



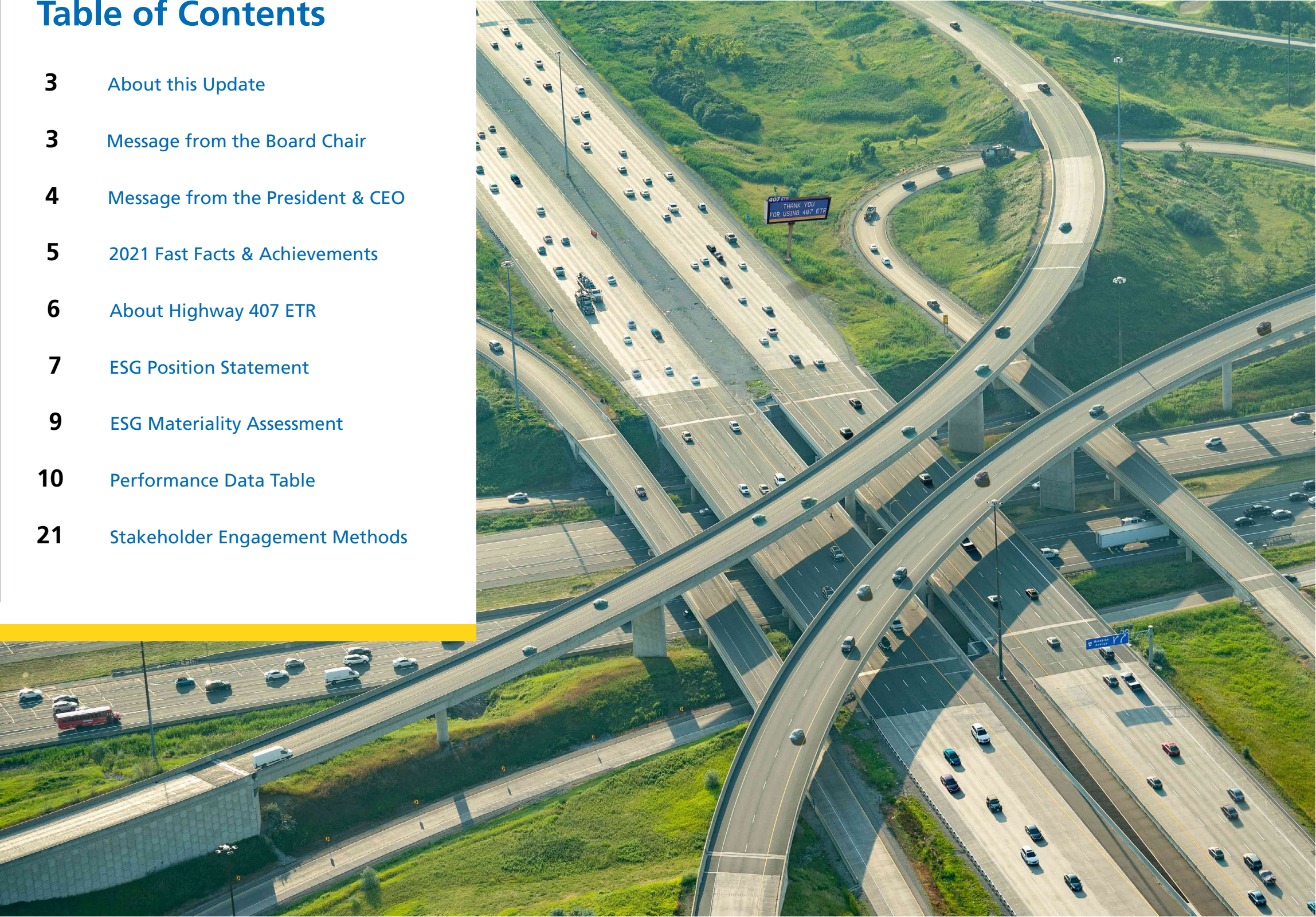
2021 ESG Update

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Forward-looking Statements

The Environmental, Social and Governance (ESG) Update includes statements about expected future events and operating results that are forward-looking. Forward-looking statements may include words such as “anticipate”, “believe”, “could”, “expect”, “goal”, “intend”, “may”, “outlook”, “plan”, “strive”, “target” and “will”. These forward-looking statements reflect the internal projections, expectations, future growth, performance and business prospects and opportunities of 407 International Inc. and its subsidiaries including 407 ETR Concession Company Limited (“407 ETR”; collectively “the Company”) and are based on information currently available to the Company. Actual results and developments may differ materially from results and developments discussed in the forward-looking statements as they are subject to a number of risks and uncertainties as discussed in this ESG Update. In developing these forward-looking statements, certain material assumptions were made, including assumptions as to the timing of highway development activities and the impact and duration of the COVID-19 pandemic. Readers are cautioned not to place undue reliance on the Company’s forward-looking statements and assumptions as Management of the Company (“Executive Team”) cannot provide assurance that actual results or developments will be realized or, even if substantially realized, that they will have expected consequences to, or effects on, the Company. These forward-looking statements are subject to change as a result of new information, future events or other circumstances, as discussed above, in which case they will only be updated by the Company where required by law.



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About this Update

This Update was published October 2022 and highlights 407 ETR's environmental, social and governance (ESG) initiatives in the Greater Toronto Area from January 1 to December 31, 2021, (the "Reporting Period"), unless otherwise indicated. Our intended audience for this Update includes our stakeholders, employees, customers and investors.

