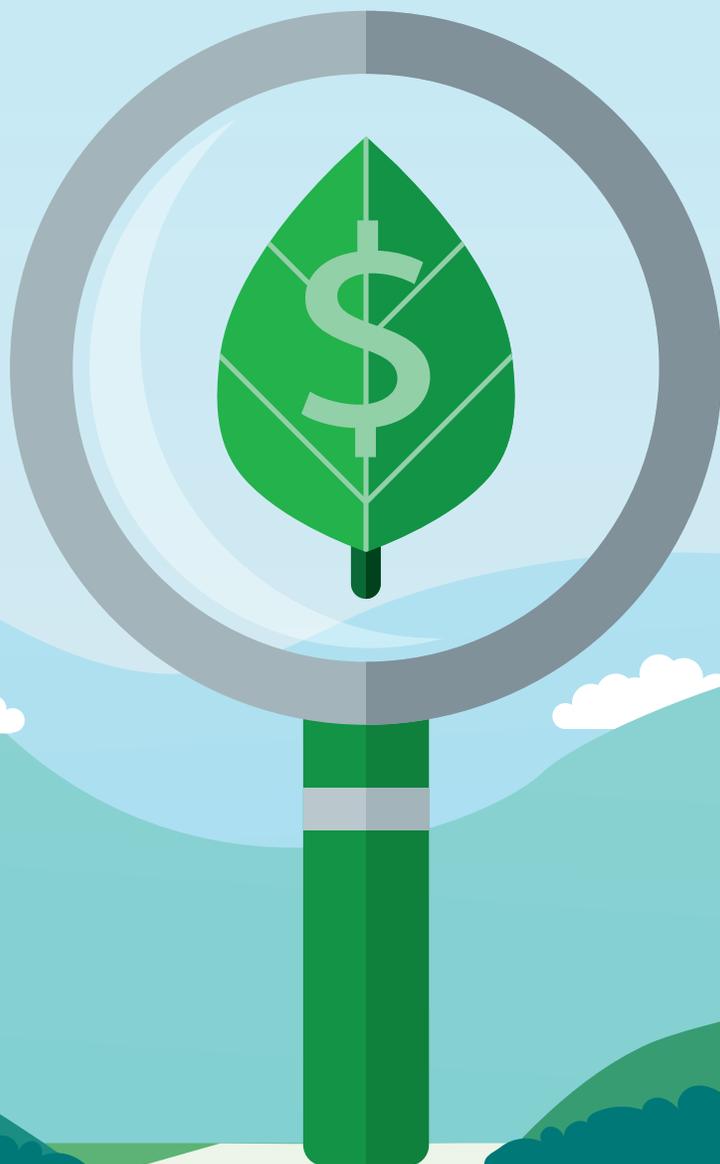


QUÉBEC GREEN BOND FRAMEWORK



CONTENTS

FOREWORD	1
Who We Are	1
BACKGROUND	2
Québec’s Green Plan	2
Québec Green Plan main numerical targets	3
Québec Green Bonds	4
The Carbon Market	4
Building on Québec’s Clean Energy	5
QUÉBEC GREEN BOND FRAMEWORK	6
1. Use of Proceeds	7
Eligible Green Projects	7
Exclusion Criteria	7
Categories of Green Projects	8
Categories and examples of eligible projects	8
2. Process for Project Evaluation and Selection	9
3. Management of proceeds	9
4. Reporting	10
EXTERNAL REVIEW	11
Second-Party Opinion (Pre-issuance)	11
Third-Party Review (Post-issuance)	11
Publicly Available Documents	11

FOREWORD

Who We Are

The province of Québec (“Québec”) is the largest province in Canada with a surface area of nearly 1.7 million km² and ranks second in terms of population with 8.6 million people. Its capital is Québec City and its biggest city is Montréal.

Québec is determined to be a role model in sustainable development and the fight against climate change. Québec set itself a greenhouse gas (GHG) reduction target of 37.5% by 2030 relative to 1990 emission levels in view of reaching carbon neutrality by 2050. These objectives are consistent with the urgent need to act and with our will to develop Québec sustainably and responsibly.

In adopting its 2030 target, Québec held to the commitment it made alongside 10 other partner states and provinces of the Conference of New England Governors and Eastern Canadian Premiers (NEG/ECP) to a regional GHG emission reduction target of 35 to 45% below 1990 levels by 2030.

Québec is also committed to increase the resilience of its population and communities, infrastructures, economy and environment to the impacts of climate change..



