



Ontario 

Ontario Sustainable Bond Framework

January 2024

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Introduction

This Sustainable Bond Framework (the “Framework”) replaces the Province of Ontario's Green Bond Framework developed in 2014. The Framework allows the Province to issue any of Green Bonds, Social Bonds, or Sustainability Bonds when projects include both Green and Social objectives. The Province has developed this Framework to align with the four core components of the International Capital Market Association (ICMA) Green Bond Principles (GBP), the ICMA Social Bond Principles (SBP) and the ICMA Sustainability Bond Guidelines, taken together, “The Principles”. Additionally, the Framework references alignment with the United Nations Sustainable Development Goals (UN SDGs).

The issuance of Green, Social and/or Sustainability Bonds is one way Ontario is looking to advance sustainable finance and support projects within the Province that are contributing to a sustainable future.



About the Province of Ontario

The Province of Ontario has the largest economy and the largest population of any of Canada's ten provinces. The Province covers an area of approximately 1,076,395 square kilometers (415,598 square miles), about 10.8% of Canada, and is about 11% as large as the United States. It is home to Ottawa, the capital of Canada, as well as the Greater Toronto Area, the largest metropolitan area in Canada. In 2021, Ontario had a population of 14.8 million with nominal GDP estimated at \$970 billion,

both representing almost 40 per cent of Canada.

The provincial economy displays characteristics of a mature economy. The economy is distinguished by two sectors, the goods-producing sector and the service sector. In 2021, the goods-producing sector (e.g. manufacturing, construction, and resources) represented 22.6% of Ontario's economy and the service sector (e.g. real estate, rental and leasing; professional, scientific and administrative services; finance and insurance; and wholesale trade) represented 77.4%.



Ontario's Sustainability Approach

Ontario's approach to sustainability is embedded in its policies, programming, capital expenditures and other initiatives that govern the people, places and businesses resident in the Province.

Ontario is working to reduce and prevent greenhouse gas (GHG) emissions and increase resilience to the impacts of a changing climate. The Province is taking action on its 2030 GHG emissions reduction target, and recent modeling shows it is on track to achieve its 2030 GHG emissions target of 30 percent below 2005 levels. Ontario has achieved greater reductions of GHG emissions than any other province or territory in Canada, with GHG emissions down 27 per cent since 2005. Ontario's GHG intensity (amount of emissions per unit of GDP) has also fallen by 38 per cent since 2005, the biggest improvement in the five highest-emitting Canadian provinces.

Ontario no longer uses coal-fired electricity generation and over 90% of the electricity generated in Ontario in 2021 was emissions-free. Hydroelectric power generation has been serving Ontario's electricity needs for well over a century resulting in one of the cleanest energy grids in the world.

Ontario continues to support industries shifting to electrification as a means of greening and reducing GHG emissions along the supply chain. Recent Ontario investments include large decarbonization projects that will phase out the use of coal at Ontario's largest steel mills, reducing annual GHG emissions by nearly 6 million tonnes in 2030. Ontario is also supporting Ford, Honda, GM to build electric and hybrid vehicles, Electra to build new battery production lines, Stellantis/LG and Volkswagen as they each build EV battery factories. These investments will help build Ontario's clean transportation sector to meet both local and global demand for zero emission vehicles, fundamental in helping to reduce GHG emissions. Transportation accounts for over 31% of GHG emissions in Ontario.

Ontario's Sustainability Approach (Cont.)

Through investments in Ontario's priority subway projects, the GO Rail Expansion Program and light rail transit projects across the Province, Ontario is delivering an integrated transit network that will support the development of sustainable communities and travel patterns. Electric rail technology will be used across all new subway and light rail projects currently in delivery. In addition, electrification of the GO rail network is a key component of the Province's commitment to transform the GO Transit rail network into a comprehensive, all-day rapid transit network. Electric rail vehicles will provide faster journey times and support lower operating costs per kilometer, delivering safe, fast and reliable service while reducing localized emissions and noise.