We are committed to disclosing our ESG performance annually and are working to increase the transparency and accountability of our ESG disclosures. This update is transitional and documents 407 ETR's existing areas of disclosure for 2021. In the 2022 ESG Update, the Company will aim to provide alignment with the following key investor-preferred frameworks of Task Force on Climate related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB). This year we have updated our terminology from sustainability to ESG to better reflect the Company's new direction with reporting frameworks.

Materiality

Materiality, in the context used for this Update, refers to whether the information would be relevant to financial decision making by capital market participants. It should be noted that non-financial stakeholders (e.g., customers, employees, community groups) may use the term "materiality" to refer to issues of high importance in relation to the Company's Corporate Social Responsibility (CSR) efforts. 407 ETR conducted a formal materiality assessment based on guidance provided by ESG Global Advisors, a third party service provider, which is further detailed on page 9.



Message from the Board Chair



As the climate change crisis intensifies, we are all reminded of the urgent action required to ensure that our planet is livable for generations to come.

The transportation industry must also rise to the occasion to help tackle these challenges. As a highway operator, we're acutely aware of the role we play. That's why 407 ETR has set a target to reduce combined Scope 1 and Scope 2 greenhouse gas (GHG) emissions by 25 per cent by 2030, relative to the 2018 baseline. It will take continued innovation and hard work to achieve this goal. Thankfully, innovation and thought leadership are cornerstones of this Company.

As the world grapples with changing climate, we know here in Ontario that in addition to rising temperatures, we're also dealing with more severe weather events. To gain a better understanding of the impact of extreme conditions on our

infrastructure, we conducted studies to learn about flooding vulnerabilities along the 108-kilometre highway. We're continuously looking at ways to reduce our environmental footprint – from reducing construction waste to investing in LED lighting across the highway.

Our work continues to advance our ESG strategy, but I'm proud of the progress made over a relatively short period of time. While we strive to improve the quality of life for drivers – giving them valuable time back to invest in their loved ones, their businesses and passions – we're focused on making a big impact with as small a footprint as possible.

Sincerely,

David McFadden, Q.C.

Chair of the Board, 407 International Inc.

"We're focused on making a big impact with as small a footprint as possible."

Message from the President & CEO

The year 2021 was a transformational one for 407 ETR. In spite of the challenges we continue to face as a result of the COVID-19 pandemic, we celebrated important achievements and milestones across the business.

407 ETR achieved two million hours without a lost-time injury at the end of 2021 – a monumental health and safety accomplishment. We made United Way Greater Toronto's 2021 Local Leaders List for our corporate and employee contributions to help deliver vital social services to people across the GTA. Our customer service team was once again recognized by Service Quality Measurement Group for world class customer service. I'm proud to say that these are just some of the year's highlights.

407 ETR also made significant strides to advance our corporate strategy, particularly in the area of ESG. This brief ESG Update is intended to help carry us forward as we work diligently behind the scenes to ensure that our disclosures for 2022 and beyond align with internationally recognized reporting frameworks. We recognize that we must complete significant groundwork to meet the rapidly evolving expectations in the area of ESG reporting and we're making good progress.

To lay a strong foundation for our strategy, we conducted a formal ESG materiality assessment in 2021 to ensure that we are reporting on the information that matters most to our investors. This exercise validated that many core areas of our business – things like employee health and safety, governance and data security – are also key topics for disclosure to our stakeholders.

Another area of critical importance is the environment. As a toll road operator, we recognize the impact of our operations on the environment and in 2021, 407 ETR set an important target

to reduce our GHG emissions by 25 per cent by 2030, relative to the 2018 baseline. We continue to work with ClimateWise Business Network to assist us with our GHG reporting and we were proud to be recognized with the organization's *Greenhouse Gas Target Setter Award* for 2021 for our GHG reduction target.

Our work with diversity, equity and inclusion (DEI) in the workplace continues. In 2021, we created a baseline for continuous measurement through the completion of a DEI employee census survey. These results helped identify opportunities for growth and our strategic path forward. Though I'm happy to report that our Board of Directors achieved more than 30 per cent female representation in 2021, there is still work to do.

Giving back to the community has always been important to 407 ETR's corporate culture and our partnership with United Way continued on in support of COVID-19 pandemic relief. In 2021, we donated \$1.75 million to United Way Greater Toronto for seniors, income security, food security and mental health. We are set to make our final \$1 million dollar donation in September 2022, which will complete our multi-year \$4 million dollar commitment to United Way Greater Toronto at the onset of the pandemic in 2020.

We continued with sponsorships including our *Keep Moving™* program to support kids and youth sports, donated to local GTA hospitals, road safety organizations and much more.

I'm proud to lead this organization as we continue to evolve. I want to thank all of our employees as we strive to be the first choice for transportation in the GTA and to improve the quality

of life for the communities we serve. I'm excited to see where the future takes us and look forward to 407 ETR's advancements in ESG performance.

Sincerely,

Javier Tamargo
President & CEO

“We recognize the impact of our operations on emissions and in 2021, 407 ETR set an important target to reduce GHG emissions.”



EXECUTIVE TEAM

- Javier Tamargo, President & Chief Executive Officer
- Brian Fernandes, Chief Internal Auditor & Ombudsman
- John Galibert, Vice President, Customer Operations
- Lydia Iacovou, Vice President, Human Resources
- Kristian Kataila, Chief Information Officer
- Geoffrey Liang, Chief Financial Officer
- Karina Luquetti, Vice President, Business Process Optimization & Strategy
- Greg MacKenzie, Chief Legal Officer & Corporate Secretary
- Paul Ruttan, Vice President, Infrastructure
- Craig White, Vice President, Highway & Tolling Operations
- Mark Yoshida, Vice President, Revenue Optimization

BOARD OF DIRECTORS

The Board exercises independent supervision over Management in order to protect the interests of stakeholders and to maximize the value that shareholders receive from their investment in the Company.

