



Hydro One Inc. Sustainable Bond Allocation Report

January 24, 2024



Hydro One completes allocation of its inaugural Sustainable Bonds



In January 2023, Hydro One Limited (“Hydro One”) published a [Sustainable Financing Framework](#) (“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.

On January 27, 2023, Hydro One Inc., a subsidiary of Hydro One, issued \$1.05 billion of sustainable bonds (“sustainable bonds”) under the Framework, consisting of \$300 million aggregate principal amount of 3.93% Medium Term Notes, Series 53, due 2029 (“Series 53 notes”), \$450 million aggregate principal amount of 4.16% Medium Term Notes, Series 54, due 2033 (“Series 54 notes”) and \$300 million aggregate principal amount of 4.46% Medium Term Notes, Series 55, due 2053 (“Series 55 notes”) and representing its inaugural offering of Medium Term Notes under the Framework.

As of September 30, 2023, Hydro One has fully allocated the net proceeds from the sustainable bonds, 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 Bonds Proceeds as at September 30, 2023.

The following “Schedule of Use of Sustainable Bond Proceeds” accompanies and should be read in conjunction with the section titled “Impact Findings – Hydro One Case Studies” in the [Sustainalytics “Corporate Impact Report”](#), dated January 24, 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 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 Bonds Proceeds (the "Report"), as at September 30, 2023, 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).

Management's Responsibility

Management is responsible for measuring and evaluating the net proceeds allocated to eligible projects against the applicable criteria.

Management is responsible for determining the appropriateness of the use of the applicable criteria.

Management is also responsible for such internal control as management determines necessary to enable the preparation and presentation of the Report that is free from material misstatement, whether due to fraud or error.

Practitioner's Responsibilities

Our responsibility is to express a limited assurance conclusion on the subject matter information based on 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*. This standard requires that we plan and perform our engagement to obtain limited assurance about whether based on the procedures performed and evidence obtained, any matter(s) has come to our attention to cause us to believe that the subject matter information is materially misstated.

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. Accordingly, it is not a guarantee that a limited assurance engagement conducted in accordance with this standard will always detect a matter that causes the practitioner to believe that the subject matter information is materially misstated.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of our report.



The nature, timing and extent of procedures performed depends on our professional judgment, including an assessment of the risks of material misstatement, whether due to fraud or error, and involves obtaining evidence about the subject matter information.

Our engagement included: assessing the appropriateness of the net proceeds allocated to eligible green projects and social projects, the suitability of the criteria used by the Entity in preparing the subject matter information in the circumstances of the engagement and evaluating the appropriateness of the policies and procedures used in the preparation of subject matter information made by the Entity.

Practitioner's Independence and Quality Management

We have complied with the 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.

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 cause us to believe that the net proceeds allocated to eligible projects reported in the Schedule of Use of Sustainable Bond Proceeds are not allocated to eligible projects, in all material respects, in accordance with the applicable criteria.

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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada

January 24, 2024

HYDRO ONE INC.**SCHEDULE OF USE OF SUSTAINABLE BOND PROCEEDS****As at September 30, 2023**

(in millions of Canadian dollars)

	2023	
Net proceeds from Sustainable Bonds		
Series 53 notes	298.9	
Series 54 notes	448.1	
Series 55 notes	298.5	
Net proceeds available for allocation	1,045.5	
Net proceeds allocated to Eligible Projects:		
Green Projects		<i>% of net proceeds</i>
Clean Energy	929.8	88.9%
Energy Efficiency	15.4	1.5%
Clean Transportation	0.6	0.1%
Biodiversity Conservation	0.2	0.0%
Social Projects		
Socio-economic Advancement of Indigenous Peoples	99.5	9.5%
Total allocated net proceeds	1,045.5	100.0%
Remaining balance of unallocated net proceeds	—	

HYDRO ONE INC.

SCHEDULE OF USE OF SUSTAINABLE BOND PROCEEDS

As at September 30, 2023

(in millions of Canadian dollars)

1. BACKGROUND

On January 27, 2023, Hydro One Inc. issued an aggregate principal amount of \$1,050 million (gross proceeds of \$1,049.8 million) of medium term notes pursuant to Hydro One Limited's Sustainable Financing Framework (collectively, "Sustainable Bonds") comprising:

- \$300 million principal amount of medium term notes (Series 53) with a maturity date of November 30, 2029 and a coupon rate of 3.93% per annum; and
- \$450 million principal amount of medium term notes (Series 54) with a maturity date of January 27, 2033 and a coupon rate of 4.16% per annum; and
- \$300 million principal amount of medium term notes (Series 55) with a maturity date of January 27, 2053 and a coupon rate of 4.46% per annum.

The net proceeds (net of \$ 4.3 million in issuance fees) from the issuance of the Sustainable Bonds were approximately \$1,045.5 million.

As at September 30, 2023, the net proceeds from the Sustainable Bonds were fully allocated to Eligible Projects as described in Hydro One Limited's Sustainable Financing 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 pursuant to Hydro One Limited's Sustainable Financing Framework. The Schedule of Use of Proceeds was prepared to track and report the allocation of proceeds to the Eligible Projects that were approved under Hydro One Limited's Sustainable Financing Framework. The Schedule of Use of Proceeds was prepared to assist Hydro One Inc. in disclosing its use of proceeds allocation for the Sustainable Bonds issued pursuant to the Sustainable Financing Framework. As a result, it may not be suitable for other purposes.