



Newfoundland and Labrador Hydro
Sustainability Report

2021

OUR CORPORATE SUSTAINABILITY REPORT

2021

About This Report

At Newfoundland and Labrador Hydro (Hydro) we believe it's not only what we achieve, but how we achieve it, that allows us to be proud of what we accomplish.

We know the significant impact our operations can have on our environment and the people of our province. To manage such an impact, we are committed to sustainably meeting the expectations of our stakeholders and identifying priority areas for our business and operations.

As part of this commitment, we release our annual Sustainability Report which highlights our performance for the year relative to our corporate sustainability strategy and priorities. It provides us with the opportunity to reflect on our strategy, assess our progress and share the results of our performance with our stakeholders. We are continuously working towards meeting the business, social, economic and environmental needs and expectations of our stakeholders and are dedicated to improving our processes, our abilities and our organization as we move together towards a more sustainable future for Newfoundland and Labrador.

*On June 23, 2021, the Government of Newfoundland and Labrador announced that Nalcor Energy operations would be moving under Newfoundland and Labrador Hydro and so our organization will be referenced throughout this report, and going forward, as Newfoundland and Labrador Hydro (Hydro).



Our Sustainability Priorities



SAFETY AND HEALTH

- Occupational health and safety for employees and contractors
- Emergency preparedness and response
- Public health and safety
- Safety and health culture
- Occupational health, hygiene and wellness



ENVIRONMENT

- Environmental management system improvement and expansion
- Climate change mitigation and adaptation
- Integration of reliable and cost-effective renewable energy sources in isolated communities
- Emission reduction and displacement
- Heritage management
- Fish and wildlife management



BUSINESS EXCELLENCE

- Fiscal responsibility, transparency and accountability
- Improving asset management business systems
- Reliability and resource adequacy
- Responsible procurement
- Electrification and development of clean energy projects
- Electricity rates/financial affordability for customers
- Business continuity and cyber security



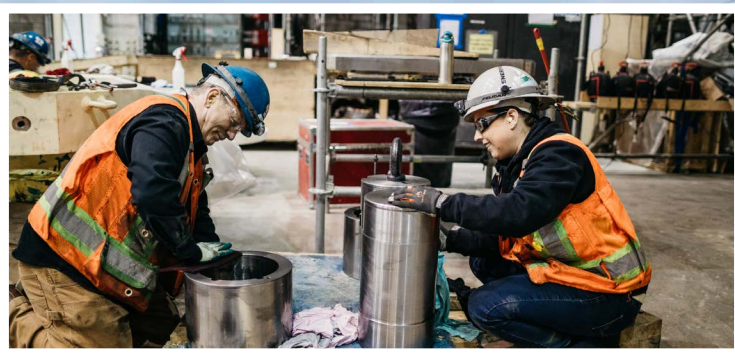
PEOPLE

- Equity, diversity and inclusion
- Employee engagement
- Talent attraction, development and retention
- Code of conduct and business ethics
- Organizational effectiveness and change management



COMMUNITY

- Indigenous partnerships and stakeholder engagement
- Customer satisfaction
- Community investment



OUR TEAMS COME TO WORK EVERY DAY
FOCUSED ON MAKING OUR BUSINESS
AND PROVINCE MORE SUSTAINABLE
NOW, AND FOR GENERATIONS TO COME.

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MESSAGE FROM THE PRESIDENT AND CEO



At Hydro we are driven by our passionate, dedicated employees, who are committed to bettering our organization for our customers as we work to serve the people of Newfoundland and Labrador. As our organization came together under Newfoundland and Labrador Hydro in 2021, I am grateful to be among such amazing people every day and I truly believe that, as we continue to work together, we can make even greater progress on our sustainability commitments now and into the future.

As the people's Crown utility, we are committed to responsibly and sustainably developing our province's energy resources to provide safe, reliable, least-cost electricity for Newfoundlanders and Labradorians and customers beyond our borders. Sustainability continues to be an increasingly important priority as Canada works towards a net-zero economy by 2050, including the requirement for a net-zero electricity grid by the year 2035. We have made significant progress already and will continue to focus on meeting our role in these targets as we push towards continual improvement in 2022 and beyond.

Despite the challenges we faced in 2021 due to COVID-19 and our significant organizational change, we were able to continue to provide an essential service that Newfoundlanders and Labradorians can depend on. I've witnessed our teams consistently go above and beyond to ensure their work is completed safely, efficiently and in line with our sustainability priorities.

In 2018, we were recognized as a Sustainable Electricity Company™ by Electricity Canada¹, a reflection of the remarkable work our employees do throughout our organization to contribute to our sustainability commitments. We remain steadfast in our commitment to sustainably develop and manage Newfoundland and Labrador's energy resources in a way that considers the safety and stewardship of communities throughout our province. Our teams come to work every day focused on making our business and province more sustainable now, and for generations to come.

I look forward to continuing to work with our Boards of Directors, our phenomenal team of employees across the company, the provincial government, Indigenous partners, our customers and many stakeholders throughout the industry and in the communities we serve.

I am honoured to present this report on behalf of all our employees and in recognition of our commitment to the province. I hope it will help provide some insight into our actions to help support a sustainable future for Newfoundland and Labrador.

Jennifer Williams
President and CEO
Newfoundland and Labrador Hydro

¹ Formerly Canadian Electricity Association (CEA).



OUR SUSTAINABILITY PROGRESS

In 2018, we achieved the Sustainable Electricity Company™ brand designation from Electricity Canada, highlighting our commitment to the principles of Environmental Stewardship as defined by ISO 14001 and Social Responsibility under ISO 26000². This designation confirms, via an external review, our commitment to responsible environmental, social and economic practices and to the principles of sustainable development. Every five years, a verification audit is completed by Electricity Canada to ensure we are upholding our standards and commitments.

Our sustainability focus means we are committed to environmental and social responsibility, as well as following good governance practices and reporting on our sustainability priority areas which revolve around the pillars of safety, environment, business excellence, people and community.

Through consultation with our stakeholders, key areas of interest were identified using a materiality assessment—a tool that helps us reflect on our work practices and allows us to measure how well we balance the expectations of our stakeholders as well as our business, social, economic and environmental needs. Our first materiality assessment was completed in 2015 and we have committed to revisiting our material topics (also known as our priority areas) every five years. In 2020, we completed the assessment for the second time.

In 2021, our internal Sustainability Steering Committee reviewed the most recent assessment and refined our priority areas. From there, we developed our five-year corporate Sustainability Strategy (2021-2025). Each year provides the opportunity to reflect on our strategy and assess our progress. At the end of the five-year period, we will build on our past successes and advance our sustainability commitment with the development of a new strategy.

As a Crown utility, we are accountable to the provincial government and the people of Newfoundland and Labrador. Our Code of Business Conduct and Ethics strengthens our commitment to professional, sustainable and ethical business practices, guiding our Boards of Directors³ and all of our employees.



Sustainable
Electricity
Company™

Canadian
Electricity
Association

² ISO 14001 and ISO 26000 are internationally recognized management systems that define a methodology for a business to manage portions of its business.

³ For our full board structure, please see our 2021 Annual Report.



ABOUT NEWFOUNDLAND AND LABRADOR HYDRO

WHO WE ARE

We are the people's Crown utility – providing safe, least-cost, reliable electricity that our customers can depend on as we harness energy opportunities to benefit the people of Newfoundland and Labrador.

We have both regulated and unregulated operations throughout the province, with major power generation assets in Churchill Falls, Muskrat Falls, Bay d'Espoir and Holyrood.

Our provincial transmission system spans thousands of kilometres, and includes dozens of high-voltage terminal stations and lower-voltage distribution stations. We connect power from Labrador to the island through the 1,100 km Labrador-Island Link, the two 250 km Labrador Transmission Assets between Muskrat Falls and Churchill Falls, and the Soldier's Pond Power Converter Station.

Our energy partnerships in communities such as Nain, Mary's Harbour and Makkovik help us provide reliable, renewable resources to isolated and rural communities throughout our province. Our connection points through Hydro Quebec and Emera keep our province plugged into North American power grids.

We power our families, friends and neighbours in more than 200 communities throughout the province. Today, we serve the people of our province with over 80 per cent renewable energy sources and we are headed towards a 98 per cent renewable energy grid and will continue decarbonizing the remaining two per cent in the coming years.



Newfoundland and Labrador Hydro: Our Sustainability Commitment

At the heart of our business is our people. We know our friends, family, and neighbours are counting on us and we work hard every day for them. We live and work here because of all that our province has to offer, we are proud of the role we play in our province, and are committed to being responsible corporate citizens.

We understand that our daily operations impact the communities in which we operate. We take our responsibility to Newfoundland and Labrador seriously, and work each day to minimize our impact and ensure we develop our resources in a sustainable way for the maximum benefit of the people of our province.

We are committed to providing a timely review of sustainable business operating procedures and practices. We commit to measure, monitor and report on our performance of the implementation of sustainability practices with a commitment of continual improvement.

To succeed in our goals, we have committed to demonstrating excellence in the following areas:

Safety and Health - Environment - Business Excellence - People - Community

To achieve this, we will:

- make sustainability a priority
- undertake activities and operations in a manner that strikes an appropriate balance between needs of current and future generations
- actively encourage economic efficiencies in operations that are consistent with sustainable practices
- promote a safe and healthy work environment
- consider the life cycle of projects related to our business, including their economic, environmental and social footprint
- establish sustainability indicators to enable accountability, communicate specific goals and measure progress
- prepare and regularly update our sustainability strategy with specific goals and objectives
- report annually on progress to our Board of Directors and all stakeholders

Jennifer Williams
President and CEO, Newfoundland and Labrador Hydro

Date: May 2022





Safety excellence is an integral part of our corporate identity. The families of our employees rely on us to ensure their loved ones make it home safely every single day. We commit ourselves to safe and responsible operations so the communities in which we operate, and the Newfoundlanders and Labradorians living in those communities, can have the confidence that our work is always completed with safety top of mind.