Ontario government policies aim to improve outcomes for children, youth, families and individuals who need support and advancing the interests of women across Ontario. Ontario's anti-racism and inclusion initiatives are in place to build an equitable Ontario and promote a sense of belonging through informed policies, programs and services. The Province is committed to helping people stay healthy, delivering high-quality care and protecting the health system for future generations. Ontario's public education system ensures that from early years through to postsecondary, children and students can get the skills and knowledge they need to reach their full potential. The Province is also working to ensure a better future for First Nations, Inuit and Métis people. Ontario government policies guide Ontario's historic infrastructure plan and lead projects that strengthen its communities and economy, such as hospitals, transit systems, roads and bridges.



As of the 2023 Ontario Budget, *Building a Strong Ontario*, planned infrastructure investments over the next 10 years total \$184.4 billion, with approximately 39 per cent allocated to transit, 31 per cent towards health and 15 per cent towards all levels of education.

Ontario strives to deliver good government and excellent public services in the most effective and efficient way possible while focusing efforts on accountability, openness and modernization. The Ontario Public Service (OPS) aims to be a leading public service that is inclusive, innovative, responsive and accountable.

Sustainable Bond Framework

Ontario has developed a Sustainable Bond Framework under which it can issue three types of bonds:

Green Bonds

Ontario Green Bonds finance or refinance, in part or in full, projects that promote environmentally beneficial outcomes across the Province and mitigate or adapt to the effects of climate change.

Social Bonds

Ontario Social Bonds finance or refinance, in part or in full, projects that promote socially beneficial outcomes across the Province improving the lives of Ontarians.

Sustainability Bonds

Ontario Sustainability Bonds finance or refinance, in part or in full, projects and initiatives that promote a combination of both environmentally and socially beneficial outcomes across the Province.

Following the ICMA Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines, the Framework incorporates four core components:

1. Use of proceeds
2. Process for evaluation and selection
3. Management of proceeds
4. Reporting

Additionally, the Framework describes the manner in which Ontario Green, Social and Sustainability Bonds support and contribute towards meeting the United Nations Sustainable Development Goals (SDGs). Objectives of the Bonds, their intended benefits and Eligible Categories of the projects being funded will be disclosed at time of issuance.



Use of Proceeds

The amount equal to net proceeds of the Green, Social and Sustainability Bonds issued by the Province of Ontario will be used to finance or refinance Green and/or Social Bond projects that have been evaluated and selected by the Province of Ontario pursuant to the Framework.

The eligible project categories will be aligned with the United Nations Sustainable Development Goals (UN SDG's) and The Principles.

A lookback period of 6 months from the Bonds' issuance and a 12 month forward period will define the 18 month window in which the Bonds' proceeds are expected to be spent.

Lists of Eligible Green and Social projects that may be considered by the Province of Ontario are shown in Tables 1 and 2.

Table 1: Eligible Green Projects

| Green Category | Description | UN SDG |
|----------------------|---|---|
| Clean Transportation | <p>Development and deployment of low- and zero-emission vehicles (<50gCO₂/km for tailpipe emissions) and public transportation vehicles (<50gCO₂/passenger-km for tailpipe emissions).</p> <ul style="list-style-type: none"> • Eligible low- and zero-emission vehicles include: <ul style="list-style-type: none"> o Battery Electric Vehicles (BEVs); o Plug-in Hybrid Electric Vehicles (PHEVs); and o Hydrogen Fuel Cell Electric Vehicles (FCEVs). <p>Construction, extension, and/or maintenance of infrastructure for:</p> <ul style="list-style-type: none"> • Charging/fuelling stations for electric and hydrogen fuel cell electric vehicles; • Public transportation (dedicated bus lanes, light-rail transit (LRT) corridors): <ul style="list-style-type: none"> o Dedicated bus lanes must be solely used by eligible low- and zero-emission public transportation vehicles. • Electrified rail and passenger trains (<50gCO₂/passenger-km); • Active transportation (e.g., constructing or improving bicycle lanes, bicycle parking and bicycle sharing schemes); • Electric micro mobility (e.g., e-scooters, low-speed vehicles, golf carts, cargo-power assisted bicycles, large quadricycles);* and • Smart mobility systems that optimize clean transportation services, for example: <ul style="list-style-type: none"> o Mobility as a Service (bike sharing, e-scooter sharing, car sharing, carpooling); |  |

