

Second-Party Opinion

Hydro Ottawa Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Hydro Ottawa Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Clean Energy, Clean Transportation, Green Buildings, Energy Efficiency, Biodiversity and Conservation, Climate Change Adaptation – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 9, 13 and 15.



PROJECT EVALUATION AND SELECTION Hydro Ottawa’s Treasury Department is responsible for the evaluation and selection of projects in accordance with the eligibility criteria of the Framework. The Company maintains an environmental management system and conducts public consultations and environmental assessments to mitigate social and environmental risks. Sustainalytics considers the project selection process and the environmental and social risk management process in line with market practice.



MANAGEMENT OF PROCEEDS Hydro Ottawa’s treasury group will be responsible for tracking the allocation of proceeds using a green bond register. Hydro Ottawa and its subsidiaries intend to fully allocate proceeds within 36 months of issuance. Pending full allocation, net proceeds will be temporarily utilized for repayment of debt or held in cash equivalents, such as investment in bank deposits. This is in line with market practice.



REPORTING Hydro Ottawa will report on allocation on its website on an annual basis until full allocation. Allocation reporting will include details such as amounts allocated to eligible categories and the balance of unallocated proceeds. In addition, Hydro Ottawa intends to report on relevant impact metrics. Sustainalytics views Hydro Ottawa’s allocation and impact reporting as aligned with market practice.

Evaluation Date	December 18, 2024 ¹
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Issuer Location	Ottawa, Canada
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¹ This document updates the Second-Party Opinion originally provided by Sustainalytics in February 2019.

Introduction

Hydro Ottawa Holding Inc. (“Hydro Ottawa” or the “Company”) is wholly owned by the City of Ottawa, and is headquartered in Ottawa, Canada. Hydro Ottawa engages in electricity distribution, renewable energy generation (run-of-river hydroelectric generation), and energy conservation and management services in Ottawa and Casselman. As of 2023, the Company’s electricity distribution systems serviced 364,000 residential and commercial customers in Ontario.²

Hydro Ottawa has developed the Hydro Ottawa Green Bond Framework dated December 2024 (the “Framework”) under which it and its subsidiaries³ intend to issue green bonds and use the proceeds to finance or refinance, in whole or in part, existing or future projects intended to create positive environmental impacts and support Ottawa’s transition to a low-carbon energy mix. The Framework defines eligibility criteria in the following areas:

1. Clean Energy
2. Clean Transportation
3. Green Buildings
4. Energy Efficiency
5. Biodiversity and Conservation
6. Climate Change Adaptation

Hydro Ottawa engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).⁴ The Framework will be published in a separate document.⁵

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ opinion on alignment of the Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.17.2, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with representatives of Hydro Ottawa to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. Hydro Ottawa representatives have confirmed that: (1) they understand it is the sole responsibility of Hydro Ottawa to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information; and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with it.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Hydro Ottawa.

Sustainalytics’ Second-Party Opinion assesses alignment of the Framework with market standards but provides no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of

² Hydro Ottawa, “Annual Report”, (2023), at: https://reports.hydroottawaholding.com/wp-content/uploads/2024/06/hydroottawa_ar2023_en.pdf

³ For issuances by Hydro Ottawa’s subsidiaries, the Company has communicated to Sustainalytics that it will ensure continual alignment of such issuances with the criteria defined in the Framework.

⁴ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

⁵ The Hydro Ottawa Green Bond Framework is available on Hydro Ottawa’s website at: <https://hydroottawa.com/en/save-energy/innovation/green-bonds>

⁶ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

eligible projects but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the issuer.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee their realized allocation towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument in favour or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Hydro Ottawa has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Hydro Ottawa Green Bond Framework

