

2015 Sustainability Report



GazMétro
la vie en bleu



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The 2015 Sustainability Report was written for publication in a format that can be used on Gaz Métro's website. Please bear this in mind as you read the document.

1. Caution regarding forward-looking statements

Certain statements in this Sustainability Report may be forward-looking under applicable securities laws. Such forward-looking information reflects the intentions, plans, expectations and opinions of Gaz Métro inc. ("GMI") management ("Management") regarding the future growth, operating results, performance, and business prospects and opportunities of GMI or Gaz Métro Limited Partnership ("Gaz Métro"), and are based on information currently available to Management and assumptions about future events. Forward-looking statements involve known and unknown risks and uncertainties, and other factors beyond Management's control. A number of factors could cause actual GMI and Gaz Métro results to differ significantly from the present expectations as expressed in the forward-looking statements.

For a review of the risk factors, please refer to GMI's Management's Discussion and Analysis (MD&A) for the year ended September 30, 2015, and to subsequent quarterly MD&As that report or might report changes in these risk factors and which are available at www.sedar.com under GMI's profile.

Although these forward-looking statements are based on what Management believes to be reasonable assumptions, Management cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this Sustainability Report, and Management assumes no obligation to update or revise them to reflect new events or circumstances, except as required pursuant to applicable securities laws. Readers are cautioned not to place undue reliance on these forward-looking statements.

2. Message from the President and Chief Executive Officer

Considering energy in the long term

G4-1

Energy is generally for immediate consumption. We need energy to travel now, warm up now, turn on the lights now. As an energy company, our challenge is to consider the long term as we meet these immediate needs. A person who is cold today and finds comfort in penalizing future generations to keep warm is on the wrong track. We must stop taking from our children. This is the essence of sustainable development, the urgency of the energy challenge.

Our evolving approach

This report is the result of close collaboration with our stakeholders. Through consultations, surveys, workshops and discussions, we placed these stakeholders at the heart of our approach to prepare this Sustainability Report. Their comments and suggestions further to the publication of the 2013 Sustainability Report were the starting point for our deliberation. Then, with our stakeholders, we prioritized the issues, which made it possible for us to define the topics presented in this report. The unprecedented participation of 86 external stakeholders and 57 internal stakeholders allowed us to come to these conclusions and prepare this second report.

The 2013 Sustainability Report was our first report published in accordance with the Global Reporting Initiative's (GRI) G4 Sustainability Reporting Guidelines. It was the beginning of a rigorous process, as the GRI criteria require that a true sustainable development management system be put in place. As a result, since 2013, we have made improvements in terms of responsible procurement; among other things, we published our first supplier code of conduct. We also reviewed our social acceptability practices and improved our sustainable development governance structure.

The 2015 Sustainability Report is the continuation of this process, as the stakeholders agree that the issues identified in 2013 are still a priority two years later.

Our achievements

The 2013-2018 strategic plan set out two major ambitions: to protect and to grow. It is in this context and with this vision that we have been focusing on three main objectives.

- First, consume less. Gaz Métro has been promoting energy efficiency to its customers since the early 2000s. These efforts have led to natural gas savings of more than 418 million cubic metres realized by Quebec customers from 2001 to 2015. Furthermore, fiscal 2015 was a record year in terms of the reduction of Gaz Métro customers' energy requirements, with total savings of more than 42 million cubic metres.
- Second, develop renewable forms of energy. Gaz Métro has become a provider of diversified energy solutions. Our company is a partner in one of Canada's largest wind farms, the Seigneurie de Beaupré, whose 154 wind turbines represent 340 megawatts of installed capacity. It is also involved in biomethanation, which entails transforming waste into useful energy. In the summer of 2015, the Régie de l'énergie approved an initial project with the City of Saint-Hyacinthe, which will make it possible to add up to 13 million cubic metres of local and renewable natural gas to our network.
- Third, consume smarter. Natural gas is the cleanest fossil fuel. When it is used instead of other more polluting energies, such as diesel, oil and coal, there is an immediate reduction in GHG emissions of approximately 25%, 32% and 42%, respectively. Moreover, using natural gas instead of heavy fuel oil improves air quality by reducing

sulfur oxide (SO₂) emissions by 99%, nitrogen oxide (NO_x) emissions by 70%, and fine particle emissions by 90%.

In 2014 and 2015, Gaz Métro kicked off several projects to make natural gas more available.

- In June 2015, the Quebec and Canadian governments made financial contributions to the extension of the natural gas network in the Bellechasse region. This 71-kilometre extension to our network had been on the drawing board for over 10 years. In December 2015, the Régie de l'énergie approved this \$40 million project.
- Further south, in the Asbestos sector, the federal government has made a commitment to contribute to a 7.4-kilometre extension of our network to supply the industrial park with an additional 386,000 cubic metres of natural gas over three years. In December 2015, the \$4.3 million project was officially submitted to the Régie de l'énergie. Commissioning is scheduled for the end of 2016.
- In partnership with Investissement Québec, we have begun work on a development project aiming to increase the production capacity, as of 2016, of our liquefaction plant in the east end of Montréal. Liquefied natural gas (LNG) makes it possible to extend the benefits of natural gas to road and maritime transport, as well as supply natural gas to communities and industrial sites beyond our network's reach which usually meet their energy needs with diesel or oil.

Our responsibilities in the urgent fight against climate change

Climate change is a reality. It is mainly caused by the rise of carbon dioxide (CO₂) levels in our atmosphere. This can be attributed to human activity, specifically to the use of fossil fuels. Gaz Métro is fully aware of this threat.

If businesses in the energy sector are part of the problem, they also need to be part of the solution. In this spirit of collaboration and shared responsibility, Gaz Métro attended the Paris Climate Change Conference (COP21) alongside environmental groups and non-governmental organizations from Quebec, as well as federal and provincial government representatives.

Quebec has a short-term GHG emission reduction target of 20% below the 1990 level by 2020; it established a medium-term reduction target of 37.5% by 2030 further to consultations held in 2015; and, in the long term, Quebec is aiming to reduce its GHG emissions by 80–95% by 2050, having joined, in 2015, the UNDER 2 MOU group, which brings together numerous signatory members that all share this ambitious target.

Gaz Métro stands with Quebec and believes it can play a significant role in attaining these objectives.

Furthermore, Gaz Métro supports the carbon market and has been subject to it since January 1, 2015. Beyond the GHG emission reductions stemming from its energy efficiency efforts, Gaz Métro must acquire emission allowances under the cap-and-trade system for greenhouse gas emission allowances (C&T system) to offset the GHG emissions resulting from its activities as well as the consumption of a portion of its clientele. Gaz Métro can acquire these emission allowances by taking part in auctions jointly organized by the Quebec and California governments, for example. Gaz Métro has participated in every auction since November 2014. The company can also acquire offset credits recognized by the C&T system which are generated by GHG reduction projects. This is how it acquired the first offset credits ever generated in Quebec. Gaz Métro's goal is to ensure compliance with the carbon market while generating positive spinoffs in Quebec.

Social acceptability, the cornerstone of our projects

Adopting a long-term approach to energy not only requires that our company fight climate change, but also entails another fundamental implication: ensuring our projects are socially acceptable.

Our vision of social acceptability revolves around three milestones:

- Identify the positive and negative environmental, social and economic impacts of our activities as early as possible
- Meet the stakeholders who could be affected by our activities
- Reduce any negative impacts as much as possible and emphasize our projects' positive spinoffs

Gaz Métro undertakes major projects in the territory it serves and within many communities. These projects come with risks and benefits. For us, seeking out social acceptability starts with frank and open communication on all aspects of our projects; these discussions must be part of a process adapted to each project, in order to address each community's specific questions.

In 2015, construction project analysis criteria were improved. Potential social and environmental impacts are assessed in more detail, and the analysis by each interested party is easier and more in-depth as a result. Potential impacts are therefore better anticipated, and more relevant information is given to the stakeholders.

During fiscal 2015, approximately 30 projects were followed more closely because of the potential impacts that had been identified.

Social acceptability is a central component of Gaz Métro's philosophy. It is also a growing concern in Quebec society. In fact, in 2015, Quebec's Ministère de l'Énergie et des Ressources naturelles held consultations, in which Gaz Métro participated, specifically to define the notion of social acceptability in connection with the use and development of public land and energy and mineral resources. The analysis report stemming from these consultations was filed on October 27, 2015, and will inform the thinking of businesses, public decision-makers and stakeholders.

Ready for Next?

Today, we are placing an emphasis on transparency as we present our process and achievements in relation to several issues that Gaz Métro and its stakeholders view as priorities. We have made a commitment to pursuing our improvement efforts with respect to these issues.

As an engaged corporate citizen in favour of change and a better future, Gaz Métro has taken part in many public discussions and consultations, in particular regarding Quebec's new energy policy. Gaz Métro is also a member of the SWITCH alliance. This group shows just how far the discussion on sustainable development has come, bringing together organizations whose missions are varied and were perhaps even opposed just a few years ago—industrial enterprises, environmental groups, employer associations and investors are just some of the members of this multiparty alliance, which seeks to accelerate Quebec's transition to a greener economy.

Gaz Métro wants to experience sustainable development in all its complexity, without, however, forgetting to look out its own windows. The community we want to support is all around us, in the Centre-Sud and Hochelaga-Maisonneuve neighbourhoods that house our company's headquarters. Gaz Métro invests significantly in this community, through projects fostering student retention like Ruelle de l'avenir, and encourages social and community involvement among its employees.

Gaz Métro values consistency, from its thoughts to its actions, from its guiding principles to its day-to-day activities. Because shouldn't we all aspire to making sustainable development a way of life that no longer required conscious effort? We're not there yet, but with this second Sustainability Report, we are humbly trying to get ready for what's next.

3. About this report

Note to the reader

G4-3, G4-7, G4-13, G4-17, G4-18, G4-28, G4-29, G4-30, G4-31

This report concerns the core business of Gaz Métro Limited Partnership (Gaz Métro): the distribution of natural gas in Québec (QDA). In some instances, to meet stakeholder expectations or to present complete data or information, we included our subsidiaries when the information was available. This is the case for indicators about economic value. Indicators are defined in the report's [index](#).