| Green Category | Description | UN SDG |
|------------------------------|---|---|
| Clean Transportation (Cont.) | <ul style="list-style-type: none"> o First Mile/Last Mile solutions to enable the use of public transportation; and o Intelligent Transportation Systems that allow for more efficient use of clean transportation networks (e.g., bike lanes, bus routes). <p>* existing federal, provincial, municipal policy/by-laws would need to be considered.</p> |    |
| Green Buildings | Construction or refurbishment of public buildings that have received, or are targeting, LEED Gold standard or higher, Envision Gold award level or higher. |   |
| Energy Efficiency | <p>Construction, development, operation, acquisition and maintenance of products and systems, as well as design and implementation of processes that increase energy efficiency and reduce GHG emissions by 30% or more over baseline.</p> <p>Building energy retrofit projects and building control optimization projects that reduce energy consumption or increase energy efficiency of heating and cooling systems, lighting, technologies and equipment conform to Ontario efficiency standards.</p> <p>Measures supporting or promoting fuel switching to low or no-carbon alternatives, which reduce GHG emission and provide net energy savings.</p> <p>Energy retrofit and/or control optimization projects that reduce electricity peak demand, in addition to reducing energy consumption.</p> |     |
| Clean Energy | <p>Production, transmission and distribution of energy from renewable sources (e.g. wind, solar, geothermal, hydro<25MW). Production of green hydrogen. Lifecycle emissions lower than 100g CO₂/kwh.</p> <p>Measures supporting the deployment of nuclear energy to generate electricity and/or heat.</p> |   |

| Green Category | Description | UN SDG |
|---|---|---|
| Environmentally Sustainable management of living natural resources and land use | <p>Measures supporting reforestation and afforestation, the conservation or restoration of nature, climate smart farming and agricultural practices, sustainable fisheries and aquaculture, as well as sustainable forestry practices.</p> <p>Measures supporting projects that restore and enhance wetlands, peatlands, and grasslands to, among other outcomes, store and capture carbon.</p> <p>Measures supporting projects that use forest resources to help decarbonize other industries/ sectors of the economy.</p> |      |
| Climate Change Adaptation | Construction of infrastructure to limit the impacts of a changing climate, such as flooding, drought, wildfires and extreme weather events. |    |
| Sustainable Water and Wastewater Management | Construction of sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation. |   |
| Pollution Prevention and Control | Investment in the reduction of air emissions, greenhouse gas control, soil remediation and energy/ emission-efficient waste to energy. |    |
| Terrestrial and Aquatic Biodiversity | Conservation and protection of watershed environments and the Great Lakes. Measures supporting the protection and restoration of biodiversity and terrestrial, wetland and aquatic ecosystems, including protecting and recovering species at risk, and other related priorities. |   |

| Green Category | Description | UN SDG |
|--|---|---|
| Circular economy, adapted products, production, technologies and processes | <p>Financings related to projects or businesses that facilitate or carry-out activities of the following nature:</p> <p>Waste Management and Resource Efficiency:</p> <ul style="list-style-type: none"> • Waste prevention, through re-design, alternative processes and/or materials, other innovations • Reuse of products or components for the same purpose for which they were originally produced • Recovery of waste materials for use in new products (e.g. upcycling, recycling, organics recovery, renewable energy). <p>Circular Economy:</p> <ul style="list-style-type: none"> • Increasing the value retention and value at the end of life of products and materials • Optimizing the use of products and materials, including extending the lifetime of use and/or durability • Using by-products from manufacturing / production processes for higher value purposes. |  |

