute a part of this Agreement and do not affect and are not intended to affect in any way the meaning or interpretation of this Agreement or any term or provision hereof.

1.3.2 All references in this Agreement to Sections, Articles, or Schedules, shall be deemed to refer to Sections, Articles or Schedules of this Agreement, as applicable.

1.3.3 All references in this Agreement to specific Sections, Articles, Schedules, and other divisions of this Agreement followed by a number are references to the whole

of the Section, Article, Schedule or other division of this Agreement, as applicable, bearing that number, including all subsidiary provisions containing that same number as a prefix.

1.3.4 The Schedules to this Agreement are an integral part of this Agreement and a reference to this Agreement includes a reference to the Schedules.

1.3.5 Any reference in this Agreement to each of the masculine, feminine and neuter genders shall be deemed to include all other genders.

1.3.6 Any reference to the singular in this Agreement shall also include the plural and vice versa, as the context may require.

1.3.7 References in this Agreement to any Party or other Person (other than a Provincial Representative) shall include references to its respective successors resulting from any amalgamation, merger, arrangement or other reorganization of such Party or other Person.

1.3.8 All amounts in this Agreement are stated and are to be paid in Canadian currency.

1.3.9 Unless specified otherwise, reference in this Agreement to a statute or statutory provision refers to that statute or statutory provision as it may be amended, replaced or re-enacted from time to time, or to any restated or successor statute or statutory provision of comparable effect. A reference in this Agreement to a statute includes a reference to all rules, regulations, by-laws and other instruments made under that statute.

1.3.10 Any reference to a number of days shall refer to calendar days unless Business Days are specified.

1.3.11 In construing this Agreement, the rule known as the *ejusdem generis* rule shall not apply nor shall any similar rule or approach apply to the construction of this Agreement and, accordingly, general words introduced or followed by the word “other” or “including” or “in particular” shall not be given a restrictive meaning because they are followed or preceded (as the case may be) by particular examples intended to fall within the meaning of the general words.

1.3.12 Where this Agreement states that an obligation shall be performed “no later than” or “within” or “by” a prescribed number of days before a stipulated date or event or “by” a date which is a prescribed number of days before a stipulated date or event, the latest time for performance shall be 5:00 p.m. on the last day for performance of the obligation concerned, or if that day is not a Business Day, 5:00 p.m. on the next Business Day.

1.3.13 Where this Agreement states that an obligation shall be performed “on” a stipulated date, the latest time for performance shall be 5:00 p.m. on that day, or, if that day is not a Business Day, 5:00 p.m. on the next Business Day.

1.3.14 Any reference to time of day or date means the local time or date in Toronto, Ontario unless otherwise specified.

1.3.15 References containing terms such as:

- (a) “hereof”, “herein”, “hereto”, “hereinafter”, “hereunder” and other terms of like import are not limited in applicability to the specific provision within which such references are set forth but instead refer to this Agreement taken as a whole;
- (b) “include”, “includes” and “including”, whether or not used with the words “without limitation” or “but not limited to”, shall not be deemed limited by the specific enumeration of items but shall, in all cases, be deemed to be without limitation and construed and interpreted to mean “include without limitation”, “includes without limitation” and “including without limitation”; and
- (c) “in its sole discretion” shall be deemed to be “in its sole and absolute discretion”.

1.3.16 Where an amount is to be determined under this Agreement by rounding to the nearest whole number, any half shall be rounded up to the next whole number.

1.3.17 Unless otherwise provided in this Agreement, any action to be taken by the Province, including the performance of any obligation or the exercise of any right, shall be undertaken by a Provincial Representative. Any action taken by a Provincial Representative shall bind the Province under this Agreement with respect to the matter or matters for which the Minister of Energy has designated that Provincial Representative at the relevant time and Hydro One shall be entitled to rely on any action taken by a Provincial Representative without any further enquiry into the Provincial Representative’s authority to take the particular action.

ARTICLE 2 GOVERNANCE PRINCIPLES AND GOVERNANCE STANDARDS

2.1 Governance Principles

The business and affairs of Hydro One shall be managed and operated in accordance with the following principles (collectively, the “**Governance Principles**”):

2.1.1 Hydro One shall maintain, and act in accordance with, corporate governance policies, procedures and practices that are consistent with the best practices of leading Canadian publicly listed companies, having regard to Hydro One’s ownership structure and this Agreement.

2.1.2 The Board shall be responsible for the management of or supervising the management of the business and affairs of Hydro One, including for those matters described in Section 2.3.

2.1.3 The Province shall, with respect to its ownership interest in Hydro One, engage in the business and affairs of Hydro One and the Hydro One Entities as an investor and not as a manager.

2.2 Interpretation of Governance Principles

2.2.1 For clarity, the Governance Principles:

- (a) are fundamental to Hydro One and the Province entering into this Agreement, and compliance with the Governance Principles is essential to the management and operation of Hydro One;
- (b) are obligations of Hydro One and the Province;
- (c) are subject to applicable Laws and the other provisions of this Agreement; and
- (d) do not restrict the Province in any way (i) in relation to the regulation of Hydro One or any Hydro One Entity, including by the OEB or other body appointed by or responsible to the Province, or (ii) in relation to system planning by the Independent Electricity System Operator, or (iii) in relation to the enforcement of Ontario Laws applicable to Hydro One or any Hydro One Entity or the enactment, promulgation or amendment of such Laws or (iv) in respect of any communication regarding Hydro One or any Hydro One Entity by an individual in his or her capacity as a member of the Legislative Assembly of Ontario, if made in the Legislative Assembly of Ontario or in another public forum in relation to the enforcement, promulgation or enactment of Ontario Laws or in relation to Ontario regulatory policy; and, for further clarity, communications by a member of the Legislative Assembly of Ontario who is not a member of the governing party at the relevant time are not communications by the Province.

2.2.2 With respect to its ownership interest in Hydro One, the Province intends to achieve its policy objectives through legislation and regulation as it would with respect to any other utility operating in Ontario. For clarity, neither the Governance Principles nor that intention restrict the exercise by the Province of its rights as a Shareholder, including its right to vote any Voting Securities in the sole interest and sole discretion of the Province, except as expressly provided for in this Agreement.

2.3 Role of the Board

Subject to applicable Law, including the OBCA, those matters for which the Board is responsible and in respect of which it has full authority (whether directly, by delegation or by supervision) include specifically:

- (a) corporate governance;

- (b) the appointment, termination, supervision and compensation of the CEO, Chief Financial Officer and other senior officers of Hydro One;
- (c) remuneration of directors;
- (d) strategic planning and direction;
- (e) risk management;
- (f) capital structure;
- (g) dividend and distribution policy;
- (h) financial management and reporting;
- (i) approval of the annual business plan and budget of Hydro One;
- (j) disclosure under applicable securities and other Laws and other public communication; and
- (k) any other matter that from time to time ordinarily is supervised by the board of directors of a corporation with publicly traded securities.

2.4 Governance Standards

2.4.1 Hydro One shall maintain in effect at all times a majority voting policy in respect of the election of Directors that requires a Director nominee who receives a greater number of votes “withheld” than votes “for” at a meeting of Shareholders to elect Directors to tender his or her resignation to the Board promptly following the conclusion of that meeting. The parties acknowledge that the Majority Voting Policy in effect on the date of this Agreement satisfies this requirement. Hydro One may amend the Majority Voting Policy only in accordance with Section 2.4.2 and to the extent consistent with the requirements of majority voting policies required by the TSX or other applicable Laws, even where Hydro One is exempt from those requirements by reason of the Province’s ownership interest and provided that the amended Majority Voting Policy complies with the first sentence of this Section 2.4.1 or will have substantially the same effect.

2.4.2 Hydro One has established the governance policies, procedures and practices listed in Schedule “C” attached to this Agreement (collectively, “**Hydro One’s Governance Standards**”), which include the mandate for the Hydro One Ombudsman, the Skills Matrix, the Board Diversity Policy and the Majority Voting Policy. No amendment, supplement or addition to Hydro One’s Governance Standards shall be effective unless approved by a Special Board Resolution, except to the extent required by any applicable Laws.

2.5 Restriction on Province Initiating a Fundamental Change

The Province shall not requisition a meeting of Shareholders to consider a fundamental change (as described in Part XIV of the OBCA) in respect of Hydro One. The Province may, however, at any meeting of Shareholders vote its Voting Securities in its sole interest and sole discretion on any proposal or resolution relating to such a proposed fundamental change.

2.6 Restriction on Province Acting Jointly or in Concert

The Province shall not act jointly or in concert with any Person in connection with the exercise by that other Person of that Person's rights as a Shareholder or take any steps, directly or indirectly, to solicit any other Person to exercise that Person's rights as a Shareholder in a manner if the Province would be prohibited under this Agreement from directly exercising its own rights as a Shareholder in that manner. For clarity, a Person's rights as a Shareholder include for this purpose the right to requisition a meeting of Shareholders, to nominate someone for election as a Director and to vote any Voting Securities, but nothing in this Section 2.6 shall restrict the Province from soliciting proxies to vote another Person's shares in a particular manner, if the Province would have been entitled to vote its own Voting Securities in that manner under this Agreement. For greater certainty, any pension plan or related pension fund which the Province or any Public Entity establishes, sponsors, administers or contributes to, whether in whole or in part and whether before or after the Effective Date, shall not be treated as a joint actor of the Province for purposes of this Section 2.6, except to the extent that the Province solicits the administering entity or governing body of the pension plan or related pension fund to take a particular action or step.

2.7 Acquisition by the Province of Additional Voting Securities

2.7.1 The Province shall not, directly or indirectly, acquire beneficial ownership or control or direction over previously issued Voting Securities if after the acquisition the Province would have beneficial ownership or exercise control or direction over greater than 45% of any class or series of Voting Securities. For clarity, the foregoing restriction does not require the Province to sell or otherwise dispose of any Voting Securities it owns on the Effective Date or that it acquires after that date in accordance with this Agreement nor does it restrict the Province from acquiring Voting Securities on an issuance by Hydro One pursuant to Article 6 or otherwise.

