



INDEPENDENT AUDITOR'S REPORT ON THE CHANGES IN THE BALANCE OF THE PROCEEDS OF GREEN BONDS ISSUED BY THE GOVERNMENT OF QUÉBEC

To the Ministère des Finances

I have audited the accompanying Table of changes in the balance of green bond proceeds for the fiscal year ended March 31, 2017, and the notes accompanying it (the "Table"). The Table has been prepared by management based on the provisions of the basis of accounting defined in Note 2 accompanying the Table.

Management's Responsibility for the Table

Management of the Ministère des Finances is responsible for the preparation of the Table in accordance with the basis of accounting defined in Note 2; this includes determining that the basis of accounting is an appropriate method for the preparation of the Table in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the Table that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the Table based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Table is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Table. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Table, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Table in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Table.

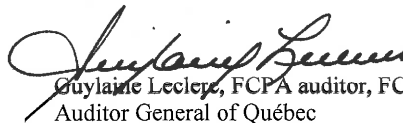
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the Table of changes in the balance of green bond proceeds for the fiscal year ended March 31, 2017, is prepared, in all material respects, in accordance with the basis of accounting defined in Note 2 accompanying the Table.

Basis of Accounting and Restriction on Use

Without modifying my opinion, I draw attention to Note 2 to the Table, which describes the basis of accounting applied. The Table has been prepared in order to allow the Government of Québec to present the Table of changes in the balance of green bond proceeds. As a result, the Table may not be suitable for another purpose. It is the Government of Québec's responsibility to determine the eligibility of projects under the Québec Green Bond Program and to ensure that the amounts paid have in fact been used for these projects. Therefore, I do not express an opinion thereon.

 *FCPA Auditor, FCA*
Guylaine Lecleyp, FCPA auditor, FCA
Auditor General of Québec

Québec, December 15, 2017

MINISTÈRE DES FINANCES DU QUÉBEC

**Table of changes in the balance of green bond proceeds
Fiscal year ended March 31, 2017**

Proceeds from the March 3, 2017 green bond issue	\$498,725,000
Amounts paid to the Société de transport de Montréal for the AZUR project	(248,825,000)
Balance as at March 31, 2017	<u>\$249,900,000</u>

Notes

1. Background

The Government of Québec has set up a green bond program during the 2016-2017 fiscal year. A first issue with a par value of 500 million Canadian dollars took place on March 3, 2017. Green bonds are used to raise capital that is earmarked for specific projects in order to generate tangible benefits for Québec in the areas of protection of the environment, reduction of greenhouse gas emissions or adaptation to climate changes.

2. Basis of Accounting

The table, prepared by management, presents the changes in the balance of green bond proceeds on a cash basis. Green bond proceeds are deposited in a designated account and debited from it when the selected projects require funding. Unused amounts can be invested in short-term securities.

Projects eligible for the Québec Green Bond Program are approved by the Government of Québec, and it is its responsibility to ensure that the amounts paid have been used for these projects.

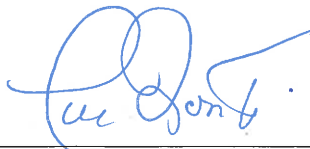
3. Interest earned on the designated account

The interest earned on the proceeds in the designated account cannot be used to finance any project related to green bonds and is remitted to the Consolidated Revenue Fund of the Province of Québec.

4. Entity beneficiary of the amounts paid

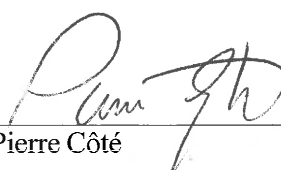
The AZUR project is under the responsibility of the Société de transport de Montréal, which is not included in the Government's reporting entity.

Deputy Minister of Finance,



Luc Monty

Associate Deputy Minister, Federal-provincial
relations, debt management, retirement plans
and financial operations,



Pierre Côté