BACKGROUND

Québec's Green Plan

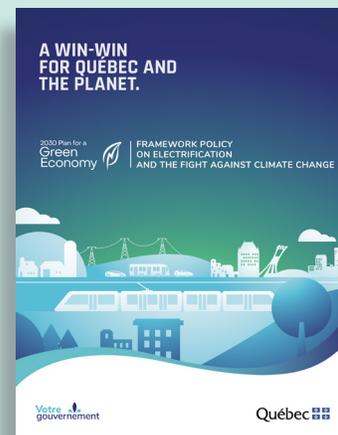
For Québec, the fight against climate change is just as much a priority as it is a fundamental issue.

The “[2030 Plan for a Green Economy](#)” or “2030 PGE” – launched in November 2020 – is the electrification and climate change policy framework that will serve as the province’s roadmap over the next 10 years. It will help Québec meet its GHG emission reduction targets and strengthen its resilience to climate change, while growing its economy.

The Plan will help achieve the 2030 GHG emissions reduction target Québec has set for itself, namely a 37.5% reduction compared with 1990 levels, and to reach carbon neutrality by 2050. It will also strengthen Québec’s capacity to adapt to the consequences of climate change.

Québec is committed to leading by example and has set itself even more stringent reduction targets for 2030 leading to carbon neutrality by 2040 in its fleets of buildings and light and heavy-duty vehicles.

The 2030 Plan for a Green Economy is Québec’s first climate change policy framework. It engages Québec in an ambitious project to lay the groundwork for a green economy by 2030 that is both resilient to climate change and more prosperous.



Québec Green Plan main numerical targets

BY 2025



Achieve a 70% renewable energy supply in off-grid systems.

BY 2030



- Reduce GHG emissions by 37.5% below 1990 levels.
- 60% reduction in emissions from government buildings.
- 50% reduction of emissions related to heating for buildings.
- 50% increase in bioenergy production.
- Have 1.5 million electric vehicles on the road in Québec.
- 55% of city buses and 65% of school buses electrified.
- 100% of governmental cars, SUVs, vans and minivans and 25% of pickup trucks electrified.
- 15% ethanol in gasoline and 10% in biobased diesel fuel.
- 10% renewable natural gas (RNG) in the network.

AS OF 2035



No sales of new gasoline-powered cars and passenger trucks vehicles.

BY 2050



Achieve carbon neutrality.

Québec Green Bonds

To demonstrate its commitment to protecting the environment, Québec established its original Green Bond Program in February 2017.

Since then, Québec has launched 7 green bond issues for a total of 4.3 B \$CAD and is a regular issuer on the green bond market. These green bonds have financed infrastructure projects with a focus on public transit and renewable energy usage, including the upgrades of metro stations, the construction of a light rail transit system, and the purchases of electric buses.

In the future, Québec wants to grow the number of projects that qualify into its Green Bond Program.

The Carbon Market

For Québec, setting a price on carbon is an essential measure for reducing GHG emissions. In 2013, Québec established its carbon market, which has been linked to California's since January 2014, as part of the Western Climate Initiative. The resulting market is now the largest carbon market in North America. The market also generates significant revenue, which is deposited into the Electrification and Climate Change Fund. This revenue is, by law, fully reinvested in measures that enable Québec to reduce its GHG emissions, better adapt to the impacts of climate change and accelerate its shift to a strong low-carbon and resilient economy. As part of the implementation of the 2030 PGE, financing sources other than those generated by the carbon market are also being mobilized.



The carbon market's primary objective is to encourage businesses, municipalities, and citizens to innovate and change their behavior to reduce GHG emissions.

Building on Québec's Clean Energy

Québec is a world leader in renewable energy production with Hydro-Québec – a world renowned power utility – who is owned 100% by the province of Québec.

Québec's electricity production sector has one of the lowest carbon footprints in the world. The electricity it produces is derived from sources that are more than 99.8% renewable, mainly hydropower.

The electrification of transportation, buildings, and industrial activities is one of the Plan's focal point so that currently consumed fossil fuels will gradually be replaced to a large extent by this Québec produced green energy. Energy efficiency and energy management will also play a key role. As a result, Québec will reduce its GHG emissions, and investments in our local economy will grow.

Québec will also increase its electricity exports to its neighbors and intends to increase its role as the "battery" of northeastern America. As a clean energy supplier, Québec will contribute to the effort to reduce GHG emissions beyond its borders.



Hydro-Québec generates, transmits, and distributes electricity. The largest power utility in Canada and a major player in the global hydropower industry, Hydro-Québec also operates a vast high voltage transmission system. Its sole shareholder is the Québec government.



QUÉBEC GREEN BOND FRAMEWORK

As part of Québec's continued commitment to sustainability, a Green Bond Framework (the "Framework") has been developed and updated over the years. The structure of the current Framework is developed to be in line with the ICMA Green Bond Principles (GBP) 2021, and therefore consists of the four key pillars and recommended Green Bond Framework and External Review components.

