

GREEN BOND PROGRAM

May 2021

ECONOMIC OUTLOOK

- Québec and Canada have not been spared by the health crisis in 2020. Real GDP contractions of 5.2% and 5.4%, respectively, were recorded for the full year.
 - After major pullbacks in economic activity in March and April 2020, Québec's economy is back on the path to growth.
 - Real GDP is forecast to grow by 4.2% in 2021 and 4.0% in 2022.
- In March 2021, 86.4% of the jobs lost between February and April 2020 have been recovered.
- Since the peak in April 2020, Québec's unemployment rate has dropped 11.2 percentage points, to 6.4% in February 2021.
 - This is the lowest level across all Canadian provinces.

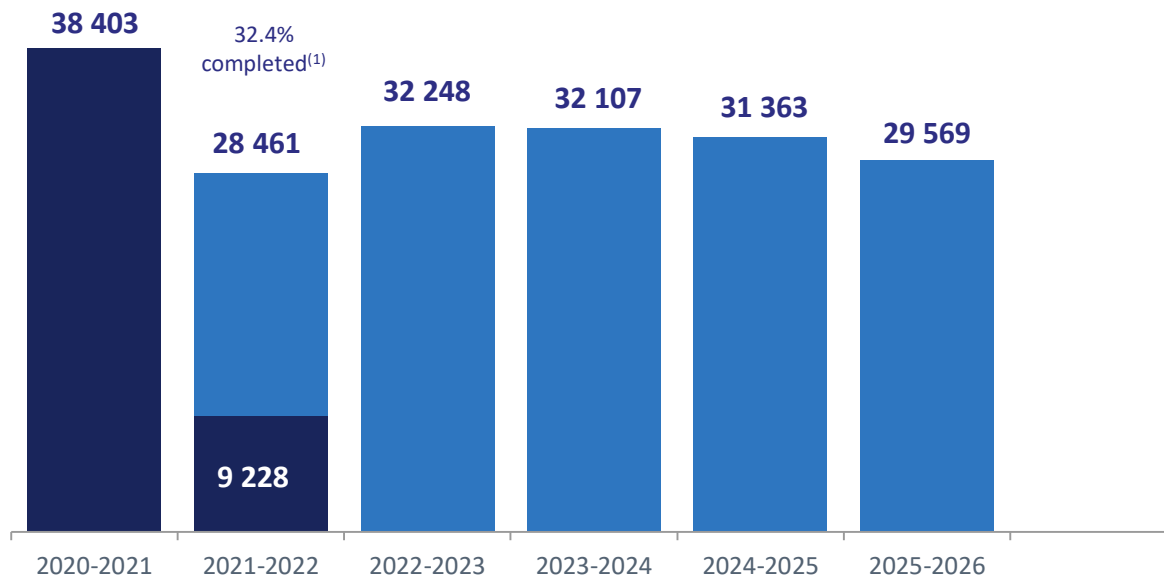
PUBLIC FINANCES AND DEBT

- In 2021-2022, the budgetary balance shows a deficit of \$12.25 billion.
 - Provisions of \$1.25 billion for economic risks and other support and recovery measures in 2021-2022 and 2022-2023, \$750 million in 2023-2024 and \$500 million annually thereafter are included in the financial framework.
 - Fiscal balance is expected to be restored by 2027-2028.
- As at March 31, 2021, the gross debt will stand at \$219.0 billion, i.e. 49.5% of GDP.
 - The gross debt-to-GDP ratio is expected to stabilize starting in 2021-2022.
 - The gross debt burden is expected to gradually decrease in the coming years, reaching 47.0% of GDP as at March 31, 2026.
 - Reducing the debt burden remains a priority for the government.

FINANCING PROGRAM

GOVERNMENT'S FINANCING PROGRAM

(millions of Canadian dollars)



Note: The fiscal year begins on April 1.

(1) As at May 17, 2021.

- The government's long-term [financing program](#) amounts to CAN\$28 461 million in 2021-2022.
 - To date, Québec has borrowed CAN\$9 228 million.
- In the next four years, the financing program is expected to average CAN\$31.3 billion per year.

