

Gouvernement du Québec
and
Caisse de dépôt et de placement du Québec
Agreement respecting public infrastructures
Guiding principles

1. PURPOSE OF THE AGREEMENT

This agreement defines the general framework and the principles which govern the business model between the Gouvernement du Québec (hereinafter, the “**Government**”) and Caisse de dépôt et placement du Québec, (hereinafter, the “**Caisse**”), for implementing, managing and financing major public infrastructure projects, the whole subject to the adoption by the National Assembly of legislative amendments required for its implementation.

The purpose of the agreement is to determine the main roles and responsibilities of the Government and the Caisse, the governance structure, the process for completing the various steps as well as the financing methods. As such, the Government undertakes to table, as soon as possible, legislative measures for the implementation of this agreement.

This agreement is of a commercial nature. It respects the independence of Caisse and aims to achieve the following main objectives:

- The successful and efficient completion of major public infrastructure projects, it being understood that the Government will be required to provide the means and tools necessary for Caisse to complete such projects.
- Provide to Caisse commercial returns for its depositors.

This agreement also aims to minimize the impact on the Government’s debt and deficit in compliance with Canadian accounting rules.

Thus, in order for the main objectives of this agreement to be reached, the portion of assets or of investments financed by Caisse in connection with any project must comply with the following criteria and, as such, the Government:

- must not exercise control over the assets of the project;
- must not assume any risks and derive any benefit inherent to the ownership of such assets;
- must not automatically become the owner of the project or benefit from an option to purchase at a preferential price;
- must not pay for the majority of the assets through its contributions;
- must never have the authority to direct the financial and administrative policies of Caisse.

2. SCOPE OF THE AGREEMENT

This agreement shall apply to the infrastructure projects considered as major projects (“*projets majeurs*”) within the meaning of the *Directive sur la gestion des projets majeurs d'infrastructure publique* and mainly targets those with potential commercial income.

For all projects covered by this agreement, Caisse shall be responsible for their implementation. In such capacity, Caisse may complete, manage and finance, in whole or in part, the public infrastructures. It shall also assume the risks, as such are defined in this agreement.

3. PROCESS AND GENERAL PRINCIPLES FOR IMPLEMENTING A PROJECT

3.1 Process

- 3.1.1 The implementation of a project is carried out in two phases, namely, planning and completion (construction and operation).
- 3.1.2 The planning phase shall be completed jointly by Caisse and the Government. The main objective of the planning phase is to develop the solution which is best adapted to the needs defined by the Government as well as to its budgetary constraints.
- 3.1.3 The implementation phase shall be conducted by Caisse.
- 3.1.4 A timetable (see Schedule 3) is set for the process, and compliance therewith by both parties shall constitute one of the essential conditions for the success of each project.
- 3.1.5 The implementation phase of a project is described at Schedule 2 and is the subject of a governance framework represented and detailed in Schedule 1. Caisse acts through subsidiaries as described in Schedule 2.

3.2 General principles

3.2.1 Roles and responsibilities of the Government

- The Government, through its ministries and other public bodies, shall identify the needs and objectives related to the public interest.
- The Government shall make available to Caisse the studies and technical resources of public bodies for the purpose of developing the needs program or the functional program.
- The Government agrees to deal with Caisse through the Executive Committee (defined in Schedule 1), which will be the main interlocutor of Caisse.

- The Government retains, at all times, its responsibilities in regulatory and supervisory matters, pursuant to its legislative obligations.

3.3 Roles and responsibilities of Caisse

- 3.3.1 Caisse undertakes to respect the process for any planning phase.
- 3.3.2 Caisse shall act as the project owner and project manager for the implementation phase of the projects.

3.4 Income

- 3.4.1 Caisse shall assume the revenue risk of each project.
- 3.4.2 Caisse shall be responsible for the establishment of the fee structure and the method of collecting income as well as their evolution. The long-term fee structure shall be defined by Caisse during the planning phase.

3.5 Ownership of assets

- 3.5.1 The tangible assets and structures acquired, constructed or operated shall remain or become the property of Caisse.
- 3.5.2 An option to purchase at fair market value shall be granted to the Government to permit the retrocession of tangible assets and structures. The purchase of assets by the Government shall be at its discretion. The period during which such option may be exercised shall be provided for in each definitive project agreement.
- 3.5.3 A right of first offer shall be granted to the Government for each project in the case of a change of control transaction. Caisse may not assign, in whole or in part, its rights and interests in the lands constituting the base of a public transportation infrastructure prior to the end of construction work.
- 3.5.4 Each definitive project agreement shall provide reasonable and usual compensatory measures in the event of changes such as amendments to laws, events of force majeure or expropriation, or modifications to the conditions related to the issuance or obtaining permits.