- David McFadden, Q.C., Board Chair*
- Andrew Alley
- Michael Bernasiewicz
- Emmie Fukuchi*†
- Laura Formusa*
- Andrea Jeffery
- Robert MacIsaac*
- Young Park*
- Andres Sacristan
- Javier Tamargo
- Juan Ramon Perez†
- Stephanie Vaillancourt
- Jose Maria Velao††

* independent directors

† Appointed in May 2022

†† Appointed in January 2022

COMMITTEES:

- Audit Committee
- Environmental Health & Safety Committee
- Executive Committee
- Corporate Governance & Compensation Committee

The members of the Board of Directors and Executive Team listed above are accurate as at the date of publication, September 2022.

2021 Fast Facts & Achievements



Total employees

462

Total unionized

83



Customer Service satisfaction rate

93%



Investment in policing and enforcement (OPP and MTO)

\$8.9M



Hours spent on winter maintenance

10,032



Average workday trips

245,708



Invested in GTA communities through sponsorships and donations

\$2.6M



Hours without a lost-time injury

2 million

AWARDS AND CERTIFICATIONS



12 years of ISO certification



Greenhouse Gas Target Setter Award
ClimateWise



World-class call centre certification for the 8th consecutive year

ESG



Introduced GHG reduction target

25% reduction of combined Scope 1 & Scope 2 emissions by 2030 relative to 2018 baseline



Completed formal ESG Materiality Assessment

ECONOMIC IMPACT



\$20.6 billion in socioeconomic benefits*

\$17.0 billion in user benefits (travel time, reliability, vehicle operating costs)

\$2.9 billion in wider economic benefits (productivity)

\$730 million in external benefits (safety and emissions)

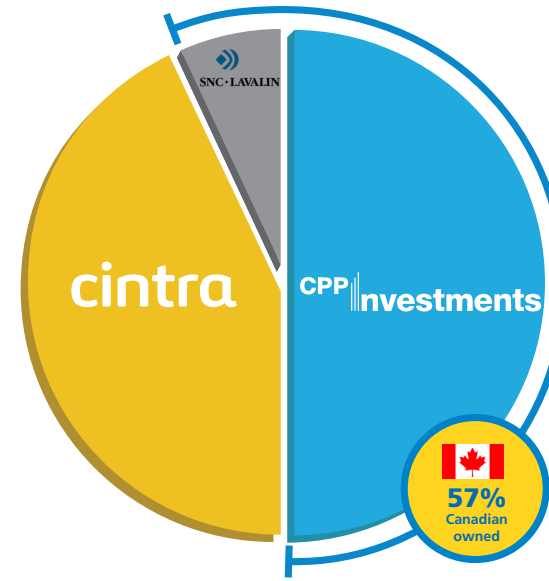
*Economic Impact of Cintra Assets: From the beginning of the concession (1999 to December 2021) 407etr.com/steerreport
All numbers in Canadian dollars

About Highway 407 ETR

Highway 407 ETR is located in the Greater Toronto Area in Ontario, Canada and spans 108 kilometres from Burlington in the west to Pickering in the east. In the spring of 1999, 407 ETR Concession Company Limited (407 ETR) began a 99-year Concession Ground Lease Agreement (CGLA) with the Province of Ontario to assume the management and operation of Highway 407 ETR including tolling, customer service and the maintenance and expansion of the roadway. 407 ETR is also responsible for customer service, tolling and billing for the provincially owned Highways 407, 412 and 418 (collectively Highway 407). Revenues collected by 407 ETR for Highway 407 are passed on to the Government of Ontario.

Highway 407 ETR. In addition to 407 ETR's assumption of all operating and capital costs, 407 ETR is also responsible for expenditures related to the maintenance, policing and Ministry of Transportation Ontario (MTO) enforcement of Highway 407 ETR.

The Company paid \$3.1 billion for the concession – twice as much as the province's cost to build Highway 407 ETR, which at the time spanned only 68 kilometres. At the onset of the CGLA, 407 ETR was required to extend the existing central section of Highway 407 ETR east and west for a combined total of 40 kilometres. Since 1999, 407 ETR has invested more than \$1.6 billion in construction, expansion and customer service.



407 International Inc. is the sole shareholder of 407 ETR and is owned by:

- Canada Pension Plan Investment Board through indirectly-owned subsidiaries (50.01%);
- Cintra Global S.E. which is a wholly-owned subsidiary of Ferrovial S.A. (43.23%); and
- SNC-Lavalin (6.76%).

Please note that tolls were removed on Highways 412 and 418 on April 5, 2022.



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ESG Position Statement

At 407 ETR, Environmental, Social and Governance (ESG) factors are directly linked to our core strategic objectives. The way we manage ESG factors impacts our business and stakeholders, including our customers, employees, partners, the communities in which we operate and ultimately the long-term value of our Company. We also understand and support the growing integration of ESG-related risks and opportunities into investors' decision-making processes globally.

We recognize that ESG is inextricably linked to our *vision* to be the first choice for transportation and to improve the quality of life for the communities we serve, and our *mission* to provide a fast, safe and reliable customer experience on and off the highway.



Our ESG Commitment

We support provincial and federal government targets to reduce GHG emissions by 2030 and recognize the critical role that transportation and infrastructure sectors play in enabling the transition to a low carbon economy. 407 ETR is committed to pollution reduction, the principles of sustainable development, and the protection of the environment, while recognizing the corporate objective and obligation to manage Highway 407 ETR in a safe and efficient manner.