Sustainalytics is of the opinion that the Hydro Ottawa Green Bond Framework is credible and impactful and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Clean Energy, Clean Transportation, Green Buildings, Energy Efficiency, Biodiversity and Conservation, Climate Change Adaptation – are aligned with those recognized by the GBP.
 - Hydro Ottawa has defined a 36-month look-back period for its refinancing activities, which Sustainalytics considers to be in line with market practice.
 - Under the Clean Energy category, Hydro Ottawa intends to finance or refinance projects that meet any of the following criteria:
 - Construction of new run-of-the-river hydroelectricity generation facilities or hydropower projects smaller than 25 MW. Projects in operation before 2020 must have a power density greater than 5 W/m². Projects in operation in 2020 or after must have a power density greater than 10 W/m². Hydro Ottawa has confirmed to Sustainalytics that there will be an environmental and social impact assessment provided by a credible body for each project to ensure that there is no significant risk, controversy or expected negative impact.
 - Refurbishment, modernization and maintenance of existing hydroelectricity facilities that meet the same eligibility criteria above for hydropower projects for the purpose of increasing generation efficiency, operational life span and renewable energy output where there is no increase in the size of the associated dam or reservoir.
 - Construction, acquisition, maintenance or refurbishment of PV solar energy generation facilities.
 - Construction, operation and maintenance of electricity transmission and distribution infrastructure and equipment that meet one of the following:
 - An average system grid emissions factor below 100 gCO₂e/kWh over a rolling five-year period.
 - More than 67% of the newly enabled generation capacity has an emissions intensity lower than 100 gCO₂e/kWh over a rolling five-year period.
 - Research and development that increases the share of low-carbon electricity or allows integration of renewable energy, including energy storage and battery systems.
 - Hydro Ottawa has confirmed to Sustainalytics that energy storage and battery systems will be connected to renewable energy or to a grid that meets the transmission and distribution criteria above.
 - Under the Clean Transportation category, Hydro Ottawa intends to finance or refinance electric vehicle charging stations and the procurement, operation and maintenance of dedicated low-carbon transport vehicles, including hybrid-electric⁷, electric and fuel cell vehicles.

⁷ Tailpipe emissions must be 50 gCO₂/km before 2025 and 0 gCO₂/km after 2025.

- Sustainalytics notes that Hydro Ottawa has not communicated which test procedure will be used for vehicles complying with the threshold of 50 gCO₂/km. Different test procedures can achieve varying results in actual vehicles' CO₂ emissions, whether they intent to replicate real-driving conditions (such as WLTP) or are based on theoretical driving profile (such as NEDC).⁸ Hence, Sustainalytics further encourages, where feasible, to report on the test procedure used to determine the emissions intensity of the vehicles to be financed.
- Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Green Buildings category, Hydro Ottawa may finance or refinance the construction, development, acquisition and operation of new and retrofitted commercial buildings according to the following criteria:
 - Buildings are certified or expected to be certified with the following certifications: i) LEED (Gold or Platinum),⁹ ii) Canada GBC Zero Carbon Building Standard (Design Standard or Performance Standard),¹⁰ iii) Green Globes (three Green Globes or above),¹¹ and iv) Living Building Challenge (Living Building Certification, Petal Certification with Energy as one of the petals, or Zero Energy Certification).¹²
 - Under the Canada GBC Zero Carbon Building Standard, Sustainalytics notes that the buildings certified with the Performance Standard will achieve 20% more energy efficiency than the Notional Energy Code of Canada for Buildings. This is in line with market practice.
 - Building refurbishments projects will achieve energy savings or emissions reduction of at least 30% compared with the initial performance before retrofitting.
 - Hydro Ottawa has confirmed to Sustainalytics that the expenditures related to the refurbishment projects will be only intended for retrofit activities, not for refinancing the asset value of the entire building.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Energy Efficiency category, Hydro Ottawa may finance or refinance the following projects:
 - Investment in systems or technologies that increase energy efficiency such as smart grid technology, smart sensors and automation systems.
 - Hydro Ottawa has communicated to Sustainalytics that smart grid investments include the deployment of an Advanced Distribution Management System as part of its Grid Modernization Roadmap to digitize the distribution grid for enhanced efficiency and reliability.
 - Sustainalytics notes that the Framework excludes fossil fuel supporting infrastructure.
 - Programmes that increase energy efficiency or reduce energy consumption by at least 30%, excluding home appliances.
 - Sustainalytics views positively the inclusion of a defined energy efficiency threshold for the installation of energy-efficient systems, equipment and technologies.
 - Enhancement and upgrades of transmission and distribution infrastructure that meet the eligibility criteria in the Renewable Energy category.
 - Investment in research and development for energy storage systems and battery systems connected to renewable energy sources that meet the eligibility criteria in the Renewable Energy category.
 - Sustainalytics considers such expenditures to be in line with market practice.
- Under the Biodiversity and Conservation category, Hydro Ottawa intends to finance or refinance ecological restoration projects, including habitat and land reclamation and restoration, and natural habitat protection projects.
 - Hydro Ottawa has confirmed to Sustainalytics that the restoration projects will use tree species that are well adapted to site conditions and have a management plan that integrates sustainability into plan development.

