



# Hydro One Inc. Sustainable Bond Allocation Report

August 13, 2024





# Hydro One completes allocation of \$2.1 billion of Sustainable and Green Bonds



In January 2023, Hydro One Limited (“Hydro One”) published a Sustainable Financing Framework (as issued on January 23, 2023, the “Framework”) in which five eligible green categories and two eligible social categories were identified that align with our sustainable strategy and are intended to support the achievement of the corresponding applicable United Nations Sustainable Development Goals. The Framework has been reviewed by, and received a second party opinion from, Sustainalytics, a global leader in providing environmental, social and governance (ESG) research and analysis. Capitalized terms used but not otherwise defined herein have the meaning ascribed to them in the Framework.

This allocation report covers the reporting period from September 1, 2023 to January 31, 2024 (the “reporting period”). During the reporting period, Hydro One Inc., a subsidiary of Hydro One, issued \$2.125 billion aggregate principal amount of Sustainable Bonds and Green Bonds (collectively, “Sustainable Financing Instruments”) under the Framework.

This consisted of:

- an additional offering (re-opening) of \$250 million aggregate principal amount of 3.93% Medium Term Notes, Series 53, due 2029 (“Series 53 notes”), comprising Sustainable Bonds under the Framework;
- an offering of \$425 million aggregate principal amount of Floating Rate Medium Term Notes, Series 56, due 2026 (“Series 56 notes”), comprising Green Bonds under the Framework;
- an offering of \$400 million aggregate principal amount of 5.54% Medium Term Notes, Series 57, due 2025 (“Series 57 notes”), comprising Green Bonds under the Framework;
- an offering of \$500 million aggregate principal amount of 4.85% Medium Term Notes, Series 58, due 2054 (“Series 58 notes”), comprising Green Bonds under the Framework; and
- an offering of \$550 million aggregate principal amount of 4.39% Medium Term Notes, Series 59, due 2034 (“Series 59 notes”), comprising Green Bonds under the Framework.

As of January 31, 2024, Hydro One has fully allocated the net proceeds from the Sustainable Financing Instruments issued during the reporting period, to finance Eligible Projects in the “Clean Energy”, “Energy Efficiency”, “Clean Transportation” and “Biodiversity Conservation” green categories and the “Socio-economic Advancement of Indigenous Peoples” social category.

A full description of the eligibility criteria for Eligible Projects are outlined in the Framework.

We engaged KPMG LLP to conduct an independent limited assurance engagement on the Schedule of Use of Sustainable Financing Instruments Proceeds as at January 31, 2024.

The following Schedule of Use of Sustainable Financing Instruments Proceeds accompanies and should be read in conjunction with the section titled “Sustainable financing” and Section 2 of the “ESG Data Index” in the [2023 Hydro One Sustainability Report](#) dated August 14, 2024, which discusses and provides case studies for specific Eligible Projects to which Hydro One has allocated funding, to support both the allocation and impact reporting commitments made in the Framework.



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## INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT

To the Board of Directors and Management of Hydro One Inc.

We have undertaken a limited assurance engagement of the net proceeds allocated to eligible projects (the "Subject Matter Information") as reported within the Schedule of Use of Sustainable Financing Instruments Proceeds (the "Report"), as at January 31, 2024, based on applicable criteria for eligible projects as defined in the Hydro One Limited Sustainable Financing Framework (the "applicable criteria") of Hydro One Inc. (the "Entity").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

### Management's Responsibility

Management is responsible for the preparation and presentation of the Subject Matter Information in accordance with the applicable criteria.

Management is also responsible for such internal control as management determines necessary to enable the preparation and presentation of the Subject Matter Information that is free from material misstatement, whether due to fraud or error. This responsibility includes determining the Entity's objectives in respect of sustainability performance and reporting, identifying stakeholders and material issues, and selecting or developing appropriate criteria.

### Our Responsibilities

Our responsibility is to express a limited assurance conclusion on the Subject Matter Information based the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with Canadian Standards on Assurance Engagements (CSAE) 3000, Attestation Engagements Other than Audits or Reviews of Historical Financial Information. That standard requires that we plan and perform our engagement to obtain limited assurance about whether Subject Matter Information is free from material misstatement.

A limited assurance engagement involves assessing the suitability of the criteria used by the Entity in preparing the Subject Matter Information in the circumstances of the engagement, assessing the risks of material misstatement, whether due to fraud or error, and responding to the assessed risks as necessary in the circumstances.



We exercised professional judgment and maintained professional skepticism throughout the engagement. Our procedures were designed and performed to obtain evidence that is sufficient and appropriate to provide a basis for our conclusion. In carrying out our engagement, we:

- Assessed the appropriateness of the net proceeds allocated to eligible projects, the suitability of the criteria used by the Entity in preparing the Subject Matter Information in the circumstances of the engagement;
- Through inquiries, obtained an understanding of the Entity's control environment, processes and systems relevant to the preparation of the Subject Matter Information, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness;
- Inspected a limited number of items to or from supporting records, as appropriate;
- Evaluated the appropriateness of the policies and procedures used in the preparation of Subject Matter Information made by the Entity.

The procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

### **Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of relevant rules of professional conduct/code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

The firm applies Canadian Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

### **Significant Inherent Limitations**

Historical non-financial information, such as that contained in the Report, is subject to more inherent limitations than historical financial information, given the qualitative characteristics of the underlying subject matter and methods used for determining this information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable evaluation techniques, which can result in materially different measurements and can impact comparability. The nature and methods used to determine such information, as described in the applicable criteria, may change over time. It is important to read the Entity's reporting methodology disclosed in the Hydro One Limited Sustainable Financing Framework.