We believe that transparency and accountability to our investors and stakeholders regarding our ESG commitments is critically important. Starting in 2022, 407 ETR is adopting leading ESG reporting frameworks, specifically the Sustainability Accounting Standards Board (SASB) Standards and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) for our annual ESG reporting.



CORPORATE VALUES



EXCELLENCE
We drive results

SAFE

We will always focus on safety

CUSTOMER-FOCUSED

We put our customers in the driver's seat

INNOVATIVE

We are excited to discover a better way

EFFICIENT

We take the most direct path

COLLABORATIVE

We work together to ensure we're all driving in the same direction



INTEGRITY
We always take the high road

ETHICAL

At every intersection we take the right path

DIVERSE AND INCLUSIVE

We check our blind spots to ensure everyone is seen and heard

SOCIALLY RESPONSIBLE

We respect the environment and the communities we serve

ACCOUNTABLE

Each one of us is responsible for making our Company's journey a success

VIGILANT

We never take shortcuts with privacy and data security

Our ESG Approach

Our approach to ESG is guided by the following strategic pillars. These pillars align to the ESG factors that were identified as having the greatest potential to impact our Company's value as determined by a formal ESG Materiality Assessment:

Protect the physical health and safety of our employees and customers

Limit the environmental impacts of our operations, including our GHG footprint

Uphold industry-leading data security and customer privacy practices

Enhance governance structures for the effective oversight of material ESG factors

To support these foundational pillars, we expect all employees, officers and directors to uphold our commitments to:

- Analyzing the impacts of ESG on our business activities and integrating ESG factors into our long-term strategic planning;
- Ensuring sufficient allocation of budget required to maintain regulatory compliance on ESG factors and to achieve our GHG reduction targets; and
- Striving to capture ESG opportunities, including evaluating and implementing new technologies to improve our ESG performance.

Governance

We are committed to maintaining strong governance structures that incorporate ESG, including Board-level oversight of material ESG factors and Executive accountability for ESG priorities and performance.

Through the *ESG Steering Committee*, the Executive Team reports to the Board through its various Committees on a quarterly basis. The Board, through its various Committees will have oversight responsibility for reviewing ESG-related strategies, performance, and investment decisions related to ESG. The President and CEO is a member of the Board and has the highest level of Executive accountability for ESG issues. The ESG Steering Committee has been assigned responsibility for the development and implementation of 407 ETR's ESG strategy, the coordination of ESG-related activities, as well as oversight on ongoing ESG-related disclosures.

Risk Management

We are committed to enhancing the integration of ESG-related risks into our enterprise risk management (ERM) processes to ensure that the unique nature of ESG-related risks is appropriately assessed and prioritized.

We are using the results from our 2021 ESG Materiality Assessment to develop a roadmap for enhanced risk management. This will help us further identify and mitigate ESG-related risks over the short, medium, and long-term as well as supplement current efforts to embed ESG across the Company.

Metrics and Targets

We will monitor our performance on ESG using appropriate ESG-related metrics and targets. In 2021 the Company set a GHG emissions reduction target of 25 per cent of combined Scope 1 and Scope 2 emissions by 2030 relative to our 2018 baseline year, as part of our overall ESG Strategy and implementation plan.

We will evaluate the feasibility and relevance of setting additional ESG targets as we improve our ESG data collection and reporting processes over time. We will also continue to incentivize the achievement of ESG-related targets through linkage to executive and employee compensation.

Reporting and Disclosure

We will strive to continually improve our ESG reporting to investors and other stakeholders to enhance our communications on ESG risks and opportunities.

Looking ahead to our future reporting, we will disclose our ESG performance in alignment with relevant SASB Standards and TCFD recommendations for climate change performance using a phased approach, and will reference relevant United Nations Sustainable Development Goals where appropriate.

Over time, we will also enhance our incorporation of ESG-related disclosures, including through discussion of the financial materiality of ESG-related factors on the organization.



ESG Materiality Assessment

ESG Global Advisors, on behalf of 407 ETR, conducted an ESG Materiality Assessment to help identify and prioritize the ESG factors most likely to impact the long-term value of the Company.

This ESG Materiality Assessment was based on the definition of materiality as applied by the capital markets.

It should be noted that non-financial stakeholders (e.g., customers, employees, community groups) may use the term “materiality” to refer to issues of high importance in relation to the Company’s Corporate Social Responsibility (CSR) efforts.

The purpose of the Materiality Assessment was to identify the inherent ESG-related risks that need to be managed by a company. The Executive Team’s actions to mitigate risks and capture opportunities determine the Company’s ESG performance.

The material ESG factors identified serve as the foundation of 407 ETR’s ESG strategy development and implementation roadmap. By focusing on the ESG factors with the greatest potential to impact Company value, 407 ETR is able to allocate resources efficiently and effectively by addressing its most financially and operationally relevant ESG risks and opportunities.

