



Sustainable Financing Framework

August 13, 2024

*The Framework applies to Sustainable bonds issued by Hydro One on or after August 13, 2024.
Hydro One's Sustainable Financing Framework published in 2023 continues to govern Hydro One's
Sustainable bonds issued prior to such date.*

Corporate Profile

Hydro One Limited (referred to as “Hydro One” or the “Company”), through its wholly owned subsidiaries, including Hydro One Inc., is Ontario’s largest electricity transmission and distribution provider with approximately 1.5 million valued customers, approximately \$32.8 billion in assets as at December 31, 2023, and annual revenues in 2023 of approximately \$7.8 billion. Our team of approximately 9,700 skilled and dedicated employees proudly build and maintain a safe

and reliable electricity system, which is essential to energizing life for people and communities across the province. In 2023, Hydro One invested approximately \$2.5 billion in its transmission and distribution networks, and supported the economy through buying approximately \$2.5 billion of goods and services. We are committed to the communities where we live and work through community investment, sustainability, and diversity initiatives.



Ontario's Low-Carbon Energy Mix

Ontario has one of the lowest carbon emitting electricity grids in North America. Ontario's electricity sources are largely carbon free. Approximately 87% of the electricity generated in Ontario came from non-emitting sources¹. Total electricity output in 2023, as reported by the Independent Electricity System Operator ("IESO"), included nuclear (53%), hydroelectric power (25%) and other renewable sources of wind, solar and biofuel (8%)².

According to Canada's National Inventory report, Ontario system's greenhouse gas emissions intensity in 2022 was 35 gCO₂e/kWh. Over a historical five-year period, the average Ontario system grid emissions intensity was 30 gCO₂e/kWh (for the period from 2018-2022)³.

Hydro One aims to increase the resilience of the electricity grid and to support Ontario in unlocking the electrification potential of our economy to prepare for and mitigate climate change. To realize the electrification and decarbonization potential of the grid, while also ensuring electricity security, Ontario's grid requires significant investments in efficient, smart and flexible system infrastructure.

¹ IESO, Pathways to Decarbonization, December 15, 2022. <https://www.ieso.ca/-/media/Files/IESO/Document-Library/gas-phase-out/Pathways-to-Decarbonization.ashx>

² IESO, 2023 Year in Review, 2023 Energy Output (TWh).
<https://www.ieso.ca/en/Corporate-IESO/Media/Year-End-Data>

³ Canada's National Inventory Report, 1990-2022, Part 3, Annex 13, Table A13-7: Electricity Generation and GHG Emissions Details for Ontario



Hydro One's Approach to Sustainability

Hydro One has a deep connection to Ontario, one we hold with pride and unwavering commitment. This connection informs our approach to sustainability every day. It means we are committed to transmitting and distributing electricity in a safe, and an environmentally and socially responsible manner to meet the needs of customers across Ontario.

Further details regarding Hydro One's sustainability priorities, commitments, oversight, policies and Sustainability Report are available on the Company's website at www.HydroOne.com/Sustainability.



Environmental and Social Risk Management

Hydro One's Board of Directors oversees the Company's approach to environmental, social and governance ("ESG") matters relating to the long-term health and sustainability of the Company. The Indigenous Peoples, Safety & Operations Committee of the Board of Directors reviews management reports on the Company's programs and approaches related to our sustainability objectives, including in the areas of Indigenous Relations, community investment, and safety and the environment. The Human Resources Committee oversees Hydro One's diversity, equity and inclusion policies and practices.

Hydro One's executive leadership develop and implement our strategies and approach relating to sustainability matters, including climate change, through our mitigation and adaptation programs.

Hydro One maintains an environmental management system (EMS), aligned with ISO 14001 standards, to integrate environmental protection into our business practices using the Plan – Do – Check – Act approach to meet our compliance obligations and for continuous improvement. Our adaptive EMS is designed to provide a governance framework to meet the evolving needs of our business, examine all environmental aspects of our organization, reduce environmental risk and improve controls to mitigate the environmental impacts of our activities.