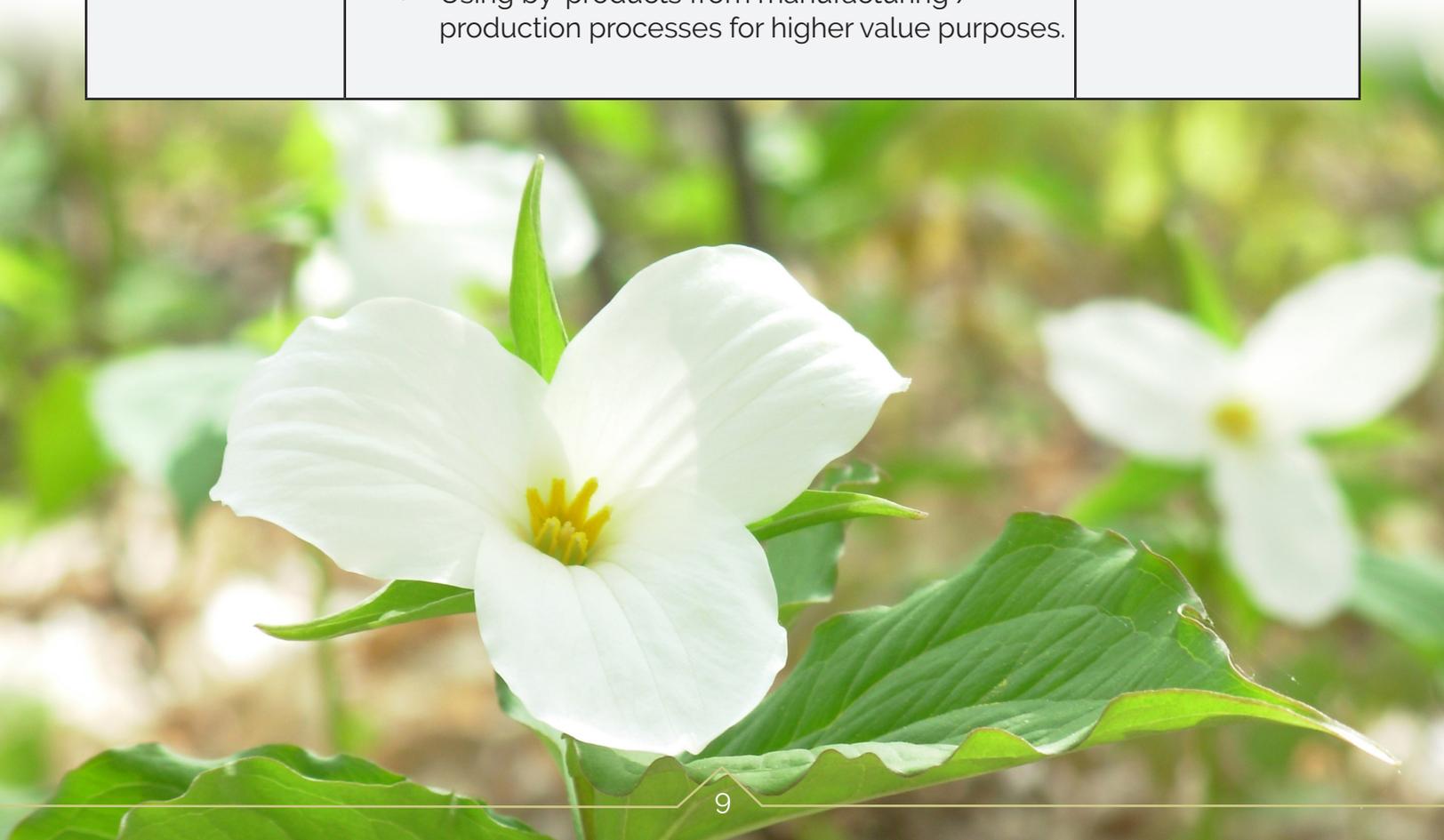
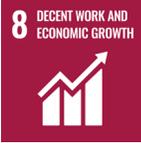