SAFETY & HEALTH

PRIORITIES

- Occupational health and safety for employees and contractors
- Emergency preparedness and response
- Public health and safety
- Safety and health culture
- Occupational health, hygiene and wellness



Our Health and Wellness Committee was formed to actively champion initiatives related to employee health and wellness



We merged our Corporate Emergency Response Plans to reflect our newly unified team



We continued to regularly share content via our social media channels to promote awareness about power line and power outage safety



Our 15th annual Safety and Health Summit was virtually attended by hundreds of employees. The theme was Being Change Ready and Thriving During Disruption



We developed our Workplace Ergonomics Program to address musculoskeletal injuries trends for both the office and field-based ergonomic processes



OCCUPATIONAL HEALTH AND SAFETY FOR EMPLOYEES AND CONTRACTORS

MENTAL HEALTH STRATEGY

Our Mental Health Strategy and Psychological Health and Safety in the Workplace Policy prioritize mental health throughout our organization with a specific focus on mental health awareness, training and resources.

In 2021, we formed a Health and Wellness Committee made up of employees from all areas of our company with a keen interest in providing mental health and wellness resources for all team members. The committee will supplement pre-existing mental health supports and actively champion initiatives related to employee health and wellness, using an inclusive, holistic approach to increase awareness of physical, psychological, social and financial factors.

FIRST AID RISK ASSESSMENT

When updates to the Occupational Health and Safety legislation in 2021 changed the requirements for the types and placement of first aid supplies required in workplaces, we updated our First Aid Program to align with these changes. As a result, we completed a First Aid Risk Assessment to re-evaluate the supplies and the placement of these supplies throughout all of our work sites. Our corporate safety and health team provided support as employees across our organization worked to complete this assessment.



EMERGENCY PREPAREDNESS AND RESPONSE

READY WHEN OUR CUSTOMERS NEED US MOST

Every year, our teams prepare for, and respond to, the weather challenges we face throughout the province. In September, Hurricane Larry battered eastern parts of the island with damaging winds gusting in excess of 140 km/h.

Our Corporate Emergency Response Plan (CERP) virtual mobilization was put to the test during Hurricane Larry, when the Newfoundland and Labrador System Operator launched our severe weather preparedness protocols. This prompted our operational areas to assess weather risks and prepare for the storm. Our CERP team was on alert, focusing on proactive communications with regional teams and preparing for risks as the storm progressed.

After the storm, and about 14 hours on high alert, the CERP team stood down. This wasn't the first storm to launch CERP preparedness, and it won't be the last, but our teams are always ready to respond to keep the lights on.

While the storm didn't cause major outages for our customers, our operational teams were ready to respond in the event of issues with our distribution, transmission or generation equipment – all critical assets that provide the power needed by people in the province every day.

In the days following the storm, our teams were busy inspecting our main transmission lines on the Avalon and Burin Peninsulas, patrolling by ground and air to locate and repair any damage. In addition, several of our crews quickly mobilized to help Newfoundland Power crews in the region safely restore power to customers impacted by the storm.

The preparation and response by everyone involved is a great example of how we work together to rise to the occasion when our customers need us most.



Our employees step up during Hurricane Larry to offer expertise and a helping hand.

COMBINING OUR CORPORATE EMERGENCY RESPONSE PLANS

Our CERP provides critical support to our operations during an emergency. As all of our operations came together under Hydro in 2021, our CERP teams also merged, improving our ability to respond to emergencies from across our organization with a broader group of employees. Further, virtual meetings allowed CERP team members from different areas of our company to provide emergency response when needed.



PUBLIC HEALTH AND SAFETY

KEEPING OUR COMMUNITIES SAFE

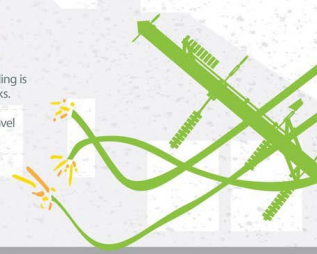
Promoting power line and power outage safety

In 2021, we continued to provide information and promote awareness about staying safe around power lines and during power outages. We regularly circulated informative content on our social media channels, typically in advance of stormy weather, to promote how our customers can prepare for, and stay safe, during an outage.

GOOD TO KNOW

POWER LINE SAFETY Stay Back and Call 911

- Always assume that a power line on the ground or dangling is live, even if it's not connected to a pole or throwing sparks.
- Stay at least 10 metres (33 feet) away as electricity can travel through water and the ground around power lines.
- Keep others away. If someone does receive an electrical shock, don't try to approach them.
- Immediately report any downed wires to Hydro or NF Power and call 911.



Partnering with local organizations

We strive to create policies, programs and resources to support a strong Safety Management System, and ensure the safety and health of all our employees. In addition to our own internal resources, we value our partnerships with external groups that provide resources and bring awareness to safety and health topics in the workplace and within the community, such as:

- regularly promoting resources and webinars provided by Workplace NL
- participating in a Safety Stand Down in 2021, led by the Newfoundland and Labrador Construction Safety Association (NLCSA)
- participating as a corporate sponsor for the Steps for Life Walk, a fundraiser organized by Threads of Life to provide support to families affected by workplace tragedies



SAFETY AND HEALTH CULTURE

EXCELLENCE AT THE HEART OF OUR SAFETY CULTURE

Safety excellence is an integral part of our corporate identity that helps inform every decision we make. Every person in our organization shares the responsibility of making sure we all make it home safely at the end of the day. It's this mindset that supports a safe working environment for our employees. We recognize the importance of establishing and maintaining a physically and psychologically healthy and safe work environment, and are committed to preventing injury and illness among our workers.

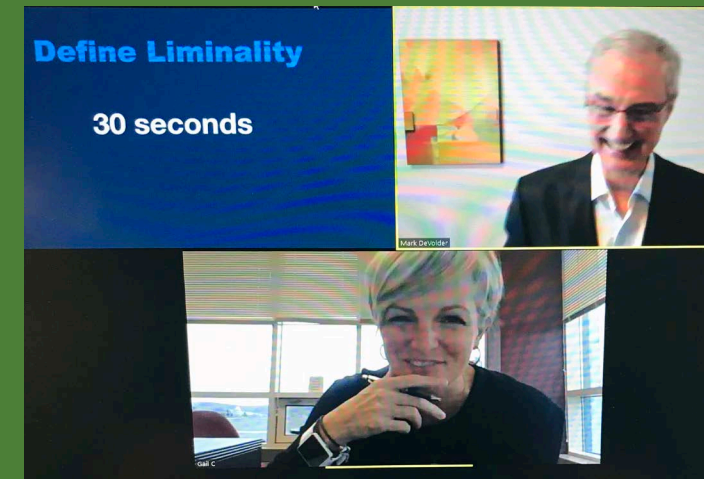
OUR SAFETY ARTWORK CONTEST

Each day we come to work and make an effort to demonstrate our commitment to safety in everything we do. As a company, we also create opportunities throughout the year to help keep safety top of mind and our Safety Moment Artwork Contest works to do just that. We showcase the creative illustrations sent in by the children of our employees, which remind us all to take a moment for safety. This one, from 12 year old, Allison, child of Shawn Bursey, Mechanical Maintenance A - Milwright, at Exploits Generation, reminds us all of the importance of wearing proper PPE for every job.



SAFETY AND HEALTH SUMMIT

Last year marked the 15th anniversary of our annual Safety Summit, which was renamed the Safety and Health Summit to recognize the importance that physical and mental health play in our safety culture. This annual event brings together team members from all our regional offices and sites for a day of workshops and sessions focused on safety and health. Due to the pandemic, the event was held virtually for the second year in a row, but the virtual model didn't diminish the success of the day. Hundreds of employees were able to join in for the event, which featured keynote speaker Dr. Mark DeVolder reflecting on "Being Change Ready and Thriving During Disruption."



Though virtual, Keynote Speaker Dr. Mark DeVolder engaged employees, like Gail Collins, during the Safety and Health Summit.

BESAFE TRAINING

In 2021, we adapted our existing BeSafe Workshop to a virtual platform and employees from across our organization took part in these training sessions. This half day workshop is conducted in-house and highlights our BESAFE philosophy which focuses on an employee's ability to coach others on safe behaviours and how to effectively take action if they witness something unsafe in the workplace.



OCCUPATIONAL HEALTH, HYGIENE AND WELLNESS

PROTECTING OUR EMPLOYEES

Musculoskeletal injuries (MSIs) are a recurring trend in many occupational fields, and our organization is no exception. We have experienced MSIs in both high-risk and low-risk work environments. While our Safety and Health team has implemented many initiatives throughout the years to help address this trend — including communication resources, hands on observations and assessments and physical capability standards — we continually strive to take proactive action to improve injury prevention related to MSIs.

In 2021, in conjunction with an external consultant, we developed a corporate Workplace Ergonomics Program, which encompasses office and field-based ergonomic processes. It covers hazard awareness, recognition, evaluation and control. This program also has resources and guidance regarding field-based ergonomic hazards. This program will launch during Safety and Health Week in 2022.