Material ESG Factors Identified

ESG Factor	Description	ESG Factor	Description
Health and Safety	<ul style="list-style-type: none"> Health and safety risks faced by employees and customers Includes product governance (e.g., highway maintenance, structural integrity, and safety of infrastructure) and employee mental health and well-being 	Climate Change – Physical	<ul style="list-style-type: none"> Risks associated with the physical impacts of climate change (e.g., extreme weather events) Includes acute and chronic impacts
ESG Governance	<ul style="list-style-type: none"> Risk management and Board oversight of ESG factors Includes Board and Executive diversity 	Business Ethics	<ul style="list-style-type: none"> Risks related to bribery, corruption, and anti-competitive practices Includes professional integrity
Environmental Impact	<ul style="list-style-type: none"> Risks associated with adverse impacts to the local environment from operations Includes environmental management (e.g., air quality, biodiversity, spills) and environmental standards and regulations 	Human Capital Management	<ul style="list-style-type: none"> Ability to recruit, develop, and retain a sufficiently skilled and diverse workforce Includes workforce engagement, diversity and inclusion, and labour relations
Data Security & Customer Privacy	<ul style="list-style-type: none"> Cybersecurity breaches and cyberattacks impacting the ability to operate and reputation of the company Includes protection of customer privacy 	Supply Chain Management	<ul style="list-style-type: none"> Regulatory and reputational risks associated with the environmental and social impacts of suppliers Includes life cycle impacts of infrastructure (e.g., use of sustainable construction materials)
Climate Change – Transition	<ul style="list-style-type: none"> Risks associated with the transition to a lower carbon economy (e.g., net zero by 2050) Includes policy and legal, reputational, technology, and market risks 	Community Relations	<ul style="list-style-type: none"> Local community and/or Indigenous Peoples engagement regarding operations and new project developments Includes philanthropic activities
GHG Emissions	<ul style="list-style-type: none"> GHG emissions generated from operations Includes Scope 1 and 2 GHG emissions (Scope 3 for future consideration) 		

IDENTIFYING POTENTIALLY MATERIAL ESG FACTORS

- Peer Benchmarking
- Investor analysis
- Sustainability Accounting Standards Board (SASB) Sustainability Accounting Standards: Engineering and Construction Services, Road Transportation, Professional and Commercial Services
- Task Force on Climate-related Financial Disclosures (TCFD) recommendations
- Methodologies of ESG research and ratings providers

IMPACT AND LIKELIHOOD ASSESSMENT

- Assessment of the material ESG factors over the short, medium and long term, based on likelihood of occurrence and potential magnitude of impact

VALIDATION

- Validation by 407 ETR’s Executive Team
- Validation by 407 ETR’s Board of Directors

Performance Data Table

2021 Disclosure		Reporting Framework
Health and Safety	Lost Time Incident Rate for Employees – 0.00	
	Lost Time Free Hours – 2,026,170 (zero hours lost since June 2019)	
	Total Recordable Incident Rate (TRIR) for Employees – 0.25	SASB IF-EN-320a.1 / TR-RO-320a.1
	Fatality Rate for Employees – 0.00	SASB IF-EN-320a.1 / TR-RO-320a.1
ESG Governance	<p>The Company is committed to maintaining a workplace that supports and encourages diversity and seeks to address challenges faced by individuals due to their gender, sexuality, ethnicity or disability. The Company seeks to recruit the best people without discrimination or bias, and with advancement and remuneration based solely on merit. Similarly, the Board and its Shareholders recognize the value and importance of the Board membership and Executive team including talented and experienced individuals whose diverse backgrounds reflect the Company's stakeholders, including its customers, its employees and the surrounding communities served by the Company.</p> <p>Percentage of Female Representation on the Board of Directors – As at December 31, 2021, four of the Company's 13 directors (31%) were women.</p> <p>For more information on our Board governance, please visit the 2021 Annual Information Forum.</p>	

Performance Data Table

	2021 Disclosure	Reporting Framework
Environmental Impact	Number of Incidents of Non-Compliance with Environmental Permits, Standards, and Regulations – 0	SASB IF-EN-160a.1
	Number of Reportable Spills and Releases to the Environment <ul style="list-style-type: none"> • Caused by 407 ETR – 0 • Caused by customers / road users – 1 	SASB TR-RO-540a.3
	Dollar Amount of Fines and/or Penalties Related to Water and Water Effluent Management – \$0	
Data Security and Customer Privacy	<p>407 ETR complies with the Payment Card Industry Data Security Standards (“PCI-DSS”) for a level-two merchant. Ongoing PCI-DSS compliance remains a focus for 407 ETR.</p> <p>The protection of customer information remains of utmost importance to 407 ETR and the Company remains committed to ongoing data security enhancements.</p> <p>407 ETR’s cybersecurity program follows a risk-based iterative approach designed to continuously monitor, identify and address high-priority security risk areas. In 2021, 407 ETR continued to identify, develop and implement preventative and detective controls based on industry-leading technologies. Notably, emphasis continued to be placed on developing a stronger, Company-wide security culture through ongoing phishing campaigns, targeted technical training, and cross-departmental information protection initiatives. In 2021, 407 ETR conducted its annual internal cyber-risk assessment that involved a review of potential high-impact cyber scenarios affecting the Company. Each annual assessment provides the Company with an understanding of the impact of a significant cyber or data security incident as well as additional mitigation tactics to be considered within the cybersecurity roadmap.</p>	SASB SV-PS-230a.1

Performance Data Table

	2021 Disclosure	Reporting Framework
<p>Climate Change – Transition</p>	<p>407 ETR strives to avoid significant adverse effects from our activities on individuals, communities and the natural environment within which Highway 407 ETR operates or, where this is not possible, to minimize such effects. To ensure regulatory compliance, 407 ETR stays abreast of new and evolving environmental laws and regulations and incorporates relevant changes into our Environmental Management Plan. Periodically, with the assistance of an external advisor, 407 ETR conducts a review of the Environmental Management Plan, including a review of environmental laws and regulations relevant to the Company.</p> <p>In addition, we recognize the effects of the increased frequency and potential impacts of extreme weather events due to climate change, such as heavy rainfall resulting in flooding and more extreme winter conditions. These effects may lead to more frequent or extensive damage to infrastructure or roadside tolling equipment, localized disruptions to highway operations and traffic levels. Increasingly severe weather events could lead to additional costs for managing response times, maintaining service levels and addressing actual or potential impacts to infrastructure or equipment. 407 ETR follows a preventative maintenance plan that takes into account the effects of climate change in the design, rehabilitation and construction of highway infrastructure and roadside tolling equipment. 407 ETR will continue to assess and mitigate the impact of climate change on our longer-term operations and will adjust our preventative maintenance, infrastructure, rehabilitation and construction plans accordingly.</p>	