3.6 Project financing

- 3.6.1 Each project will be financed principally by the following:
 - 3.6.1.1 a majority equity interest for Caisse through its infrastructure portfolio;
 - 3.6.1.2 investments from financial partners, it being understood that such partners shall, in all cases, be unrelated to the Government;
 - 3.6.1.3 long term debt.

- 3.6.2 Caisse shall prepare a financing package which allows it to achieve its target returns. It is understood that Caisse shall assume the risk of return.
- 3.6.3 The rate of return on equity and the interest rate of the debt shall comply with market practices and be validated by a financial advisor/independent accountant.
- 3.6.4 If a participation of the Government is necessary for a project, it shall take the form of an equity interest without voting rights and shall be determined prior to the construction phase. This participation, made entirely at the end of the project construction period, shall be less than that of Caisse and its partners so that the Government at no time has the power to direct the financial and administrative policies of Caisse.

In this respect, where the pre-established returns threshold is exceeded, a formula for sharing the returns shall be defined in each of the definitive project agreements. These returns thresholds allowing for such sharing will be adjusted depending on whether or not the Government participates in the equity and, if applicable, the extent of such Government participation.

The participation of the Government shall be discretionary and it shall be made for investment purposes with Caisse which carries on commercial activities.

3.7 Completion of projects

- 3.7.1 In accordance with the guiding principles of this agreement, Caisse shall assume the risks inherent in the construction of the project as defined in the definitive project agreement.
- 3.7.2 In accordance with the guiding principles of this agreement, Caisse shall assume the risks inherent in the operation of the project as defined in the definitive project agreement.

4. PROJECT PLANNING PHASE

Prior to project

The Governance Committee shall identify the infrastructure project(s) which the Government intends to implement and that would be of interest to Caisse. Following its analysis and the confirmation of its interest, the Government shall entrust Caisse with the project(s) through a decision of the Cabinet.

4.1 Definition of the project and recommendation

- 4.1.1 Caisse shall identify to the Executive Committee the technical resources of the various public bodies which must be involved in the Operational Committee of a project and work with these technical resources in order to:

- validate the dimensioning assumptions (for instance, according to the nature of the projects, the traffic, the local access corridor, etc.);
 - validate the technological choices;
 - identify the complementary studies necessary for the final definition of the projects (for instance, complementary traffic studies, technical studies, etc.);
 - define in detail the division of tasks and responsibilities between the Government, the public bodies and Caisse.
- 4.1.2 The Government shall ensure the logistical support of this phase in order to enable Caisse to obtain all the necessary information and technical assistance.
- 4.1.3 Caisse undertakes to keep the Executive Committee informed of the progress of all the work.
- 4.1.4 The estimated duration of this project definition and recommendation phase shall be from three to six months, depending on the projects. The Government and Caisse undertake to use their reasonable best efforts to comply with this timetable.
- 4.1.5 On the basis of the information provided by the Government and once the complementary studies are completed, Caisse shall propose preliminary specifications for the project, which shall be validated by the Governance Committee within one month. The Government and Caisse undertake to use their reasonable best efforts to comply with this timetable.

4.2 Consultation with stakeholders

- 4.2.1 Caisse shall consult with the stakeholders (ministries, municipalities, transit authorities, and other public or parapublic bodies) in order to validate their expectations and limitations.
- 4.2.2 Caisse undertakes to keep the Executive Committee informed of the progress of all the consultation work related to this phase.
- 4.2.3 At the end of this consultation, Caisse shall finalize the specifications of the project.
- 4.2.4 The estimated duration of this consultation phase with stakeholders shall be from one to three months, depending on the projects.
- 4.2.5 The Government and Caisse undertake to use their reasonable best efforts for the stakeholders to comply with this timetable.

4.3 Solutions proposal

4.3.1 On the basis of the final specifications of the project, Caisse shall:

- complete the necessary complementary studies;
- validate the preliminary completion and operation costs;
- prepare a preliminary completion schedule;
- validate the completion method and the preliminary financing cost;
- determine the economic model.

