



GREEN BOND PROGRAM

November 2022

ECONOMIC OUTLOOK

- The Québec economy recovered in 2021. After a historic decline of 5.5% in 2020, real GDP grew by 5.6%.
 - In 2021, economic growth was stronger in Québec than in Canada (+4.5%).
- Economic activity will continue to grow despite the risks inherent in the forecasted scenario.
 - Real GDP increases of 3.4% in 2022 and 1.7% in 2023 are expected.
- In 2021, 169 400 jobs were created. The creation of 128 000 jobs is anticipated in 2022 and 49 500 jobs in 2023.
- The unemployment rate fell from 8.9% in 2020 to 6.1% in 2021. It should reach 4.2% and 3.9% in 2022 and 2023, respectively.
- Exports surged in 2021, up 4.6% following a 7.9% decline in 2020.
 - Increases of 2.1% and 3.0% are expected for 2022 and 2023 respectively.

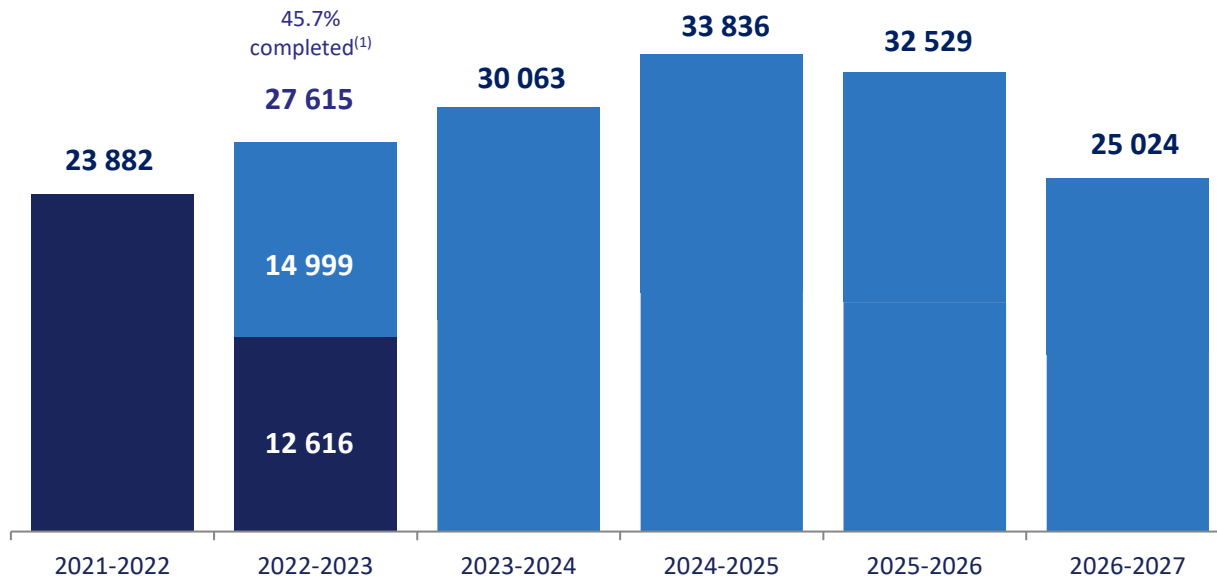
BUDGETARY SITUATION AND DEBT

- Taking into account the deposits of \$3 617 million in dedicated revenues in the Generations Fund, the budget balance for the fiscal ended March 31, 2022 shows a deficit of \$772 million. Within the meaning of the *Balanced Budget Act*, the government has achieved a balanced budget by using the stabilization reserve for an equivalent amount.
- For 2022-2023, after deposits in the Generations Fund, the budgetary balance should show a deficit of \$1.7 billion.
 - The government deems the restoration of sound public finances to be a priority.
- As at March 31, 2022, the gross debt is estimated at \$211.0 billion, that is, 41.8% of GDP, which is lower than the pre-pandemic level, and below the 45% objective.
 - The *Act to reduce the debt and establish the Generations Fund* stipulates that, for fiscal 2025-2026, the gross debt must not exceed 45% of GDP.
 - 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 November 14, 2022.

