

# Connect 6ix



## GREEN FINANCING FRAMEWORK



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## Section 1: Introduction

The ratification of the Paris Agreement in December 2015, during the COP21 meetings, has acted as a catalyst for the global adoption of decarbonization pathways and has created significant opportunities for green investments.

A key decarbonization lever stems from the ability of cities, both large and small, to identify, fund, and implement projects leveraging new and existing technologies to achieve their carbon reduction targets. Globally, over 96 cities making up over 20% of the global economy have committed to reducing emissions by 50% by 2030, in line with a science-based pathway to limit warming to 1.5°C through the C40 Cities coalition.

Within cities around the world, urban transport is responsible for more than 70% of carbon dioxide emissions. While transportation plays a pivotal role in economic activity and the welfare of communities, cities must find ways to continue to increase accessibility while decarbonizing. In 2019, Toronto's GHG emissions inventory reported 36% of GHG emissions were generated by transportation, with 73% attributed to personal vehicles and busses<sup>1</sup>. Financing public transit systems and the requisite infrastructure will positively contribute to GHG reduction while increasing accessibility, promoting social and economic equity in Toronto.

Public transport supports communities, specifically those of lower income to access opportunities and resources that enhance their lives through jobs, education, healthcare and recreation. When communities have access to better services their quality of life improves, and the resilience of the community improves. Transportation, specifically clean transportation, has a positive impact on multiple generations of vulnerable populations while limiting adverse health effects and negative climate impacts.

### 1.1 Project Description

The Ontario Line project is located in Toronto, Ontario, and consists of an ~16km passenger rapid transit system that connects the Ontario Science Centre to the Exhibition and Ontario Place grounds. The Ontario Line project is part of a \$28.5 billion program of new subway infrastructure development, consisting of four priority subway projects in the Toronto area. The Rolling Stock, Systems, Operations and Maintenance (RSSOM) project is one of three P3 contracts to deliver the Ontario Line and is defined as the "Project" in this Framework. The Project Co. is Connect 6ix General Partnership, herein referred to as the "Issuer".

The Project scope of works includes: i) the operations and maintenance of the entire Ontario Line; ii) the design-supply-operations -maintenance of the vehicles (rolling stock) for use on the transit system; iii) the design-build-operations maintenance of all track, communications and train control systems; and iv) the design-build-operations maintenance of an Operations, Maintenance and Storage Facility and Backup Operations Control Centre.

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<sup>1</sup> Source: City of Toronto Greenhouse Gas Emissions Inventory 2019

## 1.2 Rationale for Issuance and Project Environmental Impacts

The Province of Ontario announced the proposal for the Ontario Line in 2019 as part of four priority transit projects in the Greater Toronto and Hamilton Area (“GTHA”). The subway line aims to ease congestion on existing transit lines throughout the city and bring new transit to underserved neighbourhoods. This Framework will allow the Issuer to fund a project with meaningful environmental and social benefits, making it faster and easier for hundreds of thousands of people to get where they need to each day, while supporting the GTHA and the Province of Ontario in the decarbonization of transportation.

While improving access to transit for approximately 227,500 people who live within a 10-minute walk to the project, the project is also set to reduce traffic congestion, greenhouse gas emissions and fuel consumption by providing an alternative transportation option. It is estimated the project will remove 28,000 cars from the road per day and conserve ~7.2 million litres of fuel per year once complete. According to the EPA, this equates to avoiding ~17,000 metric tonnes of CO<sub>2</sub> each year<sup>2</sup>.

## 1.3 Framework Background

Mobilizing capital is essential to support the efforts to enhance livability by providing for efficient and sustainable transportation in Toronto. This Green Financing Framework was created as a way to support the financing of green initiatives and the transition to a low carbon economy. This Framework aligns with the following four key components of the International Capital Market Association Green Bond Principles (“GBP”) 2021 and the Green Loan Principles (“GLP”) as published by the Loan Syndications and Trading Association, Loan Markets Association and Asia Pacific Loan Markets Association (2021):

1. Use of Proceeds
2. Process for Project Selection and Evaluation
3. Management of Proceeds
4. Reporting

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<sup>2</sup> Source: US Environmental Protection Agency

## Section 2: Connect 6ix Green Financing Framework

### 2.1 Use of Proceeds

Proceeds raised under this Framework will be used to finance new eligible projects (the “Eligible Green Projects”). Eligible Green Projects are expenditures or investments made by the Issuer beginning with the issuance date of any Green Bond or borrowing date of any Green Loan in eligible green projects (as defined herein).

Eligible Green Projects may be financed in part or in full by the Issuer, and fall within the following eligible project category:

Eligible Investment Category	Eligibility Criteria (includes but is not limited to the following items)	UN SDG Alignment
Clean Transportation	<p>Expenditures or investments related to the construction, ownership and operation of low-carbon passenger transportation along with supporting infrastructure including buildings, equipment, and systems dedicated to eligible Clean Transportation</p> <ul style="list-style-type: none"> <li>• Construction expenditures may include dedicated facilities and expenditures related to the production of low-carbon vehicles and rolling stock, as well as key components of eligible vehicles, such as batteries</li> <li>• Ownership and operation expenditures are related to the acquisition and maintenance of and/or upgrade to infrastructure for low-carbon transportation, including, for example, procurement of eligible vehicles or electric vehicle charging stations.</li> <li>• Eligible vehicles and passenger transport systems must meet the following gCO<sub>2</sub> /p-km (passenger-kilometer) thresholds:               <ul style="list-style-type: none"> <li>○ For rail transport: passenger electric rolling stock with zero direct emissions</li> <li>○ For low-carbon passenger vehicles: fleets (hybrid and electric vehicles) emitting less than 50 grams of CO<sub>2</sub> per passenger-kilometer (gCO<sub>2</sub>/p-km)</li> </ul> </li> </ul> <p>Expenditures or investments in supporting systems or equipment that reduce energy consumption or improve energy efficiency by 30% in supporting buildings, including, but not limited to: energy efficiency lighting such as LED, heating and cooling systems, ventilation, air conditioning (HVAC), software systems, and electrical equipment and software systems, and related roof improvements and sustainability-oriented construction materials (i.e. roof insulation and green roofing)</p> <p>Expenditures or investments in the supporting construction, development, operation, acquisition and maintenance of land, facilities, systems, or equipment aimed at, but not limited to: collection, treatment/remediation,</p>	 