Performance Data Table

	2021 Disclosure	Reporting Framework
<p>Climate Change – Transition</p>	<p>Performance Monitoring and Reporting</p> <p>The Environmental Management Plan is designed to ensure that environmental compliance and contractual obligations are being met through regular inspection, monitoring, review, tracking and reporting, and that non-conformities are addressed in an effective and timely manner. Reporting may also be used by the Executive Team in conducting internal reviews of the Environmental Policy and the Environmental Management Plan.</p> <p>Pursuant to the Environmental Policy, the Board will be notified, as appropriate, upon the occurrence of any material environmental incident on, or in relation to, Highway 407 ETR; and are provided with a quarterly report on the implementation and operation of the policy; and provided annually with certification of compliance with the policy. 407 ETR also integrates best environmental practices into our operations. These systems include (i) water management facilities designed to minimize the quantity of water run-off and naturally improve the water quality; (ii) fencing along the entire corridor to protect animals and pedestrians by restricting access to Highway 407 ETR; and (iii) the use of state-of-the-art electronic ground speed-controlled spreader equipment to carry out anti-icing using a combination of salt brine and road salt, increasing the effectiveness of road salt while reducing the use of sodium chloride.</p> <p>For snow melt and rainstorms, 407 ETR has 79 storm water management ponds to capture water run-off. This prevents silt-laden flood waters from rapidly discharging into rivers and storm drains and enables most suspended solids to settle out. The storm water management ponds help maintain healthy streams for fish and protect water quality.</p> <p>In addition, 407 ETR retains environmental consultants to assess the impact of construction and operations activities to provide mitigation, remediation and monitoring recommendations.</p>	

Performance Data Table

	2021 Disclosure	Reporting Framework																																																			
GHG Emissions	<p>Total Scope 1 & 2 Emissions for 2021 – 2,581.84 tonnes of carbon dioxide equivalent (tCO₂e)</p> <p>GHG Emissions Target and Trends</p> <p>407 ETR has set a target to reduce Scope 1 and Scope 2 GHG emissions by 25% by 2030 relative to our 2018 baseline. This amounts to a reduction of 797.86 tCO₂e by 2030.</p> <p>In 2021, the Company saw a 7.3% reduction in total Scope 1 and Scope 2 GHG emissions from 2020 and a 19.1% reduction over the 2018 baseline. We note that annual GHG totals for the Company are heavily impacted by the severity of winter weather and the fuel requirements for 407 ETR’s fleet of winter maintenance vehicles.</p> <table border="1" data-bbox="562 923 2324 1574"> <thead> <tr> <th>GHG Emission Scope</th> <th>Emission Source</th> <th>2018 (tCO₂e)</th> <th>2019 (tCO₂e)</th> <th>2020 (tCO₂e)</th> <th>2021 (tCO₂e)</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Scope 1</td> <td>Diesel*</td> <td>1,568.62</td> <td>1,662.61</td> <td>1,298.94</td> <td>1,143.94</td> </tr> <tr> <td>Gasoline</td> <td>873.53</td> <td>785.80</td> <td>746.88</td> <td>661.76</td> </tr> <tr> <td>Natural Gas</td> <td>225.96</td> <td>306.50</td> <td>299.40</td> <td>284.07</td> </tr> <tr> <td>Propane</td> <td>33.01</td> <td>28.33</td> <td>35.76</td> <td>36.98</td> </tr> <tr> <td>Scope 2</td> <td>Electricity</td> <td>490.33</td> <td>464.11</td> <td>434.58</td> <td>455.09</td> </tr> <tr> <td></td> <td>Total Scope 1</td> <td>2,701.12</td> <td>2,783.24</td> <td>2,380.98</td> <td>2,126.75</td> </tr> <tr> <td></td> <td>Total Scope 2</td> <td>490.33</td> <td>464.11</td> <td>434.58</td> <td>455.09</td> </tr> <tr> <td></td> <td>Total Scope 1 & 2</td> <td>3,191.45</td> <td>3,247.35</td> <td>2,815.56</td> <td>2,581.84</td> </tr> </tbody> </table> <p>* Please note: Diesel emissions vary depending on the severity of the winter and the operations required to keep the road safe.</p>	GHG Emission Scope	Emission Source	2018 (tCO ₂ e)	2019 (tCO ₂ e)	2020 (tCO ₂ e)	2021 (tCO ₂ e)	Scope 1	Diesel*	1,568.62	1,662.61	1,298.94	1,143.94	Gasoline	873.53	785.80	746.88	661.76	Natural Gas	225.96	306.50	299.40	284.07	Propane	33.01	28.33	35.76	36.98	Scope 2	Electricity	490.33	464.11	434.58	455.09		Total Scope 1	2,701.12	2,783.24	2,380.98	2,126.75		Total Scope 2	490.33	464.11	434.58	455.09		Total Scope 1 & 2	3,191.45	3,247.35	2,815.56	2,581.84	SASB TR-RO-110a.1
GHG Emission Scope	Emission Source	2018 (tCO ₂ e)	2019 (tCO ₂ e)	2020 (tCO ₂ e)	2021 (tCO ₂ e)																																																
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	Natural Gas	225.96	306.50	299.40	284.07																																																
	Propane	33.01	28.33	35.76	36.98																																																
Scope 2	Electricity	490.33	464.11	434.58	455.09																																																
	Total Scope 1	2,701.12	2,783.24	2,380.98	2,126.75																																																
	Total Scope 2	490.33	464.11	434.58	455.09																																																
	Total Scope 1 & 2	3,191.45	3,247.35	2,815.56	2,581.84																																																