2.7.2 For purposes of Section 2.7.1, beneficial ownership of or control or direction over the following Voting Securities shall not be taken into account:

- (a) Voting Securities acquired by the Province as a result of the enforcement by the Province of any security interest securing payment of debt obligations owing by third parties to the Province;
- (b) Voting Securities acquired by Ontario Power Generation Inc. for the purposes of fulfilling obligations it may have under employee compensation arrangements to deliver Voting Securities to its employees; or

- (c) Voting Securities acquired pursuant to the Ontario Nuclear Funds Agreement; and
- (d) Voting Securities acquired by, on behalf of, or by the trustee for, the Ontario Retirement Pension Plan contemplated by the *Ontario Retirement Pension Plan Act, 2015*.

2.7.3 For clarity, for purposes of Section 2.7.1, the Province does not have beneficial ownership of or exercise control or direction over Voting Securities that are investments on behalf of the Province or a Public Entity:

- (a) made by a third party investment manager with discretionary authority (subject to any retained discretion in order for the Province or the Public Entity to fulfil its fiduciary duties);
- (b) made by an investment fund or other pooled investment vehicle in which the Province or a Public Entity has directly or indirectly invested and which is managed by a third party investment manager; or
- (c) made as a passive investment,

and in each case made under a bona fide investment program and independently of, and not coordinated with, the Province's policy objectives relating to its ownership of Voting Securities pursuant to the EA.

2.8 TSX Listing

Hydro One shall maintain a listing of its common shares on the TSX, subject to continuing to meet the listing requirements of the TSX.

2.9 Obligations of Hydro One

Any obligations of the Board, the Nominating and Governance Committee, the Chair or any other representative of Hydro One provided for in this Agreement are deemed to be obligations of Hydro One and Hydro One shall ensure those obligations are complied with.

2.10 Governance of Subsidiaries

2.10.1 Subject to applicable Laws, the board of directors of each of Hydro One Inc. and Hydro One Networks Inc. shall be constituted to have the same members as the Board unless the Board determines otherwise.

2.10.2 Hydro One shall cause each of its wholly-owned Hydro One Entities, and shall use all commercially reasonable efforts to cause each of its other Hydro One Entities, to manage and operate its business and affairs on a basis that permits Hydro One to comply with its obligations under Sections 2.1.1 and 2.1.2.

2.10.3 Hydro One shall use its best efforts to cause each of its wholly-owned Hydro One Entities, and shall use all commercially reasonable efforts to cause each of its

other Hydro One Entities, to manage its business and affairs on a basis that facilitates and is consistent with the Province complying with its obligations under Section 2.1.3.

2.10.4 Hydro One shall cause each of its wholly-owned Hydro One Entities to, and shall use all commercially reasonable efforts to cause each of its other Hydro One Entities to, comply with their respective obligations under the EA and the OEB Act.

2.11 By-Laws

2.11.1 If Hydro One cannot perform its obligations under or comply with this Agreement without being in breach of the by-laws of Hydro One, then Hydro One shall, as soon as reasonably practical after determining that is the case and to the extent permitted by applicable Law:

- (a) amend the by-laws to permit Hydro One to perform its obligations under and comply with the terms of this Agreement without breaching the by-laws; and
- (b) submit the amendment to the Shareholders for approval at the next meeting of Shareholders.

2.11.2 To the extent that the requirements of this Agreement are in addition to or more onerous than the requirements of the by-laws of Hydro One, but do not otherwise require Hydro One to amend its by-laws in accordance with Section 2.11.1, Hydro One shall comply with the terms of this Agreement as well as the by-laws.

ARTICLE 3 GOVERNANCE STRUCTURE

3.1 Number of Directors

3.1.1 The number of Directors shall be a minimum of 10 and a maximum of 15. Hydro One's Articles shall at all times provide for this minimum and maximum number of Directors.

3.1.2 Until the first annual meeting of Shareholders after the date of this Agreement, the number of Directors of Hydro One shall be 15.

3.1.3 The number of Directors to be elected at the first and each subsequent annual meeting of Shareholders after the date of this Agreement shall be the number of Directors determined from time to time by the Board, subject to Section 3.1.1, the Articles and the OBCA.

3.1.4 If the Board increases the number of Directors between annual meetings of the Shareholders, any vacancies created by the increase shall be filled in accordance with Section 4.4.

3.2 Appointment of Chair

3.2.1 The appointment of a new Chair at any time must be approved by a Special Board Resolution.

3.2.2 The Chair shall be nominated and confirmed annually by a Special Board Resolution at the Annual Confirmation Meeting. If the Board does not confirm the Chair at the Annual Confirmation Meeting by a Special Board Resolution, the Board shall remove the Chair as soon as practicable and appoint a replacement Chair in accordance with this Section 3.2.

3.2.3 The Chair must be a Director.

3.2.4 The CEO shall not be the Chair.

3.2.5 The Parties acknowledge and confirm that the current Chair, as set forth in the Prospectus, has been nominated and confirmed as required by this Section 3.2 until the next Annual Confirmation Meeting.

3.2.6 Nothing in this Section 3.2 limits the ability of the Board, by Ordinary Board Resolution, to remove the Chair between Annual Confirmation Meetings.

3.3 Appointment of CEO

3.3.1 The appointment of a new CEO at any time must be approved by a Special Board Resolution.

3.3.2 The CEO must be confirmed annually by a Special Board Resolution at the Annual Confirmation Meeting. If the Board does not confirm the CEO at the Annual Confirmation Meeting by a Special Board Resolution, the Board shall remove the CEO as soon as practicable and appoint a replacement CEO in accordance with this Section 3.3.

3.3.3 Hydro One shall ensure that it is a term of the CEO's employment arrangements that she or he shall resign as a Director at such time that she or he ceases to be CEO.

3.3.4 The Parties acknowledge and confirm that the current CEO, as set forth in the Prospectus, has been appointed and confirmed as required by this Section 3.3 until the next Annual Confirmation Meeting.

3.3.5 Nothing in this Section 3.3 limits the ability of the Board, by Ordinary Board Resolution, to remove the CEO between Annual Confirmation Meetings.

3.4 Advance Notice for Special Board Resolution

Notwithstanding anything to the contrary in the by-laws of Hydro One, Hydro One shall notify the Directors not less than 10 days in advance of a meeting at which a resolution is to be considered that must be approved by Special Board Resolution, provided that (i) the foregoing

notice requirement does not apply to confirmation of the Chair and CEO at the Annual Confirmation Meeting, and (ii) a Director may in any manner waive notice, provided that his or her attendance at a meeting shall be treated as a waiver of any notice of that meeting required by this Section 3.4 except where such Director attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called. Hydro One shall include in the notice a copy of the proposed resolution and details regarding the matter to be considered for approval.

3.5 Nominating and Governance Committee

The Board shall maintain a committee (the “**Nominating and Governance Committee**”) that has the responsibilities and obligations contemplated by this Agreement to be responsibilities and obligations of the Nominating and Governance Committee. All references in this Agreement to the Nominating and Governance Committee shall mean whichever committee has those responsibilities and obligations at the relevant time, regardless of what other responsibilities and obligations that committee may have and regardless of the name or designation of that committee in the Hydro One Governance Standards. For clarity, initially the Nominating and Governance Committee is designated in Hydro One’s Governance Standards as the “Nominating, Corporate Governance, Public Policy & Regulatory Committee”.

ARTICLE 4 ELECTION AND APPOINTMENT OF DIRECTORS

4.1 Nomination of Directors

4.1.1 Subject to Section 4.7, at any meeting of Shareholders at which Directors are to be elected, Hydro One shall propose nominees for election as Directors as follows:

- (a) The CEO shall be nominated.
- (b) Subject to Section 4.8, the Province shall be entitled to nominate the number of nominees that is equal to 40% of the number of Directors to be elected (rounded to the nearest whole number). Each nominee of the Province must meet the qualifications set out in Section 4.2 and any Director nominee of the Province must be confirmed in accordance with Section 4.3, as applicable.
- (c) The Directors not nominated pursuant to Section 4.1.1(a) or 4.1.1(b) shall be nominated by the Nominating and Governance Committee. Each nominee of the Nominating and Governance Committee must meet the qualifications set out in Section 4.2 and any Director nominee of the Nominating and Governance Committee must be confirmed in accordance with Section 4.3, as applicable.

4.1.2 In respect of any meeting of Shareholders at which Directors are to be elected, Hydro One shall take all actions necessary and advisable to ensure that (i) proxies are solicited by or on behalf of Hydro One in favour of the election of the Director nominees nominated in accordance with Section 4.1.1 and (ii) every such nominee is endorsed and recommended in the applicable management information

circular and other proxy solicitation materials provided by or on behalf of Hydro One to Shareholders. Hydro One shall take all other commercially reasonable actions necessary to permit the election or appointment to the Board of such nominees.

4.1.3 Subject to Sections 4.5, 4.6.1 and 4.7.6, in respect of any meeting of Shareholders at which Directors are to be elected, the Province shall vote in favour of the Director nominees nominated in accordance with Section 4.1.1.

4.2 Qualification of Director Nominees

4.2.1 Each Director nominee must be an individual of high quality and integrity who has:

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

in each case to the extent requisite 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.

4.2.2 Other than the CEO, each Director nominee shall be independent of Hydro One within the meaning of Ontario securities Laws governing the disclosure of corporate governance practices.

4.2.3 Other than the CEO, each Director nominee (including, for clarity, a nominee of the Province), shall be independent of the Province. For these purposes, a Director nominee shall be independent of the Province if:

- (a) he or she is independent of Hydro One within the meaning of Ontario securities Laws governing the disclosure of corporate governance practices, where the Province and each Specified Provincial Entity is deemed to be a “parent” of Hydro One under that definition but excluding, in the case only of the Directors named in the Prospectus, any prior relationship referred to in those Ontario securities Laws where the relationship ended before August 31, 2015;
- (b) he or she is not a current Official or Employee of the Province; and
- (c) he or she has not been an Official or Employee of the Province for at least three years prior to the date of his or her nomination to the Board but excluding, in the

case only of the Directors named in the Prospectus, where the relationship ended before August 31, 2015.