COVID-19: YEAR TWO

As we entered the second year of the pandemic, we continued to work with teams across our organization to ensure our COVID-19 response met the needs of our business while prioritizing the health and safety of our employees and our communities.

Our teams worked with Public Health to ensure vaccines were available for our employees with critical roles in safeguarding our electricity system. We introduced our first Remote Work Policy and worked with federal and provincial governments to ensure compliance with government-mandated vaccination policies.

As the year ended, we closely monitored the emerging Omicron variant to best prepare our regions for potential impacts to their teams.



We are fortunate to live and work in a province with an abundance of natural resources and are passionate about developing and managing our natural environment in a sustainable way. Our employees understand the importance of finding ways to minimize our environmental impact while tackling climate change and inspiring others to do the same.

ENVIRONMENT

PRIORITIES

- Environmental management system improvement and expansion
- Climate change mitigation and adaptation
- Integration of reliable and cost-effective renewable energy sources in isolated communities
- Emission reduction and displacement
- Heritage management
- Fish and wildlife management



99% of our annual environmental targets were completed



Over 10,000 kg of PCB waste from our Churchill Falls facilities was safely destroyed in an approved PCB destruction facility



32,868 insulators were upgraded along our 735 kV transmission line and recycled with Newco Metals



We integrated St. Mary's River Energy solar farm assets into the Mary's Harbour power system, helping decrease the amount of diesel burned in this rural community by up to 30% annually



The Muskrat Falls Hydroelectric Generating Station is now complete



Through our Isolated Systems Energy Efficiency Direct Install Program, 329 residential and 59 business customers received direct installations of 9,291 energy efficient products



ENVIRONMENTAL MANAGEMENT SYSTEM IMPROVEMENT AND EXPANSION

COMPLETION OF
99%
OF OUR 105 EMS TARGETS



GROWING OUR ENVIRONMENTAL MANAGEMENT SYSTEMS

As part of our ISO 14001 registration, we are required to demonstrate our commitment to continuous improvement of our environmental performance. To measurably demonstrate this requirement each year, we set environmental targets across our company and an overall corporate target for our environmental management system (EMS).

In 2021, we developed 105 EMS targets and set a corporate goal to complete 95 per cent of these targets. At year end, we met 99 per cent of these targets.

Throughout 2021, we also successfully re-certified all our existing EMS grid areas under the ISO 14001:2015 Standard. Our Energy Marketing team successfully certified their EMS and the Labrador Transmission Assets became fully incorporated into the Churchill Falls EMS.

The Muskrat Falls site and Labrador-Island Link (LIL) both moved onto the second phase of developing their EMS, a phase which includes a regulatory compliance audit, identification of risks and opportunities, development of operational controls and a review of environmental emergency response.

PHASE-OUT PROGRAM INCREASES EFFICIENCIES AND ELIMINATES PCBs AT CHURCHILL FALLS
In Churchill Falls, a long-term capital program progressed to phase out Polychlorinated Biphenyls (PCB) equipment by 2025 to align with federal requirements for PCB removal. Since 2009, our teams have been working on this plan, which includes a schedule for all potential assets with greater than 50 parts per million (ppm) PCB to be removed. In 2021, our teams updated priorities for equipment removal and developed additional EMS targets to help guide our progress. Part of this program includes replacing existing fluorescent lighting with Light Emitting Diodes (LED) across our Churchill Falls sites, including supporting infrastructure, spillways, structures, and lighting throughout the town. To date, 56 of 72 building sites at Churchill Falls have new LED lighting installed.

Over 10,000 kg of PCB waste from our Churchill Falls facilities was destroyed at an approved PCB destruction facility in 2021, including fluorescent lighting, light ballasts, capacitors, bushings and transformers.

Together, the benefits of integrating LED lighting, paired with the environmental and health concerns eliminated by removing PCBs helps us move forward as an environmental leader.

OVER 10,000 kg OF PCB WASTE SAFELY DESTROYED

INCREASING RELIABILITY WHILE DECREASING WASTE

When it came time to replace the ceramic insulators on our 735 kilovolt (kV) transmission line from Churchill Falls to Québec, we chose to focus on a way to keep these materials out of our province's landfills.

We are working with Newco Metals in Happy Valley-Goose Bay to have the old ceramic insulators processed through their recycling program. By replacing the older, ceramic version of these insulators across this 200 km line with glass insulators, we are able to increase the reliability of this line for our customers.



In 2021, **32,868 insulators** were replaced along 83 towers – that's over 329 tonnes of material recycled through Newco Metals.

Since 2018, our teams have replaced more than **178,200 ceramic insulators** at 450 towers, covering 77 km with glass insulators.

Since 2018, old ceramic insulators have been removed from our 735 kV transmission line and replaced with new strings of glass insulators.



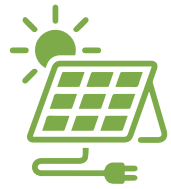
CLIMATE CHANGE MITIGATION AND ADAPTATION

OUR COMMITMENT TO CONTINUAL IMPROVEMENT

Our Climate Change Mitigation and Adaptation Committee is continuously working toward our four Climate Change Adaptation Goals to:

- improve awareness and understanding of climate change
- increase understanding of climate change effects on our assets
- incorporate climate change adaption measures and mitigation into organizational planning
- improve infrastructure resiliency

To support these goals our teams made progress on several items throughout 2021. We marked the completion of our critical asset access inventory, which will help us conduct flood risk assessments for our critical infrastructure. We also gathered information on the formation of radial ice on transmission lines to help us improve monitoring and forecasting for events resulting in significant icing and evaluate their potential effect on our lines. This knowledge will help us be more prepared for these events and help us increase reliability for our customers. Our Climate Change Awareness Training modules were drafted and this informative course will be rolled out to employees throughout 2022 to increase understanding of, and engagement in, matters relating to climate change across our organization. We also continued to push forward our vision, strategy and multi-year plan for incorporating electric vehicles into our transportation fleet.



INTEGRATION OF RELIABLE, COST-EFFECTIVE RENEWABLE ENERGY SOURCES IN ISOLATED COMMUNITIES

For a number of rural and remote communities throughout Newfoundland and Labrador, diesel fuel is the least cost, most reliable option and is the sole source of electricity for these communities. However, we are committed to the continual integration of reliable, least-cost, renewable energy sources in isolated communities throughout our province.

Some projects that are currently underway include our application with the Board of Commissioners of Public Utilities (PUB) related to least-cost, reliable supply options for the south coast of Labrador which also provides opportunity for future integration of renewable energy solutions such as wind farms, use of non-emitting fuel sources as they become available and overall emissions reduction. There is also the ongoing Wind Generation and Battery System Planning and Feasibility study for Nain to deliver a preliminary System Impact study. Planning is also underway with the Nunatsiavut Government for solar generation installations in all Nunatsiavut communities (other than Makkovik, where this has already been done). We are also planning for an increased capacity and battery storage at the Ramea Wind Farm in anticipation of a System Impact study beginning in 2022.



Renewable power sources work to produce and store renewable electricity in Mary's Harbour, Labrador.

MORE RENEWABLE ENERGY IN MARY'S HARBOUR

One proponent in Mary's Harbour, Labrador, is adding new, renewable sources, including the province's first ever utility-scale solar farm.

St. Mary's River Energy worked to refurbish a previously decommissioned 240 kilowatt (kW) hydroelectric power plant in 2018 and then began construction of a solar plant. In 2021, the 190 kW solar photovoltaic plant with 335 kW of lithium-ion battery storage was officially commissioned with a focus on maximizing the integration of these renewable energy resources.

All these assets, which we have helped integrate into the community's power system, are owned and operated by St. Mary's River Energy. These renewable power sources can produce and store renewable electricity to be used by local homes and businesses and will benefit the community as they decrease the amount of diesel burned in Mary's Harbour by up to 30 per cent annually.



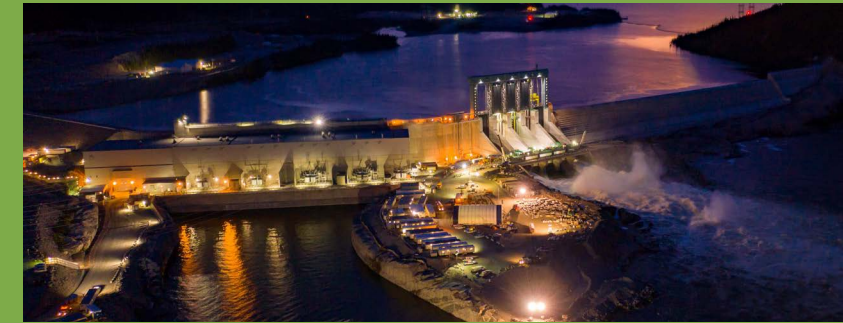
EMISSION REDUCTION AND DISPLACEMENT

MUSKRAT FALLS INTEGRATION

In 2021, commissioning of the three final turbine units marked the completion of the Muskrat Falls Hydroelectric Generating Station, one of several key assets that are part of the Lower Churchill Project. All four units have been transferred to the Newfoundland and Labrador System Operator for service and operation as part of our province's electricity grid.

The completion of our newest hydroelectric asset brings us one step closer to completing the Lower Churchill Project. In 2022, we will continue working towards our final milestone: final commissioning and integration of LIL.

We have already begun to make good use of our new assets by using as much power as possible to reduce fuel costs and carbon emissions at the Holyrood Thermal Generating Station, whenever possible. LIL was energized 40 per cent of the time in 2021, flowing power from Muskrat Falls to the island and across the Maritime Link to customers beyond our provincial borders.