4.3.2 Caisse shall recommend to the Government one or several solutions for completing the project. For each solution analyzed, Caisse shall assess the financial participation of the Government, as applicable.

4.3.3 The estimated duration of this solutions proposals phase shall be from three to six months, depending on the projects.

4.3.4 The Government and Caisse undertake to use their reasonable best efforts to comply with this timetable.

4.4 Decision to proceed

4.4.1 The Governance Committee shall receive through the Executive Committee the solution or solutions proposed by the Caisse Program Directorate (defined in Schedule 1), and shall analyze, eventually comment on and submit such proposed solution or solutions to the Cabinet for choice, decision and approval.

4.4.2 The Government, through a Cabinet decision, shall choose an option and approve the solution. It shall confirm, if applicable, the amount of its participation and authorize Caisse to proceed with implementation of the project.

4.4.3 The main parameters of the project will be presented in a document to be jointly accepted by the Government and Caisse.

4.4.4 In the event that the result of the bids received further to the call for tenders is inconsistent with the approved parameters, particularly in respect of the maximum participation of the Government, the parties to this agreement should agree on one of the following actions:

- redefine the project;
- make a new call for proposals;
- adjust the participation of the Government without exceeding the maximum participation;
- cancel the project.

In this case, an additional Cabinet decision would be required.

- 4.4.5 If a project goes forward, the costs incurred by Caisse shall be included in the project costs. If a project does not go forward following a Government decision, then the costs of the studies and all other costs incurred by Caisse for this project shall be reimbursed by the Government in exchange for the study reports. If the project does not go forward following a Caisse decision, the costs incurred by Caisse in preparing the studies will be reimbursed by the Government in exchange for the study reports. Caisse shall assume all other costs incurred by it.

It is agreed that during the planning phase, the Caisse Program Directorate shall provide to the Executive Committee a report on the progress of the costs incurred by Caisse. A report shall be issued for each tranche of \$5 million in costs incurred.

- 4.4.6 In the event that the conditions related to the Cabinet approval are met, Caisse shall become the project owner and project manager of the project.
- 4.4.7 The estimated duration of this decision phase shall be from one to three months, depending on the projects. The Government and Caisse undertake to use their reasonable best efforts to comply with this timetable.

5. PROJECT IMPLEMENTATION PHASE

5.1 Permits and legislative amendments

- 5.1.1 Definition: For the purposes of this agreement, “permits” means all the authorizations, consents, approvals, permits, licences, legal agreements granted by a government authority which are required for the implementation of the project (Note: the definition of government authority shall include municipalities government agencies, etc.).
- 5.1.2 The time limits and conditions for obtaining permits shall be defined in the definitive project agreement. Caisse shall assume the risks related to obtaining the permits.
- 5.1.3 The definitive project agreement shall also identify legislative amendments requiring adoption by the National Assembly to make the project implementation possible, if applicable.

5.2 Land holdings

- 5.2.1 Definition: all the titles, leases, licences, rights-of-way, subsurface rights, servitudes and other interests in land which are required to implement the projects.
- 5.2.2 Caisse shall provide the Government with a plan defining the land space (volumetric) necessary for the construction of each project and a plan defining the land space (volumetric) which is necessary for the operation of each project.

- 5.2.3 The Government shall provide Caisse with the land holdings free from all servitudes and/or compensate Caisse for all servitudes or limitations related to the land holdings (public utilities, contaminated soils, etc.). The Government undertakes to carry out expropriation where necessary for the public interest in compliance with the schedule for the implementation of projects.
- 5.2.4 The Government shall provide the land holdings at fair market value, without consideration being given to the added value related to the implementation of the project.
- 5.2.5 The transfer of the land holdings shall be made by sections in such a way as to comply with the construction schedule.
- 5.2.6 Caisse shall return to the Government any land space which is not necessary for the operation (i.e. construction land space) or for the commissioning of the project according to the terms provided for in the definitive project agreement.
- 5.2.7 The controlled land holdings may be used for real-estate development (if profitable) in order to reduce the costs of the project and the participation of the Government.