4.2.4 Each Director nominee shall meet the requirements of applicable securities and other Laws and any exchange on which Voting Securities are listed.

4.2.5 No Director nominee may be proposed by the Province or the Nominating and Governance Committee to replace an incumbent Director if, taking into account the selection criteria identified pursuant to Section 4.3.1 and any other proposed Director nominees to replace incumbent Directors who have already been confirmed pursuant to Section 4.3, the Board would not collectively satisfy the Skills Matrix, Board Diversity Policy or any other policy relating to the composition of the Board forming part of Hydro One's Governance Standards. For clarity, notwithstanding the previous sentence, the Parties acknowledge that the Skills Matrix, Board Diversity Policy and other policies referred to in the previous sentence may include goals that the Board expressly intends to strive to meet over time (referred to here as "aspirational goals"). Nothing in this Section 4.2.5 shall prevent a Director nominee from being proposed who does not meet aspirational goals, provided his or her nomination would not prevent the Board from collectively satisfying any requirement of those policies that is then applicable or be reasonably likely to prevent the Board from satisfying any aspirational goal over the period of time if any, contemplated for that aspirational goal by the relevant policy.

4.2.6 The majority of the Board must at all times be resident Canadians (as defined in the OBCA). Neither the Province nor the Nominating and Governance Committee will nominate any Person for election or appointment as a Director if as a result of that nominee being elected or appointed as a Director, this requirement would not be met.

4.2.7 Notwithstanding this Section 4.2, each Director named in the Prospectus is qualified to be a director of Hydro One on the Effective Date whether or not he or she satisfies the qualifications set out in this Section 4.2 on that date. The Provincial Nominees on the Effective Date are those who have been identified as such in the Prospectus.

4.2.8 If the Province or the Nominating and Governance Committee nominates any individual who is an incumbent Director for election as a Director at an annual meeting of Shareholders held after the Effective Date, that individual shall not be subject to confirmation pursuant to Section 4.3.4 as satisfying the qualifications set out in this Section 4.2, except to the extent there has been a material change in that individual's circumstances since the Effective Date or his or her most recent confirmation pursuant to Section 4.3.4, as applicable, that would affect whether he or she satisfies the qualifications set out in this Section 4.2. For clarity, in determining whether there has been a material change in an individual's circumstances for this purpose, changes in the duration of an individual's term as a Director and in an individual's age shall be taken into account. The Province or the Nominating and Governance Committee, as applicable, shall promptly notify the other upon becoming aware of any such material change in circumstances regarding any incumbent Director.

4.3 Identification and Confirmation of Director Nominees

4.3.1 Each year following the annual meeting of Shareholders, the Province and representatives of the Nominating and Governance Committee shall meet to discuss which Directors each does not expect to re-nominate in the next one to five years (whether due to resignation or retirement or otherwise), with an emphasis on those Directors, if any, that each previously nominated that each does not expect to nominate for election at the next annual meeting of Shareholders (“**Expected Departing Directors**”). In this discussion the Province and representatives of the Nominating and Governance Committee shall consider the impact on the Board of not re-nominating the Expected Departing Directors and identify the selection criteria for nominees to replace those Expected Departing Directors, to ensure that the Board will collectively comply with this Agreement and collectively satisfy the Skills Matrix, Board Diversity Policy and any other policy relating to the composition of the Board forming part of Hydro One’s Governance Standards. The representatives of the Nominating and Governance Committee shall also at this meeting recommend to the Province individuals whom the Nominating and Governance Committee has previously identified as potential candidates for nomination to the Board, provided that the Province shall have no obligation to nominate any of the recommended individuals as one of its Director nominees. This initial meeting between the Province and representatives of the Nominating and Governance Committee would be expected to occur within 60 days following each annual meeting of Shareholders.

4.3.2 Following the initial meeting between the Province and representatives of the Nominating and Governance Committee contemplated in Section 4.3.1, each of the Province and the Nominating and Governance Committee shall separately consider their respective Expected Departing Directors and their proposed Director nominees to replace those Directors. The Province and representatives of the Nominating and Governance Committee shall meet to discuss further their Expected Departing Directors and proposed replacement nominees under consideration. These subsequent meetings between the Province and representatives of the Nominating and Governance Committee would be expected to occur within 120 days following each annual meeting of Shareholders.

4.3.3 As soon as practicable following the discussions between the Province and representatives of the Nominating and Governance Committee referenced in Sections 4.3.1 and 4.3.2, each of the Province and the Nominating and Governance Committee shall provide one or more notices (each being a “**Nomination Notice**”) setting out its proposed Director nominees, along with (i) sufficient background information about any nominee who is not an incumbent Director or (ii) in the case of an incumbent Director whose circumstances have materially changed as described in Section 4.2.8, sufficient information about the material change, so as in either case to allow the other to assess whether that nominee satisfies the qualifications set out in Section 4.2. Each of the Province and the Nominating and Governance Committee shall, in any event, deliver its Nomination Notice to the other at least 60 days (the “**Nomination Deadline**”) prior to the date by which proxy solicitation materials must be mailed for purposes of the next annual meeting of Shareholders (the “**Circular Deadline**”). Hydro One shall notify

the Province of the Nomination Deadline at least 20 days prior to the Nomination Deadline.

4.3.4 If the Province or the Nominating and Governance Committee has received a Nomination Notice from the other of a Director nominee (i) who is not an incumbent Director or (ii) who is an incumbent Director whose circumstances have materially changed as described in Section 4.2.8, in either case prior to the Nomination Deadline, the Province or the Nominating and Governance Committee, as the case may be, shall have ten Business Days to confirm or reject that Director nominee, acting reasonably, but may reject that nominee only on the grounds that the nominee does not satisfy the qualifications for Directors set out in Section 4.2 or, in the case of a nominee whose circumstances have materially changed as contemplated in Section 4.2.8, the nominee as a consequence of the change no longer satisfies such qualifications. Any Director nominee who is not rejected by the Nominating and Governance Committee or the Province, as the case may be, within ten Business Days of receiving a Nomination Notice of such nominee's nomination shall be proposed by Hydro One for election as a Director in accordance with Section 4.1.1.

4.3.5 If any Director nominee of the Province or the Nominating and Governance Committee is rejected pursuant to Section 4.3.4, the Province or the Nominating and Governance Committee, as the case may be, shall be entitled to deliver one or more Nomination Notices nominating a replacement Director nominee until a nominee is confirmed by the other in accordance with Section 4.3.4.

4.3.6 If notwithstanding the expectations of the Province and the Nominating and Governance Committee regarding Expected Departing Directors, there is any Expected Departing Director: (i) for whom no replacement nominee has been confirmed in accordance with Section 4.3.4 prior to the Circular Deadline and (ii) who has not resigned, that Director shall be re-nominated in accordance with Section 4.1.1.

4.3.7 The Province and the Nominating and Governance Committee shall use commercially reasonable efforts to cause Director nominees to be confirmed prior to the Circular Deadline. If insufficient Director nominees of either the Province or the Nominating and Governance Committee are confirmed by the Circular Deadline and Section 4.3.6 does not apply, the Province and the Nominating and Governance Committee shall, acting reasonably, consider and implement alternatives to ensure that applicable Law and the provisions of Section 4.1.1 with respect to the number of Directors each is entitled to nominate are complied with in respect of the applicable annual meeting of Shareholders. These alternatives may include reducing the number of directors to be elected at that annual meeting of Shareholders or delaying the date of that annual meeting of Shareholders until Section 4.1.1 may be complied with.

4.3.8 The parties, acting reasonably, shall apply a process that is as substantially equivalent to the process provided for in this Section 4.3 as is practicable in the circumstances, with respect to any meeting of Shareholders to elect Directors other than an annual meeting of Shareholders.

4.3.9 If there is any dispute with respect to the process for nominating Directors provided for in this Section 4.3, either the Province or the Nominating and Governance Committee may request that ADR Chambers Canada appoint a single arbitrator with expertise in corporate governance matters to adjudicate the dispute. The arbitration proceedings will be conducted in accordance with Article 7.

4.4 Replacement Board Nominees in case of Vacancies

4.4.1 If one or more vacancies occurs on the Board:

- (a) if the vacancy is caused by (i) a Provincial Nominee ceasing to serve as a Director or (ii) an increase in the number of Directors such that, pursuant to Section 4.1.1(b), the Province would be entitled to nominate an additional Director at the next meeting of Shareholders at which Directors are to be elected, then the Province shall nominate an individual to fill the vacancy, provided that the nominee shall be subject to confirmation by the Nominating and Governance Committee in accordance with a process that is as substantially equivalent to the process provided for in Section 4.3 as is practicable in the circumstances, as applied by the Parties, acting reasonably, and so that the vacancy can be filled within 90 days of the vacancy occurring;
- (b) if the vacancy is created by the CEO ceasing to serve in that office, the vacancy shall be filled by the replacement CEO appointed in accordance with Section 3.3; and
- (c) otherwise, the Nominating and Governance Committee shall nominate an individual to fill the vacancy, provided that the nominee shall be subject to confirmation by the Province in accordance with a process that is as substantially equivalent to the process provided for in Section 4.3 as is practicable in the circumstances, as applied by the Parties acting reasonably and so that the vacancy can be filled within 90 days of the vacancy occurring.

4.4.2 If:

- (a) the replacement nominee to fill a vacancy as described in Section 4.4.1(a) or Section 4.4.1(c) has been confirmed as provided for in that Section; or
- (b) upon the approval of the CEO's replacement pursuant to Section 3.3,

then in either such case, the Board shall appoint that replacement as a Director to fill the applicable vacancy.