With these new assets, our provincial electricity system is now more connected than ever, and we continue to grow the renewable energy sources powering our province every day. Our priority has always been to provide safe, reliable service to our customers and we will continue to use our new energy assets to contribute to the long-term reliability of the province's energy grid. Work will continue with the provincial government to finalize the rate mitigation plan and, together with the federal government, implement the financial restructuring of the Lower Churchill Project.



The communities of Roddickton and Port Saunders were among those around the province who took part in the takeCHARGE programs making their homes, businesses and towns more energy efficient.

MAKING THE SWITCH: TAKECHARGE LED BULB GIVEAWAY

In 2021, through the Make the Switch program, takeCHARGE teams donated 2,000 LED light bulbs to individuals and families in need throughout the province. LED bulbs use 75 per cent less energy and last 15 times longer than traditional bulbs, making them an easy way to make homes and businesses more energy efficient.

REBATE PROGRAMS

Throughout 2021, takeCHARGE continued to promote four residential rebate programs for customers across the province, including those related to insulation, high-performance thermostats, heat recovery ventilators (HRV) and instant rebates. Collectively, these four programs yielded 301 MWh of annual energy savings in 2021.

CUSTOMIZED BUSINESS EFFICIENCY PROGRAMS

Our Business Efficiency Program provides prescriptive and custom rebates for commercial energy efficiency projects across the province. Through this program, we provide technical support to businesses to identify least-cost opportunities for energy efficiency and financial support for any capital upgrades. In 2021, this program yielded 61 MWh of annual savings.

SUPPORTING ENERGY EFFICIENCY THROUGHOUT OUR ISOLATED SYSTEMS

Our Isolated Systems Energy Efficiency Direct Install Program first kicked off in 2012 with an aim to help residential and commercial customers in isolated diesel systems increase their energy efficiency knowledge and savings.

In 2021, 9,291 energy efficient products were installed at 329 residences and 59 businesses. This included water saving technologies, LED specialty bulbs, smart power-strips and weather-stripping products.

To date, the program has been extended to 41 remote communities and has provided employment for more than 55 residents in these communities. By hiring and training local representatives, these individuals are able to work within their own communities to promote this program, offer their knowledge on energy use and provide direct installation of energy efficient products.



Top-Bottom A customer with their installed smart controller – which converts a conventional electric water heater into a smart water heater.

A customer enjoying the improved energy efficiency of their home, as a participant in the mini-split heat pump pilot program.



Since 2012, more than **144,300** ENERGY EFFICIENT PRODUCTS have been installed for a total energy savings of almost **11 gigawatt hours (GWh)** of electricity – that’s like removing **440 ELECTRICALLY HEATED HOMES** from the grid!

IMPLEMENTING PILOT PROGRAMS FOR ENERGY SAVINGS IN ISOLATED SYSTEMS

In 2021, we delivered three pilot programs through our Isolated Systems Energy Efficiency Direct Install Program:

- the Smart and Programmable Thermostats Pilot Program saw 131 standard dial and inefficient thermostats replaced with Maysa smart thermostats in select isolated regions
- the Shifted Energy Pilot Program installed 26 shifted energy units on hot water tanks providing consumption savings
- the Heat Pump Pilot Program installed single zone, cold climate, ductless mini-split heat pumps with energy monitors in nine residences in the Labrador Straits area

Collectively, these three pilot programs yielded 112 MWh of annual energy savings in communities throughout our isolated diesel systems.



HERITAGE MANAGEMENT

PRESERVING THE HERITAGE OF THE LOWER CHURCHILL RIVER

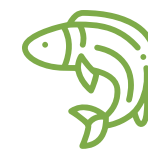
In the fall of 2021, we retained an environmental consultant to conduct a Furbearers (Trapping) Study in support of the Lower Churchill Project. As part of the environmental assessment, we made a commitment to monitor furbearer numbers and distribution near the project site as a way to verify our Environmental Impact Study (EIS) predictions and monitor the effectiveness of our mitigation measures.

A part of this commitment included an analysis of trapping (i.e. fur sales) data of the American marten (marten) over the course of the construction of the Muskrat Falls Hydroelectric Generating Station to identify any trends in the data⁴. To identify any trends, marten fur sales data was provided by the Department of Fisheries, Forestry and Agriculture - Wildlife Division, and analyzed over four project phases: pre-construction (2008-2009), early construction (2013-2014), late construction (2018-2019) and post-construction (2020-2021).

Marten fur sale records from 248 active licensed trappers in Labrador were assessed for changes in trapping activity over time, including the total number of active licensed trappers during each project phase, changes in mean fur sales, and total marten fur sales by region (project area, North Coast, Western Labrador, Southern Labrador, and the Straits) and for all of Labrador.

Overall, changes in trapping activity observed in the study area didn’t appear to differ substantially from elsewhere in Labrador. Observed changes in the number of active licensed trappers and fur sales appear to be driven primarily by fur market prices and other factors including government initiatives, costs of trapping supplies (e.g., fuel), alternate wage opportunities and changes in prevalence of traditional lifestyles.

⁴ Two species of furbearers—marten and porcupine—were originally assessed through our EIS, however, only marten data was available for further assessment. Porcupine were not available to be included in this assessment due to insufficient data associated with a low uptake on hunting for this species in the province (C. Callahan, personal communication.).



FISH AND WILDLIFE MANAGEMENT

STAR LAKE HYDROELECTRIC FISH HABITAT COMPENSATION PLAN

Since 2008, when we took on operations of the Star Lake hydroelectric facility for the provincial government, we have worked on aspects of the Fish Habitat Compensation Plan (FHCP) – as identified under the Fisheries Act Authorization – which includes the development of an egg incubation and rearing facility for brook trout.

Throughout this process, there have been difficulties getting sufficient brook trout broodstock from Star Lake to supply a suitable number of eggs for the artificial spawning and rearing program, so we are working with Fisheries and Oceans Canada (DFO) to explore alternative options to ensure the brook trout population thrives at Star Lake.

Through a desktop review with DFO in 2020, several opportunities on the island were identified. In 2021, using spatial and remote sensing techniques to further explore these opportunities, a total of 40 potential prospects were identified in the Exploits watershed for this repopulation effort and, from there, three former water control structures stood out as the best options. These three structures were visited by representatives of DFO and all were confirmed a good fit for this project.

We will take further steps in 2022 to develop a formal offsetting plan and continue to remain engaged with DFO throughout this process.



For more than 50 years we have provided safe, least-cost, reliable electricity to customers in more than 200 communities throughout our province. We are dedicated to improving our processes, our abilities and our organization as we work towards a more sustainable future for Newfoundland and Labrador.

BUSINESS EXCELLENCE

PRIORITIES

- Fiscal responsibility, transparency and accountability
- Improving asset management business systems
- Reliability and resource adequacy
- Responsible procurement
- Electrification and development of clean energy projects
- Electricity rates/financial affordability for customers
- Business continuity and cyber security



The Churchill Falls Generating Station marked 50 years since the first commercial power was delivered across its 735 kV transmission lines to Montreal, Quebec



Our teams completed essential upgrades and refurbishments across our generation and transmission systems



Our Network Additions Policy was approved by the regulator



Our first network of 14 fast-chargers for EVs on the island displaced close to 50 tonnes of GHG emissions in the first year of operation



The Electric Vehicle Rebate Program provided a \$2,500 rebate for residents who purchased or leased an EV to help alleviate some of the upfront costs of ownership



We have nine electric vehicles in use throughout our operational areas around the province which have travelled more than 70,000 km for a savings of over 5,200 litres of fuel compared to an equivalent gas-powered car



FISCAL RESPONSIBILITY, TRANSPARENCY AND ACCOUNTABILITY

OUR CHANGING ORGANIZATION

On June 23, the Government of Newfoundland and Labrador announced that all Nalcor Energy operations would move under Hydro, a decision that resulted in a significant change in our corporate structure. This change created a unified company with a clear focus on our core purpose: to be Newfoundland and Labrador's Crown utility providing safe, least-cost reliable electricity and harnessing energy opportunities to benefit the people of our province.

For more than 50 years, we have provided electricity service to customers in more than 200 communities throughout the province. Our newly united company will continue to provide this service at home while also harnessing the power of Churchill Falls and Muskrat Falls to provide renewable energy to millions of customers in Atlantic Canada, Québec, Ontario and the Northeastern United States.

In support of the province's directive, and our commitment to reduce duplication and deliver cost savings, on November 2, we announced the streamlining of our executive structure. As we move forward together, we are committed to reviewing our existing corporate governance structure and contractual arrangements to become a more efficient Crown utility. This executive reorganization was an important step to deliver millions in annual cost reductions. Further analysis in support of these commitments, and other cost-saving measures, will continue into 2022 and beyond.

For more information on our corporate structure, please see the MD&A section of our 2021 Annual Report.

EMS AUDITS TAKE AN EFFECTIVE SHIFT TO REMOTE COMPLETION

Due to the COVID-19 pandemic and the associated shift to remote work, our 2020 EMS Surveillance Audit, internal EMS Audit and Re-Registration Audit were all completed remotely without any material issues and with little to no interruptions to site personnel.

There are benefits in continuing to certify the EMS internally and completing these audits remotely, where possible. Remote audits mean additional benefits, including travel cost savings and reduced pressure on embedded EMS field resources to complete the audits. A plan has been developed to pilot a reduced EMS audit cycle that continues to meet the requirements of ISO 14001 over the next few years.