### **Conclusion**

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.



Based on the procedures performed and evidence obtained, no matters have come to our attention that causes us to believe that the net proceeds allocated to eligible projects reported in the Schedule of Use of Sustainable Financing Instruments Proceeds, as at January 31, 2024, were not allocated to eligible projects, in all material respects, in accordance with the applicable criteria.

Our conclusion on the Subject Matter Information does not extend to any other information, reports or documents that accompany, are presented with, or contain the subject matter information and our assurance report.

#### **Specific Purpose of Subject Matter Information**

The Subject Matter Information has been prepared in accordance with the applicable criteria and as a result may not be suitable for another purpose.

#### **Restriction on Use**

Our report is intended solely for use by the Hydro One's Inc.'s Board of Directors and Management for the purpose set out in our engagement agreement. This report may not be suitable for any other purpose and is not intended for use or reliance by any third parties. While KPMG LLP acknowledges that disclosure of this report may be made, in full, by the Hydro One Inc. in its Schedule of Use of Financing Instruments Proceeds, KPMG LLP does not assume or accept any responsibility or liability to any third party in connection with the disclosure of our report.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font. Below the signature is a single, horizontal, slightly wavy line.

Chartered Professional Accountants

Toronto, Canada

August 13, 2024

**HYDRO ONE INC.**
**SCHEDULE OF USE OF SUSTAINABLE FINANCING INSTRUMENTS PROCEEDS**
**As at January 31, 2024**

(in millions of Canadian dollars)

<b>Net proceeds from Sustainable Bonds</b>	
Series 53 notes (additional issuance/re-opening)	248.2
<b>Net proceeds available for allocation</b>	<b>248.2</b>

**Net proceeds allocated to Eligible Projects:**

Green Projects		<i>% of net proceeds</i>
Clean Energy	196.4	79.1%
Energy Efficiency	22.7	9.1%
Clean Transportation	4.9	2.0%
Biodiversity Conservation	0.2	0.1%
Social Projects		
Socio-economic Advancement of Indigenous Peoples	24.0	9.7%
<b>Total allocated net proceeds</b>	<b>248.2</b>	<b>100.0%</b>

**Remaining balance of unallocated net proceeds**
**—**
**Net proceeds from Green Bonds**

Series 56 notes	423.9
Series 57 notes	399.2
Series 58 notes	502.2
Series 59 notes	547.5

**Net proceeds available for allocation**
**1,872.8**
**Net proceeds allocated to Eligible Projects:**

Green Projects		<i>% of net proceeds</i>
Clean Energy	1,864.1	99.5%
Energy Efficiency	8.7	0.5%
<b>Total allocated net proceeds</b>	<b>1,872.8</b>	<b>100.0%</b>

**Remaining balance of unallocated net proceeds**
**—**

# HYDRO ONE INC.

## SCHEDULE OF USE OF SUSTAINABLE FINANCING INSTRUMENTS PROCEEDS

As at January 31, 2024

(in millions of Canadian dollars)

### 1. BACKGROUND

From September 1, 2023 to January 12, 2024, Hydro One Inc. issued an aggregate principal amount of \$2,125 million (gross proceeds of \$2,128.4 million) of medium term notes pursuant to Hydro One Limited's Sustainable Financing Framework (the "Framework") consisting of sustainable bonds ("Sustainable Bonds") and green bonds ("Green Bonds", and collectively with Sustainable Bonds, the "Sustainable Financing Instruments"), including:

- an additional offering (re-opening) of \$250 million aggregate principal amount of 3.93% Medium Term Notes, Series 53, due 2029, comprising Sustainable Bonds under the Framework;
- an offering of \$425 million aggregate principal amount of Floating Rate Medium Term Notes, Series 56, due 2026, comprising Green Bonds under the Framework;
- an offering of \$400 million aggregate principal amount of 5.54% Medium Term Notes, Series 57, due 2025, comprising Green Bonds under the Framework;
- an offering of \$500 million aggregate principal amount of 4.85% Medium Term Notes, Series 58, due 2054, comprising Green Bonds under the Framework; and
- an offering of \$550 million aggregate principal amount of 4.39% Medium Term Notes, Series 59, due 2034, comprising Green Bonds under the Framework.

The net proceeds (net of \$7.4 million in issuance fees and excluding any accrued interest paid to Hydro One Inc. in connection with the re-opening of the Series 53 notes) from the issuance of the Sustainable Financing Instruments were approximately \$2,121.0 million.

As at January 31, 2024, the net proceeds from the Sustainable Financing Instruments were fully allocated to Eligible Projects as described in the Framework.

### 2. BASIS OF ACCOUNTING

Net proceeds obtained from Hydro One Inc.'s Sustainable Bonds will be allocated or used to finance and/or refinance, in whole or in part, new and/or existing Eligible Projects that are Green Projects or Social Projects pursuant to the Framework. Net proceeds obtained from Hydro One Inc.'s Green Bonds will be allocated or used to finance and/or refinance, in whole or in part, new and/or existing Eligible Projects that are Green Projects pursuant to the Framework.

The Schedule of Use of Sustainable Financing Instruments Proceeds was prepared to report on the allocation of proceeds to the Eligible Projects that were approved under the Framework. The Schedule of Use of Sustainable Financing Instruments Proceeds was prepared to assist Hydro One Inc. in disclosing its use of proceeds allocation for the Sustainable Financing Instruments issued pursuant to the Framework. As a result, it may not be suitable for other purposes.