Table 2: Eligible Social Projects

| Social Category | Description | UN SDG |
|---|---|---|
| Affordable Basic Infrastructure | Providing access to clean drinking water, sewers, sanitation, transportation, energy, and broadband and cellular services to those in underserved* areas. |   |
| Access to Essential Services: Healthcare | Construction, development, operation, renovation and/or maintenance of facilities, services, systems or equipment for public, subsidized and/or non-profit healthcare (physical and mental) that is broadly accessible to all populations including vulnerable populations (e.g. seniors) and those in underserved areas. |  |
| Access to Essential Services: Education and Childcare | Construction, development, operation, renewal and/or maintenance of facilities, services, systems or equipment for public and government-subsidized education and childcare services that are broadly accessible to all populations including youth or underprivileged*/disadvantaged* groups. Integration of disadvantaged groups in the education system. |   |
| Affordable* Housing | Subsidy of affordable housing construction and retrofits, direct subsidy of rent, homeownership assistance and all non-profit housing developments. |  |
| Employment Generation | Generating employment opportunities for youth, new Canadians, those on social assistance, the disabled, Indigenous people and disadvantaged young people with prior involvement with the criminal justice system. In addition, supporting initiatives for the launch of new businesses and start-ups to reduce unemployment. Programs supporting micro, small and medium sized enterprises. |  |

* Definitions to be provided as part of project descriptions at time of issuance.

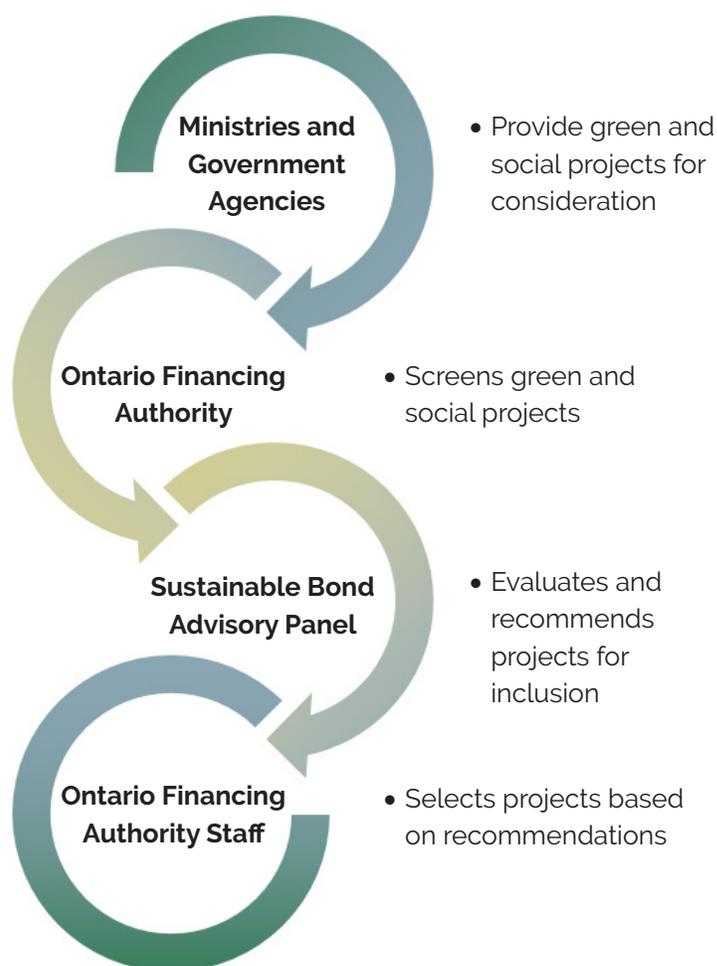
Process for Project Selection and Evaluation