- 1. Use of Proceeds*
- 2. Process for Project Evaluation and Selection*
- 3. Management of Proceeds*
- 4. Reporting*



It is Québec's intention to follow evolving best practices in relations to green bonds. Therefore, Québec's Green Bond Framework may be updated to reflect the changes in market practice.



1. Use of Proceeds

Eligible Green Projects

Under this Green Bond Framework, Québec may issue green bonds to finance sustainable investments that promote climate resilient development and the transition to renewable energy usage in addition to a low carbon environment. Such investments shall comply with the below criteria, including the Exclusion Criteria (the “Eligible Green Projects”).

The term “Eligible Green Projects” refers to a group of selected projects that offer tangible environmental benefits for protecting the environment, reducing GHG emissions or adapting to climate change in Québec. Projects must comply with Québec’s environmental protection statutes and regulations.

The green bond’s net proceeds can be applied towards new financing or refinancing of tangible assets with a look-back period of up to 12 months. Refinancing is defined as the financing of assets that have been taken into operation more than one year before the time of approval by the Green Bond Advisory Committee.

Unless otherwise stated, eligible projects must be included in the Québec Infrastructure Plan (QIP), so as to comply with government policy directions for public debt management. For a project not included in the QIP to be exceptionally eligible, it must have been approved by the government and already be taken into account in its financial framework.

Each project must be worth over 50 million Canadian dollars, since an infrastructure project is subject to the Directive sur la gestion des projets majeurs d’infrastructure publique (Directive) when its estimated cost is \$50 million or more. The Directive defines the measures required to ensure rigorous management of major public infrastructure projects. It promotes the best project management practices to ensure the right investment choices are made for building high-quality infrastructures within

the established investment limits. In the Determination and evaluation of options’ phase, the project manager must determine and evaluate the various options that could meet the need. The assumption used in the determination and evaluation of these options must be provided, and must address, among others, the human, organizational and environmental impacts.

Smaller projects could be included, if:

- they demonstrate that they offer tangible environmental benefits for protecting the environment, reducing GHG emissions or adapting to climate change in Québec;
- they are backed by rigorous impact studies;
- the entity responsible of the project can provide metrics and reporting.

Exclusion Criteria

The net proceeds for green bonds will not be allocated to project linked to fossil fuel based energy generation, nuclear energy generation, the weapons and defense industry, potentially environmentally harmful resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.



Categories of Green Projects

Eligible green projects must fall into the categories specified in the table below and are not limited to the examples listed.

Categories and examples of eligible projects



CLEAN TRANSPORTATION

- Funding of new public transit projects (e.g. light-rail trains, metro line) and improvement of current public transit fleets (e.g. metro cars, electric buses and their charging stations).
- New and upgraded transportation infrastructure as well as infrastructure maintenance that promotes a shift to lower-emission modes of transportation (e.g. metro's operational stationary equipment, improvement of universal accessibility of metro stations, development of pedestrian pathways and bike paths).



GREEN BUILDINGS

- New or refurbishment of government or government-subsidized buildings that are intended to receive one of those two certifications:
 - LEEDs gold or better with 30% energy efficiency improvement compared to building standards.
 - Zero Carbon Building Standard (ZCB Standard v2) ZCB-Design v2 or ZCB-Performance v2 or better, excluding GHG compensation to maximize GHG reductions and including measures to improve buildings adaptation and with 30% energy efficiency improvement compared to building standards.
- Excluded in this category are buildings that use fossil fuel as primary heating source. Investments in fossil fuel-based heating refurbishment are not eligible.



SUSTAINABLE WATER AND WASTEWATER MANAGEMENT

- Infrastructure that collects, treats, recycles or reuse water, wastewater or rainwater.
- Improvement of water-use efficiency, such as re-use of water and reduce leakage in networks.
- Value sewage sludge and reduce GHG emissions by using composting or biomethanation management methods.
- Treatment plants that are powered by fossil fuels are not eligible.

CLIMATE CHANGE ADAPTATION



- Funding to make infrastructure more resilient to impacts of climate change such as shoreline protection or landscape strengthening.

2. Process for Project Evaluation and Selection

Québec has established a Green Bond Advisory Committee (GBAC) which is comprised of representatives from various government departments and agencies, including the ministère des Finances (MFQ), the ministère de l'Environnement et de la Lutte contre les changements climatiques, the ministère des Transports, the Secrétariat du Conseil du trésor and the Société québécoise des infrastructures.

