



GREEN BOND PROGRAM

May 2022

ECONOMIC OUTLOOK

- The Québec economy revived impressively in 2021. Real GDP grew by 6.3% following a 5.5% decline in 2020.
 - Growth in economic activity in Québec should reach 2.7% in 2022 and 2.0% in 2023.
- In December 2021, employment exceeded its pre-pandemic level (100.1% of the February 2020 level).
 - In 2021, 169 400 jobs were created. The creation of 98 400 jobs is anticipated in 2022 and 59 400 jobs in 2023.
- The unemployment rate fell from 8.9% in 2020 to 6.1% in 2021. It should reach 5.0% and 4.7% in 2022 and 2023, respectively.
- Exports surged in 2021, up by 5.2% following a 7.9% decline in 2020.
 - A 3.9% increase is expected in 2022.

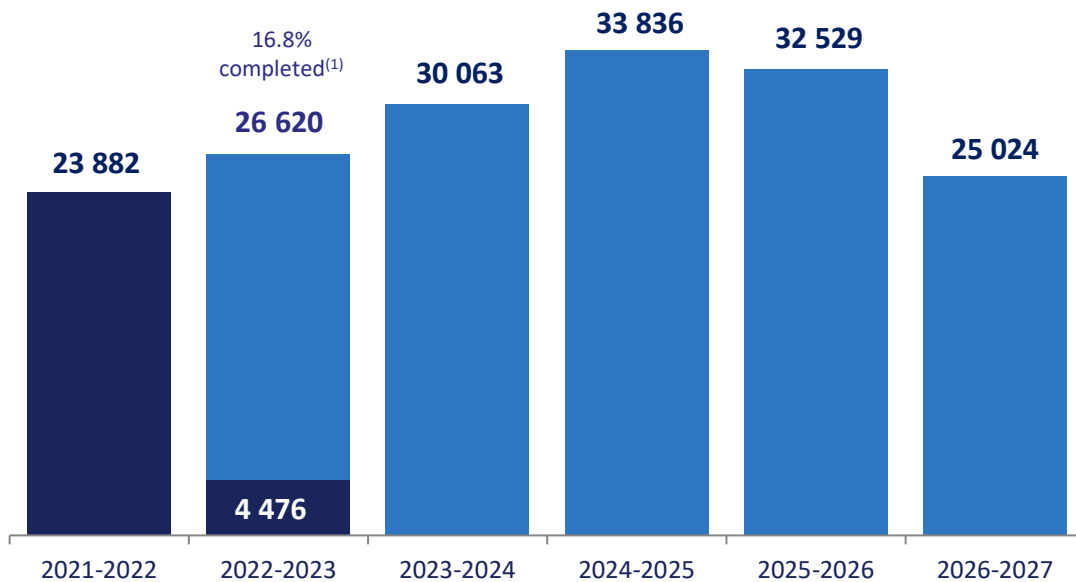
BUDGETARY SITUATION AND DEBT

- For 2021-2022, the budgetary balance shows a deficit of \$7.4 billion.
- For 2022-2023, after deposits in the Generations Fund, the budgetary balance should show a deficit of \$6.5 billion.
 - The government deems the restoration of sound public finances to be a priority. A return to a balanced budget is still forecast by 2027-2028.
- Gross debt as at March 31, 2022 stood at \$215.3 billion, equivalent to 43.1% of GDP, which is equivalent to the pre-pandemic level.
 - The proportion of the gross debt should decline gradually in the coming years to 41.9% of GDP as at March 31, 2026, which is below the objective of 45%.
 - The reduction in the debt burden remains a priority for the government.

FINANCING PROGRAM

The government's financing program

(in millions of Canadian dollars)



Note: The fiscal year begins on April 1.

(1) As at May 11, 2022.

- The government's long-term [financing program](#) stands at CAD\$26 620 million in 2022-2023.
 - To date, we have borrowed \$4 476 million, equivalent to 16.8% of the financing program for the year.
- For the four subsequent years, the financing program should reach, on average, \$30.4 billion annually.

BASES OF QUÉBEC'S GREEN BONDS

- To demonstrate its commitment to environmental protection and the development of the green bond market, Québec established a [Green Bond Program](#) in February 2017.
- The program is based on the *Green Bond Principles* (GBP), a set of guidelines created to render more transparent the issuance, disclosure and reporting process.
 - Québec has been a member of the group that adheres to the GBP since October 2018.
- The Center for International Climate Research (CICERO) has issued an independent opinion on the framework and the selection process under Québec's Green Bond Program.
 - The framework of Québec's green bonds has obtained the highest rating, i.e., dark green.