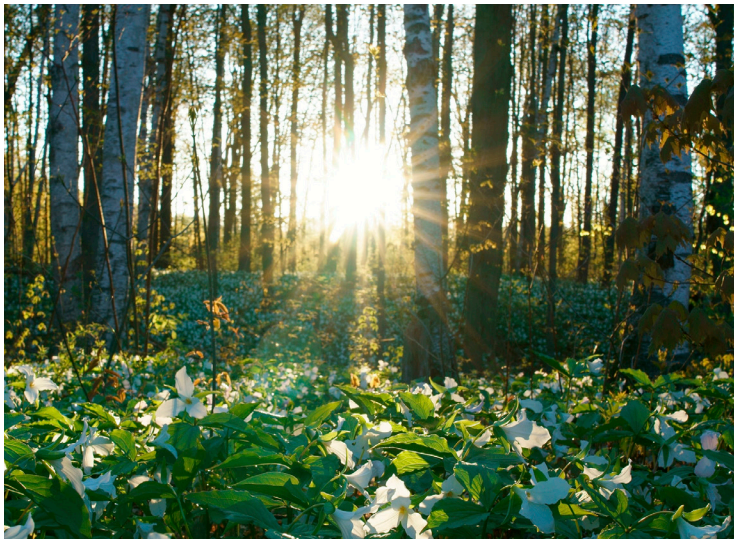
Hydro One is committed to conserving Ontario's biodiversity, including by working closely with our community and environmental partners such as the Canadian Wildlife Federation to identify critical habitats and species that need to be protected.

Overview of the Framework

In support of these commitments, Hydro One established the following Sustainable Financing Framework (the “Framework”) as updated from time to time, which complies with the Green Bond Principles 2021 (the “GBP”), Social Bond Principles 2023 (the “SBP”), and Sustainability Bond Guidelines (the “SBG”) developed by the International Capital Markets Association, as well as the Green Loan Principles 2023 (the “GLP”) and Social Loan Principles 2023 (the “SLP”) developed by the Loan Syndications and Trading Associations (the “LSTA”), Loan Markets Association (the “LMA”) and Asia Pacific Loan Market Association (the “APLMA”). This Framework is based on the four core components of the principles as it relates to:

1. Use of Proceeds
2. Process for Evaluation and Selection
3. Management of Proceeds
4. Allocation and Impact Reporting

Hydro One has developed the Framework under which Hydro One or its subsidiaries (including Hydro One Inc.) may issue Sustainability, Green or Social Instruments including Sustainability Bonds or Loans, Green Bonds or Loans, Social Bonds or Loans, or Sustainability, Green or Social Commercial Paper (collectively, “Sustainable Financing Instruments”) to support our commitment.







Rationale for Issuance

Through the issuance of Sustainable Financing Instruments, we aim to further our journey towards a more equitable and sustainable future through expenditures that support Ontario’s transition to a low-carbon economy. We also see ourselves playing a key role in fostering the sustainable finance market here in Canada, in aligning our funding strategy with our sustainability goals. This Sustainable Financing Framework formalizes our financing commitments for our sustainable strategy going forward.

Use of Proceeds

We intend to allocate an amount equal to the net proceeds from the issuance of Sustainable Financing Instruments to finance and/or re-finance, in whole or in part, new and/or existing Green Projects and/or Social Projects (“Eligible Projects”) that meet the eligibility criteria as outlined below. Each category under the Framework is intended to support the achievement of the corresponding applicable United Nations Sustainable Development Goals (“UN SDGs”)⁴.


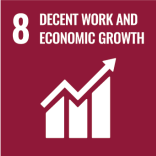


Green Projects		Alignment to UN SDGs
Clean Energy	<ul style="list-style-type: none">Construction, operation and maintenance of electricity transmission and distribution infrastructure and equipment that complies with at least one of the following criteria:<ul style="list-style-type: none">Average system grid emissions factor is below the threshold value of 100 gCO₂e/kWh, over a rolling five-year period; OROver 67% of newly enabled generation capacity below the generation threshold value of 100 gCO₂e/kWh, over a rolling five-year periodInvestments in research and development that increase the share of low carbon electricity and/or allow the integration of renewable energy⁵ to the electricity grid by directly connecting renewable energy, such as connection of renewable energy generation (e.g. microgrids), energy storage systems, and battery systems	
Clean Transportation	<ul style="list-style-type: none">Procurement, operation and maintenance of dedicated low-carbon transport assets including:<ul style="list-style-type: none">Zero-emission vehiclesHybrid-electric vehicles with emissions below the threshold of 50g CO₂/passenger-kmSupporting clean transportation infrastructure such as electric charging stations	
Green Projects		Alignment to UN SDGs
Energy Efficiency	<ul style="list-style-type: none">Systems or technologies that increase energy efficiency and/or reduce energy consumption, such as smart grid⁶ technology, smart sensors, and automation systems (e.g. advanced metering infrastructure)Investments as well as research and development into technologies directed towards the enhancements and/or upgrades to transmission and distribution lines, base stations, equipment or assets to avoid energy losses and greenhouse gas (“GHG”) emissions leakages in the gridAcquisition, connection, construction, development and/or operation of energy storage and battery systems to support stabilizing of the grid and optimize power consumption through demand supply balancingInvestments in monitoring equipment to assess and control leaks, including those of GHG emissions	
Biodiversity Conservation	<ul style="list-style-type: none">Measures supporting the protection and restoration of biodiversity and terrestrial ecosystems including:<ul style="list-style-type: none">Natural habitat protection initiatives for biodiversity enhancement	

⁴ United Nations, Sustainable Development Goals. <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

⁵ Renewable energy includes solar PV, concentrated solar power, wind power, hydropower, tidal power and bioenergy.