EMS audits are a requirement of the principles associated with the ISO 14001 standard (our operating standard), however, the level of effort by auditors and the frequency of these audits can vary depending on a company's organizational structure, number of employees and complexity of the significant aspects being managed. Our EMS is mature, moderately complex and has a relatively small employee-to-generation ratio when compared to similar sized companies, resulting in an annual, internal auditing approach over the past 22 years.

JOINT PROCUREMENT OPPORTUNITIES

Joint procurement opportunities, while new to the organization, are quickly becoming more common practice. These opportunities are being explored, tracked and rolled out in a strategic manner for our stakeholders, including the Public Procurement Agency and Canadian Collaborative Procurement Initiative. Internally, we have already collaborated on a selection of snow clearing contracts, non-destructive testing and waste management procurement opportunities. Provincially we have collaborated with other government-funded bodies on a new Corporate Procurement Card Program and, federally, on office supplies and other commodity contracts like paper. These initiatives have enabled us to become more streamlined and cost effective in our processes.



IMPROVING ASSET MANAGEMENT BUSINESS SYSTEMS

ADVANCE COMPLETION OF OUR ASSET MANAGEMENT READINESS ASSESSMENT

Since 2020, our Asset Management Readiness Assessment has been working to determine how we can advance the maturity of our Asset Management System and further align the system with the ISO 55000 Asset Management standard.

Throughout 2021, our teams worked with an external consultant to conduct surveys and workshops to determine

our Asset Management System Readiness and Needs Analysis. This enabled us to work towards delivering a Recommended Improvement Plan combined with a Multi-Year Roadmap.

We remain committed to furthering these initiatives throughout 2022 and beyond.



RELIABILITY AND RESOURCE ADEQUACY

RESOURCE AND RELIABILITY PLANNING

We take our responsibility of providing safe and reliable service to our customers very seriously – it's why we are here. Careful planning and assessment are required to ensure our assets will be at the ready and in top condition when we need them. As part of our planning, we routinely complete near-term reliability assessments that are filed with our regulator, the PUB, prior to each winter season.

In 2021, a significant outcome of our near-term reliability assessment work was the requirement for the Holyrood Thermal Generating Station to remain fully available through March 31, 2024 – a shift from the previous decommissioning date of March 31, 2023.

From a longer-term planning perspective, we continued to progress through our comprehensive Reliability and Resource Adequacy (RRA) study with our regulator and other intervenors to assess our system needs and determine our long-term approach to providing least-cost, reliable service. Throughout 2021, the primary focus was on completion of an independent assessment of the reliability of LIL, which was completed in December, and an assessment of the condition of our Holyrood Thermal Generating Station, expected to be completed early in 2022.

We will use the findings of both reports as input for our next comprehensive filing of the RRA study, expected in August 2022. This filing will consider additional information with respect to the reliability of LIL, projected costs and reliability of the Holyrood Thermal Generating Station, and recommendations for future system additions to ensure we can continue to provide reliable service at least cost.

INVESTING IN RELIABILITY FOR OUR CUSTOMERS

Power generation

At our Holyrood Thermal Generating Station, we work to ensure the facility's reliable operation. In 2021, this included a Unit 3 generator overhaul and rewind, boiler refurbishments and safety upgrades to the marine terminal.

We also worked to ensure the reliable operation of our backup generators, including an assessment of the generator rotor and replacement of the fire suppression system on the gas turbine at the Happy Valley Terminal Station. Diesel genset overhauls were completed in Black Tickle, Cartwright, and St. Brendan's, as well as a unit replacement in Cartwright.

At our Bay d'Espoir Hydroelectric Plant, we completed work to ensure long-lasting reliability, including a unit overhaul and rewind of the generator stator for Unit 5, upgrades on other units, and the refurbishment of an intake gate.

A penstock assessment at Paradise River was completed, as well as upgrade work at our Granite Canal and Upper Salmon facilities.

In 2021, we began work on a multi-year project to refurbish the Ebbegunbaeg Control Structure, part of the original Bay d'Espoir hydroelectric project in central Newfoundland, built in 1967. This control structure is an important component of the Bay d'Espoir system as it controls how water moves between the Meelpaeg Reservoir and Crooked Lake to supply our powerhouses at both Upper Salmon and Bay d'Espoir.



Our multi-year refurbishment project is underway at the Ebbegunbaeg Control Structure.

At Churchill Falls, we replaced the runner in Unit 9, a significant piece of work requiring a unit overhaul to ensure its continued reliability. Remaining generating units received a variety of refurbishments and upgrades, including the replacement of cooling water pumps, water strainers, and air coolers, as well as internal repairs and maintenance.

Transmission and distribution

Extensive work was completed in 2021 as part of our ongoing, multi-year program to upgrade our terminal stations across the province. This work included transformer refurbishments, tap changer overhauls, and replacements of breakers and disconnect switches at several stations. Scheduled replacements of circuit breakers were completed at several terminal stations, including Stony Brook and Wabush, with upgrades at Holyrood.

At Churchill Falls, we replaced poles along the 66 kV transmission line as well as various pieces of key switchyard equipment – each a part of multi-year projects.

Wood pole inspection and refurbishment work was completed on several key transmission lines. We also completed distribution system upgrades in several locations:

- in Fleur de Lys, 91 poles, 34 cross arms and 25 transformers were replaced along Lines 1 and 2
- in Bear Cove, 111 poles were replaced along Line 6
- in St. Anthony, 51 poles and four transformers were replaced along Line 3

Expanding capacity to meet demand in Labrador

The electricity we provide plays an important role in enabling growth throughout our province. Nowhere is this more evident than in Labrador, where demand for electrical power is on the rise. Due to load growth, industrial customers' needs, and the interest from new, larger power consumers, electricity demand greatly exceeds the current available capacity of the Labrador Interconnected System (LIS).

We continue to take steps to respond to the need for power and make the necessary investments in system infrastructure to facilitate growth, including:

- upgrades to the Happy Valley Terminal Station and the Wabush Terminal Station and Substation to increase capacity and improve reliability in the Upper Lake Melville and Labrador West regions
- upgrade of the primary conductor along the main section of the distribution lines that serve the communities of Hopedale and Makkovik on Labrador's northern coast
- bringing a new transmission interconnection to service in the Happy Valley-Goose Bay area in late 2021, increasing transmission capacity to serve the area with power from Churchill Falls
- developing a new Labrador Network Additions Policy, which was approved by the regulator in the spring of 2021. The objective of this policy is to help achieve a reasonable balance in the sharing of the benefits and costs of transmission system investments between new and existing customers

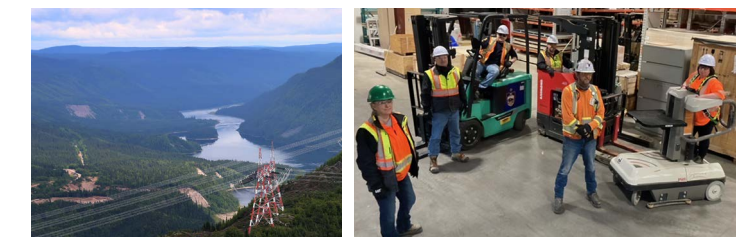
CELEBRATING 50 YEARS OF POWER

On December 6, the Churchill Falls Generating Station marked 50 years since the first commercial power was delivered across its 735 kV transmission lines to Québec. At the time of construction, it was the largest civil engineering project in North America and would see nearly 6,300 workers at the site to complete this megaproject.

With a generating capacity of 5,428 MW, the Churchill Falls operation continues to be an essential part of our province's power grid, delivering safe, reliable energy to millions of North American consumers every day. To do this, our dedicated and skilled team works hard to safely maintain this world-class facility. From the maintenance teams, to the staff who service and support them, everyone contributes to the successful operation of the Churchill Falls Generating Station.



Safe, Reliable Hydroelectricity Since 1971



(L-R) 735 kV power line along the Churchill River, some of our great warehouse employees



RESPONSIBLE PROCUREMENT

SUPPLIER PERFORMANCE FEEDBACK FORM

While the implementation of our Supplier Performance Feedback Form (SPFF) system is a legislative requirement under the Public Procurement Framework, it also works to increase our engagement with the supplier community through principles of responsible procurement. Our SPFF allows us to capture and electronically document supplier performance, continues to provide opportunities to enhance partnerships, improve

communication and promote strategic relationships with our suppliers.

The ability to document and track the communication, actions, process improvement and relationships with our suppliers through the SPFF has already produced positive results and valuable insights, and has increased engagement as we work with our suppliers.



ELECTRIFICATION AND DEVELOPMENT OF CLEAN ENERGY PROJECTS



In 2021, we made significant advances to help increase EV adaption in Newfoundland and Labrador by completing the province's first fast-charging network.

HYDRO COMPLETES THE PROVINCE'S FIRST FAST-CHARGING NETWORK FOR ELECTRIC VEHICLES

Until recently, Newfoundland and Labrador was the only province in Canada without a fast-charging network for Electric Vehicles (EVs). This all changed in 2021 when we completed the first network of 14 fast-chargers on the island – overcoming a major barrier to EV ownership and displacing close to 50 tonnes of GHG emissions in the first year of operation – that's the same as taking 11 cars off the road for one year.

The provincial fast-charging network includes 14 charging locations from St. John's to Port aux Basques, enabling EV owners to travel long distances across the island portion of the province, and removing one of the largest barriers to ownership cited by consumers. With this network, drivers have access to 62.5 kW Direct Current Fast Chargers at popular rest stops and service stations averaging every 70 km along the Trans Canada Highway, as well as one charger in Gros Morne National Park. These chargers can fast-charge an EV to 80 per cent in less than an hour.