4.5 Province's Voting Rights at Contested Shareholders Meetings

Notwithstanding Section 4.1.3, the Province may vote its Voting Securities or withhold from voting its Voting Securities in favour of any Director nominee (including for clarity the Provincial Nominees) at any Contested Meeting, at its sole discretion, except that the Province shall vote its Voting Securities in favour of the election of the CEO as a Director. The Province

shall not, however, nominate for election at any Contested Meeting or Removal Meeting any directors except in accordance with Section 4.1 or Section 4.7.3, as the case may be. For clarity, subsequent to any Contested Meeting, the provisions of this Agreement will continue to apply with respect to all future Director nominations.

4.6 Province's Right to Withhold Votes for Directors

4.6.1 Notwithstanding Section 4.1.3 but subject to Section 4.7.6, at any meeting of Shareholders at which Directors are to be elected, the Province may choose to withhold from voting in favour of any Director nominee with the exception of the CEO and, at the sole discretion of the Province, the Chair, provided that the Province shall do so only if it withholds from voting in favour of all Director nominees with the exception of the CEO and, at the sole discretion of the Province, the Chair. In the case of any annual meeting of Shareholders, the Province shall notify Hydro One in advance of the Circular Deadline of its intent to withhold from voting in favour of all Director nominees with the exception of the CEO and, at the sole discretion of the Province, the Chair.

4.6.2 If after a Shareholders meeting to elect Directors where the Province withholds from voting in favour of Director nominees in accordance with Section 4.6.1, one or more Directors elected at the Shareholders meeting tender their resignations as Directors pursuant to the Majority Voting Policy, the Board shall take whatever actions it determines are appropriate in the circumstances in accordance with the Majority Voting Policy, including:

- (a) accepting Director resignations in a sequential manner and only after a replacement Director for the resigning Director has been identified and confirmed pursuant to Section 4.4;
- (b) accepting some but not all Director resignations until sufficient replacement Directors for the resigning Directors have been identified and confirmed pursuant to Section 4.4;
- (c) calling a Shareholders meeting for the election of Directors and accepting Director resignations only upon the election of replacement Directors at the Shareholders meeting;
- (d) not accepting the Director resignations until Director nominees are elected at the next annual meeting of Shareholders; or
- (e) rejecting the Director resignations.

4.7 Province's Right to Replace Directors

4.7.1 Notwithstanding any other provision of this Agreement, the Province may at any time provide Hydro One with a notice (a "**Removal Notice**") setting out its intention to request Hydro One to hold a Shareholders meeting for the purposes of removing all of the Directors then in office, including the Provincial Nominees, with the

exception of the CEO and, at the Province's sole discretion, the Chair (a "**Removal Meeting**").

4.7.2 Upon the Province delivering a Removal Notice to Hydro One, the Chair (whether or not the Province proposes to remove him or her) shall coordinate the establishment of a committee comprising:

- (a) one representative of each of the five largest beneficial owners of Voting Securities known to Hydro One, excluding the Province, willing to provide representatives to serve on the committee or if fewer than five such beneficial owners of Voting Securities are willing to provide representatives to serve on the committee, then one representative of each of the beneficial owners of Voting Securities, but a minimum of three, willing to do so, or
- (b) if at least three such beneficial owners of Voting Securities are not willing to provide representatives to serve on the committee within 30 days of the Province delivering a Removal Notice, then the individuals that the Province proposes to nominate as replacement Directors pursuant to Section 4.1.1

(in either case, the "**Ad Hoc Nominating Committee**"). In addition to supporting the establishment of the Ad Hoc Nominating Committee, the Chair shall assist the Ad Hoc Nominating Committee in carrying out its duties in an impartial manner.

4.7.3 The Province and the Ad Hoc Nominating Committee, acting reasonably, shall identify and confirm the replacement Director nominees to be nominated at the Removal Meeting to replace the incumbent Directors in accordance with Section 4.1.1 and a process that is as substantially equivalent to the process provided for in Section 4.3 as is practicable in the circumstances, as applied by the Province, Hydro One and the Ad Hoc Nominating Committee, acting reasonably, with the Ad Hoc Nominating Committee taking the place of the Nominating and Governance Committee, provided that none of the Director nominees determined pursuant to this Section 4.7 may be Directors other than the Chair if the Province elects pursuant to Section 4.7.1 not to vote for the removal of the Chair.

4.7.4 Hydro One shall call the Removal Meeting forthwith upon all the Director nominees being confirmed pursuant to Section 4.7.3, and shall hold the Removal Meeting within 60 days after all the Director nominees being confirmed pursuant to Section 4.7.3. From the time the Province delivers a Removal Notice until the Removal Meeting, the Directors then in office shall, in exercising their fiduciary duty with a view the best interests of Hydro One, take into account the Province's intention to cause a new Board to be constituted at the Removal Meeting and the desirability that the actions of the current Board not interfere with ability of any new Board to exercise its responsibility to oversee the business and affairs of Hydro One after the Removal Meeting in accordance with the Governance Principles, including with respect to each of the matters referred to in Section 2.3.

4.7.5 Hydro One shall cause the proxy solicitation materials, including the meeting circular, for the Removal Meeting, to contain information customary for Director nominees about the replacement Director nominees identified and confirmed pursuant to Section 4.7.3. Hydro One shall take all other commercially reasonable actions necessary to conduct the Removal Meeting and to permit the election or appointment to the Board of the replacement Director nominees, if a resolution is passed at the meeting to remove some or all of the Directors.

4.7.6 At the Removal Meeting, the Province shall vote in favour of removing the current Directors with the exception of the CEO and, if the Province elects pursuant to Section 4.7 not to vote for removal of the Chair, the Chair and shall vote in favour of replacement Director nominees determined pursuant to this Section 4.7.

4.7.7 For clarity, subsequent to any Removal Meeting, the provisions of this Agreement, including Section 4.3, will continue to apply with respect to all future Director nominations.

4.8 Province Below 40% of Voting Securities

If the Province:

4.8.1 ceases to own Voting Securities to which are attached 40% of the votes that may be cast on the election of Directors at a meeting of Shareholders (the “**Voting Security Threshold**”); and

4.8.2 the Province does not subsequently acquire Voting Securities so that it meets the Voting Security Threshold prior to the next Nomination Deadline following the second anniversary of the first date on which the Province ceased to own Voting Securities sufficient to meet the Voting Security Threshold;

then commencing on that next Nomination Deadline until the Province again owns Voting Securities sufficient to meet the Voting Security Threshold, the number of Directors that the Province shall be entitled to nominate pursuant to Section 4.1.1(b) and pursuant to any other provision of this Agreement that refers to that Section to determine how many Directors the Province may nominate, shall be proportionate to the number of votes that the Province may cast on the election of Directors at a meeting of Shareholders out of the total number of votes that may be cast. The number of Directors that the Province is entitled to nominate pursuant to this calculation shall be rounded to the nearest whole number and based on the Province’s ownership of Voting Securities as of (i) in the case of a nomination for an upcoming annual meeting of Shareholders, the Nomination Deadline for that meeting and (ii) in all other cases, the Nomination Deadline prior to the most recent annual meeting of Shareholders.

ARTICLE 5
CONFIDENTIALITY OF INFORMATION PROVIDED

5.1 Confidentiality Agreement

The Parties shall enter into and comply with a confidentiality agreement in the form attached as Schedule “B” to this Agreement.

ARTICLE 6
PRE-EMPTIVE RIGHT

6.1 Offer to Subscribe for Common Shares

If Hydro One proposes to issue any Voting Securities or any securities that are convertible into or exchangeable for Voting Securities (the “**Offered Securities**”), whether pursuant to a public offering or a private placement or otherwise but excluding an Excluded Issuance (a “**Proposed Offering**”), Hydro One shall offer (the “**Offer**”) to the Province the right to subscribe for and purchase up to 45% of the number or principal amount, as applicable, of the Offered Securities, in accordance with this Article 6 and subject to applicable Laws and to the rules of any stock exchange on which Hydro One’s securities are listed. If applicable Laws or rules of a stock exchange require Hydro One to obtain shareholder or other approvals to issue Offered Securities in accordance with this Article 6, Hydro One shall use all commercially reasonable efforts to obtain those approvals.

6.2 Delivery of the Offer

Hydro One shall notify the Province as soon as reasonably practicable that it is contemplating a Proposed Offering and shall deliver an Offer in any event not later than 30 days prior to the date that Hydro One enters into an agreement to issue Offered Securities (including a bid letter in connection with a “bought deal” offering). The Offer shall be in writing and, subject to Section 6.3, shall contain the terms and conditions of the Offered Securities, including the price at which the Offered Securities are to be issued, the number of Offered Securities which the Province is entitled to purchase pursuant to this Article 6, the proposed outside date (the “**Offering Outside Date**”) for completing the Proposed Offering, which date shall not be more than 60 days after the date of the Offer, and any other details of the Proposed Offering. The Offer must also state that (i) if the Province wishes to purchase Offered Securities pursuant to this Article 6, it shall do so by giving written notice (the “**Response**”) of the exercise of that right to Hydro One, and (ii) if Province wishes to subscribe for a number of Offered Securities less than the number to which it is entitled pursuant to this Article 6, it may do so. For clarity, the Offer may be contingent upon Hydro One determining to proceed with the Proposed Offering in its sole discretion. Notwithstanding that an Offer may be contingent, the Province acknowledges that the fact that Hydro One is contemplating the Proposed Offering may constitute material information regarding Hydro One, and that the requirements of securities Laws, as well as of the Confidentiality Agreement and internal controls referred to therein, may restrict disclosure of the information and trading in securities of Hydro One by those with knowledge of that information.

6.3 Offer Price and Number of Securities if Public Offering

If the Offer is being delivered in connection with a proposed best-efforts or fully underwritten public offering (including an offering proposed on a “bought deal” basis) through an agent or underwriter, the Offer may include a range for the size of the Proposed Offering (expressed in number of Offered Securities or aggregate dollar value of the Proposed Offering), rather than a fixed number of Offered Securities and may state that the actual price per Offered Security shall be the offering price to be agreed upon by Hydro One in the agency agreement, bid letter or underwriting agreement, as the case may be, relating to the issuance.