It covers the fiscal year starting on October 1, 2013 and ending on September 30, 2014 ("fiscal 2014"), and the fiscal year starting on October 1, 2014 and ending on September 30, 2015 ("fiscal 2015"). When the data pertains to the calendar year as opposed to the fiscal year, a note is included for the reader.

G4-13, G4-23

Gaz Métro published its previous Sustainability Report on March 26, 2014. During fiscals 2014 and 2015, no significant change occurred in Gaz Métro's size, structure or capital. Gaz Métro is continuing its sustainable development process and the annual updating of its performance indicators, and it intends to publish a full report every two years.

G4-32, G4-33

Gaz Métro declares that this report was drafted in accordance with the G4 Global Reporting Initiative (GRI) Guidelines at the "Core" level. This report has not been subject to an external audit. Nevertheless, it has been reviewed by the Sustainable development strategy committee and approved by Gaz Métro's Management Board. The report is also presented to the Board of Directors' Human Resources and Corporate Governance Committee, and to the Board itself. [Click here](#) to see the G4 GRI Content Index.

The information presented in this report was provided with a concern for integrity and data accuracy.

Internal Audit declaration

Gaz Métro's Internal Audit Department has reviewed the indicators with a view to validating the integrity of the information in this Sustainability Report. Gaz Métro's Internal Audit Department conducts its audits in compliance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. During this work, Gaz Métro's Internal Audit Department did not find any significant gaps leading it to believe that the information in the Sustainability Report is inaccurate.

Please address any questions concerning this report to:

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Content of report

The contents of this report cover the priority topics determined by Gaz Métro's internal and external stakeholders. To find out how Gaz Métro established these topics, please go to the [Materiality assessment section](#).

4. Materiality assessment

The materiality assessment, which is conducted with internal and external stakeholders, is essential for gaining a better understanding of the sustainability aspects that are most important for Gaz Métro.

G4-18

Gaz Métro applied the GRI's principles and steps to determine the report's contents.

- [Review of the 2013 report](#): Feedback workshop with more than 30 external stakeholders further to the publication of the first Sustainability Report to hear their comments and suggestions
- [Identification](#): Review of internal strategic documents, benchmarking of aspects included in a variety of relevant external documents and stakeholder consultation (survey) to determine the relevant aspects
- [Prioritization](#): Survey of more than 140 stakeholders (86 external and 57 internal)
- [Validation](#): Verification of the completeness of the aspects in the report by the sustainable development team, validation by a group of external stakeholders as well as the internal team accountable for sustainability at Gaz Métro, i.e. the office of the Vice President, Strategy, Communication and Sustainability, and the sustainable development strategy committee
- [Review](#): Following the publication of the report, examination of the possibility of conducting another stakeholder survey by Gaz Métro's sustainable development team

4.1.1. Highlights

Comparison of the 2013 and 2015 materiality assessments

2013	2015
Survey: 20 external stakeholders and 12 internal stakeholders	Survey: 86 external stakeholders and 57 internal stakeholders
Validation workshop: 20 external stakeholders	Validation workshop: 7 external stakeholders
23 sustainability aspects	24 sustainability aspects

Top 5 aspects in 2015

1. Contaminant leaks and spills (2nd in 2013)
2. Safety of the gas network (1st in 2013)
3. Legal compliance (3rd in 2013)
4. Emissions, atmospheric pollutants and the impacts of climate change (4th in 2013)
5. Management of the environmental impact of the gas network (5th in 2014)

4.1.2. Review of the 2013 report – Phase 4 Review

In its 2013 Sustainability Report, Gaz Métro presented its methodology for the first three phases of the materiality assessment. The fourth phase, Review, had not been completed when the report was published, as this was the first reporting cycle that met GRI requirements.

G4-26

To complete the review step, on May 1, 2014, almost one month after the report was published, a feedback workshop was held with the external stakeholders to hear their comments and suggestions for improvements. Thirty-four stakeholder representatives took part in this workshop to analyze the 2013 report's contents. The participants that took part in this review of the report represented the same categories of stakeholders that participated in the identification phase.

G4-27

Here is a summary of the main suggestions made by Gaz Métro's stakeholders, with links to the related report sections:

- The 2013 Sustainability Report focused on Gaz Métro's main activity, the distribution of natural gas in Quebec. However, the stakeholders mentioned that they would like the report to be broader in scope and include unregulated activities, such as activities related to liquefied natural gas, renewable natural gas and wind power. See the [Growth and development section](#).
- More detailed information should be provided on environmental impact management. New aspects: [water management](#) and [biodiversity management](#).
- Sustainable development governance and how staff is engaged should be explained in more detail. See the [Sustainable development governance section](#).
- Benchmarking should be done with comparable businesses in Quebec's energy sector. Gaz Métro took part in a benchmarking study on sustainability disclosure practices in Canadian energy sector businesses. The study results pertaining to Gaz Métro are presented below.

Benchmarking of sustainability performance disclosure practices

In 2014, Gaz Métro participated in the Energy Sector Sustainability Study (ES3) conducted by the Delphi Group in Ottawa. The ES3 assesses energy sector companies mainly based in Canada or with significant Canadian activities. The study focuses on the oil and natural gas subsector, energy transport companies and public utilities. All major Canadian energy suppliers with sustainability practices are included, as are a few American utilities. To be included in the study, companies must have sustainability practices that are effective and sufficiently developed to provide some meaningful basis for comparison.

Gaz Métro's performance

Key Indicator Group	Gaz Metro's Performance in 2014
Carbon and Energy Management	■
Strategy and Governance	■
Environmental Risks and Opportunities	■
Financial Indicators of Sustainability	■
EHS Compliance Metrics & Reporting	■
Stakeholder Engagement and Social Metrics	■
Sustainability Reporting Practices	■

■	1 st Quartile, High ES3 Performance
■	2 nd Quartile, Good ES3 Performance
■	3 rd Quartile, Medium to Low ES3 Performance
■	4 th Quartile, Low ES3 Performance—areas for improvement have been observed

Gaz Métro placed in the 2nd quartile for the disclosure of its sustainability practices in its 2013 Sustainability Report, with a score of 61 points out of a possible 91.

The study is broken down into seven categories:

1. Carbon and Energy Management
2. Strategy and Governance
3. Environmental Risks and Opportunities
4. Financial Indicators of Sustainability
5. EHS Compliance Metrics & Reporting
6. Stakeholder Engagement and Social Metrics
7. Sustainability Reporting Practices

Here are some of the report's recommendations:

- Include Scope 3 emissions in the company's greenhouse gas emission reporting¹
- Better explain and measure biodiversity management and water management
- Explore the potential for additional social metrics to improve reporting on impacts on the community
- Consider using interactive features and publishing the Sustainability Report online

¹ Scope 3 emissions are indirect emissions that occur in goods and services supply chains or emissions from the transportation of employees and customers.

4.1.3. Identification

As this is Gaz Métro's second report drafted in compliance with GRI G4 Guidelines, the identification phase was mainly an opportunity to review the company's sustainability aspects and enhance them to ensure the list was as exhaustive as possible. To achieve this, Gaz Métro reviewed the benchmarking of the sustainability aspects in internal strategic documents, such as Gaz Métro's strategic plan and the risk assessment.

Internal inputs	External inputs
Risk assessment	Benchmarking of energy sector company reporting practices
Strategic planning	Sustainability Accounting Standards Board, Oil & Gas – Midstream
Gaz Métro Sustainable Development Roadmap	Quebec's sustainable development strategy for 2015-2020
Gaz Métro 2013 Sustainability Report	
External stakeholder feedback – activity on May 1, 2014	

Gaz Métro also studied the aspects raised in other energy industry sustainability reports and took into account the comments made by the stakeholders during the feedback meeting on the previous Sustainability Report. Lastly, internal and external stakeholders also had opportunities to suggest new topics.

This process resulted in the identification of 24 relevant sustainability aspects related to Gaz Métro's activities. Most of the aspects in the previous report appear in this report, making it possible to draw comparisons. In all, eight environmental aspects, seven economic aspects and nine social aspects were defined.

[Click here](#) to see all the sustainability aspects defined by Gaz Métro.

4.1.3.1. Aspect identification

G4-20, G4-21

Aspect	Description
Environment	
1. Internal energy consumption	Energy consumption (electricity, natural gas, fuel) within facilities, for activities and the vehicle fleet.
2. Water management	Water management in Gaz Métro activities and offices.
3. Biodiversity management	Management practices and consideration of biodiversity, particularly in terms of analytical tools such as environmental impact assessments associated with Gaz Métro projects.
4. Management of the environmental impact of the gas network	Management practices and system instituted to establish and mitigate the environmental risks and impacts associated with the company's activities in the area of natural gas distribution.
5. Internal waste management	Management of waste in facilities and activities. Includes all measures to reduce at source, reuse, recycle and reclaim waste.
6. Emissions and atmospheric pollutants	Management of greenhouse gas emissions and other atmospheric pollutants (e.g. nitrogen oxides (NOx), sulfur dioxides (SO ₂)) associated

Aspect	Description
	with our activities (including fugitive leaks, vehicle and building combustion, and third-party damage).
7. Contaminant leaks and spills	Management of leaks, spills and fires involving hazardous materials or contaminants, as well as incident reporting.
8. Energy efficiency	Programs and initiatives to help customers reduce their consumption of natural gas or other more polluting forms of energy (conversion to natural gas), including the Global Energy Efficiency Plan (GEEP).
Economy	
9. Procurement practices	Procurement process, including the evaluation and selection of goods and services suppliers based on responsible procurement criteria.
10. Legal compliance	Compliance with legislation and regulations, including compliance with the legal requirements applicable to the environment, occupational health and safety, marketing communications and network security.
11. Regulatory context	Regulatory context and requirements governing monitoring of the organization's activities (e.g. Régie de l'énergie, cap-and-trade system for greenhouse gas emission allowances).
12. Gas supply	Description of the natural gas supply chain and the organization's practices and procedures, including the origin of natural gas, selection of natural gas suppliers and distribution modes.
13. Growth and development	Business practices contributing to the organization's growth, development of the natural gas network (including operational, economic and regulatory constraints), development of innovative energy projects (natural gas as fuel and liquefied natural gas to replace more polluting energy sources), and production of renewable energy (wind power and biomethane distribution).
14. The price of natural gas	The change in the price of natural gas based on various components (e.g. molecule, transport and distribution) and factors that influence them. Comparison of the price of natural gas with that of other forms of energy.
15. Research and development	Contribution to the development of other energy sectors (biomethane) and search for new natural gas applications in conjunction with the Natural Gas Technologies Centre (NGTC) and through collaboration with university research chairs.
Social	
16. Social acceptability	Concerns regarding the environmental and social impacts of natural gas distribution (supply sources) and projects to improve the natural gas network (traffic obstructions, noise, odour, community relations, etc.). Relations with Aboriginal communities and stakeholders affected by the projects.
17. Service accessibility	Practices and programs to assist low-income customers and customers having payment difficulties.
18. Safety of the gas network	Risk outreach and communication initiatives, preventive maintenance programs, and policies pertaining to emergency measure management,