BASIS OF QUÉBEC GREEN BONDS

- To demonstrate its commitment to protecting the environment and developing the Green Bond market, Québec put in place a [Green Bond program](#) in February 2017.
- Québec's Green Bond program draws on the Green Bond Principles (GBP), a set of guidelines created to increase the transparency of the issuance process, disclosure and reporting.
 - Québec has been a member of the GBP group since October 2018.
- CICERO (Center for International Climate Research) issued an independent opinion on the framework and the selection process of Québec's Green Bond program.
 - Québec's Green Bond framework was awarded the highest possible rating – dark green.

The most recent version of [CICERO's Second Opinion](#) is available on our website.

CHARACTERISTICS OF QUÉBEC GREEN BONDS

- Québec Green Bonds are used to raise capital for specific projects that generate tangible benefits in terms of environmental protection, reduction of greenhouse gas (GHG) emissions or adaptation to climate change in Québec.
- Québec Green Bonds have the same characteristics as conventional bonds in terms of price, yield, maturity and credit ratings.
- They are valid Québec bonds and rank *pari passu* with each other and with all other debt securities issued by Québec.
- Holders of these bonds do not assume any project-related risks.

QUÉBEC GREEN BONDS

- Since the implementation of its Green Bonds program in 2017, the Québec government has launched [five Green Bond issues](#), and is committed to being a regular issuer on the Green Bond market:
 - CAN\$500 million with a 5-year maturity (March 3, 2022)
 - CAN\$500 million with a 5-year maturity (March 1, 2023)
 - CAN\$500 million with a 7-year maturity (July 6, 2025)
 - CAN\$800 million with a 5-year maturity (February 22, 2024)
 - CAN\$500 million with a 7-year maturity (February 13, 2027)

Québec plans to launch a sixth Green Bond issue in the near future, subject to market conditions.

QUÉBEC'S CREDIT RATINGS, INDEX INCLUSION & EXCHANGE LISTING

| AGENCY | CREDIT RATING | OUTLOOK |
|-------------------------------------|---------------|---------|
| Moody's | Aa2 | Stable |
| Standard & Poor's (S&P) | AA– | Stable |
| Fitch | AA– | Stable |
| DBRS | AA (low) | Stable |
| Japan Credit Rating Agency (JCR) | AA+ | Stable |
| China Chengxin International (CCXI) | AAA | Stable |

| EXCHANGE |
|----------|
|----------|

Luxembourg Green Exchange (LGX) – Euro MTF Market

Note: All five previous Green Bond issues listed.

| INCLUSION IN GREEN BOND INDICES |
|---------------------------------|
|---------------------------------|

Bloomberg Barclays MSCI Green Bond Index

BofA Merrill Lynch Green Bond Index

Solactive Green Bond Index

S&P Green Bond Index

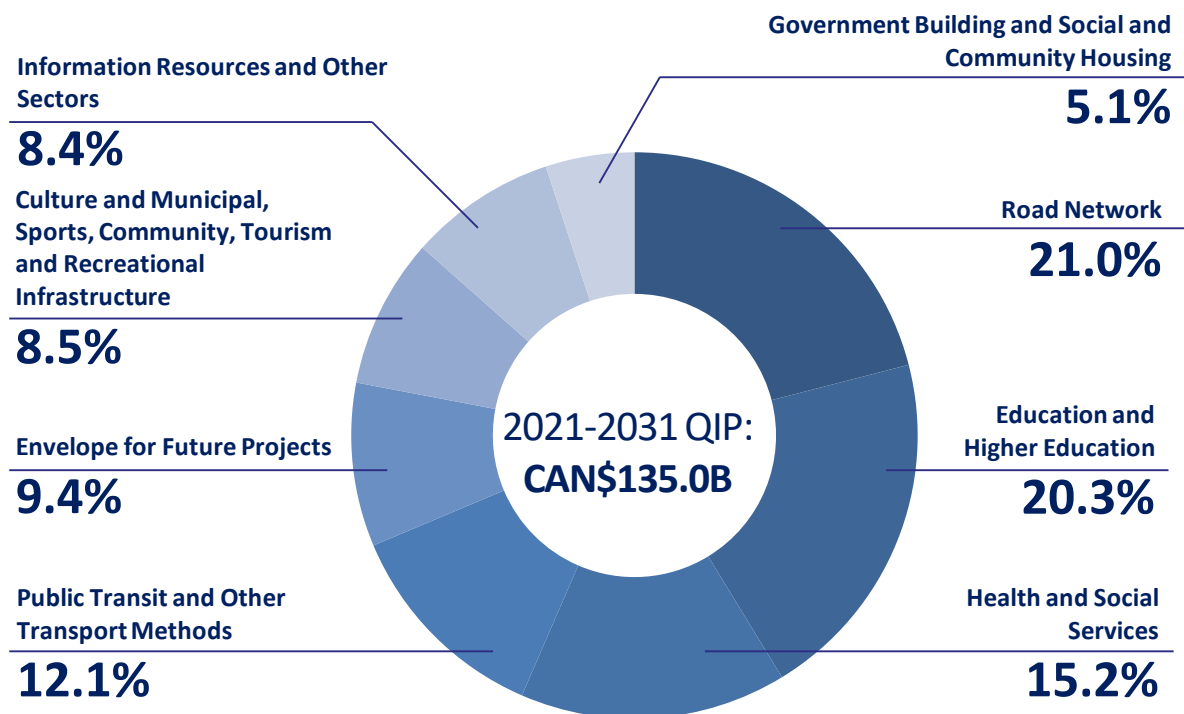
Note: All five previous Green Bond issues included.