6.4 Province’s Response

The Offer shall specify a deadline by which the Province must deliver the Response to Hydro One, which deadline shall be no earlier than ten Business Days after the Province receives the Offer. The Province shall be deemed to have declined the Offer if it does not deliver a Response by that deadline. In the Response, the Province must specify the number of Offered Securities that it wishes to purchase. If the Offer was delivered in connection with a proposed best-efforts or fully underwritten public offering (including an offering proposed on a “bought deal” basis) through an agent or underwriter, the Response may specify the maximum price or a range of prices per Offered Security at which the Province will exercise its right to subscribe for or purchase Offered Securities under the Offer (provided that the Response may specify more than one maximum price per Offered Security together with the corresponding maximum number of Offered Securities to be subscribed for or purchased at each maximum price). Any Response delivered by the Province to Hydro One will be irrevocable and will be a legally binding obligation of the Province to subscribe for and purchase the Offered Securities specified therein, provided that if the Proposed Offering is not completed by the Offering Outside Date, the Offer will be deemed to be automatically revoked.

6.5 Offered Securities Not Subscribed For

Any Offered Securities not subscribed for and purchased by the Province pursuant to a Proposed Offering may be issued to any other person pursuant to the Proposed Offering.

6.6 Purchase of Offered Securities

The completion of any purchase of Offered Securities by the Province pursuant to a Proposed Offering shall be on the same terms and on the same date as the completion of that Proposed Offering, unless otherwise agreed by the Province.

6.7 Subsequent Offerings

If Hydro One proposes to issue Voting Securities or securities convertible into or exchangeable for Voting Securities otherwise than pursuant to the Proposed Offering and not later than the Offering Outside Date for the Proposed Offering, Hydro One shall again comply with this Article 6. If Hydro One is continuing in good faith to contemplate a Proposed Offering after the Offering Outside Date for that Proposed Offering, Hydro One may deliver further Offers that have the effect of extending the Offering Outside Date for that Proposed Offering, provided that

(i) the extended Offering Outside Date for that Proposed Offering occurs no later than four months after the original Offering Outside Date for that Proposed Offering, and (ii) after the Offering Outside Date for any particular Proposed Offering (including all permitted extensions, if any were effected, of that Offering Outside Date), Hydro One shall not deliver any Offer for any further Proposed Offering for a minimum of 90 days after that Offering Outside Date.

6.8 No Obligation to Subscribe

The Province shall have no obligation to subscribe for any Offered Securities, except for the Offered Securities specified in any Response delivered by the Province to Hydro One.

ARTICLE 7 DISPUTE RESOLUTION

7.1 Arbitration

Each Party acknowledges and agrees that any dispute arising out of or in connection with this Agreement shall be resolved solely by arbitration in accordance with the arbitration rules set out in Schedule “D” (the “**Arbitration Rules**”). For greater certainty, the Province may not seek, nor is the Province entitled to obtain, status as a “complainant” for the purpose of commencing an oppression remedy proceeding or derivative claim proceeding in court, as described in Section 8.6.2(a) or 8.6.2(b), but the Province is otherwise entitled to assert such claims by way of arbitration in respect of any dispute arising out of or in connection with this Agreement.

7.2 Location of Arbitration

The place of arbitration shall be at Toronto, Ontario unless the Parties otherwise agree.

7.3 Laws of Ontario

The law to be applied in connection with the arbitration shall be the law of Ontario, including its conflict of law rules.

7.4 Arbitration Act, 1991

The provisions of the *Arbitration Act*, 1991 (Ontario) shall apply to the extent that they are not inconsistent with this Article or with the Arbitration Rules.

ARTICLE 8 GENERAL PROVISIONS

8.1 Financial Obligations of the Province

Pursuant to the FAA, any payment required to be made by the Province pursuant to this Agreement is subject to there being sufficient appropriation by the Legislative Assembly of Ontario for the fiscal year in which the payment is to be made or the payment having been charged to an appropriation for a previous year.

8.2 Effective Date

This Agreement shall become effective on the Effective Date.

8.3 Amendments to this Agreement

This Agreement may be amended only by an instrument in writing executed by each of the Parties. If there are changes in circumstances in the future that impact the original purpose and intention of the parties in entering into this Agreement, the Parties shall cooperate in good faith to amend this Agreement to reflect those changes in circumstances.

8.4 Term

This Agreement may be terminated only with the mutual agreement of both Parties.

8.5 Termination Not to Affect Rights or Obligations

A termination of this Agreement shall not affect or prejudice any rights or obligations that have accrued or arisen under this Agreement prior to the termination, which rights and obligations shall survive the termination.

8.6 No Third Party Rights

8.6.1 Notwithstanding any possible inferences to the contrary:

- (a) the Parties intend that the provisions of this Agreement shall not create any right or cause of action in or on behalf of any Person who is not a Party to this Agreement (including without limitation, any Shareholder, creditor, Director or officer of Hydro One); and
- (b) no Person other than the Parties shall be entitled to enforce the provisions of this Agreement in any legal proceeding in any forum.

8.6.2 For clarity, Section 8.6.1 does not preclude, and is not intended to preclude, any Shareholder or other stakeholder of Hydro One from obtaining status as a complainant:

- (a) for the purpose of applying to court for leave under the procedure known as the “derivative action”, that is provided for under section 246 of the OBCA to bring an action in the name and on behalf of Hydro One to enforce the rights of Hydro One under this Agreement; or
- (b) for the purpose of pursuing the proceeding known as an “oppression proceeding” in relation to this Agreement under Section 248 of the OBCA.

Hydro One irrevocably agrees not to raise any objection on the basis of Section 8.6.1 it might now or hereafter have to any Shareholder or other stakeholder of Hydro One obtaining status as a complainant for the purpose described in Sections 8.6.2(a) or 8.6.2(b).

However, for clarity, Hydro One reserves absolutely its right otherwise to contest (on any grounds whatsoever that it considers to be appropriate) any application to the court by any Shareholder for leave to bring a derivative action or to pursue an oppression proceeding.

8.7 Representations and Warranties of Hydro One

Hydro One represents and warrants that this Agreement and the performance by Hydro One of its obligations under this Agreement: (i) has been duly authorized, executed and delivered by it, and is a valid and binding obligation of Hydro One, enforceable against Hydro One in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting the enforcement of creditors' rights generally and by general equitable principles (regardless of whether the enforceability is considered in a proceeding in equity or at Law); and (ii) does not and will not violate any Law, the Constating Documents or any provision of any agreement or other instrument to which Hydro One or any of its properties or assets is bound, or result in a breach of or constitute (with due notice or lapse of time or both) a default under any such agreement or other instrument, or conflict with any such agreement or other instrument so as to prevent Hydro One from either performing its obligations under, or complying with, both this Agreement and any such agreement or other instrument.

8.8 Representations and Warranties of the Province

8.8.1 The Province represents and warrants that this Agreement and the performance by the Province of its obligations under this Agreement:

- (a) has been duly authorized, executed and delivered by the Province, and is a valid and binding obligation of the Province, enforceable against the Province in accordance with its terms, subject to:
 - (i) limitations with respect to the enforcement of remedies by bankruptcy, insolvency, reorganization, moratorium, winding-up, arrangement, fraudulent preference and conveyance and other similar Laws affecting the enforcement of creditors' rights generally and by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at Law);
 - (ii) general equitable principles and the fact that the availability of equitable remedies such as specific performance and injunction are not available against the Province and that a court may stay proceedings or the execution of judgments;
 - (iii) statutory limitations of general application respecting the enforceability of claims against the Province or its property;
 - (iv) section 11.3 of the FAA;

- (v) the Province's powers to retain amounts for which Hydro One is indebted to the Province under this Agreement or otherwise, by way of deduction or set off out of any money owing by the Province to Hydro One under this Agreement, pursuant to section 43 of the FAA; and
- (b) does not and will not violate any Laws of any province of Canada or the Laws of Canada or any provision of any agreement or other instrument to which the Province or any of its properties or assets is bound, or conflict with or constitute (with due notice or lapse of time or both) a default under any such agreement or other instrument.

8.9 Notices, Designations and Other Communications

Any notice, designation or other communication required or permitted to be given under this Agreement shall be in writing and shall be given by prepaid first class mail, by facsimile or other means of electronic communication or by delivery by hand as hereafter provided. Any such notice, designation or other communication, if mailed by prepaid first class mail at any time other than during a general discontinuance of postal service due to strike, lockout or otherwise, shall be deemed to have been received on the fourth Business Day after the post marked date thereof, or if sent by facsimile or other means of electronic communication, shall be deemed to have been received on the Business Day following the sending, or if delivered by hand shall be deemed to have been received on the Business Day it is delivered to the applicable address noted below either to the individual designated below or to an individual at such address having apparent authority to accept deliveries on behalf of the addressee. Notice of change of address shall also be governed by this Section. Any designation of a Provincial Representative shall be signed by the Minister of Energy and shall state the name, address and fax number of the Provincial Representative and the particular matter or matters under this Agreement to which the designation relates. Any such designation shall remain in full force and effect with respect to such Provincial Representative and in respect of such matter or matters until subsequently amended or revoked by the Minister of Energy. In the event of a general discontinuance of postal service due to strike, lock out or otherwise, notices, designations or other communications shall be delivered by hand or sent by facsimile or other means of electronic communication and shall be deemed to have been received in accordance with this Section. Notices, designations and other communications shall be addressed as follows:

- (a) if to Hydro One:

Hydro One Limited
483 Bay Street
South Tower, Suite 800
Toronto, Ontario M5G 2P5

Attention: General Counsel
Fax: 416-345-6056

With a copy (which shall not constitute notice) to:

Osler, Hoskin & Harcourt LLP
100 King Street West
1 First Canadian Place
Suite 6200, P.O. Box 50
Toronto, ON M5X 1B8

Attention: Steve Smith / Michael Innes
Fax: 416-862-6666

(b) if to the Province:

5th Floor
56 Wellesley Street West
Toronto, ON M7A 2E7

Attention: Legal Director, Legal Services Branch serving the Minister of Energy
Fax: 416-325-1781

With a copy (which shall not constitute notice) to:

Torys LLP
79 Wellington Street West, Suite 3000
Box 270, TD South Tower
Toronto, ON M5K 1N2

Attention: Sharon Geraghty
Fax: 416-865-8138

with a copy to the applicable Provincial Representative (to the extent one has been designated by the Minister of Energy under this Section 8.9 but only in respect of the matter or matters in respect of which such Provincial Representative has been so designated).