5.3 Purchases

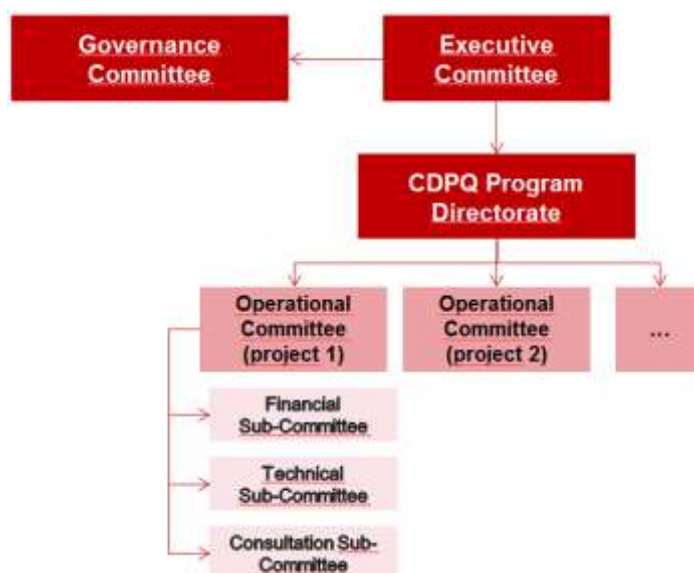
- 5.3.1 Caisse shall proceed with a call for tenders for the choice of its contractors. Calls for tender shall comply with best practices in force at the international level, particularly in respect of the transparency of the process.
- 5.3.2 The conditions under which Caisse shall proceed with calls for tenders are described in Schedule 4.

5.4 Implementation of the projects

- 5.4.1 When the choice of the solution has been approved by the Government and a definitive project agreement between the Government (through its ministries and other public bodies) and Caisse (through a wholly-owned subsidiary) has been signed, Caisse shall commence the project implementation phase.
- 5.4.2 Caisse shall assume all of the construction risks of the project according to the standard or usual limits and terms as described in the definitive project agreement, particularly: choice of suppliers, design risks, technological choices, geological risks, construction costs, delays, replacement of contractors, commissioning, and insurance.
- 5.4.3 Caisse shall assume all of the operational risks of the project according to the standard or usual limits and terms as described in the definitive project agreement, particularly: life expectancy, operating costs, maintenance costs, rehabilitation, income, and insurance.

SCHEDULE 1

Governance framework



GOVERNANCE COMMITTEE

This committee shall only be active during the planning and construction phases.

- Frequency of meetings: ad hoc.
- Representatives: ministère du Conseil exécutif (MCE), ministère des Finances (MFQ), Secrétariat du Conseil du trésor (SCT), Société québécoise des infrastructures (SQI), ministry responsible for the relevant infrastructure.
- Mandate:
 - Interfacing with the Executive Committee except for specific requests by Caisse.
 - Coordinating the activities within the Government and ensuring diligent compliance with its obligations.
 - Ensuring the consistency of the accepted solutions on the basis of the major orientations;
 - Identifying and recommending the projects of public bodies which could be governed by this agreement.
 - Receiving the progress reports of the Executive Committee.

EXECUTIVE COMMITTEE

This committee shall remain in place for the duration of this agreement.

- Frequency of meetings: monthly.
- Members: 3 representatives appointed by Caisse, 2 representatives appointed by the Government.
- Roles and responsibilities:
 - During the planning phase, the Executive Committee shall act as an interface between the Caisse Program Directorate and the Governance Committee. In such capacity, it shall approve all the rules of governance (orientations, objectives, work programs, budgets, strategies, timetables, studies, reports).
 - During the implementation phase, the relationship between the Executive Committee and the Caisse Program Directorate shall be limited to ensuring the delivery of all the documentation and the compliance by the Government with its undertakings to Caisse during the planning phase, as established in the definitive project agreement.
 - The Executive Committee shall also act as an interface for the assessment of projects which are to be considered in the context of this agreement.

CAISSE PROGRAM WORKING COMMITTEE

This committee shall remain in place for the duration of this agreement.

- Frequency of meetings: bi-monthly, then monthly during the construction and implementation phase.
- Members: Caisse.
- Role et responsibilities :
 - Preparing all the deliverables with the support of the operational subcommittees;
 - Following the state of progress of the work of the operational subcommittees;
 - Ensuring the consistency of the chosen solution(s);
 - Approving the main deliverables.

Once a project enters into the implementation phase, the Caisse Program Working Committee no longer reports to the Executive Committee except for the documentation and undertakings which must be provided by the Government.

OPERATIONAL COMMITTEE

An operational committee shall be established for each project and will be discontinued at the end of phase 4 presented in Schedule 2 (solutions proposals).