Aspect	Description
	operational continuity and network recovery (emergency response time, management system). Includes measures to ensure customer safety.
19. Occupational health and safety	Outreach programs and management systems fostering a safe, healthy work environment for Gaz Métro employees, partners and the suppliers who represent it. Includes management of workplace accidents and absenteeism.
20. Training and skills development	Training programs for Gaz Métro employees, partners and suppliers, to develop their skills, and maintain and upgrade their knowledge.
21. Work environment	Measures implemented to foster ethical conduct, equal opportunity, diversity, a discrimination-free workplace and employee mobilization, and maintain healthy relations with the unions.
22. Succession and retirement management	Actions to identify succession within the staff and critical functions of the organization. Talent and retirement management
23. Community involvement	Staff involvement, execution of projects supported by Gaz Métro's community investment program, and local economic spinoffs from these investments.
24. Customer satisfaction	Monitoring of the quality of customer service, complaint management, and speed of service.

4.1.3.2. *Changes made to Gaz Métro's sustainability aspects*

G4-23

Elimination of the Governance category

While good governance is an integral part of the sustainability process, this category was removed from the list of aspects because a specific section of the report is dedicated to it. For more information, see the [Governance](#) section.

Furthermore, certain aspects were moved. For example:

- **Socially responsible supply** is now **Purchasing practices** and has been moved to the **Economy** section.
- **Collaborating and consulting with stakeholders** and **Communication and reporting** have been removed, as they are best practices and not sustainability aspects.
- **Social acceptability of the product** is now **Social acceptability**, encompassing the social acceptability of projects (traffic obstructions, noise, odours, etc.). The aspect is now in the **Social** section. The social acceptability of natural gas is now part of the **Gas supply** aspect in the **Economy** section.

Changes in the Environment category

- As recommended by the stakeholders and further to benchmarking of reporting best practices, **Water management** and **Biodiversity management** have been added to the list of aspects.

Changes in the Social category

- **Service accessibility** was added to emphasize expectations regarding initiatives supporting low-income households.

4.1.3.3. Stakeholder identification

G4-24

External stakeholders

Gaz Métro has grouped its external stakeholders into 10 categories:

- Shareholders
- Industry associations
- Customers (commercial, industrial or institutional, corporate)²
- Suppliers (goods and services and gas)
- Community groups
- Environmental groups
- Régie de l'énergie intervenors
- Economic partners (including subsidiaries)
- Public authorities
- Universities and research chairs

G4-25

Selecting stakeholders for the materiality assessment was a turning point in drafting the report. Many collaborators, in particular from the gas supply, Corporate Secretariat and sales sectors, helped identify stakeholders, to ensure discussions were relevant and representative.

Gaz Métro's sustainable development team used the following criteria to identify external stakeholders for each category:

² Residential customers were not directly consulted in this process, but two Régie de l'énergie intervenors, Union des consommateurs and Option consommateurs, did participate in the process.

Criteria for the identification of external stakeholders

Criteria	Description
Influence	Stakeholder likely to have an influence on performance (e.g. legislative framework, financial situation), project planning and execution (e.g. procurement, compliance) or Gaz Métro's reputation.
Impact	Stakeholder on whom Gaz Métro's activities have a direct impact (financial, social or environmental).
Responsibility	Stakeholder to whom Gaz Métro has a legal, financial or operational responsibility under contract.

Internal stakeholders

In addition to these external stakeholders, a group of internal stakeholders was consulted: the Management Committee, the sustainable development strategy committee, the corporate team (group of approximately 20 employees in various positions within the company: specialized employees, managers, union representatives, etc.), as well as the report collaborators.

G4-27

Selection criteria were established to ensure the company's sectors and hierarchical levels were well represented. The sustainable development team also took into consideration the role of the stakeholders selected during Gaz Métro's sustainable development initiative.

G4-26

Gaz Métro also works with its stakeholders in other contexts, to nurture the spirit of collaboration. These initiatives include:

- Discussions with unions
- Distribution of our new [Supplier Code of Conduct](#) and supplier surveys
- Discussion groups with customers (on improving our bills in particular)
- Various exchange activities with other companies through different industry associations

4.1.4. Prioritization

G4-26

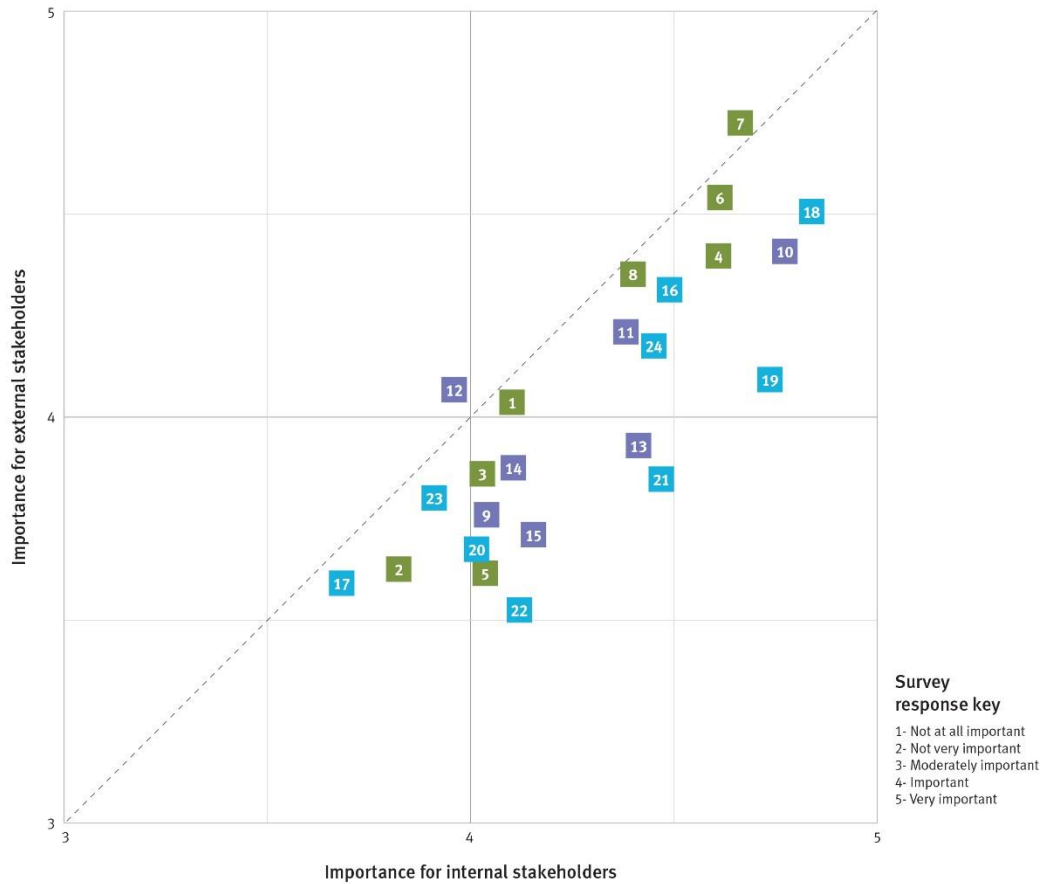
A survey was conducted in May 2015 to prioritize the relevant aspects. Internal and external stakeholders were asked to rate the 24 sustainability aspects according to their level of importance (on a scale of 1 to 5, where 1 was not at all important and 5 was very important), considering the nature of Gaz Métro's activities.

Results of the survey to prioritize the aspects

	Contacted	Respondents	Rate
External stakeholders			
Shareholders	5	5	100%
Industry associations	21	10	48%
Customers	29	9	31%
Suppliers	11	6	55%
Gas suppliers	9	5	56%
Community groups	29	11	38%
Environmental groups	16	6	38%
Régie intervenors	8	7	88%
Financial partners	18	16	89%
Public authorities	21	5	24%
Academics	9	6	67%
Subtotal	176	86	49%
Internal stakeholders			
Management Committee	8	8	100%
SDSC and participants in sustainability reporting	37	30	81%
Corporate team	19	19	100%
Subtotal	64	57	89%

Of the 240 stakeholders approached, 143 responded to the survey, for a response rate of 60%. The survey results are presented in the materiality matrix.

Materiality matrix



Survey response key
 1- Not at all important
 2- Not very important
 3- Moderately important
 4- Important
 5- Very important

Legend



ENVIRONMENTAL ASPECTS

1. Internal energy consumption
2. Water management
3. Biodiversity management
4. Management of the gas network's environmental impact
5. Internal waste management
6. Emissions, atmospheric pollutants and impact of climate change
7. Contaminant leaks and spills
8. Energy efficiency



ECONOMIC ASPECTS

9. Purchasing practices
10. Legal compliance
11. Regulatory constraints
12. Gas supply
13. Growth and development
14. Price of natural gas
15. Research and development



SOCIAL ASPECTS

16. Social acceptability
17. Service accessibility
18. Safety of gas network
19. Occupational health and safety
20. Training and professional development
21. Workplace
22. Succession and retirement planning
23. Community involvement
24. Customer satisfaction

G4-26

The survey revealed that internal and external stakeholders considered 11 aspects to be important, giving them an importance rating of 4 or more. These aspects appear in bold in the materiality matrix.