8.10 Invalidity of Provisions

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision. The Parties shall engage in good faith negotiations to replace any provision which is declared invalid or unenforceable with a valid and enforceable provision, the economic and substantive effect of which comes as close as possible to that of the invalid or unenforceable provision which it replaces.

8.11 Waiver

Except as expressly provided in this Agreement, no waiver of any provision or of any breach of any provision of this Agreement shall be effective or binding unless made in writing and signed by the party purporting to give such waiver and, unless otherwise provided in such written

waiver, shall be limited to the specific provision or breach waived. No waiver by any Party hereto of any provisions or of any breach of any term, covenant, representation or warranty contained in this Agreement, in one or more instances, shall be deemed to be or construed as a further or continuing waiver of that or any other provision (whether or not similar) or of any breach of that or any other term, covenant, representation or warranty contained in this Agreement.

8.12 Governing Law

This Agreement shall be governed by and construed in accordance with the Laws of the Province of Ontario and the Laws of Canada applicable therein.

8.13 Further Assurances

Each of the Parties shall, with reasonable diligence, provide such further documents and instruments to the other Party and do all such things and provide all such reasonable assurances as may be required or as are reasonably desirable to effect the purpose of this Agreement and carry out its provisions.

8.14 Enurement; Assignment

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and legal personal representatives. This Agreement may not be assigned by either Party except with the prior written consent of the other Party.

8.15 Counterparts

This Agreement may be signed in counterparts and each such counterpart shall constitute an original document and such counterparts, taken together, shall constitute one and the same instrument.

[Signature page follows]

IN WITNESS WHEREOF the Parties have executed this Agreement.

HYDRO ONE LIMITED

By: “Mayo Schmidt”

Name: Mayo Schmidt

Title: President and Chief
Executive Officer

[Signature page to Governance Agreement]

**HER MAJESTY THE QUEEN IN
RIGHT OF ONTARIO AS
REPRESENTED BY THE MINISTER
OF ENERGY**

By: “Bob Chiarelli”

Bob Chiarelli

[Signature page to Governance Agreement]

SCHEDULE “A”**Official Or Employee Of The Province**

Each of the following individuals is an “Official or Employee of the Province”:

1. A public servant as defined by the *Public Service of Ontario Act, 2006* (“PSOA”) who is employed under Part III of the PSOA in a ministry of the Government of Ontario.
2. The Secretary of the Cabinet.
3. A deputy minister of the Government of Ontario.
4. A member of the Executive Council or an employee of a minister’s office.
5. A member of the Legislative Assembly of Ontario or an employee of a member’s office.
6. A director or an officer or employee, of the following organizations:
 - (a) The Ontario Financing Authority;
 - (b) The Independent Electricity System Operator;
 - (c) Ontario Power Generation Inc.;
 - (d) Electrical Safety Authority;
 - (e) Ontario Electricity Financial Corporation;
 - (f) Infrastructure Ontario; or
 - (g) A Subsidiary of, or a Person controlled by, any organization listed in subparagraphs (a) to (f).
7. A member, officer or employee of the Ontario Energy Board.
8. A person who was previously a Director or a director of any Hydro One Entity or Person controlled by Hydro One, other than a person who is a Director on the date of this Agreement.
9. An officer or employee of Hydro One, or any Hydro One Entity or Person controlled by Hydro One, other than the chief executive officer of Hydro One.

SCHEDULE "B"

Form of Confidentiality Agreement

CONFIDENTIALITY AGREEMENT

THIS AGREEMENT is made as of the 5th day of November, 2015

B E T W E E N:

HYDRO ONE LIMITED, a corporation incorporated under the laws of the Province of Ontario

– and –

HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO

(the “**Province**”), as represented by the Minister of Energy.

Hydro One Limited and its subsidiaries (the “**Company**”) expect to provide the Province, pursuant to the governance agreement dated as of the date hereof between the Province and Hydro One Limited (the “**Governance Agreement**”) and the registration rights agreement dated as of the date hereof between the Province and Hydro One Limited (the “**Registration Rights Agreement**”), with Company Confidential Information (as defined in Section 2 below) from time to time. The Governance Agreement requires the parties to enter into this confidentiality agreement (this “**Agreement**”) governing the use and disclosure by the Province of the Company Confidential Information and by the Company of the Province Confidential Information (as defined in Section 14 below).

Confidentiality Obligations in favour of the Company:

In consideration of the Company providing, or causing to be provided, the Company Confidential Information to the Province and/or its Representatives (as defined below in Section 1) from time to time as required by the Governance Agreement and the Registration Rights Agreement and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each of the parties), the parties agree to the following:

1. In this Agreement, “**Representatives**” of the Province means, collectively, any persons appointed pursuant to the *Executive Council Act* (Ontario) and the Province’s directors, officers, officials, employees, public servants as defined by the *Public Service of Ontario Act, 2006* (Ontario), managers, agents, representatives, lawyers, accountants, consultants and financial and other advisors, provided that such persons or entities shall only be considered Representatives if such persons or entities have received Company Confidential Information.
2. In this Agreement, “**Company Confidential Information**” means all information and material of, or relating to, the Company and its Representatives (as defined below in Section 13), whether in oral, written, graphic, electronic or any other form or medium, including without limitation information and material concerning the Company’s past,

present or future customers, suppliers, technology, business, policy decisions, affairs, financial conditions, assets, liabilities, operations, plans, potential financings or transactions or other activities that is furnished to the Province or its Representatives pursuant to the Governance Agreement and/or the Registration Rights Agreement on or after the date of this Agreement. For the purposes of this definition, “**Company Confidential Information**” includes the portion of any plans, proposals, reports, analyses, notes, compilations, studies, forecasts or other documents prepared by the Province or its Representatives that are based on, contain, incorporate or otherwise reflect Company Confidential Information.

3. Notwithstanding Section 2, the following will not constitute “**Company Confidential Information**” under this Agreement:
 - (a) for the avoidance of doubt (i) information that the Province or its Representatives receive or obtain solely pursuant to any Applicable Law (as defined in Section 8 below) and (ii) information that the Province or its Representatives receive or obtain other than pursuant to the Governance Agreement and/or the Registration Rights Agreement.
 - (b) information that the Province or its Representatives receive or obtain from a third person who is not known by the Province to be prohibited from transmitting the information to the Province or its Representatives by a contractual, legal or fiduciary obligation not to disclose such information;
 - (c) information that has been publicly disclosed by the Company (including, for greater certainty, information publicly disclosed through regulatory filings or processes), or that is or becomes publicly available through no fault of the Province or its Representatives in breach of this Agreement or other contractual, legal or fiduciary obligation not to disclose such information;
 - (d) information that was independently developed by the Province or its Representatives without any reference to the Company Confidential Information; and
 - (e) information that the Company agrees in writing is not Company Confidential Information for the purposes of this Agreement.
4. The Province and its Representatives shall only use Company Confidential Information in connection with the Province’s exercise or enforcement of its rights under the Governance Agreement and the Registration Rights Agreement and in connection with evaluating, overseeing and determining how to manage its investment in Hydro One Limited, including whether to dispose of, return or acquire additional interests in Hydro One Limited and exercising its rights as a shareholder (including board representation rights), in each case in accordance with the Governance Agreement, the Registration Rights Agreement and Applicable Law (the “**Purpose**”).
5. The Province and the Company acknowledge that the Province and certain of its Representatives are subject to the *Freedom of Information and Protection of Privacy Act*

(Ontario), as amended or supplemented from time to time (“**FIPPA**”), and that FIPPA applies to and governs all records (as such term is defined in FIPPA) in the custody or control of the Province and those Representatives, including Company Confidential Information described in this Agreement. Subject to the obligations of the Province under Section 11 of this Agreement, the Province’s obligations pursuant to this Agreement to maintain such information in confidence are subject to any requirement the Province and its Representatives have under Applicable Law to disclose information, including records that must be disclosed by the Province and its Representatives under FIPPA. The provisions of this Section 5 shall survive termination of this Agreement and shall prevail over any other provisions of this Agreement to the contrary.

6. The Province acknowledges and agrees that the Company may not be able to furnish or disclose any information about an identifiable individual or other information that is subject to Applicable Law relating to the collection, use, storage and/or disclosure of information about an identifiable individual, including the *Personal Information Protection and Electronic Documents Act* (Canada) and *Personal Health Information Protection Act, 2004* (Ontario), whether or not such information is confidential, (collectively, “**Personal Information**”) to the Province or any of its Representatives unless consents to the disclosure of such Personal Information have been obtained from the relevant individual(s) as required, or the Company is otherwise authorized by Applicable Law to disclose such information. If any Personal Information is disclosed to the Province and/or its Representatives, the Province and its Representatives shall, subject to their obligations under Applicable Law, (i) use the Personal Information only in connection with the Purpose, (ii) limit disclosure of the Personal Information to what is authorized by the Company or required by Applicable Law, (iii) promptly refer any persons looking for access to their Personal Information to the Company, (iv) use appropriate security measures to protect the Personal Information, and (v) comply with Applicable Law relating to the privacy of the Personal Information.
7. The Province acknowledges and agrees that pursuant to the provisions of the Company’s Electricity Distribution Licenses issued by the Ontario Energy Board, the Company may not be able to furnish or disclose any information regarding a consumer, retailer, wholesaler or generator, whether or not such information is confidential, (collectively, “**Customer Information**”) to the Province or any of its Representatives unless consent to the disclosure of such Customer Information has been obtained, or the Company is otherwise authorized by its Electricity Distribution License or Applicable Law to disclose such information. If any Customer Information is disclosed to the Province and/or its Representatives, the Province and its Representatives shall, subject to their obligations under Applicable Law, (i) limit the use of the Customer Information to the Purpose, (ii) limit disclosure of the Customer Information to what is authorized by the Company or required by Applicable Law, (iii) promptly refer any persons looking for access to their Customer Information to the Company, (iv) use appropriate security measures to protect the Customer Information, and (v) comply with Applicable Law relating to the protection of the Customer Information.
8. The Province agrees that all Company Confidential Information shall be held and treated by the Province and its Representatives in confidence and shall not be disclosed by the

Province or its Representatives in any manner whatsoever, in whole or in part, except as expressly provided in this Agreement, as required by FIPPA or by any law, statute, rule, regulation, ordinance, judgment, code, guideline, order, writ, directive, decision, ruling, decree, award or other pronouncement or instrumentality of any federal, provincial or municipal government, parliament or legislature, or of any regulatory authority, agency, commission, tribunal, board or department of any such government, parliament or legislature, or of any court or other law, regulation or rule-making entity, having jurisdiction in the relevant circumstances (collectively, “**Applicable Law**”), or with the Company’s prior written consent.