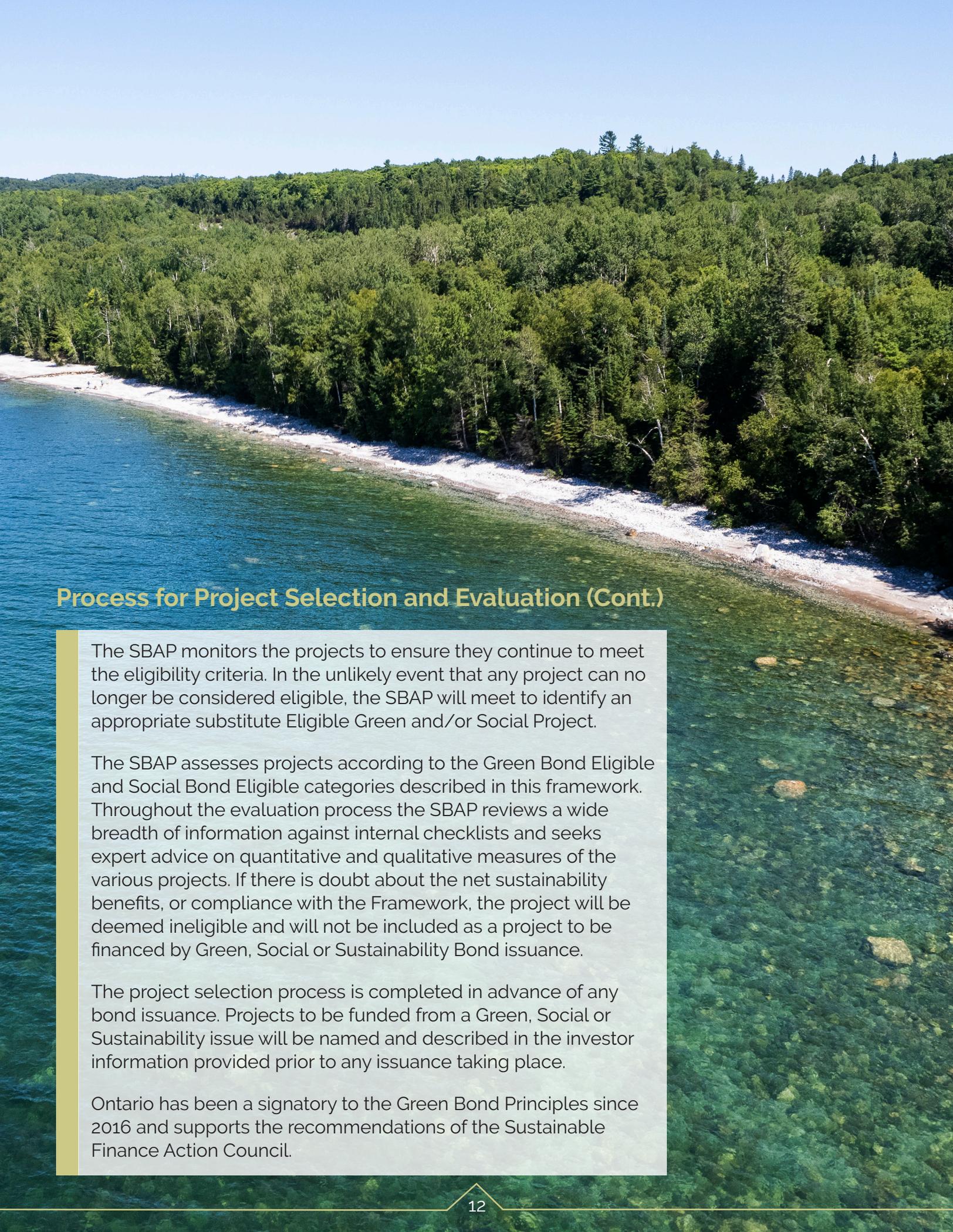
The selection of Eligible Projects is done on behalf of the Province by staff of the Ontario Financing Authority (OFA) following the advice of the Province's Sustainable Bond Advisory Panel (SBAP) which supersedes the Green Bond Advisory Panel established in 2014.

The SBAP meets at least annually and is a cross functional group overseeing the implementation of the Framework. It includes representatives from the OFA, the OFA Board and the Ministry of Environment Conservation and Parks (MECP) as well as other provincial agencies and ministries whose projects are under discussion or whose technical expertise is required.

The SBAP oversees the process of screening and evaluating proposed projects by assessing:

- environmental and social project considerations including measurable results or other key performance indicators that clearly outline the environmental and/or social benefits and features of each project;
- financial factors to ensure that funding requirements are within the 18 month window defined for each bond at time of issue; and
- use of funds including the ability to monitor the progress of projects and track and report spending.





Process for Project Selection and Evaluation (Cont.)