This initiative provides an opportunity for increased domestic ownership of EVs, helps reduce carbon emissions and supports the province's overall electrification efforts. Establishing the fast-charging network was a critical step toward making EV use more accessible around the province, and helps pave the way for more chargers in Labrador and other regions into the future.

MAKING ELECTRIC VEHICLES MORE AFFORDABLE IN NEWFOUNDLAND AND LABRADOR

In the fall of 2021, we launched the Electric Vehicle Rebate Program. Administered on behalf of the Department of Environment and Climate Change, this program provided a \$2,500 rebate for residents who purchased or leased an EV to help alleviate some of the upfront costs of ownership.

The transportation sector in Newfoundland and Labrador represents 32 per cent of provincial GHG emissions. By increasing the number of EVs on our roads, the Electric Vehicle Rebate Program contributes to a more sustainable future for our province through lower transportation-related GHG emissions, and supports transportation that is powered by clean, renewable energy.

PLUGGING INTO THE BENEFITS ACROSS HYDRO'S FLEET

Approximately 80 per cent of electricity in our province is generated from clean, renewable energy sources, making Newfoundland and Labrador a great place to drive electric. As the province's Crown utility, we are proud to lead efforts to increase the use of EVs, including within our own operations.

EVS GOING THE DISTANCE

In 2021, users charged more than 45 MWh, equaling about 240,000 km - that's enough to drive from St. John's to Vancouver more than 33 times.

In the first year of operation, our fast-charging network has been powering EVs all across the province:



ENERGY DELIVERED

45.9 MWh

That is enough energy to drive more than 240,000 KM in our Chevy Bolt.



NUMBER OF CHARGING SESSIONS

2,059



GHG REDUCTION

46.4

tonnes of GHG avoided/displaced through direct charging use.



80%
Approx.

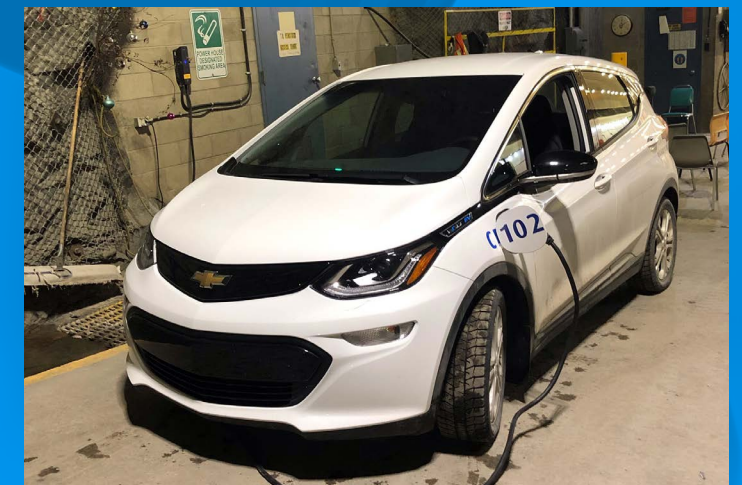
OF OUR PROVINCE'S ELECTRICITY IS GENERATED FROM CLEAN, RENEWABLE SOURCES.

The majority of electricity used to charge your vehicle comes from our province's clean, renewable energy sources. You'll feel great driving an EV, knowing that you are helping protect the environment and contributing to a sustainable future for Newfoundland and Labrador.

With significant fuel savings and less maintenance required, EVs decrease operating expenses typically associated with fleet vehicles, while maintaining the same level of service for our customers. Adding EVs to our fleet has the added benefit of reducing transportation-related GHG emissions while supporting and promoting electrification in the province which, when adopted broadly, can also contribute to rate mitigation efforts for electricity customers.

In 2021, we had nine EVs in use at operational areas around the province. To date, these EVs have travelled more than 70,000 km—from the streets of St. John's to underground in Churchill Falls—braving the province's challenging geography and harsh winters. When compared to the typical fuel economy in an equivalent gas-powered car, that's a savings of over 5,200 litres of fuel and 11,000 kg of avoided CO2 emissions – savings that are better for both our customers and the planet.

To support the integration of EVs throughout our fleet, chargers have been installed at 10 of our operational facilities, with more planned in 2022 and beyond. As more traditional, gas-powered vehicles require replacement in the future, we will continue to assess opportunities to add EVs and related infrastructure to contribute to a greener future for Newfoundland and Labrador.



EV use is increasing across our operations, including at Churchill Falls where they are used to access one of the largest underground hydroelectric plants in North America. Using zero-emissions, fully electric vehicles 1,100 feet underground helps protect air quality and, most importantly, the health and safety of our workers who keep the system operating year-round.



ELECTRICITY RATES/FINANCIAL AFFORDABILITY FOR CUSTOMERS

WORKING TO MITIGATE COSTS FOR OUR CUSTOMERS

Rate mitigation and future General Rate Application

On July 28, the provincial and federal governments announced an Agreement in Principle (AIP) on a financial restructuring plan for the Lower Churchill Project. The financial restructuring will contribute to the long-term sustainability of the project and reduce the province's cost of financing. This \$5.2 billion restructuring plan includes:

- \$2 billion in federal financing, including a \$1 billion investment in Newfoundland and Labrador's portion of LIL and a \$1 billion federal loan guarantee for the Muskrat Falls Generating Station and Labrador Transmission Assets
- Annual transfers to Newfoundland and Labrador, equivalent to Canada's yearly net revenue from the Hibernia offshore oil project Net Profit Interest and Incidental Net Profit Interest, which current estimates indicate will total \$3.2 billion between now and the end of the Hibernia project's life

In December, the Muskrat Falls Generating Station was fully commissioned and placed into service but until all aspects of the project are fully commissioned and rate mitigation is finalized, we have taken steps to protect customers from associated costs. We proposed and received approval for a deferral of associated revenues and costs' to ensure certainty of rates until the conclusion of our next General Rate Application (GRA).

A Rate Mitigation Committee comprised of representatives from the Government of Newfoundland and Labrador's departments of Finance, Justice and Industry, Energy and Technology and Hydro meet regularly, and consult with the federal government to advance rate mitigation efforts. Work will continue into 2022 on the financial restructuring of the Lower Churchill Project in order to finalize rate mitigation. This includes completion of Term Sheets related to the \$1 billion investment in LIL and a request-for-financing for a \$1 billion loan guarantee.

Supporting the Lower Churchill Project will provide a reliable and long-term source of clean power for people in Atlantic Canada. By working together, both governments of Canada and Newfoundland and Labrador are helping promote our province's economic resiliency. Supporting this project, and others like it, will not only contribute to Canada's plan to address climate change and affordability, but also have a positive impact and a lasting effect for Newfoundlanders and Labradorians for generations to come.

ENERGY MARKETING EXPANDS

Our Energy Marketing team works 24/7 to manage the power exchanges between Newfoundland and Labrador and our external markets in eastern Canada and the United States.

Our services expanded in 2021, as the remaining three units at Muskrat Falls came online. Energy Marketing's water management services to Muskrat Falls and our Regulated Operations are now responsible for the optimization of an average of approximately 9.7 terawatt hours (TWh) of renewable energy per year.

The commissioning of the Muskrat Falls Hydroelectric Generating Station also activated Energy Marketing's operations with contracts such as the Energy and Capacity Agreement with Emera to deliver the Nova Scotia block (NS Block), and contracts for transmission rights through the Maritimes.

In addition to the new services, and the export of 240 GWh of Muskrat Falls and island hydraulic energy over the Maritime Link, we continued to earn value from the export of Recapture Energy from the Churchill Falls Generating Station. In 2021, almost 98 per cent of available Recapture Energy was delivered to market via Québec, providing almost 1,400 GWh of energy to customers in New York, New England, Ontario and the Maritimes.

CAPITAL BUDGETING

In August, we filed our Capital Budget Application for our regulated assets, seeking approval of \$84.7 million in expenditures. The PUB approved \$84.2 million, and one portion was deferred until a decision is made to implement a long-term supply plan for Southern Labrador.

PRODUCING CLEAN, RENEWABLE HYDROELECTRICITY

In 2020, Massachusetts established a Clean Energy Standard – Existing (CES-E). The standard ensures the contribution of existing clean energy generation to help the state meet its GHG emission reduction targets.

The standard requires existing utilities and suppliers who provide electricity to customers to buy 20 per cent of their energy from existing clean energy generators for 2021. Our team applied to have the Churchill Falls Generating Station recognized under the program and, in 2021, they successfully qualified as a Clean Existing Generating Unit in the state of Massachusetts.

As a result, since June 2021, we have been earning certificates on the majority of our Recapture Energy exports to New England. These certificates will provide additional value for our electricity

beyond the market value for our energy exports to New England. Over the coming years, it's expected these certificates will bring in millions of dollars in additional revenue for Hydro.

This qualification is a major step forward in ensuring we achieve maximum value for the energy produced from our province's clean, renewable hydro resources through export markets in the United States.

Since 2017, it's estimated that our hydroelectric exports have potentially displaced over 1.1 MILLION METRIC TONNES OF GHG EMISSIONS through the New York, New England and Nova Scotia systems. That's the equivalent of removing 337,000 passenger vehicles from the roads for an entire year!