⁸ The WLTP (World Harmonized Light-duty Vehicle Test Procedure) test cycle uses real-driving data to replicate actual driving conditions, while the NEDC (New European Driving Cycle) test determines values based on a theoretical driving profile, which can lead to material differences in terms of CO₂ emissions. <https://publications.jrc.ec.europa.eu/repository/bitstream/JRC107662/kjna28724enn.pdf>

⁹ LEED: <https://www.usgbc.org/leed>

¹⁰ Canada GBC Zero Carbon Building Standard: <https://www.cagbc.org/our-work/certification/zero-carbon-building-standard/>

¹¹ Green Globes: <https://thegbi.org/greenglobes/>

¹² Living Building Challenge: <https://living-future.org/lbc/>

- Hydro Ottawa has communicated to Sustainalytics that examples of natural habitat protection projects may include: i) installing wildlife protectors on the electrical distribution system to protect wildlife from electric shock; ii) installing eel ladders to allow eels to safely bypass hydropower facilities; and iii) restoring utility corridors and properties with tree reforestation.¹³
- Sustainalytics views this as aligned with market expectations.
- Under the Climate Change Adaptation category, Hydro Ottawa may finance or refinance the development, operation and maintenance of projects that increase adaptability and resiliency to the impacts of climate change and extreme weather-related events. Projects may include the following:
 - Weather-resistant infrastructure to improve resilience against extreme weather events, such as wind and storm, icing, wildfires, heat waves and flood.
 - Monitoring equipment, such as information support systems, climate observation and early warning systems.
 - Hydro Ottawa has confirmed to Sustainalytics that it will be financing specific climate change adaptation projects identified in its 2019 Hydro Ottawa Climate Change Adaptation Plan and in the 2023 Addendum report to Distribution System Climate Vulnerability Risk Assessment and Climate Change Adaptation Plan, both prepared by Stantec. For example, Hydro Ottawa could convert the North-South lines and poles to underground lines to address potential damage from high wind events, as outlined in the 2019 Hydro Ottawa Climate Change Adaptation Plan.¹⁴
 - Sustainalytics views this as aligned with market expectations.
- The financing and refinancing of Hydro Ottawa's eligible investments will exclude any investment in the following areas: i) Development, acquisition, maintenance, or refurbishment of fossil fuel-based transportation and supporting infrastructure; ii) Biomass and biofuel derived from feedstock suitable for food production; iii) Expenditures related to Hydro Ottawa's corporate functions including the Customer Care and Billing system, Customer Service strategy, Website Enhancements, and the Enterprise Resource Planning system; iv) Information technology (IT) maintenance and ongoing enhancement of the IT infrastructure including device replacements, network security, data loss prevention program, network switches upgrade, network file storage and software licenses; and v) Replacement of tools needed to carry out the distribution maintenance and capital program efficiently and effectively, this program covers replacement of aged tool equipment.
- Project Evaluation and Selection:
 - Hydro Ottawa's Treasury Department, with consultation from its internal experts and stakeholders, including its in-house sustainability team, is responsible for the evaluation and selection of Eligible Investment in accordance with the eligibility criteria defined in the Framework.
 - Hydro Ottawa's board of directors oversees the Company's overall ESG performance. Hydro Ottawa conducts public consultation and environmental assessment for new projects to evaluate the potential social and environmental impacts and to mitigate associated impacts. The Company maintains an environmental management system to reduce environmental risks from all aspects of its activities and to meet compliance obligations. Sustainalytics considers the environmental and social risk management system to be adequate. For additional details, see Section 2.
 - Based on the clear delineation of responsibility and existence of processes to mitigate environmental and social risks associated with the eligible projects, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Hydro Ottawa's treasury group will be responsible for tracking the allocation of proceeds using a green bond register. The proceeds will be deposited to the general account of Hydro Ottawa Capital Corporation and its subsidiaries, and an amount equal to the net proceeds will be earmarked for allocation.
 - Hydro Ottawa and its subsidiaries intend to fully allocate proceeds within 36 months of issuance. Pending full allocation, net proceeds will be temporarily utilized for repayment of debt or held in cash equivalents, such as investment in bank deposits, in accordance with