- Frequency of meetings: weekly, only applies to the planning phase.
- Members: Caisse, government agencies, Government and independent experts.
- The Operational Committee shall be supported by three subcommittees:
 - i) technical;
 - ii) financial; and
 - iii) consultation.
- Role and responsibilities:
 - Developing solutions which maximize both the technical and the economic aspects.
 - Developing recommendations to the Caisse Program Directorate.
 - Assuring the framework for, and the monitoring of the consultation sessions (see phase 3 of the process in Schedule 2).

SCHEDULE 2

DETAILED DIVISION OF ROLES AND RESPONSIBILITIES

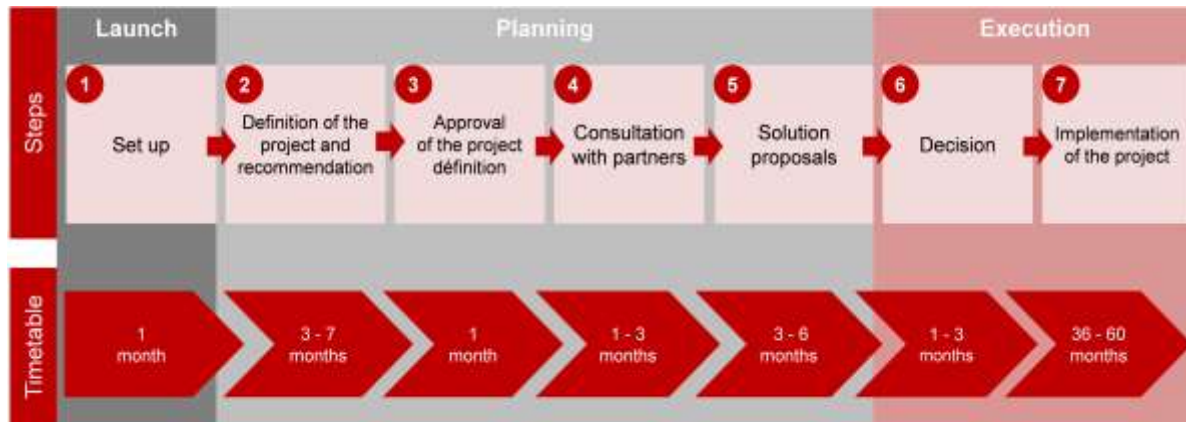
PHASES OF THE PROCESS	CAISSE	GOV.
Phase A : Prior to project, expression of need		
Identification of the project(s) with potential commercial interest for Caisse		X
Analysis and confirmation of the interest of Caisse to take on the project(s)	X	
Phase B : Cabinet authorization		
Decision to entrust the project(s) to Caisse		X
Step 1 : DEFINITION OF THE PROJECT AND RECOMMENDATION		
Definition and dissemination of the main orientations of the project		X
Definition and set up of the project's management structure	X	
Proposed schedule for the initiative	X	
Making available the technical resources of public bodies		X
Validate the dimensioning assumptions	X	
Validate the technological choices	X	
Complementary studies necessary for the definition of the project	X	
Risk analysis	X	
Proposed preliminary specifications of the project	X	
STEP 2 : VALIDATION		
Validation of the preliminary specifications of the project by the Governance Committee		X
STEP 3 : CONSULTATION		
Validation of the expectations and limitations of stakeholders (ministries, municipalities, transit authorities, or other public or parapublic bodies)	X	
Finalization of the preliminary specifications of the project	X	

PHASES OF THE PROCESS	CAISSE	GOV.
STEP 4 : SOLUTIONS PROPOSAL		
Carry out complementary technical and environmental studies	X	
Identify and validate the preliminary completion and operation costs	X	
Define the preliminary implementation schedule	X	
Validate the method of implementation and the initial financing cost	X	
Determine the economic model	X	
Assess the financial participation of the Government, if applicable	X	
Recommend one or several solutions for implementing the project	X	
Step 5: DECISION TO PROCEED AND CABINET APPROVAL		
Choice and approval of the solution		X
Confirmation of the amount of the financial participation of the Government		X
Authorization to proceed with the implementation the project		X
Signature of the definitive project agreement	X	X
Step 6 : Implementation of the project		
Obtaining environmental authorizations	X	
Acquisition of the land and expropriation (if necessary)		X
Construction	X	
Step 7 : OPERATION OF INFRASTRUCTURES		
Operation of infrastructures	X	
Ensuring the integrity of infrastructures	X	
Maintenance of infrastructures	X	
Operating expenses and income management	X	

During steps 1 to 5, Caisse acts through a wholly owned subsidiary to be constituted to give effect to this agreement. For each project, during phases 6 and 7, Caisse acts through an entity created for each project and controlled by its wholly owned subsidiary.