Further to this exercise, Gaz Métro applied threshold criteria to determine which sustainability aspects were priorities.

Threshold criteria

- 1) Minimum rating: Priority aspects were given an importance rating of 4 or more by internal and external stakeholders.
- 2) Transparency: Aspects for which the company did not attain its objectives are included in the report, so Gaz Métro can present a balanced picture of its performance.
- 3) Strategic priorities: Aspects related to Gaz Métro's strategic planning objectives and considered to be business growth priorities were added, i.e. Gas supply, Growth and development, and Workplace.

G4-19

Applying these criteria made it possible to identify 15 priority aspects, which are addressed in this Sustainability Report. These aspects are grouped into nine topics to make the report easier to read. Here is the list of proposed report topics.

List of topics and aspects

Topic	Topic number in Materiality matrix	Aspects
Social acceptability	16	Social acceptability
Gas supply	12	Gas supply
Legal and regulatory context	10	Legal compliance
	11	Regulatory context
Growth and development	13	Growth and development
Energy efficiency and internal energy consumption	8	Energy efficiency
	1	Internal energy consumption
Emissions, leaks and environmental management	6	Emissions and atmospheric pollutants
	7	Contaminant leaks and spills
	4	Management of the environmental impact of the natural gas network
	3	Biodiversity management
Health, safety and workplace	19	Occupational health and safety
	21	Work environment
Customer satisfaction	24	Customer satisfaction
Safety of the gas network	18	Safety of the gas network

The 9 aspects that were not included in this report further to the prioritization process are nevertheless included on the sustainability performance tracking platform, which discloses all our sustainability performance indicators and will be updated yearly; the Sustainability

Report will continue to be published every two years. [Click here](#) to access Gaz Métro's sustainability performance tracking platform.

4.1.5. Validation

G4-24, G4-26

The validation phase involved two steps. A workshop with a small, representative group of external stakeholders was held on October 1, 2015. The workshop's participants represented the following stakeholder categories:

- Shareholders
- Industry associations
- University researchers
- Corporate clients
- Institutional clients
- Environmental groups
- Municipal representatives

Gaz Métro's sustainable development strategy committee then validated the priority aspects and the topics that structure this report.

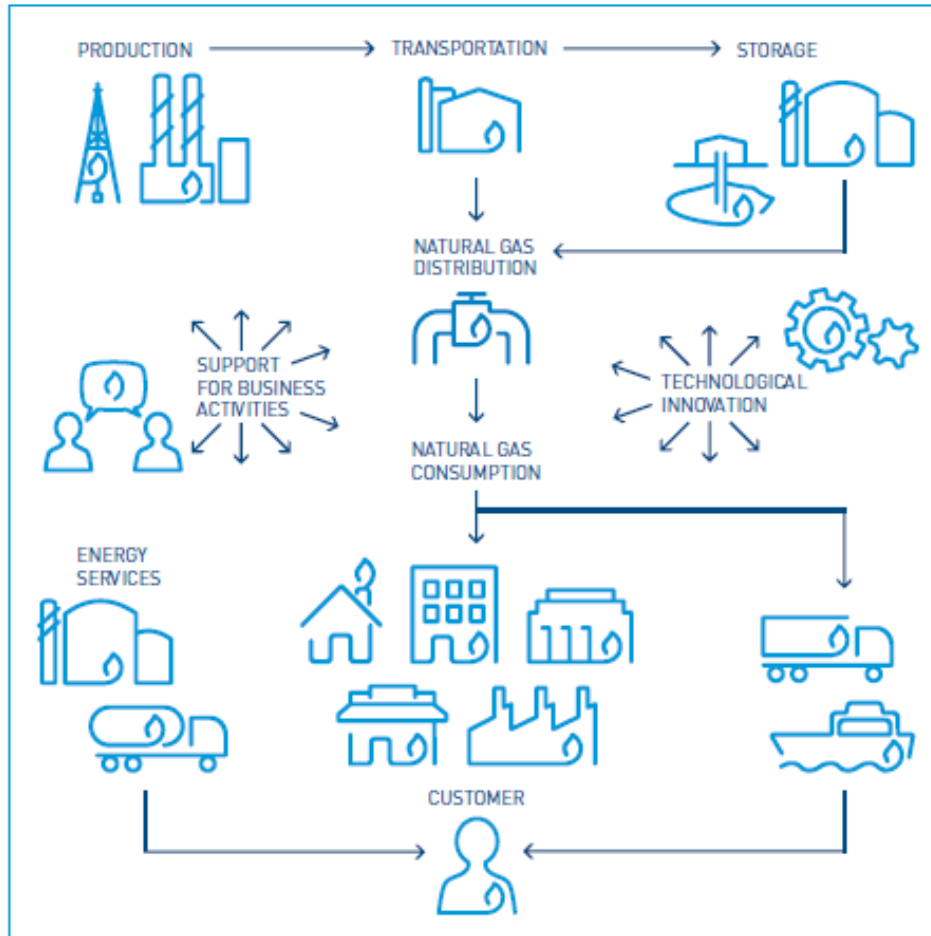
4.1.6. Review

G4-18

Once this report is published, Gaz Métro's sustainable development team will engage its stakeholders to gather the feedback necessary to further improve its reporting process.

5. Value chain

This section sets out the major phases in the natural gas value chain, and the role that Gaz Métro and its affiliates play in each phase. The graphic also provides some examples of actions that Gaz Métro has taken in the last two years to create added value for its stakeholders.



5.1. Production

The natural gas consumed in Québec is purchased from two gas hubs: Empress, in Alberta, and Dawn, in Ontario. These hubs in turn are supplied by production basins located in Canada and the United States: Western Canada Sedimentary Basin, U.S. Rockies, Mid-Continent, Marcellus, and Gulf of Mexico. A small quantity of natural gas originates from Québec and is produced by means of waste reclamation (biomethane).

Gaz Métro's role: Gaz Métro purchases natural gas mainly from intermediaries such as energy brokers and the subsidiaries of large banks that are active in the energy field. Gaz Métro purchases approximately 39% of the natural gas it distributes. The remainder

of the distributed natural gas is purchased directly by customers. For more information, see the [Natural gas supply section](#).

Gaz Métro actions in this phase:

Responsible procurement approach: Gaz Métro's current and potential natural gas suppliers are assessed based on the criteria used to select goods and services suppliers (first-level assessment of business practices). To see the criteria, please consult the [Supplier Code of Conduct](#).

5.2. Transportation

To reach Gaz Métro's territory, natural gas is transported over long distances by the network of natural gas carriers.

Gaz Métro's role: Gaz Métro has transportation contracts with TransCanada PipeLines Limited (TCPL), which delivers the majority of the natural gas volumes to the Gaz Métro network. This type of transaction accounts for approximately 2.3% of the natural gas volumes distributed by Gaz Métro (5.2 petajoules) to approximately 68 customers. Gaz Métro has direct or indirect holdings in three natural gas transportation corporations, TQM, Champion Pipe Line Ltd. and Portland Natural Gas Transmission System.

Gaz Métro actions in this phase:

In the last several years, Gaz Métro has increased the proportion that it procures from the Dawn natural gas hub in Ontario, and reduced its purchases from Alberta's Empress hub. Procuring natural gas closer to where it is consumed in Quebec reduces the transportation distances, and therefore decreases the environmental footprint of this phase in the natural gas life cycle.

On November 1, 2016, Gaz Métro will reach an important threshold in its procurement decisions. As of that date, more than 89% of Gaz Métro's transportation capacity will be between Dawn and Gaz Métro's territory, with less than 10% starting at Empress. For more information, please see [Natural gas supply](#).

5.3. Storage

To balance the supply, natural gas is stored and injected into the network when needed. Gaz Métro uses a storage site that belongs to Union Gas Limited (Union Gas), located in Dawn, Ontario, and three Quebec-based sites: two sites that belong to Intragaz LP (Intragaz) (Pointe-du-Lac and Saint-Flavien) and its natural gas liquefaction, storage and regasification plant (Gaz Métro's LSR plant).

Gaz Métro's role: Gaz Métro has underground storage contracts with suppliers, including Intragaz, in which it has indirect holdings. It can therefore cyclically inject and remove natural gas volumes. The LSR plant belongs to Gaz Métro, which has full operational control over it.

Gaz Métro actions in this phase:

Natural gas distribution is highly seasonal, with most natural gas deliveries occurring during the winter. Also, during the winter months, the daily demand for natural gas fluctuates with the temperature. In this context, Gaz Métro uses storage facilities to:

- receive natural gas shipments during the summer, under good conditions, and distribute natural gas during the winter;
- balance natural gas demand and shipment on a daily basis;
- mitigate the possibility of a natural gas supply shortage; and
- more efficiently manage the cost of natural gas during the winter months.

5.4. Natural gas distribution

Once at the distribution network, which covers more than 10,000 kilometres, the natural gas passes through delivery stations, where it is measured and odorized, and its pressure is decreased. It then goes through regulator stations, which lower the pressure again before it is delivered to the customer's facilities. Gaz Métro operates 78 delivery points and 492 regulator stations. Gaz Métro distributes approximately 97.0% of the natural gas consumed in Québec.

Gaz Métro's role: Gaz Métro operates and runs all of the natural gas distribution infrastructure in its territory and is in full control of this phase of the natural gas value chain.

Gaz Métro actions in this phase:

Gaz Métro's primary objective in operating its network is to provide its customers with a reliable, safe supply of natural gas. To accomplish this, it makes ongoing efforts to protect installations through rigorous maintenance and network improvement programs.

Gaz Métro carries out an annual [preventive maintenance](#) program for its network. It has had no significant leak or spill of hazardous materials or contaminants in the last five fiscal years. For more information, click here to view the section on [Contaminant leaks and spills](#).

5.5. Consumption of natural gas

Gaz Métro serves over 197,250 Québec customers in three markets.

RESIDENTIAL CUSTOMERS

139,931 customers
 9.9% of volume (567 M m³)
 20.2% of revenue

COMMERCIAL AND INSTITUTIONAL CUSTOMERS

49,552 customers
 30.2% of volume (1,728 M m³)
 44.5 % of revenue

INDUSTRIAL CUSTOMERS

7,767 customers
 59.9% of volume (3,425 M m³)
 35.3% of revenue

Gaz Métro's role: Gaz Métro wants to help its customers consume better, so it has deployed energy efficiency assistance programs.