Performance Data Table

	2021 Disclosure	Reporting Framework
Climate Change – Physical	<p>407 ETR continues to assess the impact of climate change on its longer-term operations and will adjust its preventative maintenance, infrastructure, rehabilitation and construction plans accordingly.</p> <p>We have completed the following initiative related to our pavements and climate change impacts</p> <ul style="list-style-type: none"> Data gathering and testing of the ability to affect/reduce pavement temperatures in 2021 	
	<p>Number and Duration of Operational Disruptions From Extreme Weather</p> <ul style="list-style-type: none"> There were no road closures due to inclement weather in 2021 	
	<p>Annual Capital Expenditures Related to Improved Asset Resiliency in the Face of Extreme Weather</p> <ul style="list-style-type: none"> The Company has conducted a climate change modelling Flood Hazard Risk Assessment for roughly 40 km of Highway 407 ETR in Halton and Peel Regions. After this assessment, we focused efforts on areas with known issues. 407 ETR is conducting studies and designs to improve drainage in flood susceptible areas along the highway. In 2021, the Company spent approximately \$300,000 on hydrological studies and designs for these improvements. The investigations characterized the existing conditions and developed conceptual designs to reduce the potential flooding along Highway 407 ETR. The Company looked at the area near the Highway 400 interchange where flooding occurred in August 2005, as well as a section in Burlington between Dundas Street and Guelph Line where flooding occurred in August 2014. At the Highway 400 Interchange, conceptual plans have been developed to construct a new detention pond to capture and detain storm water run-off. This will help to slow storm surcharges into the interchange and avoid overwhelming and flooding the drainage system. Construction will take place in 2023. 	

Performance Data Table

	2021 Disclosure	Reporting Framework
<p>Climate Change – Physical</p>	<p>Additionally, a flood hazard and risk study based on computer modelling and simulations was carried out on certain sections of Highway 407 ETR with a historical and perceived vulnerability to flooding. While certain areas were identified as having a potential risk of local flooding, the results of the study confirm that the design of Highway 407 ETR is appropriate for the topographical areas where it is located. Management believes that that the highway’s suitable design and ongoing maintenance, lowers Highway 407 ETR’s flooding risk, such that it is unlikely to be impacted in any major way. However, the Company will continue to evaluate if it can minimize any risk of flooding by increasing drainage capacity and resilience in those areas.</p>	
<p>Business Ethics</p>	<p>Code of Conduct Policy</p> <p>The Company’s Code of Conduct Policy serves as the Company’s code of ethics. Compliance with the Code of Conduct Policy is part of every officer’s and employee’s employment contract. Annually, each director, officer and employee of the Company is required to provide his or her written confirmation of compliance with the Code of Conduct Policy for the prior full year and to confirm that each individual has reviewed the Code of Conduct Policy. A copy of the Code of Conduct Policy may be found under the Company’s profile on SEDAR at sedar.com and on the Company’s website at 407etr.com. The Board believes that the Company’s success is based on a culture of integrity which starts with the principle of the “tone at the top.” As set out in its Terms of Reference, the Board is responsible for setting the tone for a culture of integrity and compliance throughout the Company. The Board believes that a culture of strong corporate governance and ethical business conduct must be endorsed by the Board and Executive Team.</p>	

Performance Data Table

	2021 Disclosure	Reporting Framework
<p>Business Ethics</p>	<p>The Code of Conduct Policy emphasizes guiding principles, such as honouring trust, fairness, integrity and corporate and individual responsibility and addresses many areas of business conduct including:</p> <ul style="list-style-type: none"> • honesty and integrity in all conduct, including customers, suppliers and others; • compliance with all applicable laws; • avoiding and dealing with conflicts of interest situations; • ensuring high standards of disclosure and integrity in relation to the Company’s activities and financial performance and reporting; • ensuring the security of the Company’s communications, transactions and information; • ensuring the workplace is free from any form of hostility, discrimination, harassment or violence pursuant to the Company’s Workplace Harassment and Discrimination Policy; • dealing with confidential and privacy matters; and • reporting of illegal and unethical behaviour, including anonymously through the Company’s whistle-blowing policy, which sets out specific reporting guidelines with respect to the potential misconduct of employees, officers and directors. <p>The Board periodically reviews Management reports on the effectiveness of and compliance with the Code of Conduct. In particular, the Board receives quarterly confirmations from the Chief Financial Officer and the Chief Legal Officer concerning, among other things, statutory filings and withholdings, any reported matters under the Company’s Whistle-Blowing Policy or other matters that might materially affect the Company’s reputation. Any waiver of the requirements of the Code of Conduct Policy for directors and executive officers of the Company has to be approved by the Board.</p>	