SCHEDULE 3

Process timetable



SCHEDULE 4

Calls for tenders framework and procedure

PRINCIPLES

Caisse shall select the contractors and manage the calls for tenders process with a view to ensure efficiency while complying with best practices in the areas of transparency and sound competition, in accordance with international norms and standards. In this perspective, Caisse manages the acquisition of goods, services and construction work required in the application of this agreement in a manner that ensures equality and equity among the bidders.

PURPOSE

This Schedule describes the principal contractual parameters that apply to Caisse and the division of tasks between Caisse and the Government for managing within the calls for tenders process.

For **major contracts**, Caisse shall proceed by public calls for tender open to the international market. "Major contracts" refers to construction work contracts that could also involve the provision of goods and services and which have a value reaching or exceeding 7.7 M\$CA (5 million SDR)¹.

For **minor contracts**, Caisse shall proceed generally to a call for qualification of suppliers by business domain. "Minor contracts" refers to contracts for the acquisition of goods and services of a value less than 7.7 M\$CA (5 million SDR). These contracts shall be granted in the following manner:

- Contracts of a value less than 560,000 \$CA (355,000 SDR)² shall be granted among the qualified suppliers, by mutual agreement or by invitation to tender;
- Contracts of a value exceeding 560,000 \$CA (355,000 SDR) will be the subject of call for proposals among all the qualified suppliers.

The qualification process shall be the subject of public notices and shall be open to all interested suppliers. A public notice for qualification is published periodically in a manner that allows the qualification of other suppliers.

Moreover, procurement, services or construction work contracts with an expense equal or superior to 5 M\$ and required for the planning or implementation of the infrastructure projects entrusted to Caisse shall be granted to companies holding authorizations from

¹ The "SDR" refers to a special drawing right, being the monetary unit established by the International Monetary Fund and that is generally used in the calculation of public market values. The sum of 5,000,000 DTS corresponds, in 2014, to approximately 7.7 M\$ Canadian. See <https://www.imf.org/external/np/exr/facts/fre/sdrf.htm>.

² This value corresponds, in 2014, to the approximate sum of 560,000 \$CA.

the AMF (*Autorité de marchés financier*) pursuant to article 21.17 of the *Act respecting contracting by public bodies* (R.S.Q., chapter C-65.1).

In the event that Caisse wishes to derogate from the parameters outlined in this Schedule 4, Caisse must be given prior authorization by the Executive Committee, taking into account the principles contained herein. Moreover, the validation of the integrity conditions by the AMF, for contracts with expenses equal or greater to 5 M\$, remain applicable at all times.

CALLS FOR TENDERS MANAGEMENT PROCESS

	CAISSE	EXECUTIVE COMMITTEE
GENERAL		
Appointment of a process auditor ensuring the integrity of the call for tenders process		X
QUALIFICATION PROCESS		
Definition of the general criteria for assessing the qualification process	X	
Definition of the criteria which disqualify bidders (conflicts of interests, collusion, fraud)		X
Validation and approval of all criteria	X	X
CALL FOR PROPOSALS		
Definition of general criteria for assessing the call for proposals	X	
Definition of the criteria which render bidders inadmissible (conflicts of interests, collusion, fraud, prices)		X
Validation and approval of all criteria	X	X
QUALIFICATION PROCESS STEPS		
Publication of qualification process notice	X	
Issuance of the qualification process file, including the assessment and inadmissibility criteria	X	
Appointment of the assessment committee	X	
Assessment of the bids	X	

	CAISSE	EXECUTIVE COMMITTEE
Validation of compliance with inadmissibility criteria		X
Recommendation of the assessment committee	X	
Issuance of the auditor's report on the integrity of the call for tenders process		X
Choice of qualified bidders	X	
CALL FOR PROPOSALS STEP		
Issuance of the call for proposals file, including the assessment and disqualification criteria	X	
Appointment of the assessment committee	X	
Interaction with bidders	X	
Assessment of the bids	X	
Recommendation of the assessment committee	X	
Issuance of the auditor's report on the integrity of the call for tenders process		X
Choice of the chosen bidder and granting of the contract	X	