The most recent version of [CICERO's second opinion](#) is available on the [Ministère des Finances website](#).

- Québec expects to finish updating its framework in the coming months.

CHARACTERISTICS OF QUÉBEC'S GREEN BONDS

- Québec's Green Bonds are used to raise capital earmarked for specific projects that engender tangible benefits for Québec in the realm of environmental protection, greenhouse gas (GHG) emission reduction, or adaptation to climate change.
- Québec's Green Bonds display the same characteristics as conventional bonds from the standpoint of price, yield, maturity and credit ratings.
- They constitute valid Québec bonds and rank *pari passu* with each other and with all other debt issued by Québec.
- Bond holders do not assume any risk linked to the projects.

ISSUES OF QUÉBEC'S GREEN BONDS

- Since the Green Bond Program's inception in 2017, the Québec government has launched [six Green Bond issues](#) for a total of CAD\$3.3 billion. It has committed itself to continue to be a regular issuer on the green bond market:
 - a CAD\$500-million issue with a 5-year maturity (matured on March 3, 2022)
 - a CAD\$500-million issue with a 5-year maturity (maturing March 1st, 2023)
 - a CAD\$500-million issue with a 7-year maturity (maturing July 6, 2025)
 - a CAD\$800-million issue with a 5-year maturity (maturing February 22, 2024)
 - a CAD\$500-million issue with a 7-year maturity (maturing February 13, 2027)
 - a CAD\$500-million issue with a 10-year maturity (maturing May 27, 2031)

Québec expects to shortly launch a seventh Green Bond issue if market conditions allow.

QUÉBEC'S CREDIT RATINGS, STOCK EXCHANGE AND INCLUSION IN GREEN INDEXES

AGENCY	CREDIT RATING	OUTLOOK
Moody's	Aa2	Stable
Standard & Poor's (S&P)	AA–	Stable
Fitch Ratings	AA–	Stable
DBRS Morningstar	AA (low)	Stable
Japan Credit Rating Agency (JCR)	AA+	Stable

STOCK EXCHANGE

Luxembourg Green Exchange (LGX) – Euro MTF Market

Note: The six previous bond issues are listed.

INCLUSION IN GREEN INDEXES

Bloomberg Barclays MSCI Green Bond Index

ICE BofA Merrill Lynch Green Bond Index

Solactive Green Bond Index

S&P Green Bond Index

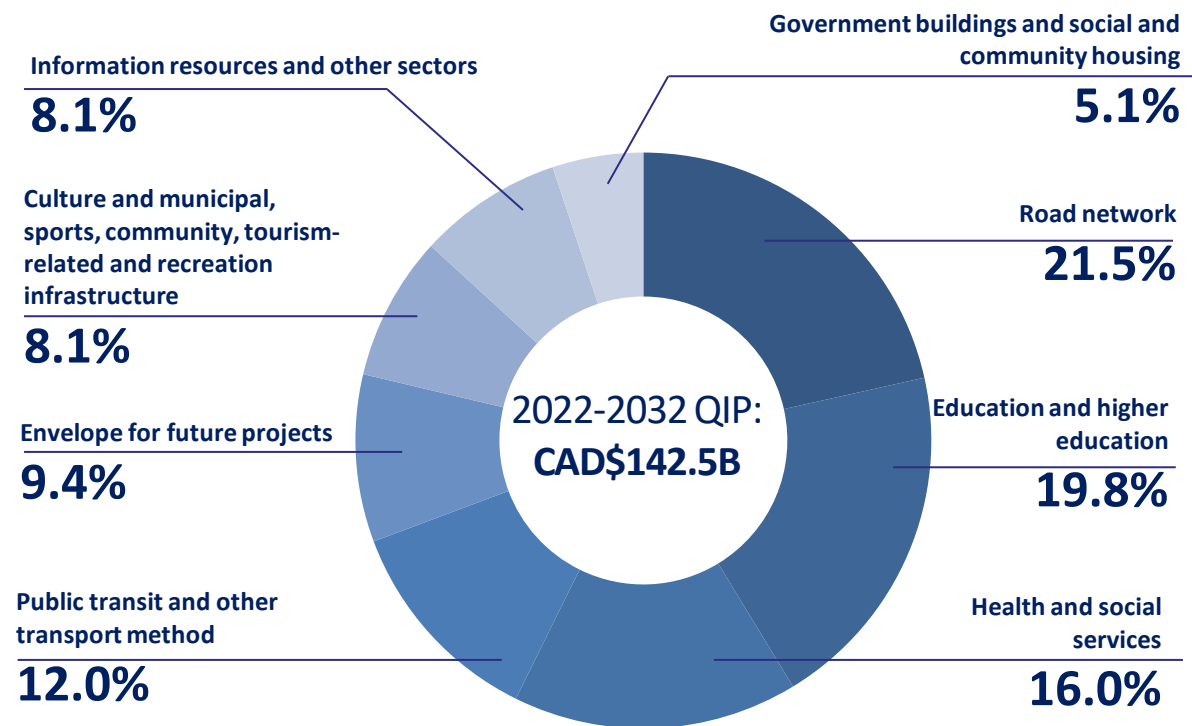
Note: The six previous bond issues are included.