The SBAP monitors the projects to ensure they continue to meet the eligibility criteria. In the unlikely event that any project can no longer be considered eligible, the SBAP will meet to identify an appropriate substitute Eligible Green and/or Social Project.

The SBAP assesses projects according to the Green Bond Eligible and Social Bond Eligible categories described in this framework. Throughout the evaluation process the SBAP reviews a wide breadth of information against internal checklists and seeks expert advice on quantitative and qualitative measures of the various projects. If there is doubt about the net sustainability benefits, or compliance with the Framework, the project will be deemed ineligible and will not be included as a project to be financed by Green, Social or Sustainability Bond issuance.

The project selection process is completed in advance of any bond issuance. Projects to be funded from a Green, Social or Sustainability issue will be named and described in the investor information provided prior to any issuance taking place.

Ontario has been a signatory to the Green Bond Principles since 2016 and supports the recommendations of the Sustainable Finance Action Council.

Management of Proceeds

Green, Social and Sustainability bond proceeds will be paid into the Consolidated Revenue Fund of Ontario.

An amount equal to the net proceeds of each bond issue will be recorded in a designated account in the Province of Ontario's financial records. These designated accounts will be used to track the use and allocation of funds to eligible projects.

While any Green, Social and Sustainability Bond net proceeds remain unallocated, the Province of Ontario will invest these in short-term Government of Canada Treasury bills.

The intention of the Province is to allocate the net proceeds of any Green/Social/Sustainability Bond within 12 months from the settlement date. In the case that any project is replaced or experiences delays affecting its ability to use bond proceeds within the 12-month timeframe, there will be an ad hoc report for investors posted to the Sustainable Bond website. The report will provide information regarding replacement of the project and the new project's compliance with this Framework and/or an updated timeframe for the disbursement of funds relating a delayed project.

In addition to internal governance procedures, the management of proceeds will be audited on a yearly basis by the Office of the Auditor General of Ontario.

Reporting

The Province will publish an annual newsletter on its website including:

- Total Funds allocated to projects by eligible project category and amounts, unallocated amounts, and projected Environmental and Social impacts
- Updates on selected projects (including projected Environmental and Social impacts)
- A link to assurance audit

The allocation of proceeds to the Eligible Green or Social projects will be reported annually until full allocation of the funds has occurred.

Ontario will use widely recognized core indicators for its projects and expects to adopt any future impact reporting recommendations of the GBP, SBP and Sustainability Bond Guidelines. In developing the newsletter, the OFA will work with other Ontario ministries and government agencies, drawing on their expertise in the analysis of projected environmental and social benefits.

Review

The Province of Ontario engaged Sustainalytics to provide an independent Second Party Opinion (“SPO”) on the Framework prior to the first bond issuance under this Framework. The SPO provides investors with an independent assessment of the expected environmental and social benefits of the Green and Social Bond project categories and the alignment of this Framework with the ICMA Green Bond Principles, ICMA Social Bond Principles and ICMA Sustainability Bond Guidelines.

The Ontario Financing Authority will engage the Auditor General of Ontario, an independent body, to provide third-party verification on the allocation of proceeds of issued Green Bonds to Eligible Green Projects, issued Social Bonds to Eligible Social Projects and issued Sustainability Bonds to Eligible Green and Social Projects. The report will be provided annually until full allocation of the proceeds of the issued Green, Social or Sustainability Bond. The audit report will be made publicly available annually on the Ontario Financing Authority website.

Amendments

The Province of Ontario will review this Framework on a regular basis, including its alignment with the ICMA Green Bond Principles, ICMA Social Bond Principles and the ICMA Sustainability Bond Guidelines. The Framework may be amended from time to time to take account of updates to The Principles as and when they are released or any other changes that Ontario considers appropriate. The SBAP will manage changes to the Framework. Immaterial amendments required to reflect a change in applicable laws, rules or regulatory requirements, or of a maintenance nature (e.g. typographical, grammatical or clerical errors) will be made as needed. Any material changes to this Framework will be subject to the review of an external second party opinion provider. Any updates to the Framework will be published on the Ontario Financing Authority website.