Actions taken:

Energy efficiency: Thanks to more than 15 million dollars in financial assistance, Gaz Métro's energy efficiency programs helped customers carry out 4,167 projects and generate savings of more than 42 million cubic metres of natural gas in fiscal 2015, yielding an annual greenhouse gas reduction of 80,846 tonnes. This is the best annual result since the energy efficiency programs were implemented over 15 years ago. Over the lifespan of the energy efficiency measures applied, these reductions will save over 160 million dollars.

Since 2001, the 111,469 energy efficiency projects fostered by Gaz Métro programs have saved nearly 420 million cubic metres of natural gas, representing a 803,740-tonne reduction in greenhouse gas emissions on Quebec's environmental report card.

5.6. Energy services

Some Gaz Métro affiliates sell goods and services in the energy field, including sales, leasing and maintenance services for equipment that runs on natural gas; or they sell liquefied natural gas as fuel for transportation; or they distribute liquefied natural gas to customers not served by Gaz Métro's distribution network.

Gaz Métro's role: Some affiliates have their own management teams, such as Gaz Métro Plus and Gaz Métro Transport Solutions (GMTS); Gaz Métro Liquefied Natural Gas (Gaz Métro LNG), for example, has entered into a management agreement with Gaz Métro to run its operations. Our subsidiary, Gaz Métro Plus Limited Partnership, also has a separate team. Gaz Métro also has indirect holdings in an affiliate, Climatisation et chauffage urbains de Montréal, which runs the thermal plant that supplies heating and air conditioning to downtown Montreal.

Actions taken:

Natural gas as fuel: Whether liquefied or compressed, natural gas is a proven, efficient, forward-looking solution, in particular for fleets of waste collection trucks. Quebec currently has 22 refuelling sites and 630 vehicles that run on natural gas. They belong to businesses, municipalities, and Gaz Métro. In fiscal 2015, this fuel replaced 14.8 million litres of diesel.³

Liquefied natural gas in the maritime industry: In July 2015, the Société des traversiers du Québec put the *F.-A. Gauthier* into service, North America's very first liquefied natural gas powered ferry.

Off-network natural gas: Since it is now available in territories that are usually restricted to petroleum products because they are so remote from the natural gas network, liquefied natural gas (LNG) is helping the regions to become more build prosperous. It allows businesses to stay competitive and may be a key factor in bringing in new players. This is the case with Stornoway Diamond, which will be the first Quebec mining firm to use LNG as of 2016.

See the [Growth and development](#) section for more information.

³ The quantity of diesel replaced includes 91 forklifts that run on compressed natural gas.

5.7. Technological innovation

Gaz Métro is an important member of a technological development organization that is unique in Canada, the [Natural Gas Technologies Centre \(NGTC\)](#).

Founded in 1992, NGTC is a non-profit organization that engages in:

- technological development
- assessment of energy performance
- technological transfer
- technology watch

in the fields of:

- classic natural gas
- renewable energies combined with natural gas
- production of renewable natural gas

Moreover, Gaz Métro relies on the DATECH Group, a group of specialized Gaz Métro engineers who work closely with commercial representatives to offer customers the technological solutions that are most efficient and best suited to their needs.

Gaz Métro's role: Gaz Métro strives continuously to find ways to optimize the use of natural gas.

Actions taken in fiscal 2015:

Minimalist ducts in dwellings: A joint DATECH Group-NGTC project to develop a concept based on the use of minimalist ducts to save space at both ceiling and floor level, and enable comfort and optimized heating. [Click here](#) for more information.

Energy performance calculation tool: In collaboration with NGTC, design of a tool to calculate the energy performance of steam boilers. The tool also makes it possible to calculate the energy savings for the five most popular measures for a boiler room.

Second-generation renewable natural gas: NGTC demonstration testing for producing renewable natural gas from forest waste.

Natural gas as fuel: DATECH Group supported two development and demonstration projects involving hybrid diesel-natural gas technologies applicable in the truck and heavy equipment market.

5.8. Support for business activities (human resources, community investment, customer service, etc.)

Gaz Métro's role: Gaz Métro continuously strives to create value for its economic partners, staff, customers and the community.

Actions taken:

Code of Ethics update: Beyond setting out commitments, principles and rules, the Gaz Métro [Code of Ethics](#) must be put into daily practice so it becomes integrated with individual

behaviours and embedded in the corporate culture. In 2015, a deployment plan helped to equip Gaz Métro employees better in this regard.

[Customer satisfaction](#): In 2015, the result for the customer satisfaction index was 93.8%.

[Organizational commitment](#): Gaz Métro's global index for employee engagement reached excellence territory in 2015, according to the results of the SECOR/KPMG survey on engagement.

["Ready for Next" campaign](#): Over 150 employees participated in the brainstorming session on the energy solutions of the future. For Gaz Métro employees, "next" means sustainable energy solutions that are responsive to the climate change issue and the imperative of reducing our greenhouse gas emissions.

[Community involvement](#): In fiscal 2015, under its community investment policy, Gaz Métro reallocated over 1% of its before-tax profits, 1.59 million dollars, to nearly 200 organizations.

Also in fiscal 2015, in the framework of the "Effet A" project, Sophie Brochu and her team raised nearly 100,000 dollars through the Soupe pour elles initiative on behalf of the organization [Herstreet](#).

6. Company profile

6.1. About Gaz Métro

G4-04, G4-05, G4-06

With more than \$7.2 billion in assets, Gaz Métro is a leading energy provider. It is the largest natural gas distribution company in Québec, where its network of over 10,000 km of underground pipelines serves some 300 municipalities and more than 197,250 customers. The head office is located in Montréal, Québec. Gaz Métro, through subsidiaries, is also present in Vermont, where it has more than 310,000 customers. There, it operates in the electricity production market and the electricity and natural gas distribution market. Gaz Métro is engaged in developing and operating innovative, promising energy projects, including natural gas as fuel, liquefied natural gas as a replacement for higher-emission energies, wind power and biomethane. Gaz Métro is a major energy sector player that takes the lead in responding to the needs of its customers, regions and municipalities, local organizations, and communities while also satisfying the expectations of its partners (GMi and Valener) and employees.

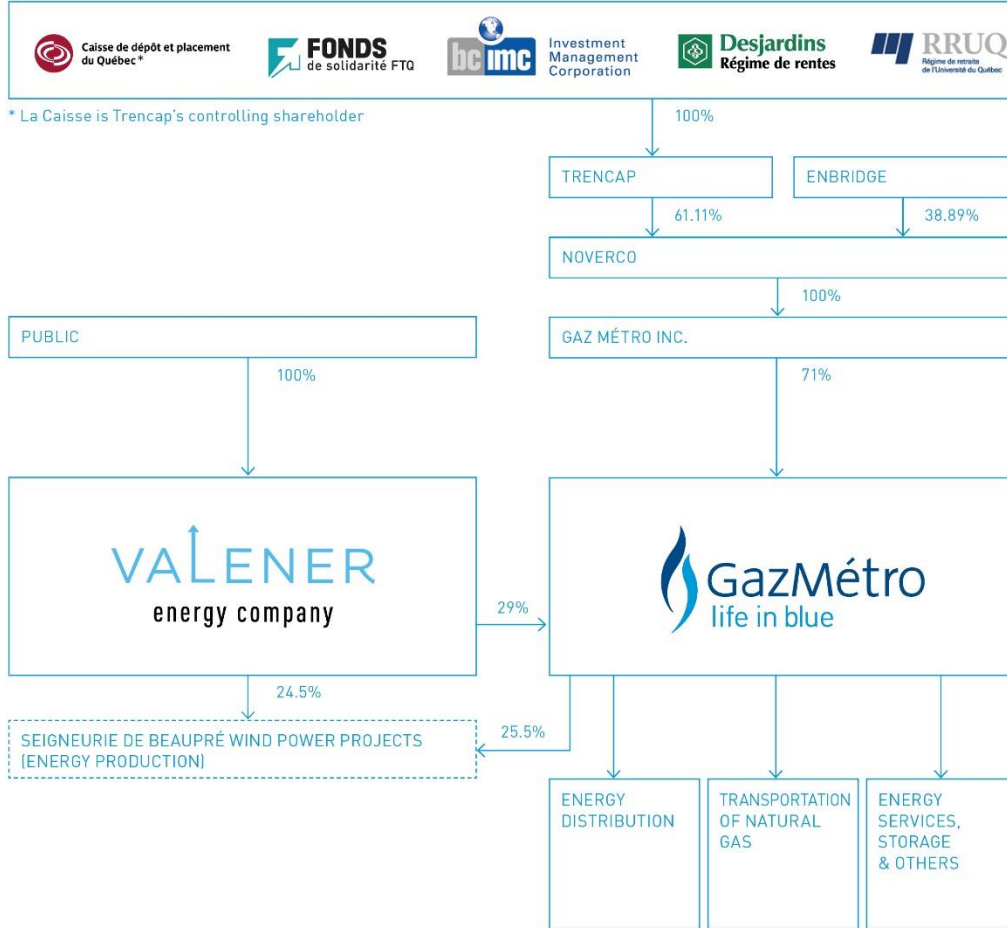
Many Québec investors have holdings in Gaz Métro. In addition to Valener Inc. shareholders, close to 38% of Gaz Métro shares are held indirectly by Québec funds.

Gaz Métro's ownership structure and four primary sectors of activity, as well as its main related enterprises, are presented below.⁴

⁴ Note that this report only deals with Quebec-based natural gas distribution activities for the social and environmental indicators.