¹³ Hydro Ottawa, "5 ways Hydro Ottawa aims to protect the environment", (2021), at: <https://hydroottawa.com/en/blog/5-ways-hydro-ottawa-aims-protect-environment>

¹⁴ Stantec, "Hydro Ottawa Climate Change Adaptation Plan Final Report", (2019), at: <https://www.rds.oeb.ca/CMWebDrawer/Record/679207/File/document>

- Hydro Ottawa's internal liquidity management policies. Hydro Ottawa has confirmed to Sustainalytics that it will not refinance debt associated with carbon-intensive activities.
- If an eligible project is no longer deemed eligible under the Framework, the net proceeds previously allocated to such project will be reallocated to another eligible project.
 - Based on the use of a Green Bond Register and disclosure of temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
 - Reporting:
 - Hydro Ottawa will report on the allocation and impact of proceeds via annual updates on its website within one year of issuance until full allocation.
 - Allocation reporting will include details of amounts of allocated to eligible categories and the balance of unallocated proceeds. The allocation reporting may provide examples of Eligible Investments where feasible.
 - Where feasible, impact reporting will include qualitative and quantitative impact metrics, such as number of new customers connected to the grid, distance of eligible distribution line newly installed, percentage of electrified fleet or number of net new transformers installed.
 - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Hydro Ottawa Green Bond Framework aligns with the four core components of the GBP.

Section 2: Sustainability Strategy of Hydro Ottawa

Contribution to Hydro Ottawa's sustainability strategy

Hydro Ottawa's sustainability strategy focuses on the following key environmental areas: i) enabling sustainable energy solutions; and ii) strengthening grid resilience and outage restoration.¹⁵ The Company's 2021-2025 Strategic Direction Plan outlines the following environmental strategies: i) achieving net zero operations by 2030; ii) becoming a partner for green energy and carbon reduction projects in local communities; and iii) leveraging and promoting distributed energy resources.¹⁶

In 2021, Hydro Ottawa committed to achieve net zero operations by 2030. In 2023, as part of its net zero action plan, the Company: i) conducted a preliminary assessment of its scope 3 emissions and reported its 2022 scope 1 and scope 2 GHG emissions; ii) electrified 12% of its corporate vehicle fleet via procurement of electric and hybrid vehicles and installed 24 EV chargers at its facilities; and iii) started developing its first substation using low-carbon design and construction techniques with potential renewable energy generation and electricity storage on site. The Company also aims to leverage distributed energy resources to reduce the cost and carbon emissions for its customers. By 2023, Hydro Ottawa had enabled more than 500 EV chargers across Ottawa through its electricity distribution and energy services. Additionally, the Company completed the Kanata North retrofit programme that achieved a reduction in energy peak demand of 2.5 MW in the local community, and launched new electricity conservation programmes, such as incentives for rooftop solar development in the same year.¹⁷

