

## ONTARIO SUSTAINABLE BONDS Q&A's

### 1. What are Green, Social and Sustainability Bonds (collectively referred to as “Sustainable Bonds”)?

Sustainable Bonds are debt securities where the issue proceeds are utilized to fund projects with specific environmental and/or social benefits. These bonds are issued under the Ontario Sustainable Bond Framework (2024) which includes information regarding;

- I. Use of Proceeds
- II. Process for Project Evaluation and Selection
- III. Management of Proceeds
- IV. Reporting

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

Participating in the Sustainable Bond market provides an opportunity for Ontario to broaden its investor base and raise additional funding in this rapidly growing sector. In addition, these bonds raise awareness of environmentally and socially beneficial projects and programs within Ontario, and allow investors to directly support these initiatives.

### 3. What types of projects are eligible for Sustainable Bonds?

The Ontario Sustainable Bond Framework sets out the project categories that may be eligible for Green, Social and Sustainability Bonds.

The following is a list of eligible Green and Social project categories that may be considered by the Province:

#### **Green Projects:**

1. Clean Transportation
2. Green Buildings
3. Energy Efficiency
4. Clean Energy
5. Environmentally Sustainable Management of Living Natural Resources and Land Use
6. Climate Change Adaptation
7. Sustainable Water and Wastewater Management

8. Pollution Prevention and Control
9. Terrestrial and Aquatic Biodiversity
10. Circular Economy, Adapted Products, Production, Technologies and Processes

**Social Projects:**

1. Affordable Basic Infrastructure
2. Access to Essential Services: Healthcare
3. Access to Essential Services: Education and Childcare
4. Affordable Housing
5. Employment Generation

Ontario's Sustainable Bonds proceeds fund project categories which support the United Nations Sustainable Development Goals 3, 4, 6, 7, 8, 9, 11, 12, 13, 14 and 15.

**4. How are Green, Social and Sustainability Bond projects selected?**

The selection of eligible projects is done on behalf of the Province by Ontario Financing Authority (OFA) staff with advice from the Province's Sustainable Bond Advisory Panel (SBAP). The SBAP meets at least annually and is a cross-functional group overseeing the implementation of the Ontario Sustainable Bond Framework. It includes representatives from the OFA, OFA Board and Ministry of Environment, Conservation and Parks (MECP), as well as other Ontario provincial agencies and ministries whose projects are under discussion or whose technical expertise is required.

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

The Sustainable Bond Advisory Panel does not accept project submissions directly from the broader public, and only fully approved Ontario government projects can be considered. Ontario Government ministries or agencies can propose projects to the Province's Sustainable Bond Advisory Panel (SBAP) after the project has been fully approved. For the purposes of the SBAP, 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 SBAP to assess the suitability of proposed eligible projects for inclusion in Ontario's Sustainable Bond program.

**6. How are the Sustainable Bonds issued?**

Future Sustainable Bonds may be issued in Canadian dollars or other currencies using domestic or global formats. These bonds are part of Ontario's overall borrowing program. Ontario has a mature Green Bond program and expects Green Bonds to continue having an important role in Ontario's annual borrowing.

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

An amount equal to the net proceeds of each Green, Social and Sustainability 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 each eligible project. Deductions from the designated account reflect the allocation or spending on each eligible project in accordance with customary government appropriation and spending processes. 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, Social and Sustainability projects and allocation of funds to these projects are reported to investors in an annual newsletter on the OFA website.

**8. Are Ontario's Sustainable Bonds riskier than other types of Ontario bonds?**

No. Ontario's Sustainable 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. Does the Ontario Sustainable Bond Framework have an independent Second Party Opinion?**

The Government of Ontario has obtained an independent Second Party Opinion from Sustainalytics regarding its Sustainable Bond Framework which will be published on the OFA website prior to the issuance of its first Sustainable Bond.

The Ontario Sustainable Bond Framework aligns with the four core components of the International Capital Market Association (ICMA), Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines. 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 Sustainable Bonds are used for environmentally and/or socially beneficial projects?**

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

An annual assurance audit by the Office of 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 Sustainable Bond funded projects be found?**

As recommended by the GBP and SBP, the Province reports annually on the use of proceeds and impact statistics for the projects that received Green, Social or Sustainability 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 Office of the Auditor General of Ontario, and projected environmental and/or social benefits for each funded 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 and expects to adopt future impact reporting recommendations of the GBP and SBP.

**11. How do Sustainable Bonds yields compare to conventional Ontario bond yields?**

Ontario Sustainable 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, Social and Sustainability Bonds?**

While Ontario aims to issue these bonds at least twice per fiscal year, the size of each bond issue is determined by market demand and Ontario's availability of suitable eligible projects.

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

Green and Social projects are expected to draw down allocated funds within one year from the date of bond issue. Chosen Green and Social projects have funding requirements that occur within a 12-month period following and a 6-month period prior to the issuance of a Green, Social or Sustainability Bond.