6.1.1. Gaz Métro shareholders

CORPORATE STRUCTURE



6.1.2. Gaz Métro activities

G4-17

GAZ MÉTRO OPERATIONS



*Regulated activities

6.1.3. *Entities in which representatives of Gaz Métro or its subsidiaries have a role in management or on the Board of Directors (governance authority)*

Entities in which representatives of Gaz Métro or its subsidiaries have a role in management or on the Board of Directors (governance authority)
Champion Pipeline Corporation Limited
Northern New England Energy Corporation
Vermont Gas Systems Inc.
Green Mountain Power Corporation
Gaz Métro Éole Inc.
Gaz Métro Éole 4 Inc.
Cdh Solutions & Operations Inc.
Gaz Métro LNG Inc.
Vermont Transco LLC
Vermont Yankee Nuclear Power Corporation
Mountain Energy CA
MEC Wind Inc.
Gaz Métro Plus Inc.
Climatisation et Chauffage Urbains de Montréal, Inc.
Trans Québec & Maritimes (TQM) Pipeline
9264-5944 Québec Inc.
9265-0860 Québec Inc.
Catamount Resources Corporation
Central Vermont Public Service Corporation - East Barnet Hydroelectric, Inc.
Gaz Métro LNG 2013 Inc.
Gaz Métro International S.A.R.L.
Gaz Métro Energy Solutions Inc.
Northern New England Investment Company, Inc.
Northern Water Resources Inc.
Gaz Métro Transport Solutions (2015) Inc.

6.1.4. *Gaz Métro membership in industry associations and on committees*

G4-16

Gaz Métro membership in industry associations and on committees
Canadian Gas Association
Association des chefs en sécurité incendie du Québec (ACSIQ)
Québec Road Builders and Heavy Construction Association (QRBHCA)
Association des industriels de l'est de Montréal (AIEM)
Quebec Oil and Gas Association (QOGA)
Association Pipeline Longitude 75°
Association québécoise du gaz naturel (AQGN)
Association québécoise pour la maîtrise de l'énergie (AQME)
Association québécoise de la production d'énergie renouvelable (AQPER)
American Gas Association

American Society of Heating, Refrigerating & Air-Conditioning Engineers (ASHRAE)
Canadian Energy Pipeline Association
Canadian Wind Energy Association
Centre d'expertise et de recherche en infrastructure urbaines (CERIU)
Chambre de commerce de l'Est de Montréal (CCEM)
Board of Trade of Metropolitan Montreal (BTMM)
CIRANO
Energy Council of Canada
Conseil du patronat du Québec (CPQ)
Conseil patronal de l'environnement du Québec (CPEQ)
Nature Conservancy Canada
Écotech Québec
Fédération québécoise des municipalités (FQM)
Espace québécois de concertation sur les pratiques d'approvisionnement responsables (ECPAR)
Fédération des chambres de commerce du Québec (FCCQ)
Fondation québécoise en environnement (FQE)
Grappe de l'Énergie du Montréal métropolitain
International Guild of Sponsors
Info-Excavation
Jeune Chambre de commerce de Montréal (JCCM)
Montréal International
Mouvement québécois de la qualité
Union of Quebec Municipalities (UMQ)

6.1.5. *Charters and principles*

G4-15

Gaz Métro is a Montréal Community Sustainable Development Plan partner and voluntarily implements initiatives to contribute to the plan's objectives.

Gaz Métro is one of the founding members of the Espace québécois de concertation sur les pratiques d'approvisionnement responsable (ECPAR), the goal of which is to incorporate sustainable development into supply chains and shape best practices in this area. Gaz Métro also adheres to ECPAR's statement of principles and guidelines governing responsible procurement.

Gaz Métro is a partner and advisory committee member for SWITCH, l'Alliance pour une économie verte au Québec, whose objective is to institute innovative solutions to accelerate the transition to a Québec economy that creates wealth and respects the environment.

6.1.6. Employment data

G4-9, G4-10, G4-11

Job types at Gaz Métro

CSN unionized jobs	Mainly technical and trade positions
COPE unionized jobs - Office	Mainly office clerk positions
COPE unionized jobs - Representatives	Sales representative positions
Specialized managers	Advisor, analyst and coordinator positions, etc.
Managers	Department leader, group leader and senior advisor positions
Executives	Directors
Senior management	Vice Presidents, President and Chief Executive Officer (CEO)

Total workforce by job type and gender

Regular and temporary employees, by type of job and gender									
Type of job	Regular			Temporary			Grand total		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Unionized jobs (CSN)	53	377	430	3	4	7	56	381	437
Unionized jobs (COPE – Office)	208	169	377	8	12	20	216	181	397
Unionized jobs (COPE – Representative category)	12	27	39	0	0	0	12	27	39
Specialized managers	167	175	342	6	7	13	173	182	355
Managers	59	124	183	0	2	2	59	126	185
Executives	8	19	27	0	0	0	8	19	27
Management Committee	2	7	9	0	0	0	2	7	9
Total	509	898	1,407	17	25	42	526	923	1,449

The table offers an overview of Gaz Métro and its employees as at September 30, 2015.

Total employees by region

Breakdown of employees by business office			
	Regular	Temporary	Total
Head office (Montréal)	933	36	1,029
LSR plant (Montreal East)	17	1	18
Montréal East	78	0	78
Montréal West	54	0	54
Laurentides	45	0	45
Montréal	81	1	82
Mauricie	33	0	33
Estrie	30	0	30
Québec	54	2	56
Saguenay-Lac-Saint-Jean	11	0	11
Abitibi-Témiscamingue	11	2	13
Total	1,407	42	1,449

For reasons of confidentiality, we cannot include the breakdown of male and female employees in our business offices.

6.2. Energy profile

Québec

GAZ NATUREL

- + 10 000 km de gazoducs
- 300 municipalités desservies
- 197 250 clients
- Prolongement du réseau vers la région de Bellechasse



GAZ NATUREL LIQUÉFIÉ

- Un premier traversier alimenté au GNL pour la Société des traversiers du Québec
- Travaux en cours pour accroître les capacités de liquéfaction de l'usine LSR (projet de 118 M\$)
- Plus de 1,5 BCF de GNL en contrats d'approvisionnement en Nouvelle-Angleterre depuis 2013



BIOMÉTHANE

- Production à Saint-Hyacinthe : Injection de 13 millions de mètres cubes de biométhane par année au sein du réseau gazier de Gaz Métro à partir de 2017



GAZ NATUREL COMME CARBURANT

- Stations de ravitaillement au Québec : 2011 : 1 station 2015 : 22 stations
- Plus de 630 véhicules au gaz naturel



ÉOLIEN

- 340 MW Les projets éoliens de la Seigneurie de Beauport



GAZ NATUREL ENTREPOSAGE

- Usine de liquéfaction, stockage et regazéification dans l'est de Montréal
- Participation financière dans Intragaz : 2 sites d'entreposage souterrain du gaz naturel (Pointe-du-Lac, Saint-Flavien)



GAZODUCS

- Corporation Champion Pipe Line 98 km

Participations financières dans :

- Gazoduc Trans Québec & Maritimes (TQM) 575 km
- Portland Natural Gas Transmission System (PNGTS) 489 km



Vermont

GAZ NATUREL

- 50 000 clients



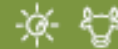
ÉLECTRICITÉ

- 32 barrages hydro-électriques
- 260 000 clients



« COW POWER » & SOLAIRE

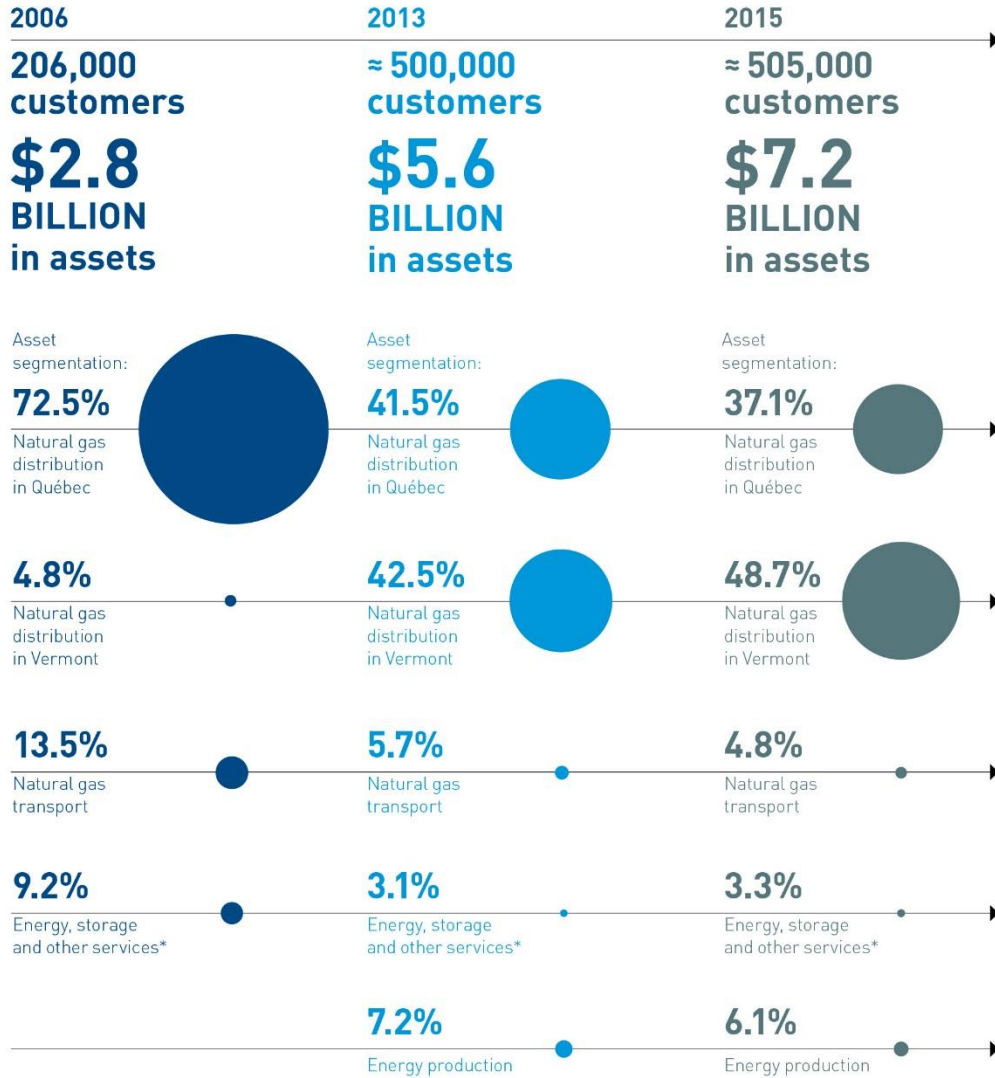
- 16 000 MW/h Production de « cow power » par année
- 7,8 MW en puissance installées en énergie solaire et 2 MW en développement



ÉOLIEN 69 MW

- 63 MW Kingdom Community Wind
- 6 MW Searsburg





6.3. Governance

6.3.1. Governance structure

G4-34

Our stakeholders want to know more about Gaz Métro's governance and how its governance structure participates in the sound management of sustainable development.