⁶ Electrical energy delivered to our customers with (or by) an active smart meter.

Use of Proceeds

Green Projects		Alignment to UN SDGs
Climate Change Adaptation	<ul style="list-style-type: none">Investments related to enhancing resiliency and hardening in transmission and distribution networks to mitigate and adapt to the impact of climate change and extreme weather-related events and impacts e.g., severe windstorms, icing, wildfires, flooding.	
	<ul style="list-style-type: none">Vulnerability assessments will be undertaken for these investments	
Social Projects		UN SDGs
Socio-economic Advancement of Indigenous Peoples	<ul style="list-style-type: none">Procurement from small- and medium- sized enterprises (SMEs)⁷ that are at least 51% owned or controlled by Indigenous Person(s)⁸, or are identified as Indigenous Businesses⁹ by an Indigenous government.	 
	<ul style="list-style-type: none">Access to Essential Services<ul style="list-style-type: none">Construction, improvement and/or expansion of the transmission and distribution network to remote or underserved communities to the grid where there was previously no accessFinancings under this category will be subject to the criteria for Clean Energy projects aboveInvestments or expenditures related to construction, improvement and/or expansion of infrastructure that enable deployment of high-speed broadband internet access to unserved and underserved communities currently lacking access	

We will not knowingly allocate proceeds from any issuance of Sustainable Financing Instruments to activities related to the exploration, production or transportation of fossil fuels (i.e. coal, oil and gas), or the consumption of fossil fuels for the purpose of power generation. This includes direct connections or expansion of direct connections¹⁰ to existing power production plant with greenhouse gas emissions greater than 100g CO₂e/kWh.

⁷ SMEs in Canada as defined by the Government of Canada Bureau of Statistics at: <https://www.ic.gc.ca/eic/site/061.nsf/eng/home>

⁸ Indigenous Person(s) means, a collective name for the original peoples of North America and their descendants. *The Constitution Act*, 1982 recognizes three groups of Indigenous peoples: First Nations, Métis and Inuit. Aboriginal (Indigenous) and treaty rights of aboriginal peoples are recognized and affirmed in Section 35 of the *Constitution Act*, 1982.

⁹ Indigenous Business means a business that is at least 51% owned and controlled by an Indigenous Person(s) or has been identified as an Indigenous business by an Indigenous government. In cases of a partnership or joint venture, the structure must be at least 51% owned and controlled by an Indigenous Business(es) or Person(s). For avoidance of doubt, businesses that are not at least 51% owned and controlled by an Indigenous Person(s) although they employ an Indigenous workforce will not qualify for financing under this Framework. In the case of a non-Indigenous Business vendor where such vendor or supplier subcontracts to an Indigenous Business, only the portion of work conducted for Hydro One invoiced by the Indigenous Business is included in the total dollar amount. Indigenous Businesses with products or services related to fossil fuels and hazardous chemicals are also excluded from financing under this Framework. Indigenous Businesses that are Tier-1 suppliers (which will be designated as suppliers that Hydro One has annual spend in excess of \$125 million per year) are also excluded from financing under this Framework.

¹⁰ The Framework relies on the European Commission Complementary Climate Delegated Act definition of direct connection as follows: A direct connection or expansion of an existing direct connection to production plants includes infrastructure that is indispensable to carry the associated electricity from the power generating facility to a substation or network.

Process for Project Selection and Evaluation

Hydro One has established a Sustainable Finance Working Group which will be responsible for the review and recommendation for approval by the Sustainability Committee regarding investments that will qualify as Eligible Projects. The Sustainable Finance Working Group will comprise of selected members from the Treasury, Sustainability, Operations, Supply Chain and Environment departments, and may include personnel from other departments in the future, and will identify, review and select Eligible Projects that align with the Framework. The leadership-level Sustainability Committee provides strategic advice and perspectives on current, emerging, and key sustainability issues, including climate change.

Eligible Projects will be evaluated for alignment with this Framework, Hydro One's sustainability objectives, and internal policies and guidelines. During this process, projects will be reviewed for environmental and social risks in line with Company-level environmental and social policies and procedures which can be found on our website under [Sustainability Policies and Downloads](#). We regularly analyze the environmental and social impacts of our businesses and assess how we can mitigate impacts on communities in which we operate. Additionally, we conduct extensive due diligence when evaluating potential new opportunities and monitoring of our investment plan.