	recycling or reuse of emissions, waste, hazardous waste or contaminated soil, waste prevention, waste reduction, and waste recycling (i.e. compostable packaging)	
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**2.2 Process for Project Selection & Evaluation**

The Issuer is a consortium, established for the sole purpose of this Project. The Project aligns with this Framework and is the sole project that will receive allocations from all of the net proceeds. The Issuer was selected by the Province of Ontario through a Request for Proposal (“RFP”) process. The RFP process defined comprehensive output specifications and work scope for the Project. The Project aligns with the Use of Proceeds in this Framework.

Project risks are assessed extensively by the Lenders Technical Advisor against comparable projects as well as generally considered market positions. The assessment of ESG specific risks includes the analysis of: heritage properties within the project footprint, species at risk and mitigation measures, and an alignment to the Equator Principles. Risks will be managed by both the Issuer and the contracting authority over the course of the Project.

**2.3 Management of Proceeds**

Net proceeds from any bond or loan issued under this Framework will be deposited into the Issuer’s account(s) for bond or loan proceeds. Proceeds from such bonds will get deposited at financial close into a stand-alone account called the Bond Proceeds Escrow Account (“BPEA”), with no commingling of other financing (i.e., non-green financings) proceeds. Bond or loan proceeds are progressively transferred to a Funding Account to pay project costs, as necessary.

The net proceeds have been fully allocated to the Project and will only be disbursed to the project operating accounts upon agent approval. Prior to the agent approval release, the agent will receive a certificate from the Lender’s Technical Advisor (“LTA”). The LTA is an independent third party who has a fiduciary duty to the lenders. The net proceeds of any loans borrowed under this Framework will be disbursed to the project operating account only upon receipt of similar agent approval and LTA certification.

Any portion of the net proceeds that have not been allocated may be held as cash in the designated bank account or invested in liquid fixed income instruments in accordance with the Issuer’s investment policy.

Payment of principal and interest on any Green Bond issuance or any Green Loan will be made from the Issuer’s project proceeds account and will not be directly linked to the performance of the Project.

## 2.4 Transparency & Reporting

The Issuer will publish an annual Green Financing Report detailing the allocation and impact of the proceeds until full allocation of the net proceeds has occurred. In case of material developments, the Issuer will publish an updated Green Financing report in a timely basis.

The Green Financing report will be made publicly available on Plenary's website (<https://plenarygroup.com>) until such time as the Issuer's website is operational and will include allocation and impact reporting as outlined below.

### Allocation Report

1. Net proceeds generated from each bond or loan issued under the Green Financing Framework
2. Amount of unallocated proceeds (if any)

### Impact Report

1. Relevant quantitative and qualitative performance descriptions, on a selection of Eligible Investments, subject to confidentiality considerations
  - a. Aggregated relevant quantitative impact measures may include annual energy saved and GHG emissions reduced or avoided; number of cars equivalent off the road; number of clean vehicles deployed; or other applicable metrics deemed appropriate

## Section 3: External Review

### 3.1 Second Party Opinion

The Issuer has received an independent Second Party Opinion from ISS ESG with respect to this Framework which will be published on Plenary's website (<https://plenarygroup.com>) until such time as the Issuer's website is operational. The SPO provides an independent verification of the alignment of this Framework with the ICMA GBP and the GLP.

### 3.2 Post-Issuance External Reporting & Verification

Annually, until such time as the net proceeds have been fully allocated, the Issuer will report on the management and allocation of the net proceeds to any Green Bond or Green Loan. An independent Lender's Technical Advisor will provide periodic assurance on the drawn funds and their allocation.

### 3.2 Amendments to this Framework

Any amendments made to this Framework to maintain or improve the current levels of transparency and disclosure requirements will be published Plenary's website (<https://plenarygroup.com>) until such time as the Issuer's website is operational. If material updates are made to any of the Framework's core components, the issuer, will secure an updated Second Party Opinion.

## Section 4: Appendix

### 4.1 Disclaimer

This Green Bond Framework is provided for general information purposes only and is subject to change without notice. This document may contain or incorporate by reference public information not separately reviewed, approved or endorsed by Connect 6ix. Accordingly, no representations, warranties, or assurances of any kind, express or implied, are made and no responsibility or liability is accepted by Connect 6ix in relation to the accuracy or completeness of the third-party information and references contained herein. Connect 6ix has no responsibility or obligation to update or revise any statements in this document to reflect actual changes in assumptions or changes in factors affecting these statements or to otherwise notify any readers if any information, opinion, projection, forecast or estimate set forth herein changes or subsequently becomes inaccurate. This document may contain statements about future events and expectations that are forward looking statements. Readers are cautioned not to place undue reliance on these statements as a number of risk factors could cause actual results to differ materially from the expectations expressed in such forward-looking statements.

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