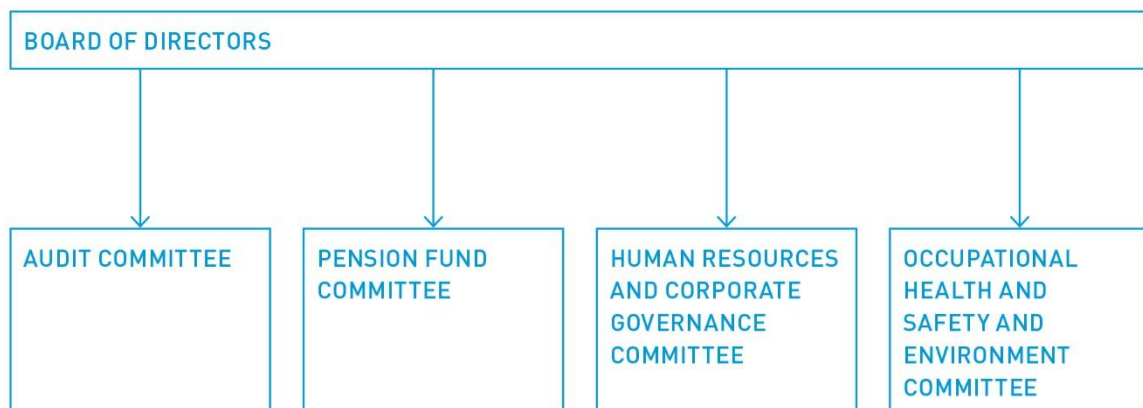
Board of Directors and Management Committee

The Board of Directors of Gaz Métro Inc., as Gaz Métro's general partner, oversees but is not responsible for the day-to-day management of operations. This role is delegated to the president and CEO and other executives that make up the Management Committee.

The members of the Management Committee manage the company's operations, by developing the structure, business plans and budgets, and represent Gaz Métro to all those with whom the company has dealings (customers, investors, financial markets, regulatory agencies, government authorities, etc.). The members of the Management Committee take sustainable development into consideration in their economic, social and environmental decisions.

The Board of Directors is responsible for approving policies that have an impact on a number of areas of sustainable development, for which it then becomes accountable. For example, the Community Investment Policy makes it possible to better orient our philanthropic efforts and generate added value for the community. The Environmental Policy is used to establish and clearly communicate our environmental protection objectives, both to employees and the public. Other policies, such as the policy on occupational health and safety, the company's code of ethics and the policy on the disclosure of financial information, also guide daily actions at Gaz Métro.

Gaz Métro's governance structure



Committees

The Audit Committee assists the Board of Directors in its responsibilities for oversight of accounting procedures and reporting financial information, internal control systems, financial management, and risk management.

The Occupational Health, Safety and Environment Committee assists the Board with its environmental management responsibilities with respect to its Québec distribution operations. It is also charged with approving Gaz Métro's standards and responsibilities in the area of occupational health and safety. This committee is also responsible for monitoring appropriateness and currency with respect to the legislation in force and industry practices.

To help Gaz Métro discharge its responsibilities with respect to current and retired employees, the Board of Directors formed a Pension Fund Committee that has responsibilities and powers delegated to it by the retirement committees with respect to the Investment Policy for funds held in the master trust made up of the assets of Gaz Métro employee pension plans.

The Human Resources and Corporate Governance Committee is responsible for examining all aspects of human resources that fall within the Board's jurisdiction and has the final decision for some of these. It is also responsible for examining how the Board and its committees supervise the management of the affairs of Gaz Métro Inc. and Gaz Métro, evaluating the efficiency of the Board and its committees in this area, and making recommendations to the Board to improve corporate governance.

The company's complete governance structure appears in Gaz Métro Inc.'s 2015 annual information form, available from Sedar at www.sedar.com.

6.3.2. Sustainable development governance

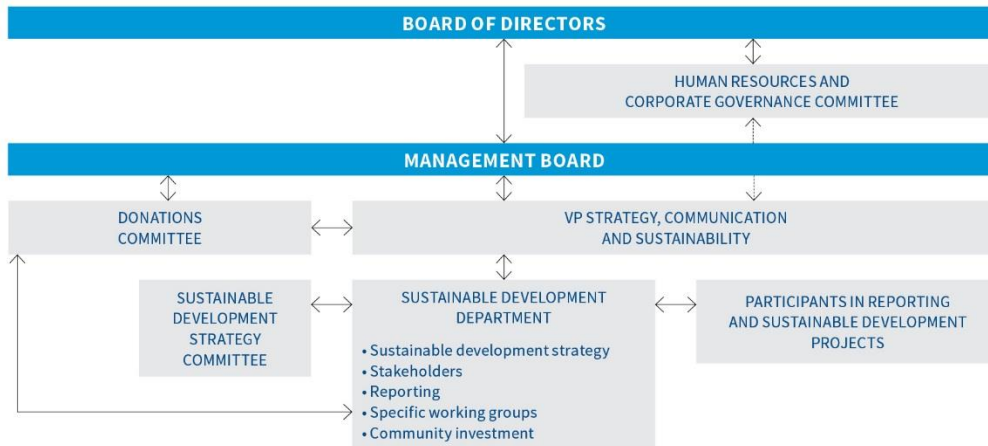
Gaz Métro has adopted an internal structure that promotes the integration of sustainable development values and principles in setting objectives and strategies and in its communications across the organization.

Sustainable Development, and Public and Governmental Affairs Department

Day-to-day management of sustainable development files is handled by the Sustainable Development and Public and Governmental Affairs Department, within the Strategy, Communication and Sustainability Vice-Presidency. This team manages the sustainable development strategy, and handles reporting and coordination of projects associated with the continuous improvement of the sustainable development approach. In addition to making sustainable development part of the company's day-to-day operations, this team is responsible for coordinating the meetings of the strategic sustainable development committee, following up on the committee's recommendations and Management Committee decisions with respect to sustainable development.

Moreover, the sustainable development team is responsible for applying Gaz Métro's Community Investment Policy.

SUSTAINABLE DEVELOPMENT GOVERNANCE



Participants in reporting and sustainable development projects

Gaz Métro's sustainable development initiative is based on collaboration among staff from different areas of the organization. A number of participants have been identified to play a variety of roles:

- Help update performance indicators by being responsible for data, its integrity, and for validating the data's reliability;
- Support the writing of the report and ensure the information it contains is accurate;
- Examine areas of concern;
- Help set objectives;
- Set targets;
- Develop continuous improvement initiatives and make an active contribution to advancing progress on a project.

Sustainable development strategy committee

The sustainable development strategy committee is comprised of managers who represent a variety of internal sectors. The role of the Committee is to:

- Advise, assess and implement the actions called for in the sustainable development strategy;
- Steer and validate the sustainable development initiative;
- Issue notices and recommendations to the sustainable development team.

Donations Committee

For managing donations, the careful application of the Community Investment Policy ensures that funds and efforts invested produce the best possible results for the community. A Donations Committee, made up of three vice-presidents, the president and CEO and the Corporate Donations and Sponsorships Manager, has a decision-making and validation role for major annual priorities and current donation and sponsorship projects.

Vice-presidents and Management Committee

The Management Committee's role in Gaz Métro's sustainable development approach is to approve sustainable development objectives and strategy. The vice-presidents approve the data from their respective areas for reporting and then the Management Committee validates the contents of the sustainable development report.

Board of Directors – Human Resources and Corporate Governance committee (HRCG)

Instituted in 2015, a new practice will have the sustainable development team make an annual presentation on progress on the sustainable development initiative to the Board's HRCG committee.

This will allow the following points to be discussed:

- Issues, risks and business opportunities associated with sustainable development;
- Annual presentation of the results of sustainable development reporting;
- Review of priority sustainable development projects and progress on them; and
- Discussion with the sustainable development team.

The sustainable development team also presents the sustainable development report to the Board of Directors every two years. A director education session was also offered on Gaz Métro's sustainable development initiative.

6.4. Ethics and integrity

6.4.1. Gaz Métro's ethics initiative

G4-56

Gaz Métro continued with the ethics initiative begun in 2010 by updating its Code of Ethics, and by developing and deploying tools to promote appropriation of the code by all staff.

Principales réalisations dans le temps



CODE OF ETHICS UPDATE *Ethics first ...*

In force for 13 years now, the Gaz Métro Code of Ethics was reviewed by a multidisciplinary team and tested with a group of employees to assess its impacts. In force since April 2015, the revised version retains **fundamentals** by:

- relying on our fundamental values of accountability, performance and respect;
- promoting quality relationships with stakeholders;
- setting out the commitments, principles and rules that must be applied by all Gaz Métro employees and those representing the organization;
- addressing all Gaz Métro employees and directors.



The Code of Ethics is also intended for Gaz Métro's Quebec and Canadian affiliates, as well as for any person or firm that is hired or mandated to represent it.

The updated Code of Ethics is a practical reference, a **guide** to help identify ethical issues and adopt appropriate behaviour. Concretely, the Code of Ethics:

- sets out situations that employees may face;
- offers questions to help make good decisions;
- identifies resources to approach in the event of doubt; and
- includes pictures of employees at work to humanize the Code of Ethics, make it concrete, and promote its application.