FRAMEWORK

- Eligible green projects (excluding electricity generation projects requiring the use of fossil fuels and nuclear energy) correspond to one of the following categories:
 - Public Transit
 - Energy Efficiency
 - Renewable Energy
 - Sustainable Waste Management
 - Sustainable Land Development
 - Water Management or Water Treatment
 - Forest, Agricultural Land and Land Management
 - Climate Adaptation and Resilience

The sixth Green Bond issue should fund public transit and energy efficiency projects.

QUÉBEC INFRASTRUCTURE PLAN



- Eligible projects must be included in the Québec Infrastructure Plan (QIP).
- Exceptionally, projects not included in the QIP may be eligible if they are approved by the government and have already been taken into account in its financial framework.
- **Consequently, Green Bonds have no impact on debt reduction objectives.**

ELIGIBLE PROJECT SELECTION PROCESS

- The Green Bond Advisory Committee (GBAC) selects eligible projects complying with the standards and strict policies of the Québec government.
- The GBAC is composed of representatives from various Québec government departments and agencies:
 - Ministère des Finances (MFQ)
 - Ministère de l'Environnement et de la Lutte contre les changements climatiques
 - Ministère des Transports
 - Secrétariat du Conseil du trésor
 - Société québécoise des infrastructures
- The MFQ decides which projects selected by the GBAC will be retained for the purposes of a Green Bond issue.
- Each project must be worth over CAN\$25 million.

USE OF PROCEEDS, TRANSPARENCY AND REPORTING

- An amount equal to the net proceeds from each Green Bond issue is credited to a designated account, in order to track the use and allocation of funds related to eligible projects.
- The first disbursements required for the selected projects must be made within 12 months of the Green Bond issue or within 6 months prior to the issue.
- Québec promotes its Green Bond Program in a dedicated section of the MFQ website. It also publishes an annual information bulletin for investors.

The MFQ posted its latest [information bulletin](#) online in August 2020.

- An overview of funds allocated is available in our latest bulletin.

MARKETING STRATEGY

- The next Québec Green Bonds will be issued in Canadian dollars, as were the previous issues.
 - A domestic or MTNCAN offering format will be used.
- To diversify its investor base, Québec will consider all investors, but preference may be given to investors with green or environmental, social and governance (ESG) portfolios.
- The bond's issue size and maturity will be determined based on demand and the availability of eligible projects.
- Québec may consider reopening the issue in the future.

POTENTIAL ALLOCATION OF FUNDS

- The following [projects](#) have been designated as eligible for funding as part of the next potential Green Bond issue:
 - Montréal Métro's Blue Line Extension (financing of preliminary works)
 - New AZUR métro cars purchase
 - Réno-Systèmes and Réno-Infrastructures programs
 - Electric or hybrid bus purchase
 - Bellechasse bus garage (target: LEED Gold certification)
 - East end of Montréal bus garage (target: LEED Gold certification)
- Other eligible projects under the framework could also receive funding from this Green Bond issue.