Appendix: Impact Measurement

| Eligible Categories | Potential Quantitative Performance Measures |
|----------------------|--|
| Clean Transportation | <ul style="list-style-type: none"> • Annual GHG emissions reduced or avoided (tonnes of CO₂ equivalent / year) • Number of low- and zero-emission vehicles deployed • GHG emissions per passenger-kilometre (i.e., the transport of one passenger over one kilometre) • GHG emissions per tonne-kilometre (i.e., the transport of one tonne over one kilometre) • Number of public low-carbon vehicle charging stations available • Annual ridership of each transit system supported • Total kilometres of new or improved transportation infrastructure built. |
| Green Buildings | <ul style="list-style-type: none"> • GHG emissions reduced/avoided per year (tCO₂e) • Expected energy performance (equivalent kWh/year) • Water Use Intensity (litres/year). |
| Energy Efficiency | <ul style="list-style-type: none"> • Expected net energy savings per year (MWh-equivalent or GJ) • GHG emissions reduced/avoided per year (tCO₂e) • Expected peak demand reduction (kW). |
| Clean Energy | <ul style="list-style-type: none"> • Total installed capacity (MW) • GHG emissions reduced/avoided per year (tCO₂e). |

| Eligible Categories | Potential Quantitative Performance Measures |
|---|--|
| Environmentally Sustainable Management of living natural resources and land use | <ul style="list-style-type: none"> • Number of trees planted • GHG emissions reduced/avoided per year (tCO₂e) • Hectares of land improved or conserved • Number of species benefitted. |
| Climate Change Adaptation | <ul style="list-style-type: none"> • Area protected (m³) • Number of adaptation and resilience measures installed • Types of adaptation and resilience measures installed • Number of communities that have completed hazard mapping, risk assessments, or adaptation plans • Number of buildings better protected • Number of kilometers of shoreline better protected • Number of communities benefiting • Number of structural and/or natural assets with an improved structural capacity to adapt to climate change, disasters and weather. |
| Sustainable Water & Wastewater Management | <ul style="list-style-type: none"> • Total population served by the system • Volume of water saved/reduced/treated (m³) • Amount of pollutant reduced (kg/yr) • Decrease in concentration of pollutant released through discharge/effluent (mg/L). |
| Pollution Prevention and Control | <ul style="list-style-type: none"> • Emissions of pollutants reduced/avoided • Waste diverted from landfill (tonnes). |

| Eligible Categories | Potential Quantitative Performance Measures |
|--|---|
| Terrestrial and Aquatic Biodiversity | <ul style="list-style-type: none"> • Hectares protected and conserved or restored • Biodiversity value based on applying a standardized indicator • Number of species at risk benefitting from conservation action. |
| Circular Economy, adapted products, production, technologies and processes | <ul style="list-style-type: none"> • Circular Economy: <ul style="list-style-type: none"> o Increase in value after use or at the end of life of a product / component / material compared to a linear, business as usual scenario o Increase in durability or lifetime of use compared to a linear, business as usual scenario. • Waste Management and Resource Efficiency: <ul style="list-style-type: none"> o Amount of new products or materials produced from recovered materials o Amount of waste material diverted from landfill or avoided through re-use or re-design compared to a linear, business as usual scenario o GHG emissions reduced/avoided per year (tCO₂e). |
| Affordable Basic Infrastructure | <ul style="list-style-type: none"> • Total length of sewers installed and number of households connected • Number of additional households with access to clean drinking water. |
| Access to Essential Services: Healthcare | <ul style="list-style-type: none"> • Buildings/infrastructure/units built or upgraded • Healthcare beds provided • People reached with improved health care –Patients served. |

| Eligible Categories | Potential Quantitative Performance Measures |
|---|--|
| Access to Essential Services: Education and Childcare | <ul style="list-style-type: none"> • Buildings/infrastructure/units built or upgraded • Students supported • Students with improved education outcomes (e.g. graduation) – students served. |
| Affordable housing | <ul style="list-style-type: none"> • Number of people or families assisted • Units built or retrofitted • Number of people with access to safe, affordable and sustainable housing. |
| Employment Generation | <ul style="list-style-type: none"> • Number of jobs created. |





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