BUSINESS CONTINUITY AND CYBER SECURITY

ENSURING CYBERSECURITY ACROSS OUR SYSTEMS

Modern cyberattacks which could potentially affect the functionality of our assets are more present than ever. Our cybersecurity programs work to protect the safety of our employees and the reliability of our power system operations. Our cybersecurity teams continue to rely on the Canadian Center for Cybersecurity and Electricity Canada for advice and guidance, and have consulted with other utilities, public bodies and third-party vendors for additional guidance as they work to actively enhance cybersecurity controls.

In 2021, our teams reduced the connection points between the corporate and industrial control networks, implemented segmentation for critical systems and reduced internet communication and exposure. We have also used internal phishing campaigns, with results significantly lower than industry average. We have considerably enhanced incident detection and response services and vulnerability management systems. We also continue to assess our cybersecurity programs to align with the National Institute of Standards and Technology Framework for Improving Critical Infrastructure Cybersecurity.

ENERGY MARKETING DISASTER RECOVERY PLAN

A Disaster Recovery Plan works hand in hand with a Business Continuity Plan to ensure operations can resume with minimal business impact in the unlikely event of an emergency, failure of facilities or failure of IT infrastructure.

A specific Energy Marketing Disaster Recovery Plan is especially necessary due to the unique business requirements of our Energy Marketing team. Through this plan, key infrastructure required to support our critical business processes and levels of redundancy within the infrastructure were identified. Processes were then developed to help mitigate the loss of any of these components. In 2021, this plan was refreshed to reflect our current hybrid remote work operations.



PEOPLE

PRIORITIES

- Equity, diversity and inclusion
- Employee engagement
- Talent attraction, development and retention
- Code of conduct and business ethics
- Organizational effectiveness and change management

Our people are the foundation of our company and, together, we are creating an inclusive and diverse workforce with a culture that enables people to feel comfortable and engaged at work. We are committed to taking action to make sustainable progress in everything we do and everywhere we operate.



We continued efforts to attract and retain women in leadership, operations and engineering positions, and supported their advancement in these roles



We received the Women in Resource Development Corporation (WRDC) Diversity in Industry Award



Our internal diversity and inclusion impact was measured against the Global Diversity, Equity and Inclusion Benchmark in collaboration with the Canadian Centre for Diversity and Inclusion (CCDI)



We held virtual focus group sessions with women who currently work in skilled trades, technology and engineering positions across the company in collaboration with the WRDC



A Change Management Strategy and Employee Support Plan helped steer employee engagement initiatives as all our operations came together under one unified organization in June



EQUITY, DIVERSITY AND INCLUSION

OUR ONGOING COMMITMENT TO ACHIEVING GENDER EQUITY

In 2017, we set gender equity targets to focus on the recruitment and retention of women in underrepresented areas of our business. While we are still working towards improvement to meet our organizational targets, it's exciting to see our gaps becoming narrower, especially at the Executive and Field Supervisor levels, both of which have almost doubled from their original representation in 2016.

We believe our whole organization thrives when there's a focus on creating a diverse and inclusive environment for all employees. We made progress in 2021 and are committed to progressing toward our targets by 2025. To support these targets, and our broader commitment to encourage opportunities for women and other designated groups, we apply a diversity and inclusion (D&I) lens to our recruitment process, and collaborate with our community partners, to attract a diverse pool of qualified candidates.

Gender Equity Targets at Hydro

OCCUPATIONAL GROUP	2016	2021	TARGETS
Executive	15%	27%	30%
Management	27%	31%	35%
Engineers (Including Engineers in Training)	24%	24%	30%
Technicians and Technologists	5%	9%	10%
Field Supervisors	3%	6%	6%
Skilled Trades (Including Apprentices)	2%	6%	10%
Manual Workers	16%	17%	20%

*As of December 2021.

MEASURING OUR INTERNAL DIVERSITY AND INCLUSION IMPACT

In 2011, we established a corporate vision for D&I, which included a long-term D&I strategy. Over the past five years, we have implemented focused, strategic initiatives to help us achieve our vision for an inclusive and respectful workplace for everyone. Since 2017, we have formed our D&I Champions Committee, established gender equity targets and conducted a review of our recruitment processes through a D&I lens.

In 2021, we measured the impact of our current strategic initiatives to help inform our D&I strategies going forward. In collaboration with the Canadian Centre for Diversity and Inclusion, employees participated in a third-party assessment, which measured our D&I progress against a global standard, the Global Diversity, Equity and Inclusion Benchmark. Our Overall Maturity Score was

“Proactive” indicating our efforts towards developing and sustaining a diverse, equitable, inclusive, and accessible environment are tangible and that we can support the momentum needed to expand throughout the organization.

These results were shared with our D&I Advisory Council and all our employees to help inform the strategic planning of the D&I Advisory Council with input from our D&I Champions Committee and Women's Leadership Network to help us build an even more diverse and inclusive workplace.



WRDC DIVERSITY IN INDUSTRY AWARD

We were honoured to receive the Women in Resource Development Corporation (WRDC) Diversity in Industry Award. This award recognizes employers for their leadership and success in equity, diversity and inclusion within their organization, industry or sector. We are pleased to be recognized for leadership in the adoption and implementation of emerging practices for diversity, gender equity and inclusion.



EMPLOYEE ENGAGEMENT

OUR REMOTE WORK POLICY

In September, we began to roll out our Remote Work Policy, which outlines a structured approach to enable remote work arrangements for our employees. While our buildings and sites are safe environments with safety protocols in place, we support our employees wanting to work remotely, where possible.

We recognize the positive impact that remote work arrangements can have on our employees, including:

- improved employee well-being based on work-life balance
- attraction and retention of those interested in remote work
- positive and inclusive work environment
- reduced absenteeism
- increased productivity and business efficiency

ENCOURAGING DIVERSITY AND INCLUSION EDUCATION FOR EMPLOYEES

Our D&I online training courses are mandatory for all employees and must be renewed every two years. Employees with supervisory accountability are expected to complete *Managing a Diverse, Inclusive and Respectful Workplace*, while *Hydro – Diversity and Inclusion* is for all our employees.

The courses cover a wide range of topics, including:

- key D&I concepts
- our D&I commitments, strategies and targets
- techniques to foster an inclusive and respectful work environment
- skills for inclusive leadership

In 2021, all new employees were required to complete the appropriate course as part of their onboarding and orientation program, and existing employees meeting the renewal threshold were required to complete the course.

PANDEMIC PULSE SURVEYS

In 2021, we continued to work through public health measures related to the COVID-19 pandemic. Employees provided input regarding their perceptions of health and safety, working conditions, flexible work arrangements and communications through a pulse survey. Overall, employees reported that they understood the steps taken to ensure their health, safety and well-being; felt they had what they needed to effectively perform their work; were satisfied with the flexible arrangements provided to them; and were appropriately informed about what was happening at work. Based on feedback from the 2021 — and previous 2020 — pulse surveys, we implemented a Remote Work Policy as a key employee engagement initiative in 2021.



TALENT ATTRACTION, DEVELOPMENT AND RETENTION

FOCUS GROUPS WITH WOMEN WORKING IN SKILLED TRADES, TECHNOLOGY AND ENGINEERING

Our Human Resources team and Women's Leadership Network (WLN) engaged the WRDC to hold virtual focus group sessions with women currently working in skilled trades, technology and engineering positions across our company to gather information on supporting the retention of women in occupations in which they are underrepresented.

During these sessions, participants also had an opportunity to provide feedback on topics related to supporting a respectful workplace and our D&I strategy. Overall, the key results indicated that participants were satisfied with their current job and two-thirds of participants felt they have advanced in their career. Participants also felt they work in a respectful workplace, felt included and had the same opportunities regardless of gender. These results were communicated to the D&I Advisory Council, the WLN, and participants, and all input will be used to support strategic Human Resources and D&I initiatives going forward.



CODE OF CONDUCT AND BUSINESS ETHICS

CODE OF CONDUCT AND BUSINESS ETHICS TRAINING FOR EMPLOYEES

We are committed to professional and ethical business practices and guided by our Code of Business Conduct and Ethics.

The Code of Business Conduct and Ethics:

- promotes expected standards of conduct
- provides guidelines regarding conflict of interest, and ethical business practices and conduct
- gives general guidance regarding how to avoid and report potential conflicts of interest and unethical business conduct
- links together several existing policies and legislation such as our Harassment Policy, conflict of interest and Occupational Health and Safety legislation
- addresses safety programs such as the Internal Responsibility System

In 2021, all new employees and all existing employees who needed to renew the course were required to complete the *Code of Business Conduct and Ethics* online training course. Just like our D&I online training courses, our *Code of Business Conduct and Ethics* online training course is mandatory for all employees and must be renewed every two years.



ORGANIZATIONAL EFFECTIVENESS AND CHANGE MANAGEMENT

MOVING FORWARD TOGETHER

Following the organizational changes that combined our business operations into Hydro as of June 2021, a Change Management Strategy and Employee Support Plan were implemented to help our employees transition through these changes.

This plan helped steer employee engagement initiatives, including CEO Town Hall meetings, CEO video messages with all employees, safety moments focusing on how to navigate and manage change, and a dedicated internal website for employees to access FAQs or ask questions about what's happening within our organization.

Our President and CEO, Jennifer Williams, along with other executive team members, held virtual round-table sessions with targeted employee groups from all areas of the company to assess employee concerns and engagement, and to determine what was needed to help further support our employees through this change. These sessions, along with other employee engagement initiatives, will continue through 2022 as we move forward together.