POTENTIAL ALLOCATION OF FUNDS (cont.)

- As soon as the issue is closed, a minimum of \$217.2 million will be allocated to the following four projects:
 - a minimum of \$72.1 million will be allocated to the Montréal métro's blue line extension project
 - a minimum of \$53.0 million will be allocated to the acquisition of new Azur métro cars project
 - a minimum of \$49.6 million will be allocated to the Réno-Systèmes project
 - a minimum of \$42.5 million will be allocated to the Réno-Infrastructures project

ALIGNMENT WITH THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

- The public transit projects align with the following United Nations Sustainable Development Goals (SDG):
- LEED projects related to public transit projects align with the following United Nations SDG:

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



Information on eligible projects is available on the MFQ website.

3 GOOD HEALTH AND WELL-BEING



7 AFFORDABLE AND CLEAN ENERGY



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



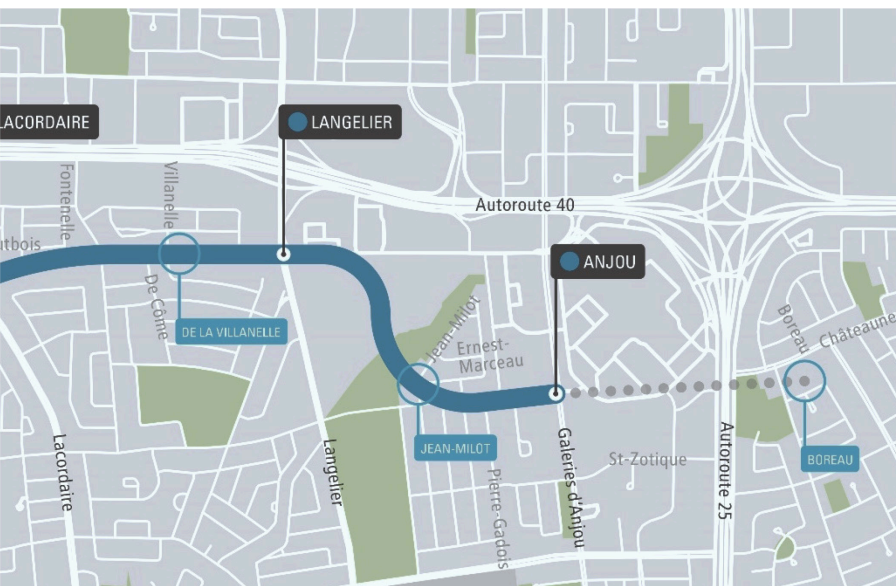


Image: Société de transport de Montréal (STM)

BLUE LINE EXTENSION

PROJECT – THE EXTENSION OF THE MONTRÉAL MÉTRO'S BLUE LINE

DESCRIPTION

- The Blue Line extension project includes:
 - 5 new universally accessible métro stations, and a tunnel length of 5.8 kilometers
 - 2 bus terminals and 1 park-and-ride lot with 1 200 spaces
 - 1 rolling stock garage (10 trains) and a maintenance pit
 - 1 underground pedestrian tunnel providing a link to the future Pie-IX bus rapid transit (BRT)
 - 6 auxiliary structures located between the stations and in the rear station



PROJECT – THE EXTENSION OF THE MONTRÉAL MÉTRO'S BLUE LINE

DESCRIPTION (cont.)

- Preparatory work started in 2020. They were completed at one site and should start at three other sites by fall 2021. With the exception of the Anjou sector, all preparatory work should be finalized by early summer 2022.

The Project aims to obtain Envision certification in sustainable development. This certification makes it possible to reduce the impacts during the construction and operation of the extension of the blue line (consumption of resources, energy, water, reduction of GHG emissions, etc.) while maximizing the benefits for the environment and the community.