Performance Data Table

	2021 Disclosure	Reporting Framework
<p>Business Ethics</p>	<p>From time to time, matters may come before the Board where a director may have a conflict of interest. If and when such matters arise, that director will declare themselves as having a conflict of interest and will not participate in the discussion, and any vote on the matter. Through the Annual Directors Questionnaire, directors are asked to identify other business relationships and other companies or entities with which they have relationships. These responses assist the Board and Executive Team in identifying conflict of interest situations in advance. The Company also complies with all CBCA requirements with respect to conflicts of interest.</p> <p>Collections Code of Conduct</p> <p>407 ETR is an all-electronic, open-access toll highway without booths or barriers. This design was chosen by the Government of Ontario to improve traffic flow and to reduce congestion. Because there are no barriers, 407 ETR cannot prevent someone from using the highway – even if they have accumulated significant debt and are unable to pay their bills.</p> <p>While most customers pay their bills, there are some people who use the highway without payment. To collect from individuals who have not paid their bills on time, 407 ETR uses traditional methods, including internal collections and third-party collection agencies, similar to other companies. In addition, 407 ETR can request that the Registrar of Motor Vehicles deny the renewal of existing licence plates and the issuance of new plates (otherwise referred to as “licence plate denial”).</p> <p>407 ETR has developed a Collections Code of Conduct (“the Code”). The Code outlines the practices that the Company employs to collect unpaid amounts. It details the collections process from start to finish, including the opportunity for customers to take a dispute to the Office of the Ombudsman.</p>	

Performance Data Table

	2021 Disclosure	Reporting Framework
Business Ethics	<p>Responsible Collections Committee</p> <p>While we must prevent abuse of our open-access tolling system, we understand that our collections practices must be reasonable. We have established a multidisciplinary, cross functional team to monitor, develop and report on responsible collection practices for 407 ETR and our contractors. We are committed to treating our customers fairly and are continuously evaluating our processes against industry best practices.</p>	
Human Capital Management	<p>Number of Full-Time Employees – 437</p>	
	<p>Number of Part-Time Employees – 25</p>	
	<p>Percentage of Female Representation in Executive Management – 22% (Two of nine individuals on the Executive Team)</p>	<p>SASB SV-PS-330a.1</p>
	<p>Percentage of Racial/Ethnic Group Representation in Executive Management</p> <p>As at December 31, 2021, four of the Company’s 13 directors (31%) were women. There was one director who identifies as a visible minority and no persons who identify as Indigenous, or as having a disability. Of the Company’s two executive officers who are male, one (50%) identifies as a visible minority.</p>	<p>SASB SV-PS-330a.1</p>

Performance Data Table

	2021 Disclosure	Reporting Framework
Supply Chain Management	We are reviewing our process to see how we can enhance supply chain management practices.	
Community Relations	Annual Amount Donated to Local Communities – \$2,631,100	



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Stakeholder Engagement Methods



Customers

- Telephone and electronic surveys
- Customer service interactions
- Office of the Ombudsman
- Bill inserts and other print communications
- Digital communications including email marketing and social media
- Customer promotions
- Customer focus groups



Communities

- \$5.2 M Road to Recovery Initiative in support of COVID-19 Relief
- One Big Day of volunteering
- Support of United Way agencies through volunteering, corporate donations and employee fundraising
- Community events
- Sponsorship of children and youth sports
- Annual donations to hospitals across the GTA



Employees

- Surveys/focus groups
- Town halls/employee engagement events
- Committees
- Employee communication channels including poster boards, intranet, e-newsletters, video and other digital communications



Government

- Ongoing dialogue with elected officials and staff to provide input on industry policies and other matters related to the operation of Highway 407 ETR
- Semi-annual meetings with the province to discuss matters related to CGLA
- Back-office support to the government for the operation of Highway 407
- Quarterly e-newsletter



Industry/Associations

- Memberships
- Events and conferences
- Partnerships
- Sponsorship and support of transportation discussions and best practices
- E-newsletters



Shareholders/Investors

- Quarterly Board of Directors and Committee meetings
- Industry conferences and regular meeting with bond investors
- Investor relations webpage
- ESG Reporting
- Communications and announcements of quarterly financial performance
- Email blast to investors and shareholders



Stay in Touch

We are always looking for ways to improve our reporting to you. Please share your feedback with us at communications@407etr.com

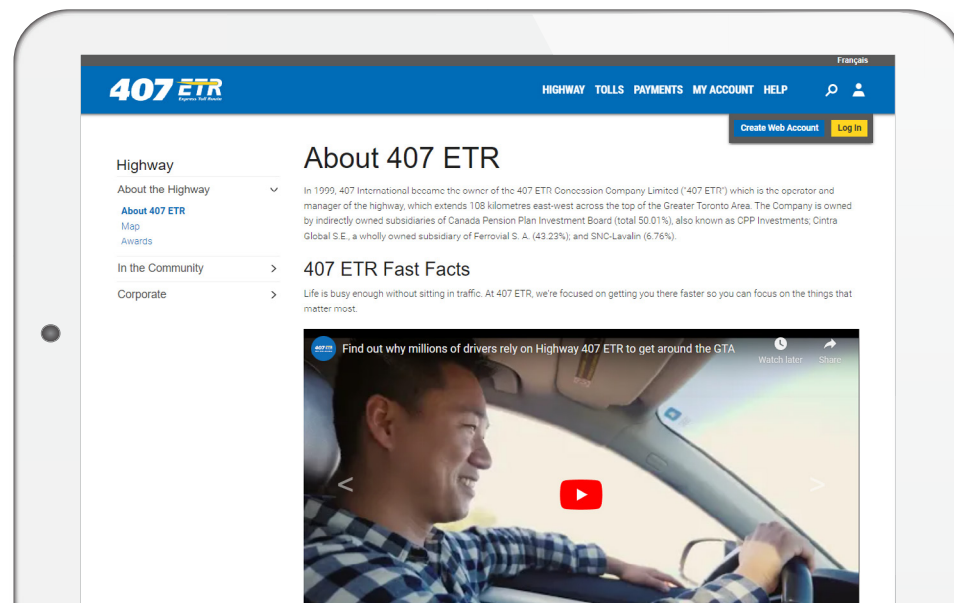
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