In 2023, Hydro Ottawa continued to collaborate with the City of Ottawa on community decarbonization projects. Hydro Ottawa's affiliate, Envari, received approval from the City of Ottawa for its pilot project to extract excess thermal energy from municipal wastewater and provide heating for 600 residential units in Ottawa, which is expected to reduce 1,100 tonnes of carbon emissions annually for residential heating. In the same year, the Company invested CAD 10 million in Ottawa's clean public transportation initiative through relocating charging infrastructure, deploying energy optimization systems and expanding the capacity of the local grid.¹⁸ Furthermore, Hydro Ottawa is in the process of developing its 2026-2030 investment plan, which includes: i) grid resilience enhancement in facing climate change; ii) grid modernization to reduce carbon emissions; and iii) innovation and new infrastructure, such as smart grid and solar panels, to manage the increased energy demand and increase its capacity for renewable energy generation.^{19,20}

¹⁵ Hydro Ottawa, "Annual Report 2023", at: https://reports.hydroottawaholding.com/wp-content/uploads/2024/08/hydroottawa_ar2023_en.pdf

¹⁶ Hydro Ottawa, "Annual Report 2023", at: https://reports.hydroottawaholding.com/wp-content/uploads/2024/08/hydroottawa_ar2023_en.pdf

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Hydro Ottawa, "Learn more about our investment priorities", at: <https://www.hydroottawa.com/en/about-us/regulatory-affairs/2026-2030-investment-plan>

²⁰ Hydro Ottawa, "Powering a resilient, carbon-free future for Ottawa", (2024), at: <https://hydroottawa.com/en/blog/powering-resilient-carbon-free-future-ottawa>

Sustainalytics is of the opinion that the Hydro Ottawa Green Bond Framework is aligned with Hydro Ottawa's overall sustainability strategy and initiatives and will further the Company's actions on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that proceeds from the instruments issued under the Framework will be directed towards eligible projects expected to have positive environmental impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects may include issues involving: i) land use and biodiversity loss associated with large-scale infrastructure development; ii) waste, emissions and effluents from construction and operations; iii) community relations; iv) occupational health and safety; and v) labour rights and human rights.

Sustainalytics is of the opinion that Hydro Ottawa is able to manage or mitigate potential risks through implementation of the following:

- With regard to the overall environmental and social risks, Hydro Ottawa is regulated by the Ontario Energy Board (OEB). In compliance with OEB regulations, the Company has developed the Conditions of Services, which refers to its obligations to comply with: i) the Ontario Environmental Protection Act, ii) the Canadian Environmental Protection Act, iii) the Building Code Act; and iv) the Occupational Health and Safety Act.²¹
- To manage environmental risks, including land use and biodiversity loss as well as waste, emissions and effluents, Hydro Ottawa has in place an Environmental Policy, which requires the Company to conduct operations in compliance with applicable legal requirements, and to plan, implement and maintain an environmental management system to improve its environmental performance and reduce its environmental impacts.²² The environmental management system is audited by an independent third party.²³ The Environmental Policy also requires its contractors and subcontractors to conform to this policy.²⁴
- To manage community relations, Hydro Ottawa conducts public webinar sessions on its website, where the Company discloses information on planned projects to the public and addresses concerns from the communities impacted by the project.²⁵ Additionally, prior to project operation, the Company provides notices to neighbourhoods where it will operate, especially when planned power interruptions are required.²⁶
- Regarding risks associated with occupational health and safety, Hydro Ottawa has a Health, Safety & Wellness Policy, committing the Company to protect the health and safety of its employees, contractors and subcontractors and achieving a zero-work injury workplace.²⁷ Additionally, the policy requires the Company to: i) provide a clear expectation of compliance and enforcement of applicable laws, policies, procedures and approved work practices to employees; ii) ensure all operations of the Company meet the applicable legislation, including the Electrical Utility Safety Rules²⁸ and approved work practices; and iii) ensure its contractors and subcontractors maintain an equivalent minimum level of safety.²⁹
- To manage the risks associated with labour rights and human rights, Hydro Ottawa commits to complying with all applicable laws and regulations related to employment and workplace, such as the Employment Standards Act 2000, the Labour Relations Act 1995 and the Ontario Human Rights Code.³⁰ To ensure ethical practice throughout its sourcing activities, Hydro Ottawa has developed the Procurement Policy, which requires its vendors to comply with applicable laws and regulations and undergo a risk assessment prior to contract.³¹ The Company has also adopted a supply vending process to ensure its suppliers' compliance with its ethical performance requirements.³²
- Sustainalytics notes that the eligible projects will be located in Canada, which is recognized as a Designated Country under the Equator Principles,³³ indicating the presence of robust