FRAMEWORK

- Eligible green projects must fall into one of the following categories:
 - public transit
 - energy efficiency
 - renewable energy
 - sustainable waste management
 - sustainable land development
 - water management and/or water treatment
 - forest, agricultural land and land management
 - climate adaptation and resilience
- Electricity generation projects involving fossil fuels or nuclear energy are excluded.

The seventh Green Bond issue should finance 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, the Green Bonds have no impact on Québec's debt reduction targets.

PROJECT SELECTION PROCESS

- The Green Bond Advisory Committee (GBAC) chooses the eligible projects that meet the Québec government's rigorous standards and policies of the Québec government.
- The GBAC comprises representatives of government departments and bodies:
 - 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
 - the Société québécoise des infrastructures
- When Green Bonds are issued, the MFQ selects the projects from a list of projects approved by the GBAC.
- Each project must be worth more than CAD\$25 million.

USE OF THE PROCEEDS, TRANSPARENCY AND ACCOUNTABILITY

- An amount equal to the net proceeds from each the Green Bond issue is credited to a designated account in order to track the use and allocation of funds related to eligible projects.
- The initial disbursements for the projects selected must be carried out within 12 months of the Green Bond issue or within the six months preceding their issuance.
- Québec promotes its Green Bond program in a section of the MFQ website reserved for this purpose. Moreover, it publishes an annual information bulletin for investors.

The MFQ put its most recent [information bulletin](#) online in July 2021.

- The most recent information bulletin summarizes the allocation of funds.

MARKETING STRATEGY

- The next Québec Green Bonds will be issued in Canadian dollars, as were the previous issues.
 - A domestic or “MTN CAN” (medium-term notes on the Canadian market) offering format will be used.
- To diversify its investor base, Québec will consider the entire array of investors but may give preference to those that have green or ESG (environmental, social and governance) mandates.
- The size and maturity of the bond issue will be determined according to demand and the availability of eligible projects.
- Québec may reopen this issue in the future.

POTENTIAL ALLOCATION OF FUNDS

- In addition to the [projects](#) financed by previous Québec Green Bond issues, , three new projects that met the selection criteria have been designated as eligible for funding as part of the next potential Green Bond issue:
 - the Québec City tramway
 - the Montréal métro Accessibility program
 - the Société de transport de Montréal's bus garage electrification program
- Other projects that are eligible under the framework could also receive funds from the forthcoming issue.
- The funds in their entirety should be allocated when the issue closes.

ALIGNMENT WITH THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS

- Public transit projects are in keeping with the following United Nations sustainable development goals (SDGs):
- LEED projects related to public transit are in keeping with the following United Nations SDGs:

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



To obtain information on all the eligible projects, please visit 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





ACCESSIBILITY PROGRAM

Photo: Société de transport de Montréal.

PROJECT – ACCESSIBILITY PROGRAM

DESCRIPTION

- In 2016, the Société de transport de Montréal (STM) launched the Accessibility Program. It seeks to enhance physical access to the STM's Métro infrastructure, facilitate vertical travel, further build customer loyalty and improve customer service.
- What is more, the program should facilitate the transfer of part of the clientele for paratransit to the regular network.
- At the present time, 19 stations are universally accessible, elevators are being installed in 11 stations and 4 stations are at various stages of design (engineering) for future accessibility work.
- The stations to be made accessible have been chosen according to passenger traffic and their distribution on the network.



PROJECT – ACCESSIBILITY PROGRAM

MAIN SUSTAINABILITY-RELATED ADVANTAGES

- Broader reliance on public transit through the regular network, which will reduce travel-related airborne emissions
- A diversion rate of at least 75% of construction, renovation and demolition waste
- LED lighting in new entrances
- Limitation of heat islands by means of exterior layouts that can maximize greening with low-maintenance species
- The creation of a green roof is contemplated when new entrances must be built



PROJECT – ACCESSIBILITY PROGRAM

MAIN SOCIAL BENEFITS

- Public transit is made accessible to the greatest number of users, especially passengers with functional limitations, the elderly and families with young children travelling with strollers
- Commitments by STM stakeholders:
 - consider the needs specified in recent years by passengers with functional limitations expressed in recent years
 - evaluate social acceptability by means of feasibility studies
 - adopt mitigation measures during the work to limit nuisance for the clientele, residents and vehicle traffic





BUS GARAGE ELECTRIFICATION PROGRAM

Photo: Société de transport de Montréal.

