

ONTARIO GREEN BOND Q&A's

1. What are Green Bonds?

Green Bonds are debt securities where the issue proceeds are utilized to fund projects with specific environmental benefits. Green Bonds are a funding tool to help Ontario finance transit and other environmentally friendly projects across the Province.

2. What are the benefits to Ontario in issuing Green Bonds?

Participating in the Green Bond market provides an opportunity for Ontario to broaden its investor base and raise additional funding in this rapidly growing sector of the bond market. In addition, Green Bonds raise awareness of climate and environmental challenges and allow investors to support green initiatives.

Ontario's first Green Bond was issued on October 2nd, 2014 in global format and denominated in Canadian dollars. This transaction leveraged international investor interest and benefitted from strong trading liquidity supported by Ontario's Canadian dollar syndicate. It also solidified Ontario's presence in the Green Bond market as well as bringing visibility to the Province by encouraging investments in sustainable projects. Green Bonds are still a fairly new product in Canada, although they are well established in the US dollar and Euro markets.

3. What types of projects are eligible for Green Bonds?

Ontario's Green Bond Framework sets out the types of projects that may be eligible for Green Bonds.

Without limitation, projects that have environmental benefits as determined by the Province and fall into the following categories are generally considered eligible, excluding fossil fuel and nuclear energy projects:

1. Clean transportation
2. Energy efficiency and conservation
3. Clean energy and technology
4. Forestry, agriculture and land management
5. Climate adaptation and resilience

Ontario's Green Bond proceeds fund project categories which support the United Nations Sustainable Development Goals.

4. How are Green Bond projects selected?

The selection of eligible green projects is done on behalf of the Province by Ontario Financing Authority (OFA) staff with advice from the Province's Green Bond Advisory Panel (GBAP). The GBAP panel screens and evaluates potential projects and includes staff from various ministries and agencies, including the Ministry of the Environment, Conservation and Parks and the OFA.

The Eglinton Crosstown Light Rail Transit (LRT) was selected as the first green project to receive funding from Ontario's inaugural Green Bond issue.

5. How do I submit projects to the Green Bond Advisory Panel?

The Green Bond Advisory Panel does not accept Green Bond project submissions directly from the broader public and only fully approved government projects of the Province of Ontario can be considered for Ontario's Green Bonds. Ontario Government ministries or agencies can propose projects to the Province's Green Bond Advisory Panel (GBAP) after the project has been fully approved. For the purposes of the GBAP, the term "fully approved" is defined as spending authority having been granted through voted appropriation under the Supply Act and Estimates. Selection criteria are then applied by the GBAP to assess the suitability of proposed eligible projects for inclusion in Ontario's Green Bond program.

6. How are the Green Bonds issued?

The Province issued its inaugural Green Bond as a Canadian dollar denominated global bond. Future Green Bonds may be issued in Canadian dollars, US dollars or other currencies and may be issued domestically or globally. Green Bonds are part of the Province's overall borrowing program. Ontario has a mature Green Bond program and expects Green Bonds to continue having an important role in the Province's annual borrowing.

7. How is the allocation of funds to eligible Green Bond projects tracked?

An amount equal to the net proceeds of each Green Bond issue is recorded in a designated account in the Province's financial records and the account is used to track the use of and allocation of funds to eligible projects. Deductions from the designated account reflect the allocation or spending on eligible projects that is taking place in accordance with usual government appropriation and spending processes.

Green Bond proceeds are paid into the Province's Consolidated Revenue Fund and not into a segregated account. They are invested short term as part of the Consolidated Revenue Fund of Ontario until the money is required as the selected projects are funded.

Updates on the selected green projects, and allocation of funds to these projects, are reported to investors in an annual newsletter on the website of the Ontario Financing Authority.

8. Are Ontario Green Bonds riskier than other types of Ontario bonds?

No. Ontario's Green Bonds are standard debt obligations of the Province and rank equally with Ontario's other bonds. Payments of principal and interest are a charge on and payable out of the Consolidated Revenue Fund of Ontario and not tied to the revenues of any particular projects.

9. Did Ontario consult with any independent third parties in the development of its Green Bond Framework?

Yes. Ontario's Green Bond Framework has been developed in consultation with the Center for International Climate and Environmental Research — Oslo (CICERO).

Ontario's Green Bond program also aligns with the Green Bond Principles (GBP). Since March 2016, Ontario has been a member of the GBP group, maintained by the International Capital Market Association (ICMA).

10. How does Ontario ensure that Green Bonds are used for environmentally friendly projects?

Projects considered for Green Bonds are consistent with Ontario's environmental policies and standards and limited to the categories in the Province's Green Bond Framework.

An assurance audit by the Auditor General of Ontario verifies amounts used for selected projects and the balance of proceeds remaining.

11. Where can the impact reporting statistics for Green Bond funded projects be found?

As recommended by the GBP, the Province of Ontario reports annually on the use of proceeds and impact statistics for the projects that received Green Bond funding through the publication of an annual newsletter, which is available on the OFA website. The newsletter provides an overview of the process for project evaluation and selection, the total funds allocated to projects and amounts, updates on selected projects, a link to the assurance audit performed by the Auditor General of Ontario and projected environmental benefits for each project.

In developing the newsletter, the OFA works alongside other Ontario ministries and government agencies, with support from the Ministry of the Environment, Conservation and Parks providing technical expertise in the analysis of projected environmental benefits. Ontario

uses core indicators that are widely recognized by the market for its projects and expects to adopt future impact reporting recommendations of the GBP.

12. How do Green Bond yields compare to conventional Ontario bond yields?

Ontario Green Bonds are expected to be issued at yields similar to conventional Ontario bonds of comparable term and size.

13. How much will Ontario issue in Green Bonds?

The size of each Green Bond issue is determined by market demand and Ontario's availability of suitable green projects in any given fiscal year.

14. How long will it take Ontario to invest the proceeds of Green Bonds in the specified projects?

Green Bond projects are expected to be funded within one year of the date of issue. Green projects have funding requirements that occur within a twelve-month period following and six month period prior to the issue of the Green Bond.