9. The Province also agrees (i) to use the same means to protect the confidentiality of the Company Confidential Information that the Province would use to protect its own confidential and proprietary information (but in any event, no less than reasonable means), (ii) to disclose Company Confidential Information only to its Representatives who need to know the Company Confidential Information for the Purpose, who are informed by the Province of the confidential nature of the Company Confidential Information and who agree to be bound by the terms of this Agreement, (iii) to take all necessary steps to require that its Representatives comply with and are bound by the terms and conditions of this Agreement, and (iv) to be responsible for any breach by its Representatives of any terms of this Agreement applicable to the Province’s Representatives (as if the Province’s Representatives were parties to and bound by those provisions of this Agreement). The provisions of clause (iv) of this Section 9 shall survive termination of this Agreement.
10. The Province acknowledges that certain of the Company Confidential Information that it receives or obtains may be information, including records prepared by or for counsel for use in giving legal advice or in contemplation of or for use in litigation, to which solicitor-client privilege and/or litigation privilege attaches (collectively, “**Privileged Information**”). The Province acknowledges and agrees that access to the Privileged Information is not intended and should not be interpreted as a waiver of any privilege in respect of Privileged Information or of any right to assert or claim privilege in respect of Privileged Information. To the extent there is any waiver of privilege, it is intended to be a limited waiver in favour of the Province, solely for the purposes and on the terms set out in this Agreement.
11. In the event that the Province or any of its Representatives are required by Applicable Law, by oral questions, interrogatories, requests for information or documents, subpoena, criminal or civil investigative demand, legislative committee or officer, or similar process to disclose any Company Confidential Information, the Province or such Representative, as the case may be, shall, to the extent permitted by Applicable Law, provide the Company with prompt written notice of such requirement so that the Company may seek a protective order or other appropriate remedy, if available, or waive compliance with the provisions of this Agreement. The Province shall thereafter cooperate with the Company to prevent such disclosure (including cooperating in obtaining a protective order or other appropriate remedy). Where a request is made to the Province or its Representatives for access to information subject to this Agreement under FIPPA, the Province or its Representatives shall provide the Company with notice of the request, and the

opportunity to make submissions to the Province or its Representatives about disclosure of the records, in accordance with section 28 of FIPPA. In the event that the Company is unable to obtain a protective order or other remedy, the Province or such Representative, as the case may be, may disclose only that portion of the Company Confidential Information which the Province or such Representative is advised by counsel (internal or external) as being required to disclose under FIPPA or by other Applicable Law. The Province or such Representative, as the case may be, shall use reasonable efforts to obtain reliable assurance that confidential treatment will be afforded to any Company Confidential Information so disclosed. The parties acknowledge, however, that Province cannot require any person who receives information under FIPPA to maintain such information in confidence. The provisions of this Section 11 shall survive termination of this Agreement.

12. The Company Confidential Information provided by the Company to the Province and/or its Representatives shall at all times remain the property of the Company or its Representatives (as defined below in Section 13), as applicable, and by making Company Confidential Information available to the Province, neither the Company nor its Representatives shall be deemed to be granting any license or other right under or with respect to any trade secret, patent, copyright, trademark, or other proprietary or intellectual property right. The provisions of this Section 12 shall survive termination of this Agreement.

Confidentiality Obligations in favour of the Province:

In consideration of the Province providing, or causing to be provided, the Province Confidential Information (as defined below) to the Company and its Representatives (as defined below) from time to time in connection with the Purpose for good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each of the parties), the parties agree to the following:

13. In this Agreement, “**Representatives**” of the Company means, collectively, the Company’s directors, officers, employees, managers, agents, representatives, lawyers, accountants, consultants, and financial and other advisors, provided that such persons or entities shall only be considered Representatives if such persons or entities have received Province Confidential Information.
14. In this Agreement, “**Province Confidential Information**” means all information and material of, or relating to, the Province and its Representatives, whether in oral, written, graphic, electronic or any other form or medium, including without limitation information and material concerning the Province’s past, present or future policy decisions, business, affairs, financial conditions, operations, plans, potential transactions or potential purchases or sales of shares of Hydro One Limited or other activities that is furnished to the Company or its Representatives pursuant to the Governance Agreement and/or the Registration Rights Agreement on or after the date of this Agreement in connection with the Purpose. For the purposes of this definition, “**Province Confidential Information**” includes the portion of any plans, proposals, reports, analyses, notes, compilations, studies, forecasts or other documents prepared by the Company or its

Representatives that are based on, contain, incorporate or otherwise reflect Province Confidential Information.

15. Notwithstanding Section 14, the following will not constitute “**Province Confidential Information**” under this Agreement:
 - (a) for the avoidance of doubt (i) information that the Company or its Representatives receive or obtain solely pursuant to any Applicable Law and (ii) information that the Company or its Representatives receive or obtain other than pursuant to the Governance Agreement and/or the Registration Rights Agreement.
 - (b) information that the Company or its Representatives receive or obtain from a third person who is not known by the Company to be prohibited from transmitting the information to the Company or its Representatives by a contractual, legal or fiduciary obligation not to disclose such information;
 - (c) information that has been publicly disclosed by the Province (including, for greater certainty, information publicly disclosed through regulatory filings or processes), or that is or becomes publicly available through no fault of the Company or its Representatives in breach of this Agreement or other contractual, legal or fiduciary obligation not to disclose such information;
 - (d) information that was independently developed by the Company or its Representatives without reference to the Province Confidential Information; and
 - (e) information that the Province agrees in writing is not Province Confidential Information for the purposes of this Agreement.
16. The Company acknowledges and agrees that the Province may not be able to furnish or disclose Personal Information to the Company or any of its Representatives unless consents to the disclosure of such Personal Information have been obtained from the relevant individual(s) as required, or the Province is otherwise authorized by Applicable Law to disclose such information. If any Personal Information is disclosed to the Company and/or its Representatives, the Company and its Representatives shall, subject to their obligations under Applicable Law, (i) use the Personal Information only in connection with the Purpose, (ii) limit disclosure of the Personal Information to what is authorized by the Province or required by Applicable Law, (iii) promptly refer any persons looking for access to their Personal Information to the Province, (iv) use appropriate security measures to protect the Personal Information, and (v) comply with Applicable Law relating to the privacy of the Personal Information.
17. The Company agrees that all Province Confidential Information shall be held and treated by the Company and its Representatives in confidence and shall not be disclosed by the Company or its Representatives in any manner whatsoever, in whole or in part, except as expressly provided in this Agreement, as required by Applicable Law or by the

requirements of any stock exchange on which securities of the Company are listed or with the Province's prior written consent.

18. The Company also agrees (i) to use the same means to protect the confidentiality of the Province Confidential Information that the Company would use to protect its own confidential and proprietary information (but in any event, no less than reasonable means), (ii) to disclose Province Confidential Information only to its Representatives who need to know the Province Confidential Information in connection with the Purpose, who are informed by the Company of the confidential nature of the Province Confidential Information and who agree to be bound by the terms of this Agreement, (iii) to take all necessary steps to require that its Representatives comply with and are bound by the terms and conditions of this Agreement, and (iv) to be responsible for any breach by its Representatives of any terms of this Agreement applicable to the Company's Representatives (as if the Company's Representatives were parties to and bound by those provisions of this Agreement). The provisions of clause (iv) of this Section 18 shall survive termination of this Agreement.
19. The Company acknowledges that certain of the Province Confidential Information that it receives or obtains may be Privileged Information. The Company acknowledges and agrees that access to the Privileged Information is not intended and should not be interpreted as a waiver of any privilege in respect of Privileged Information or of any right to assert or claim privilege in respect of Privileged Information. To the extent there is any waiver of privilege, it is intended to be a limited waiver in favour of the Company, solely for the purposes and on the terms set out in this Agreement.
20. In the event that the Company or any of its Representatives are required by the requirements of any stock exchange on which securities of the Company are listed, by Applicable Law, by oral questions, interrogatories, requests for information or documents, subpoena, criminal or civil investigative demand, legislative committee or officer, or similar process to disclose any Province Confidential Information, the Company or such Representative, as the case may be, shall, to the extent permitted by Applicable Law, provide the Province with prompt written notice of such requirement so that the Province may seek a protective order or other appropriate remedy, if available, or waive compliance with the provisions of this Agreement. The Company shall thereafter cooperate with the Province to prevent such disclosure (including cooperating in obtaining a protective order or other appropriate remedy). The parties acknowledge that the Company is subject to applicable securities law and the requirements of the Toronto Stock Exchange and New York Stock Exchange which mandate immediate disclosure of material information concerning the Company such that it may not always be practicable to provide prompt written notice of the requirement to disclose Province Confidential Information, to the extent Province Confidential Information would constitute material information concerning the Company. In the event the Province is unable to obtain a protective order or other remedy, the Company or such Representative, as the case may be, may disclose only that portion of the Province Confidential Information which the Company or such Representative is advised by counsel as being required to disclose by Applicable Law or the requirements of any stock exchange on which securities of the Company are listed. The Company or such Representative, as the case may be, shall use

reasonable efforts to obtain reliable assurance that confidential treatment will be afforded to any Province Confidential Information so disclosed. The parties acknowledge, however, that the Company cannot require any securities regulator or stock exchange who receives information to maintain such information in confidence. The provisions of this Section 20 shall survive termination of this Agreement.