²¹ Hydro Ottawa, "Conditions of Services", at: https://hydroottawa.com/sites/default/files/2022-11/HOL_CoS-EN_v9_reduced.pdf

²² Hydro Ottawa, "Environmental Policy", at: <https://hydroottawa.com/en/about-us/policies/environmental-policy>

²³ Hydro Ottawa, "Hydro Ottawa Green Bond Framework"

²⁴ Hydro Ottawa, "Environmental Policy", at: <https://hydroottawa.com/en/about-us/policies/environmental-policy>

²⁵ Hydro Ottawa, "Information Sessions", at: <https://hydroottawaholding.com/wp-content/uploads/2024/05/2023-Fighting-Against-Forced-Labour-and-Child-Labour-Report.pdf>

²⁶ Hydro Ottawa, "Why we are working in your neighbourhood", at: <https://www.hydroottawa.com/en/community/planned-work-projects/why-we-are-working-your-neighbourhood>

²⁷ Hydro Ottawa, "Health, Safety & Wellness", at: <https://www.hydroottawa.com/en/about-us/policies/health-safety-wellness>

²⁸ The Electrical Utility Safety Rules is a rule book developed by The Infrastructure Health and Safety Association (IHSA) to provide guidance on health and safety for types of work performed on or in proximity to electrical transmission or distribution systems. IHSA, "Electrical Utilities Safety Rules (EUSR)", at: [https://www.ihsa.ca/IHSA/Products/Items/Electrical-Utilities-Safety-Rules-\(EUSR\).aspx](https://www.ihsa.ca/IHSA/Products/Items/Electrical-Utilities-Safety-Rules-(EUSR).aspx)

²⁹ Hydro Ottawa, "Health, Safety & Wellness", at: <https://www.hydroottawa.com/en/about-us/policies/health-safety-wellness>

³⁰ Hydro Ottawa, "Fighting against forced labour and child labour report", (2023), at: <https://hydroottawaholding.com/wp-content/uploads/2024/05/2023-Fighting-Against-Forced-Labour-and-Child-Labour-Report.pdf>

³¹ Ibid.

³² Ibid.

³³ Equator Principles, "The Equator Principles", at: <https://equator-principles.com/about-the-equator-principles/>

environmental and social governance systems, legislation and institutional capacity to protect the environment and communities, including labour rights and human rights.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Hydro Ottawa has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Importance of investing in transmission and distribution systems for integration of renewables in Ottawa

As of 2024, less than 6% of the energy consumed in Ottawa is generated in the city, highlighting the need for investments in the electricity transmission and distribution infrastructure alongside other renewable energy projects.³⁴ The growing population in Ottawa combined with the increasing electrification of transportation and heating in the city is projected to double Ottawa's electrical demand, further emphasizing the need for investments in renewable energy.³⁵ While Ottawa's electricity supply has a low emissions profile, as approximately 92% of the electricity consumed in Ottawa came from zero-emission sources in 2016, the city needs to offset the anticipated carbon intensity of the provincial grid while meeting the anticipated increase in demand.³⁶