PROJECT – BUS GARAGE ELECTRIFICATION PROGRAM

DESCRIPTION

- The purchase of electric and biodiesel-electric hybrid buses is a key facet of the STM's electrification strategy. According to projections, by 2030 the STM should have a bus fleet composed entirely of electric or hybrid vehicles.
- The proposed electrification of the eight bus garages is an essential condition for the completion of the proposed acquisition and operation of an electric bus fleet.
- The electrification program focuses on the planning and introduction of electrification in existing and future garages.
- This electrification rollout strategy seeks to adapt the garages to allow for the recharging of electric buses while reducing impacts on their operations.
- The pantograph charging technology has been selected to recharge the buses. Electric buses that rely on this technology have considerable autonomy and can travel distances that vary according to the amount of energy in the batteries. The pantographs will be installed in the ceilings of the transportation centres.



PROJECT – BUS GARAGE ELECTRIFICATION PROGRAM

MAIN SUSTAINABILITY-RELATED ADVANTAGES

- The program's benefits include those [related to the operation of electric buses](#):
 - an increase in electric-powered public transit trips that brings the STM closer to its objective of increasing to 88.6% the proportion of electric-powered trips by 2025
 - a reduction in greenhouse gas (GHG) emissions per passenger-kilometre since biodiesel-electric hybrid buses consume up to 30% less fuel
 - a contribution to the 6.0% reduction of the GHG emissions per seat-kilometre from buses (from 33.1 g of CO₂ eq. in 2015 to 31.1 g of CO₂ eq. per seat-kilometre in 2025)



PROJECT – BUS GARAGE ELECTRIFICATION PROGRAM

MAIN SUSTAINABILITY-RELATED ADVANTAGES (continued)

- The electrification project has other sustainable development benefits, especially from the standpoint of:
 - energy efficiency
 - the chargers chosen will have a high efficiency (beyond 95%) in order to limit the release of heat in the garage
 - charging equipment will use a charge optimizing solution to reduce energy costs
 - responsible procurement
 - waste management





Photo: Québec City.

QUÉBEC CITY TRAMWAY

PROJECT – QUÉBEC CITY TRAMWAY

DESCRIPTION

- Québec City is implementing the tramway, the biggest infrastructure project in its history. It reflects the priorities of the governments of Québec and Canada with respect to sustainable mobility:
 - improve travel
 - reduce air pollution
 - bolster communities
 - spur economic growth
- Spanning 19.3 km, this modern, all-electric tramway will serve as the backbone of an enhanced public transit network throughout the city.
 - 29 stations, i.e. 5 transit hubs, 22 surface stations and 2 underground stations
 - a 1.8-km tunnel
 - 1 operations and maintenance centre



PROJECT – QUÉBEC CITY TRAMWAY

DESCRIPTION (continued)

- The comfortable tramway will operate on a fixed schedule with frequent service. It will offer an attractive transportation solution that will alleviate road conditions, reduce environmental impact and enhance the quality of life of residents.
- The Québec City tramway will be integrated into the proposed Réseau express de la Capitale (REC) and current and future service offerings of the future Réseau de transport de la Capitale (RTC). The tramway network will benefit the residents of the Québec City agglomeration and neighbouring municipalities. For example, it will be possible to park free of charge in a Parc-O-Bus before entering heavily congested zones. The routes of many of the buses using these reserved lanes will connect with the tramway's stations and transit hubs.
- Depending on the sectors, the new network will thus capitalize on transportation solutions adapted to travel needs in the agglomeration.
- Among public transit users, 82% will improve their travel time. By 2041, 13 million additional users will opt for public transit, for a total of 49.5 million trips, up 40%.



PROJECT – QUÉBEC CITY TRAMWAY

BENEFITS

- Enhanced travel
 - Improved transportation offerings
 - Enhanced mobility and accessibility
 - Limitation of the deterioration in traffic conditions
- Substantial positive economic spinoff for Québec City
- An incentive for active transportation
- Improved urban infrastructure
- Redevelopment of public spaces and revegetation that contributes to the quality of life



PROJECT – QUÉBEC CITY TRAMWAY

MAIN SUSTAINABILITY-RELATED ADVANTAGES

- Reduced GHG emissions
- Improved air quality
- Mitigation of heat islands in urban environments



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