Final allocation and determination of Eligible Projects will be reviewed and approved by the Chief Financial Officer of Hydro One.

Management of Proceeds

An amount equal to the net proceeds from a Sustainable Financing Instrument issue will be deposited to Hydro One's general account and will be earmarked for allocation to Eligible Projects in accordance with the Framework. All relevant information regarding the issuance of Sustainable Financing Instruments and the Eligible Projects financed by such Sustainable Financing Instruments will be maintained in a register ("Sustainable Financing Register"). Hydro One will allocate an amount equal to these net proceeds to approved Eligible Projects listed in the Sustainable Financing Register.

Net proceeds may be used for investments associated with Eligible Projects made by Hydro One during the 24 months preceding the issuance of a Sustainable Financing Instrument. Hydro One intends to allocate all net proceeds within 24 months of each issuance of a Sustainable Financing Instrument. Prior to allocation, net proceeds from a Sustainable Financing Instrument issuance may be temporarily utilized, in part or in full, for repayment of indebtedness, or investments in bank deposits or other cash equivalents, in each case in accordance with Hydro One's internal liquidity management policies.

Allocation and Impact Reporting

Hydro One commits to publishing a report addressing the allocation of funds and impact reporting, where feasible, to ensure transparency for investors and stakeholders alike within one year of the issuance of a Sustainable Financing Instrument and annually thereafter. The Allocation and/or the Impact Reports will include a brief description on selected projects and will be made available on our company website.

Hydro One will engage a third party to complete an annual verification of its allocation of net proceeds to Eligible Projects until full allocation.

Allocation Reporting

With respect to the allocation of proceeds from Sustainable Financing Instrument activity, our report will include:

- i. The amount of net proceeds allocated to each Eligible Project, either individually or by category;
- ii. The remaining balance of unallocated proceeds that remain outstanding, if any; and
- iii. The share of proceeds used for financing vs refinancing

Impact Reporting

Where feasible, in our report, Hydro One will provide information on qualitative and/or quantitative impact metrics relating to Eligible Projects financed. The performance indicators may change from year to year, but examples of expected impact metrics may include one or more of the following: new/total distance of transmission and distribution lines (in km), annual GHG emissions reduced/avoided (in tonnes CO₂e), transmission and distribution line losses avoided (MWh), annual energy savings (MWh), reduction in absolute/relative energy usage (in %), number of EVs and hybrids, number of charging stations installed, number of Indigenous Businesses supported, number of new communities connected.



Amendments to this Framework

The Sustainable Finance Working Group will review this Framework on a regular basis, including its alignment to updated versions of the Green and Social Bond Principles and guidelines as and when they are released. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of Hydro One and Sustainalytics or another external reviewer. The updated Framework, if any, will be published on our website and will replace this Framework.

External Review

Hydro One obtained an independent second party opinion (the “SPO”) from Sustainalytics, confirming that this Framework aligns with the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, Green Loan Principles and Social Loan Principles. The SPO is publicly available on Hydro One’s website.

If the Framework is updated and an updated SPO procured, such updated SPO, if any, will be published on our website alongside the new Framework.

An external verification of the allocation of the Sustainable Financing Instrument proceeds will be carried out by Hydro One’s external auditor or another external reviewer on an annual basis until the complete allocation of net proceeds. Hydro One will seek a limited assurance over the allocation of proceeds.



Disclaimer

The information and opinions contained in this Framework are provided as of the date of this Framework and are subject to change without notice. None of Hydro One, its subsidiaries or any of its affiliates assume any responsibility or obligation to update or revise any such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. This Framework represents current Hydro One policy and intent and is not intended to, nor can it be relied on, to create legal relations, rights, or obligations.

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to the Framework and the publication of Eligible Projects under the Framework; the verification of the allocation of proceeds and impact metrics contained in the allocation report by a third party, expectations regarding the benefits of the Framework and Eligible Projects; and statements relating to the verification of the allocation of proceeds to Eligible Projects until full allocation by a third party. Forward-looking statements and forward-looking information inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in such statements. Some of the factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking statements and forward-looking information are discussed in more detail in Hydro One’s filings with the securities regulatory authorities in Canada, which are available on SEDAR+ at www.sedarplus.com. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in the Framework. No assurance can be given that any goal or plan set forth in forward-looking statements in this Framework can or will be achieved, and readers are cautioned not to place undue reliance on such statements which speak only as of the date of the Framework. Hydro One does not undertake to update any forward-looking statements or forward-looking information, except as required by law.

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