New technology is currently being adopted to improve the traditional grid and facilitate reduced GHG emissions, upgraded infrastructure, increased electricity demand and reduced operating costs.³⁷ Ontario's Independent Electricity System Operator (IESO) is working towards decarbonizing the province's grid on the recommendation of the provincial Minister of Energy.^{38,39} The Ontario Energy Board views aging infrastructure as a significant source of risk for grid reliability, and aims to deliver increased efficiency and clean technology, and ensure long-term innovation and sustainability across the electricity sector.⁴⁰ Furthermore, as a signatory to the Paris Agreement, Canada has pledged to achieve net zero emissions by 2050.⁴¹ In line with this national pledge, the City of Ottawa aims to achieve net zero greenhouse gas emissions from its own operations by 2040 and from the broader community by 2050 under its Energy Evolution action plan, which identifies the importance of increasing renewable electricity generation and electricity storage to achieve its 2050 target.⁴²

Sustainalytics is of the opinion that the projects for transmission and distribution systems financed under the Framework will contribute to decarbonizing Ottawa's electricity sector and more broadly to the climate goals of Ontario and Canada.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Hydro Ottawa Green Bond Framework are expected to advance the following SDGs and targets:

³⁴ City of Ottawa, "Energy Evolution: Ottawa's Community Energy Transition Strategy - Final Report", (2020), at: https://documents.ottawa.ca/sites/default/files/energy_evolution_strategy_en.pdf

³⁵ Ibid.

³⁶ Ibid.

³⁷ Wadhera, A. et al. (2018), "Smart Grid in Canada", Natural Resources Canada, at:

<https://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/files/canmetenergy/pdf/Smart%20Grid%20in%20Canada%20Report%20Web%20FINAL%20EN.pdf>

³⁸ IESO, "IESO Recommends Shift to Grid-Scale Storage in Ontario, Relying on Natural Gas Expansions to Ensure Reliability in Near-Term", (2022), at: <https://www.ieso.ca/Corporate-IESO/Media/News-Releases/2022/10/Grid-Scale-Storage-in-Ontario-Natural-Gas-Expansions-to-Ensure-Reliability-in-Near-Term>

³⁹ IESO, "Resource Eligibility Interim Report", (2022), at: <https://www.ieso.ca/-/media/Files/IESO/Document-Library/resource-eligibility/resource-eligibility-interim-report.ashx>

⁴⁰ Ontario Energy Board, "Strategic Plan", (2022), at: <https://www.oeb.ca/sites/default/files/OEB-Strategic-Plan-2021-22-to-2025-26.pdf>

⁴¹ Government of Canada, "Net-zero emissions by 2050," at: <https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/net-zero-emissions-2050.html>

⁴² City of Ottawa, "Energy Evolution: Ottawa's Community Energy Transition Strategy - Final Report", (2020), at: https://documents.ottawa.ca/sites/default/files/energy_evolution_strategy_en.pdf

Use of Proceeds Category	SDG	SDG target
Clean Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Clean Transportation	7. Affordable and Clean Energy	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services
Green Buildings	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Biodiversity and Conservation	15. Life on Land	15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements
Climate Change Adaptation	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

Conclusion

Hydro Ottawa has developed the Hydro Ottawa Green Bond Framework under which it and its subsidiaries may issue green bonds and use the proceeds to finance or refinance Clean Energy, Clean Transportation, Green Buildings, Energy Efficiency, Biodiversity and Conservation, and Climate Change Adaptation projects. Sustainalytics considers that the eligible projects are expected to provide positive environmental impacts.

The Framework outlines processes for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Hydro Ottawa Green Bond Framework is aligned with Hydro Ottawa’s sustainability strategy and that the use of proceeds will contribute to the advancement of UN Sustainable Development Goals 7, 9, 13 and 15. Additionally, Sustainalytics considers that Hydro Ottawa has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Hydro Ottawa is well positioned to issue green bonds and that the Hydro Ottawa Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

Disclaimer

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