21. The Province Confidential Information provided by the Province to the Company and/or its Representatives shall at all times remain the property of the Province or its Representatives, as applicable, and by making Province Confidential Information available to the Company, neither the Province nor its Representatives shall be deemed to be granting any license or other right under or with respect to any trade secret, patent, copyright, trademark, or other proprietary or intellectual property right. The provisions of this Section 21 shall survive termination of this Agreement.

General Provisions:

22. Each party acknowledges that it is aware (and that it will advise its respective Representatives) that applicable securities laws in Canada or elsewhere prohibit any person with material non-public information about an issuer (which would include both Hydro One Limited and Hydro One Inc.) from purchasing or selling securities of such issuer, or subject to certain limited exceptions, from communicating such information to any other person. The Province has instituted reasonable internal controls to restrict (a) the disclosure of material non-public information about the Company and (b) trading in the securities of the Company by the Province and its Representatives. The Province has provided a copy of such internal controls to Hydro One Limited and Hydro One Inc. on or prior to the date of this Agreement.
23. The parties acknowledge that any information that the Province receives pursuant to section 1.0.25 of the *Financial Administration Act* (Ontario) (the “FAA”) shall be dealt with in accordance with the provisions of the FAA.
24. The Company agrees to notify the Province of any information requests made by the Auditor General of Ontario pursuant to its rights under the *Auditor General Act* (Ontario) in relation to the audit of the Public Accounts (prepared pursuant to the FAA) and to advise the Assistant Deputy Minister and Provincial Controller, Treasury Board Secretariat (or any successor office thereto) as soon as reasonably practicable of the anticipated timing and planned approach to meet such requests.
25. Except as otherwise specified in this Agreement, this Agreement shall terminate on the second anniversary of the last to occur of the following: (i) the Governance Agreement no longer being in effect; and (ii) the Registration Rights Agreement no longer being in effect. The obligations of the Company and the Province under this Agreement shall survive termination of this Agreement with respect to that Province Confidential Information and Company Confidential Information, as the case may be, that pertains to those matters identified by the Province or the Company, as the case may be, to the other in writing at the time of termination of this Agreement.

26. This Agreement may not be amended except with the written consent of all parties hereto. There are no understandings, representations, warranties, terms, conditions, undertakings or collateral or other agreements, express, implied or statutory, among the parties with respect to the subject matter of this Agreement other than as expressly set forth in this Agreement, the Governance Agreement and the Registration Rights Agreement. If any provision of this Agreement is held to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall not affect any other provision hereof and all other provisions hereof shall continue in full force and effect.
27. It is understood and agreed that no failure or delay in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. Nothing shall be construed or have the effect of a waiver except an instrument in writing signed by a duly authorized representative of the party which expressly waives any such right, power or privilege.
28. This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.
29. This Agreement may be executed in counterparts, each of which will be deemed to be an original and both of which taken together will be deemed to constitute one and the same instrument. Delivery of an executed signature page to this Agreement by any party by electronic transmission will be as effective as delivery of a manually executed copy of the agreement by such party.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF the parties have executed this Agreement as of the date set forth above.

HYDRO ONE LIMITED

By: _____

Name: Mayo Schmidt

Title: President and Chief
Executive Officer

**HER MAJESTY THE QUEEN IN
RIGHT OF ONTARIO, AS
REPRESENTED BY THE MINISTER
OF ENERGY**

By: _____

Name: Bob Chiarelli

Title: Minister of Energy

SCHEDULE “C”

Hydro One Governance Standards

1. Skills Matrix
2. Board Diversity Policy
3. Majority Voting Policy
4. Stakeholder engagement policy
5. Corporate disclosure policy
6. Corporate governance guidelines
7. Mandate for the Hydro One Ombudsman
8. Mandates of the Board and its committees
9. Position descriptions for the CEO, the Chair, the Directors and the committee chairs
10. Code of business conduct
11. Whistleblower policy
12. Executive share ownership guidelines & anti-hedging policy
13. Compensation recoupment policy

SCHEDULE “D”

Rules of Procedure for Arbitration

The following rules and procedures shall apply with respect to any matter to be arbitrated by the Parties under the terms of the Agreement.

1. INITIATION OF ARBITRATION PROCEDURES

- (a) If a Party to this Agreement wishes to have any matter under this Agreement arbitrated, it shall give notice to the other Party specifying particulars of the matter or matters in dispute and request that ADR Chambers Canada appoint a single arbitrator who need not be a member of ADR Chambers Canada and who satisfies the requirements of Section 1(b) of this Schedule “D” (the “**Arbitrator**”).
- (b) The individual selected as Arbitrator shall be reasonably qualified by education and/or experience to decide the matter in dispute.

2. SUBMISSION OF WRITTEN STATEMENTS

- (a) Within 15 Business Days of the appointment of the Arbitrator, the Party initiating the arbitration (the “**Claimant**”) shall send the other Party (the “**Respondent**”) a Notice of Arbitration setting out in sufficient detail the facts and any contentions of law on which it relies, and the relief that it claims.
- (b) Within 15 Business Days of the receipt of the Notice of Arbitration, the Respondent shall send the Claimant an Answer to the Notice of Arbitration stating in sufficient detail which of the facts and contentions of law in the Notice of Arbitration it admits or denies, on what grounds, and on what other facts and contentions of law he relies.
- (c) Within 15 Business Days of receipt of the Answer, the Claimant may send the Respondent a Reply.
- (d) Each Notice of Arbitration, Answer and Reply shall be accompanied by copies (or, if they are especially voluminous, lists) of all essential documents on which the Party concerned relies and which have not previously been submitted by any Party.
- (e) After submission of all the pleadings, the Arbitrator will give directions for the further conduct of the arbitration.

3. MEETINGS AND HEARINGS

- (a) The arbitration shall be heard in Toronto, Ontario or in such other place as the Claimant and the Respondent shall agree upon in writing. The arbitration shall be conducted in English unless otherwise agreed by the Parties and the Arbitrator.

Subject to any adjournments which the Arbitrator allows, the final hearing will be continued on successive working days until it is concluded.

- (b) All meetings and hearings will be in private and shall be confidential unless the Parties otherwise agree.
- (c) Any Party may be represented at any meetings or hearings by legal counsel
- (d) Each Party may examine, cross-examine and re-examine, as appropriate, all witnesses at the arbitration.

4. THE DECISION

- (a) The Arbitrator will make a decision in writing and, unless the Parties otherwise agree, will set out reasons for decision in the decision.
- (b) The Arbitrator will deliver the decision to the Parties as soon as practicable after the conclusion of the final hearing, but in any event no later than 60 days thereafter, unless that time period is extended for a fixed period by the Arbitrator on written notice to each Party because of illness or other cause beyond the Arbitrator's control.
- (c) The provisions of this Agreement and the Arbitration Rules requiring the determination of certain disputes of arbitration shall not operate to prevent recourse to the court by any Party as permitted by the *Arbitration Act, 1991* (Ontario) with respect to injunctions, receiving orders and orders regarding the detention, preservation and inspection of property, or whenever enforcement of an award by the sole arbitrator reasonably requires access to any remedy which an arbitrator has no power to award or enforce, provided that any such recourse to the court and any remedy of the arbitrator shall, in the case of remedies against the Province, be subject to the *Proceeding Against the Crown Act* (Ontario). In all other respects an award by the Arbitrator shall be final and binding upon the Parties and there shall be no appeal from that award on any questions of fact, mixed law and fact, or law provided that the Arbitrator has followed the Arbitration Rules in good faith and has proceeded in accordance with the principles of natural justice.

5. JURISDICTION AND POWERS OF THE ARBITRATOR

- (a) By submitting to arbitration under these Arbitration Rules, the Parties shall be taken to have conferred on the Arbitrator the following jurisdiction and powers, to be exercised at the Arbitrator's discretion subject only to these Arbitration Rules and the relevant law with the object of ensuring the just, expeditious, economical and final determination of the dispute referred to arbitration.
- (b) Without limiting the jurisdiction of the Arbitrator at law, the Parties agree that the Arbitrator shall have jurisdiction to:

- (i) determine any question of law arising in the arbitration;
- (ii) determine any question as to the Arbitrator's jurisdiction;
- (iii) determine any question of good faith, dishonesty or fraud arising in the dispute;
- (iv) order any Party to provide further details of that Party's case, in fact or in law;
- (v) proceed with the arbitration notwithstanding the failure or refusal of any Party to comply with these Arbitration Rules or with the Arbitrator's orders or directions, or to attend any meeting or hearing, but only after giving that party notice that the Arbitrator intends to do so;
- (vi) receive and take into account such written or oral evidence tendered by the Parties as the Arbitrator determines is relevant, whether or not strictly admissible in law;
- (vii) make one or more interim awards;
- (viii) hold meetings and hearings, and make a decision (including a final decision) in Ontario (or elsewhere with the concurrence of the Parties thereto);
- (ix) order the Parties to produce to the Arbitrator, and to each other for inspection, and to supply copies of, any documents, except privileged documents, or classes of documents in their possession or power which the Arbitrator determines to be relevant;
- (x) order the preservation, storage, sale or other disposal of any property or thing under the control of any of the Parties;
- (xi) make interim orders to secure all or part of any amount in dispute in the arbitration;
- (xii) make any order as to the payment of costs of the arbitration, including legal fees on a solicitor and client basis;
- (xiii) include, as part of any award, the payment of interest at the rate determined by the Arbitrator from an appropriate date as determined by the Arbitrator; and
- (xiv) make any other order that the Arbitrator determines is just and reasonable in determining the matters in dispute.

6. ARBITRATION ACT, 1991

The rules and procedures of the *Arbitration Act*, 1991 (Ontario) shall apply to any arbitration conducted hereunder except to the extent that they are modified by the express provisions of these Arbitration Rules.