- The government's adjusted long-term [financing program](#) stands at CAD\$27 615 million in 2022-2023.
 - To date, we have borrowed \$12 616 million, which is equivalent to 45.7% 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.
 - Québec updated its framework in July 2022.
- The program is based on the Green Bond Principles (GBP), a set of guidelines created to make the issuance, disclosure and reporting process more transparent.
 - Québec has been a member of the group that adheres to the GBP since October 2018.
- The Center for International Climate Research (CICERO) has updated its independent opinion on Québec's new framework.
 - The Québec green bond framework 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](#).

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 seven [Green Bond issues](#) for a total of CAD\$4.3 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)
 - a CAD\$1-billion issue with a 10-year maturity (maturing May 20, 2032)

Québec expects to shortly launch an eighth 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)	AAA	Stable

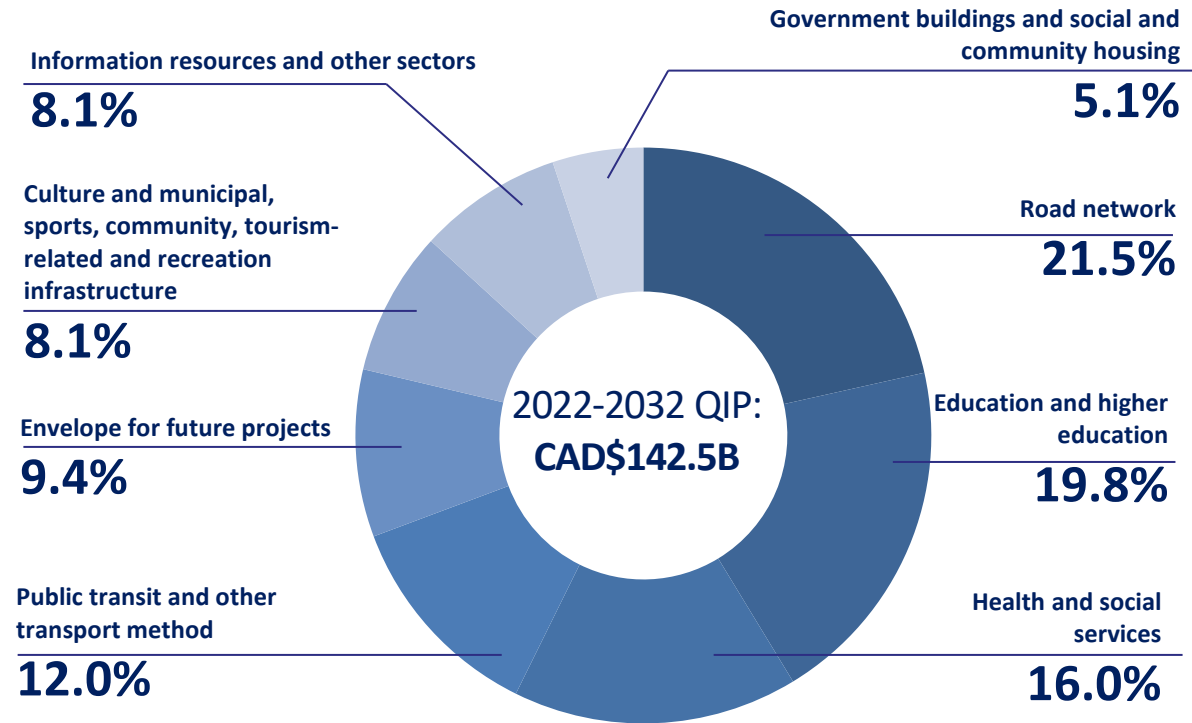
STOCK EXCHANGE
Luxembourg Green Exchange (LGX) – Euro MTF Market
Note: The first seven bond issues are listed.
INCLUSION IN GREEN INDEXES
Bloomberg Barclays MSCI Green Bond Index
ICE BofA Merrill Lynch Green Bond Index
Solactive Green Bond Index
S&P Green Bond Index
Note: The first seven bond issues are included.

FRAMEWORK

- In the updated framework, Québec has removed five project categories and added a new category (Green Buildings), to reflect more closely the actual investments that it will finance through green bonds.
- Eligible green projects must therefore fall into one of the following categories:
 - Clean Transportation
 - Green Buildings
 - Sustainable Water and Wastewater Management
 - Climate Change Adaptation
- The net proceeds for green bonds will not be allocated to projects 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.

The eighth Green Bond issue should primarily finance clean transportation.

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.
- 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
- 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 MFQ decides which projects included in the eligible projects pool by the GBAC will receive funding from a green bond issue.