- The GBAC adopts the selection process and selects projects from among the ones considered eligible that comply with the strict policies and standards of the Québec government.
- The GBAC evaluates and selects projects that are in line with the criteria set out in the use of proceeds section. Precisely, projects that are considered eligible are presented to the GBAC by the relevant partner – the organization which spearheads the project – in order that all GBAC members can ask questions. The GBAC then votes for the selected project to be included in the eligible projects pool. The vote needs to be unanimous for a project to be included.
- During the funding process, the ministère des Finances decides which projects included in the eligible projects pool by the GBAC will receive funding from a green bond issue.

3. Management of proceeds

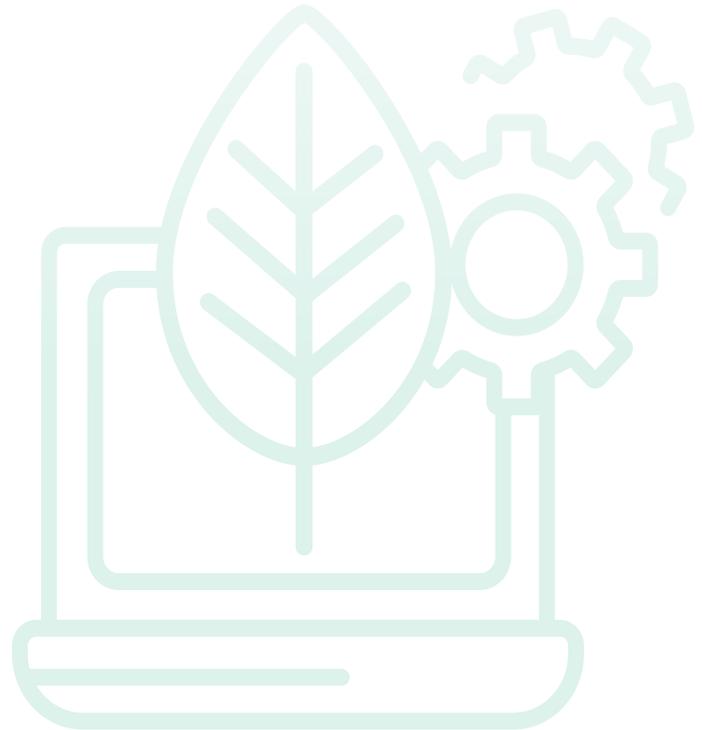
An amount from the general fund of the province of Québec, equal to the net proceeds from the green bond issue, is credited to a designated account, to track the use and allocation of funds relating to eligible projects. Provided that the account balance is positive, amounts equivalent to the funds disbursed are deducted from the balance of the designated account as the funds are allocated to eligible projects approved under this framework.

When amounts raised from green bonds cannot be immediately fully allocated to Eligible Green Projects, the ministère des Finances invests the unallocated funds in short-term Treasury bills or short-term notes guaranteed by the Québec government or another Canadian government. The net proceeds from green bonds are expected to be fully allocated to Eligible Green Projects in the 12 months following an issue.

4. Reporting

The Province promotes its initiative to issue green bonds in a dedicated section of the [MFQ website](#). It publishes an annual bulletin until green bonds are fully allocated or if there is a major change in a project funded via a fully allocated green bond. This annual bulletin serves as impact reporting and can include:

- the progress in green bond projects;
- fund allocations to green bond projects and category;
- total cost of the projects and portion financed with green bonds;
- the amount of unallocated proceeds (if any);
- the proportion of green bond net proceeds used to finance new projects and the proportion used for refinancing;
- the tangible benefits for protecting the environment, key indicators on reducing GHG emissions or adapting to climate change in Québec; for example, those indicators could be, without constraints or limitations, bus GHG emissions reduced/avoided per seat-km, increase of ridership based on fares' sales, increase of percentage of trips made using electricity, total GHG emissions reduced/avoided per passenger-km and total GHG emissions by type of emissions;
- any other relevant aspect.



EXTERNAL REVIEW

Second-Party Opinion (Pre-issuance)

Québec has obtained a Second-Party Opinion from CICERO (the Center for International Climate Research) to assess the environmental benefits and the governance of this Framework as well as its alignment with the Green Bond Principles.

The Second-Party Opinion is available on [Québec's ministère des Finances' website](#).

Third-Party Review (Post-issuance)

Québec will provide, annually, an independent review of the allocation and the use of proceeds. This review will assure that the funding of all eligible projects and the allocation of the net proceeds of the green bonds are done in accordance with Québec's Green Bond Framework.

Publicly Available Documents

The Green Bond Framework, the Second-Party Opinion, and the annual Green Bond Newsletters will be publicly available on [Québec's ministère des Finances' website](#).