PROJECT – THE EXTENSION OF THE MONTRÉAL MÉTRO'S BLUE LINE

BENEFITS

- Improve mobility in the metropolitan region of Montréal
- Promote sustainable mobility
- Support urban and economic development
- Consolidate the public transportation network

MAIN SUSTAINABILITY-RELATED ADVANTAGES

- Increase the modal share by increasing its service offer and increasing ridership
- Reduce GHGs per passenger-kilometer





Photo: Société de transport de Montréal (STM)

ACQUISITION OF AZUR MÉTRO CARS

PROJECT – NEW AZUR MÉTRO CARS

DESCRIPTION

- The project involves the Société de transport de Montréal's (STM) acquisition of 71 AZUR trains (639 cars), 38 of which are to replace the 1963 métro cars (MR-63), 7 of which are to replace the 1973 métro cars (MR-73) and 26 are additional metro cars. These new cars feature leading-edge design and technology.



BENEFITS

- Improvement of the customers' transit experience (quality of the information provided, comfort, ventilation, safety)
- Expected gains in train enhanced performance and reliability
- Contribution to the métro's universal accessibility
- Major beneficial economic impacts for Québec

PROJECT – NEW AZUR MÉTRO CARS

MAIN SUSTAINABILITY-RELATED ADVANTAGES



Thanks to the AZUR cars, the STM aims to:

- Reach 440 million public transit trips on the STM network by 2025
- Increase electric-powered travel on its network from 69.5% to 88.6% by 2025
- Reduce GHG emissions per passenger-kilometre by 6% between 2015 and 2025 (from 47.5 g of CO2 eq. per passenger-kilometre in 2015 to 44.7 g of CO2 eq. per passenger-kilometre in 2025)
- Reclaim of over 85% of the 8 200 tons of materials from the 333 MR-63 cars replaced



Photo: Société de transport de Montréal (STM)

RÉNO-SYSTÈMES AND RÉNO-INFRASTRUCTURES

PROJECT – RÉNO-SYSTÈMES AND RÉNO-INFRASTRUCTURES

DESCRIPTION

- The Réno-Systèmes program attends to the replacement, construction or refurbishment of Montréal métro's network operational stationary equipment. The Réno-Infrastructures program attends to the replacement or refurbishment of the métro infrastructure.
- The two projects are essential to improve the quality and performance of the métro service and are therefore closely linked to the AZUR métro car acquisition project, partly funded through the first two Québec Green Bond issues.



PROJECT – RÉNO-SYSTÈMES AND RÉNO-INFRASTRUCTURES

ADVANTAGES – RÉNO-SYSTÈMES

- Improvement in the reliability, availability and safety of the métro's network operational stationary equipment (fewer service outages)
- Improvement in communications (public address system)
- Improvement in response times in the event of a service outage
- Improvement in universal accessibility



PROJECT – RÉNO-SYSTÈMES AND RÉNO-INFRASTRUCTURES

ADVANTAGES – RÉNO-INFRASTRUCTURES

- Maintenance of the infrastructure's condition and reliability
- Maintenance of the métro network's availability and safety
- Improvement in universal accessibility
- Restoration of several works of art





Photo: Société de transport de Montréal (STM)

ELECTRIC OR HYBRID BUS PURCHASE

PROJECT – PURCHASE OF ELECTRIC OR HYBRID BUSES

DESCRIPTION

- The purchase of electric buses and hybrid biodiesel-electric buses is a key element in the STM's strategy toward electrification. Based on projections, the STM should hold a fleet of vehicles comprised entirely of electric and/or hybrid vehicles from 2029 onwards.



BENEFITS

- The customers' transit experience is greatly improved with the rollout of these buses, as they are quieter, more comfortable and, depending on their configuration, provide air-conditioning.

PROJECT – PURCHASE OF ELECTRIC OR HYBRID BUSES

MAIN SUSTAINABILITY-RELATED ADVANTAGES

- Increase in the bus network's passenger capacity with the addition and replacement of 916 electric or hybrid buses between 2019 and 2024 (their number should represent about 55.6% of the overall fleet by December 31, 2024)
- Increase in public transportation trips relying on electricity
- Reduced GHG emissions per passenger-kilometre as biodiesel-electric hybrid buses burn up to 30% less fuel
- Reduce GHG emissions per seat-kilometre from buses by 6.6% (from 33.3 g CO₂ eq. per seat-kilometre in 2015 to 31.1 g CO₂ eq. per seat-kilometre in 2025)