CHANGE MANAGEMENT TRAINING

Change management is an important component of our evolving corporate strategy. Helping employees who are impacted by change understand the reason(s) for change, and any associated or anticipated outcomes, is critical to our organizational success.

In 2021, several employees, including managers, supervisors and human resources representatives, participated in change management training to help promote, manage and facilitate organizational change and effectiveness.



Giving back to our communities is a critical part of who we are as employees and as a company. Through our Community Investment Program, we actively support charitable groups around the province through financial and in-kind support, employee volunteering and scholarships. We aim to have a positive impact on the communities where we live and work, and we are delighted to work with, and support, organizations throughout Newfoundland and Labrador.

COMMUNITY

PRIORITIES

- Indigenous partnerships and stakeholder engagement
- Customer satisfaction
- Community investment



We supported the Friendship Centres in Labrador and St. John's, Indigenous youth outdoor/sporting programs and Indigenous food-sharing programs



We launched our new customer newsletter which communicates important information to our customers, four times a year



Our Community Investment Program continued to evolve last year. We merged the two existing programs and re-evaluated our pillars to best serve communities across the province



We continued to support organizations in the communities where we live and operate throughout the province, including providing 23,360 breakfasts to kids across Newfoundland and Labrador through our Kids Eat Smart Energy Breakfast



Through the 2021 Women in Trades and Technology Scholarship Program, we partnered with WRDC to award six \$1,500 scholarships to women across the province



INDIGENOUS PARTNERSHIPS AND STAKEHOLDER ENGAGEMENT

DIVERSITY AND INCLUSION DAY: INDIGENOUS PEOPLES AND COMMUNITIES

On October 27, we celebrated our fourth annual D&I Day, focusing this year on Indigenous Peoples and Communities.

Employees attended virtual sessions throughout the day that focused on our ongoing Indigenous relations and partnership initiatives with Indigenous communities across our province, continued discussions about what true reconciliation means and what we can do as a company, and as individuals, to put our intentions into action.

Our President and CEO, Jennifer Williams, closed the day by reiterating our company's commitment to diversity and inclusion, and to meaningful engagement and consultation with Indigenous Peoples and communities across Newfoundland and Labrador.

NATIONAL INDIGENOUS PEOPLE'S DAY

On June 21, we recognized National Indigenous Peoples Day to help celebrate the heritage, diverse cultures, and outstanding achievements of First Nations, Inuit and Métis Peoples. Along with information about why we celebrate National Indigenous Peoples Day, we also shared a land acknowledgement D&I Moment with employees.

NATIONAL DAY FOR TRUTH AND RECONCILIATION

September 30 marked the inaugural National Day for Truth and Reconciliation. Our offices across the province were closed to observe this day of reflection and learning, and flags were flown at half-mast from sunrise to sunset. September 30 also marked Orange Shirt Day, which honours survivors and those who were lost to the residential school system. Employees were provided with resources, encouraged to take time to learn about the history of the residential school system and reflect on the histories and cultures of Indigenous Peoples. A special focus was placed on resources for Newfoundland and Labrador's Indigenous communities.

OUR INDIGENOUS COMMUNITY PARTNERSHIPS

Participating in, and supporting, Indigenous community initiatives is an important part of showing we respect what's important to Indigenous communities throughout the province. In 2021, we supported Friendship Centres in Labrador and St. John's, Indigenous youth outdoor and sporting programs, as well as Indigenous homeless and food-sharing programs. Jennifer Williams, President and CEO, also had the honour of attending the Annual Innu Gathering at Gull Island, Labrador.

We're pleased to provide continued support and to further our relationships with the Indigenous communities in which we live and operate.



Jennifer Williams, President and CEO, was honoured to attend the Annual Innu Gathering at Gull Island, Labrador.



CUSTOMER SATISFACTION

WORKING FOR THE PEOPLE OF NEWFOUNDLAND AND LABRADOR

As the people's Crown utility, we work hard to keep the lights on for our customers, while carefully managing our capital and operating costs, continuing to maintain our equipment and infrastructure, and making upgrades where necessary – all to meet our customers' needs and enhance service, wherever possible.

Communicating with our customers has never been more important. While our customers can reach us 24 hours a day, seven days a week, through our customer service line, many customers are also choosing to connect with us in other ways.

Through the myNLHydro self-service app, our customers can subscribe to receive text or email notifications for planned and unplanned power outages so we can keep them up to date with notifications for their area.

More customers are also choosing to connect with us through our social media channels (Facebook and Twitter). We are connected to more than 22,000 people on Twitter and 19,000 people on Facebook – and these numbers grow every day!

In 2021, to continue communicating important information to our customers, we also launched a new customer newsletter, which our subscribed customers can find in their mailbox (or inbox) four times a year. To ensure we regularly monitor and work towards improving how we serve our customers, we also undertake annual point-of-call surveys.

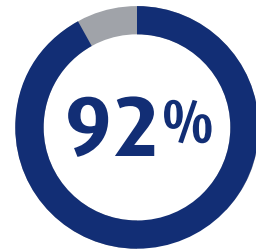
Our Electricity Feedback Panel, which launched in 2018, continues to grow with nearly 1,000 Newfoundland and Labrador residents now signed up to provide their opinion on various topics through short, digital surveys. In 2021, we asked respondents about their opinions regarding electric vehicles, how they heat their homes, their electricity safety habits and more.

OUR COMMUNITIES: WE BELIEVE IN GIVING BACK

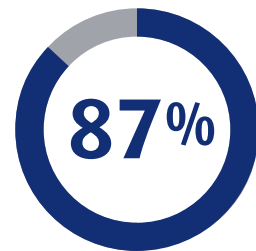
Our Community Investment Program (CIP) continued to evolve last year. As the corporate structure changed, the program also changed. We merged the two previous programs and re-evaluated the pillars to best serve our communities across the province. We also continued to work closely with our teams in Labrador to ensure a consistent approach to community giving across our organization.

Giving back to our communities is an important part of who we are as employees and as an organization. Throughout the province, our CIP supports registered not-for-profit organizations through financial and in-kind support, employee volunteering and scholarships.

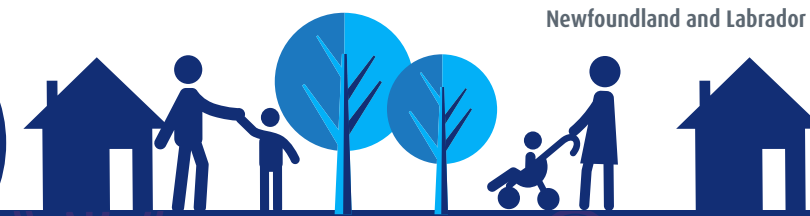
We focus our support in several areas, including safety and mental health; STEM (science, technology, engineering, and math) education; environment and sustainability; diversity and inclusion; and social and community well-being. From St. John's to Labrador City, and hundreds of communities in between, we are delighted to work with organizations across the province.



SATISFACTION WITH SERVICE RELIABILITY



OVERALL SATISFACTION AMONG CUSTOMERS



BIG BROTHERS BIG SISTERS

- Supported the Go Girls Golf Tournament for the Go Girls! Healthy Bodies, Healthy Minds mentoring program

COMMUNITY FOOD SHARING ASSOCIATION

- Donated \$10,000 through our inaugural Cheer Challenge (an employee initiative)

CONSERVATION CORPS NEWFOUNDLAND AND LABRADOR

- Supported the 2021 Green Team Program for youth at the St. Anthony and Area Boys and Girls Club

HOME AGAIN FURNITURE BANK

- Provided financial contributions and in-kind services support for several initiatives

HEART AND STROKE FOUNDATION

- Continued our support of the HeartSmart Kids™ program

KIDS EAT SMART FOUNDATION

- Helped provide 23,360 breakfasts to kids in our province through monetary and food donations to the Energy Breakfast

LABRADOR YMCA

- Supported the opening of the Central Labrador YMCA facility through their Strengthening Our Communities Program

NATURE NEWFOUNDLAND AND LABRADOR

- Continued support for their Birdwatching Backpack program as it expanded in 2021

RONALD MCDONALD HOUSE

- Sponsored the annual Radiothon
- Our employees participated in fundraising events, including the Sock It! Campaign and the Red Shoe Crew Walk for Families – Your Walk, Your Way.
- Adopted two rooms at the Newfoundland and Labrador Ronald McDonald House

WOMEN IN RESOURCE DEVELOPMENT CORPORATION

- Supported the launch of the online STEMforGirls Club
- Through the 2021 Women in Trades and Technology Scholarship Program, we partnered to award six \$1,500 scholarships to women students enrolled in select trades and technology programs at:
 - College of the North Atlantic (St. John's, Gander and Placentia)
 - Carpenter Millwright College (Paradise)
 - Dietrac Technical Institute (Lewisporte)

NORTHERN PENINSULA FIRE DEPARTMENTS' EMERGENCY RESPONSE CAPACITY EXPANDS



The Centaur ATV was delivered on July 22, equipped with a towing trailer and up to date servicing.

In 2019, the Churchill Falls team purchased a more advanced ATV to replace the current Centaur, an off-road vehicle to better access remote worksites, especially during the winter months. The Churchill Falls team worked with others throughout the company to identify a community that could benefit from the unit being retired. The Northern Peninsula Straits Fire Services Department was identified as having such a need.

This fire department serves communities from Anchor Point to Eddie's Cove along the Northern Peninsula. Whether it's to carry out a search and rescue, respond to an emergency, or deploy fire hoses during a fire response, the addition of a Centaur expands their ability to access remote areas in many types of emergency situations, across any terrain, during any season.

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