USE OF PROCEEDS, TRANSPARENCY AND ACCOUNTABILITY

- 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 the new financing or refinancing of eligible projects.
- The green bond's net proceeds can be applied towards new financing or refinancing of eligible projects with a look back period of up to 12 months.
- The net proceeds from green bonds are expected to be fully allocated to eligible Green Projects in the 12 months following an issue.
- 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 Green Bond [information bulletin](#) online in August 2022.

- 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

- The next green bond issue is expected to primarily finance the following selected clean transportation projects:
 - [the Montréal métro's blue line extension](#)
 - [Réno-Systèmes](#) and [Réno-Infrastructures](#)
 - [the Montréal metro Accessibility program](#)
 - [the Québec City tramway](#)
- Other projects that are eligible under the framework could also receive funds from the forthcoming issue.

To obtain information on all the eligible projects selected by the GBAC, please visit the [MFQ website](#).

POTENTIAL ALLOCATION OF FUNDS (cont.)

- As soon as the issue is closed, a minimum of \$800 million should be allocated to the following five projects:
 - a minimum of approximately \$467 to the Montréal métro's blue line extension project
 - a minimum of approximately \$136 million to the Réno-Systèmes project
 - a minimum of approximately \$100 million to the Accessibility program
 - a minimum of approximately \$51 million to the Réno-Infrastructures project
 - a minimum of approximately \$46 million to the Québec City tramway

ALIGNMENT WITH THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS

- Clean transportation projects are in keeping with the following United Nations sustainable development goals (SDGs):

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



13 CLIMATE ACTION



- Green buildings projects related to public transit are in keeping with the following United Nations SDGs:

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



13 CLIMATE ACTION





BLUE LINE EXTENSION

Credit: Société de transport de Montréal (STM)



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 5.6 kilometres
 - 2 bus terminals
 - 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)
 - 1 pedestrian link with the Anjou station
 - 6 new auxiliary structures and modification of the existing one at Saint-Michel station

The Project aims to obtain Envision certification in sustainable development. Compliance with 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

- Improved mobility in the metropolitan region of Montréal
- Promotion of sustainable mobility
- Support for urban and economic development
- Consolidation of the public transportation network

MAIN SUSTAINABILITY-RELATED ADVANTAGES

- Increase in the modal share by increasing its service offer and increasing ridership
- Reduction of GHGs per passenger-kilometre





Credit: 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 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 with clients (public address system and visual)
- Improvement in response times in the event of a service outage and reduced occurrence of outages
- 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
- Upgrade of signage





ACCESSIBILITY PROGRAM

Credit: 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 Accessibility program, together with the ongoing initiative of the “Programme d'apprentissage au transport collectif destiné à la clientèle ayant des limitations fonctionnelles”, should facilitate the transfer of part of the clientele for paratransit to the regular network.
- The STM aims to make more stations accessible by 2028:
 - The stations to be made accessible have been chosen according to passenger traffic and their distribution on the network.
 - These new stations will contribute to provide coverage that meets the main needs of passengers with functional limitations, while helping to tend towards a balanced distribution in the network.



PROJECT – ACCESSIBILITY PROGRAM

DESCRIPTION (cont.)

- Currently:
 - 19 stations are universally accessible
 - 11 are under construction for the installation of elevators
 - 3 are in planning (engineering) for future accessibility work



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 of 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





Credit: Québec City.

QUÉBEC CITY TRAMWAY

PROJECT – QUÉBEC CITY TRAMWAY

DESCRIPTION

- The city of Québec 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. The tramway project will foster:
 - improved mobility
 - the fluidity of traffic
 - reducing air pollution
 - harmonious coexistence with all road users, without exception
 - strengthening communities
 - 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 (cont.)

- 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 is also intended to allow citizens from outlying areas to integrate the public transport network before entering areas with high congestion, by various means – Parc-O-Bus, eXpress, Métrobus, tramway – while guaranteeing reliability, flexibility and speed of service to users.
- 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. With the tramway, there will be 10 million additional trips by public transport per year. And by 2028, 45 million public transit trips will take place per year - a 30% increase.



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 the city of Québec
- An incentive for active transportation
- Improved urban infrastructure
- Contribution to quality of life through the redevelopment of public spaces and revegetation



PROJECT – QUÉBEC CITY TRAMWAY

MAIN SUSTAINABILITY-RELATED ADVANTAGES

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



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