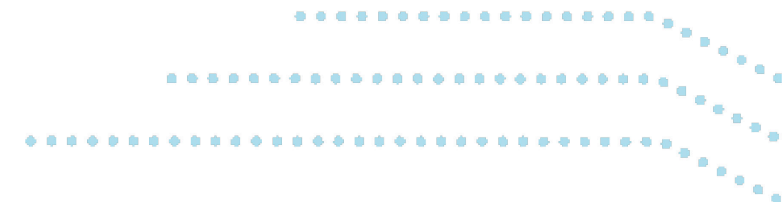




Photo: Société de transport de Montréal (STM)

BELLECHASSE BUS GARAGE (LEED)

LEED PROJECT – BELLECHASSE BUS GARAGE



DESCRIPTION



- The Bellechasse bus garage will be the STM's first garage designed to be able to accommodate electric buses as soon as it opens and, ultimately, a fleet of 100% electric buses. This new centre will thus contribute to the Québec government's electrification plan.
- This project, as part of the STM's strategy to add 300 new air-conditioned hybrid buses to its fleet, announced in January 2018, will also allow an increase in the service offer.

In addition, the STM aims to obtain LEED Gold level certification for this new building, one of the highest certification in the industry, in order to meet the objectives of sustainable development.

LEED PROJECT – BELLECHASSE BUS GARAGE

DESCRIPTION (cont.)

- This bus garage will accommodate up to 250 buses. The layout of the building will be planned to accommodate new technologies and therefore, allow the maintenance of all types of vehicles (standard, hybrid and electric). This concept of multistage underground building with indoor circulation will also reduce noise in the neighborhood and will include an annex for the “client revenues” service.
- The innovative concept of the bus garage will improve working conditions and help improve the quality of life in the area. The administrative sections and certain zones dedicated to employees will be universally accessible.
- The garage is scheduled to open in 2022.



LEED PROJECT – BELLECHASSE BUS GARAGE

MAIN SUSTAINABILITY-RELATED ADVANTAGES

- Energy savings and reduction in GHG emissions thanks to a high energy efficiency system
- Reduction of heat islands thanks to significant greening, part of which will be accessible to the public
- Reduction in drinking water consumption thanks to efficient equipment and the recycling of water from the bus wash
- Maximized diversion rate from the landfilling of construction, renovation and demolition residues/waste





EAST END OF MONTRÉAL BUS GARAGE (LEED)

Photo: Société de transport de Montréal (STM)

Note: Please note that this photo is for illustrative purposes only.
This is the Stinson bus garage, in operation since January 2014.

LEED PROJECT – EAST END OF MONTRÉAL BUS GARAGE

DESCRIPTION

- As part of its strategy to add 300 new air-conditioned hybrid buses, announced in January 2018, the STM is advancing the construction of a bus garage, the East End of Montréal bus garage, which is scheduled to be in service in 2026.
- It will allow the STM to continue the electrification of its fleet thanks to the construction of a second bus garage that will eventually be able to accommodate a fully electric bus fleet.
- This new bus garage will allow an increase in the service offer, which will contribute to the modal shift from car to public transport.

In addition, the STM aims to obtain LEED Gold level certification for this new building, one of the highest certification in the industry, in order to meet the objectives of sustainable development.



LEED PROJECT – EAST END OF MONTRÉAL BUS GARAGE

DESCRIPTION (cont.)

- The project consists of the construction of a bus garage that can accommodate 250 hybrid-powered buses and, ultimately, electric buses, integrating all the functionalities required to operate a public transit network and the maintenance of buses, namely: storage, parking and traffic areas; access to the site; the multipurpose bays required for the maintenance of buses; warehouses, mechanical and electrical rooms as well as the required administrative spaces.
- The administrative sections and certain zones dedicated to employees will be universally accessible.



LEED PROJECT – EAST END OF MONTRÉAL BUS GARAGE

BENEFITS

- Site revitalization and beautification of the adjacent residential area
- Contribution to the economic and urban development vision of the Assomption Sud–Longue-Pointe sector

MAIN SUSTAINABILITY-RELATED ADVANTAGES

- Energy saving and reduced GHG emissions, thanks to a high energy efficiency system
- Reduction in drinking water consumption, thanks to efficient equipment and the recycling of water from the bus wash
- Maximized diversion rate from the landfilling of construction, renovation and demolition residues/waste
- Site development integrating green spaces and reducing heat islands



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