Note that, in the same vein, we also published the **Supplier Code of Conduct**, which sets out Gaz Métro's expectations for suppliers, particularly in terms of sustainable development and responsible business practices. Included in Gaz Métro general terms for the procurement of goods and services and in its calls for tenders, the Code guides us in supplier selection, among other things

6.4.2. Code of ethics

Gaz Métro ethics deployment

APPROPRIATION OF THE CODE OF ETHICS *Ethics in action ...*

Beyond setting out commitments, principles and rules, the Code of Ethics must be **put into action every day**, become a reflex, show in every individual's behaviour, in other words be an integral part of Gaz Métro's culture and employees. The appropriation of the Code of Ethics has been designed so that every employee:

- Feels that ethics concern them;
- Reviews the Code of Ethics;
- Takes time to think in order to make a good decision on how to act;
- Is proactive and knows what to do under all circumstances.

Our **deployment** plan was designed to empower and equip both managers and staff. In 2015, several means were made available to employees so that they could adapt the content of the Code of Ethics to their own needs. These means include:

- A **course** specifically for managers;
- A **video with the president** positions the importance of ethics at Gaz Métro and clarifies expectations for the entire staff;
- An innovative, mandatory **online course** with scenarios drawn from employee experience;
- A user-friendly **intranet page** with all the information on ethics;
- A network of **resources** for support and information if there is any doubt about a decision;
- An **ethics hotline** for submitting a concern by phone, online or by mail, or reporting a situation that an individual thinks breaches the Code of Ethics;
- A **video capsule on the ethics hotline**, designed for prevention purposes, to be deployed in the event that concerns arise about the hotline; and
- A **natural team workshop** for discussion by those who work together every day of concrete cases featuring ethical issues the team may face, so that they are on the same page.

Several mechanisms have been instituted to make ethics a shared responsibility that is part of corporate culture and entrenched in every individual's daily reality.

Scénario

Durée 20 minutes | A02 | Québec



⌚ 20 minutes



7. Our Topics

7.1. Social acceptability

Wording of the issue: Concerns regarding the environmental and social impacts of natural gas distribution (supply sources) and projects to improve the natural gas network (impacts pertaining to traffic, noise, odour, community relations, etc.). Relations with the Aboriginal communities and stakeholders who are affected by the projects.

7.1.1. Management approach -- Social acceptability

Gaz Métro serves over 300 municipalities across Quebec. Gaz Métro's activities may have impacts on and consequences for some local communities, in terms of safety, quality of life or environmental quality.

This is why Gaz Métro maintains an ongoing dialogue with stakeholders, particularly neighbours of the natural gas network and Quebec municipalities. Based on discussions with stakeholders, for Gaz Métro, the two components of social acceptability are the provenance and production methods of natural gas, and how the organization conducts its projects in the community. This section focuses specifically on the social acceptability of Gaz Métro's projects.

For more information on the provenance of natural gas, please see the [Gas supply](#) section.

Social acceptability of projects

The question of projects' social acceptability is becoming more and more important in the public sphere, and Gaz Métro knows that an additional effort is required.

Because of the nature of its activities, Quebec's energy situation and Gaz Métro's strong presence on many construction sites, it cares about taking external stakeholders' concerns into account to enhance its projects.

As every project is unique, having a reflection process that is tailored to its specific context is important. In all cases, the planning stage is the key to fostering social acceptability. Better identification of the issues and stakeholders upstream means better integration of the project.

An internal process was developed in collaboration with the primary actors in the construction, major project, sustainable development, and public and governmental affairs sectors. The outcome was an agreement to:

- raise awareness and train project teams on the concept of social acceptability, the impact of projects on communities, best impact mitigation practices, and communication of information to stakeholders;

- identify environmental, social and economic issues and affected stakeholders as much in advance as possible;
- explore the issues and resulting tangible impacts in work groups;
- find ways to mitigate the impacts and facilitate a project's acceptance in its community; and
- plan for tailored communication methods to keep project stakeholders informed in a timely manner.

Table of criteria used in analyzing projects' social acceptability

Category	Criteria	Sample activities
Environmental	<ul style="list-style-type: none"> ↪ GHG emissions ↪ Spills ↪ Air pollution ↪ Water ↪ Dust ↪ Tree clearing 	<ul style="list-style-type: none"> ↪ Work in wetlands ↪ Zone or municipality with a history of environmental incidents ↪ Substantial tree clearing ↪ Natural gas purges ↪ Noise that impacts biodiversity
Social	<ul style="list-style-type: none"> ↪ Traffic and obstructions ↪ Impacts on neighbours ↪ Public or facility safety ↪ Local stakeholders ↪ Collaboration with partners ↪ Noise ↪ Smells ↪ Visual impact 	<ul style="list-style-type: none"> ↪ Consultations with Aboriginal communities ↪ Consultations and communications required in an authorization certificate ↪ Zone with a history of a specific incident ↪ Local watch committee ↪ Highway closures ↪ Work in collaboration with several other utilities ↪ Projects with a visual impact on built heritage
Economic	<ul style="list-style-type: none"> ↪ Supply ↪ Regulations ↪ Permits, authorization ↪ Cost of work and schedule ↪ Commercial arteries 	<ul style="list-style-type: none"> ↪ Network expansion ↪ Delays/costs involved in project approval ↪ New technical specifications that change the project ↪ Customer loss of supply ↪ Loss of access to local businesses

In fiscal 2015, use of this evaluation grid for major projects helped identify about thirty projects that were more sensitive on the social acceptability front, which then received closer monitoring.

Although this approach is still in development, it has yielded excellent results to date. The process helped make internal teams aware of social acceptability issues, and integrate this variable in existing processes. Gaz Métro plans to continue to work on process monitoring to enhance consideration of social acceptability in its projects.

7.1.2. Performance indicators

7.1.2.1. Some impact and stakeholder relations management mechanisms

Here are some of the major projects that Gaz Métro did in fiscal 2014 and 2015. For each project presented, communication and impact mitigation measures had to be deployed to enable the projects to become part of their home communities as smoothly as possible.

1) Relocation of a natural gas pipeline under Bisson Bridge

Context

The Ministère des Transports du Québec (MTQ) is planning to rebuild the Bisson Bridge slab. It asked Gaz Métro to take the necessary measures to ensure that the natural gas pipeline attached below the slab would not interfere with the work. Between September and December 2014, Gaz Métro ran a new pipeline by directional drilling under Rivière des Prairies, abandoning the pipeline under the bridge after the hookups were done in May 2015.

Measures

Thorough analysis of the project yielded a proposed route for the pipeline with the least environmental impact that was best suited to the needs and operating requirements of Gaz Métro and the MTQ.

The noise level and impacts on migratory birds were assessed to establish the mitigation measures to implement; the finding was that the noise of work to install the pipeline and drilling was lower than the maximum noise level allowed by the Ville de Montréal. For the migratory birds, the impact of the work on reproduction was very limited and the critical phase in their reproduction cycle did not coincide with the work period. It was also agreed that, if the work was to impinge on the surrounding forest, a nest inventory would be performed first to locate them and, if necessary, modify the layout of the work area.

Also, talks with Montreal's Large Parks department yielded a good grasp of the impact of the work on users of the nature park. A notice was placed in the local newspaper to inform citizens of the nature of the work, its schedule, and potential impacts. An information flyer was designed specifically for the project and several copies of it were placed in the chalet at the Bois-de-Liesse nature park, in Montreal.

Lastly, appropriate signage was installed to inform passers-by and provide useful contact details in the event of emergency, or for more information. Replies were provided to an environmental group and weekly newspaper in Laval.

The project was completed successfully, to the satisfaction of stakeholders.

2) Relocation of a natural gas transmission pipeline in Bagotville

Context

The MTQ will be extending Autoroute 70 to Saguenay and building a viaduct at Chemin Grande Anse. The infrastructures being contemplated by the MTQ are not compatible with the current location of the Gaz Métro pipeline, which is installed in an easement. Gaz Métro therefore installed a new, more flexible, thicker pipeline of the same diameter.

Gaz Métro's work ran from June to August, 2015.

Measures

Aside from Régie de l'énergie du Québec authorization, the project required an authorization certificate from the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques, as well as a permit to install natural gas equipment in the MTQ's road easements.

An environmental study was done and submitted to the appropriate authorities for consultation and approval.

Thorough analysis of the project yielded a proposed route with the least environmental impact that met the needs and operating requirements of Gaz Métro and the MTQ.

The pipeline is an essential link that serves much of the Saguenay area. If an incident had occurred during the work, numerous residential, commercial and industrial customers would have been deprived of natural gas. In the spirit of prevention and transparency, the municipalities that could be affected, along with major customers, were informed about the work beforehand.

We also held a meeting with the primary project stakeholders. About twenty groups were in attendance, including the Ville de Saguenay, public and fire safety actors, and a group of project neighbours. Gaz Métro representatives from the construction, emergency measures and communications sectors provided attendees with the pertinent information, and took their remarks into consideration in project development.

3) Relocation of a natural gas pipeline under the Bouchard Bridge

Context

In 2014, the MTQ detected a crack in one of the beams on Bouchard Bridge in Saint-Hyacinthe; the risk was that the crack could progress and jeopardize the bridge's stability. Work to replace the bridge's apron and widen the bridge was scheduled for 2016. However, according to the project schedule, Gaz Métro's work had to be done before the MTQ's. Its pipeline, which ran under the bed of the Yamaska River, six metres downstream from the Bouchard Bridge, was relocated further away from the bridge, once more under the river bed. The open trench work began in August 2015 and lasted about eight weeks.

Measures

An application for an authorization certificate was filed with the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques, the City of Saint-Hyacinthe and the Regional county municipality (RCM). The Ministère des Forêts, de la Faune et des Parcs was also notified of the Gaz Métro project. The project had little impact on its environment and mitigation measures were deployed. The pipeline's route is the one with the least impact on the environment, primarily the aquatic habitat. The work was performed using the open trench method, downstream from the bridge, which limited disruption to the ecosystem and made it possible to avoid felling many mature trees along the river bank.

The environmental study done before the work identified the aquatic species and confirmed that no spawning grounds were nearby. The impact was slight. Mitigation

measures were implemented and we made sure to restore the shoreline, and revegetate and stabilize the banks. Environmental follow-up was done to make sure the environment was protected and ensure that the prescribed mitigation measures were applied.

Before open trenching work was done, a fish exclusion measure was taken using an electric fishing device, beach seine (net) and a sound scaring device to ensure that no fish remained in the work area. All fish were immediately released alive back into the river. We met with the owners of businesses located close to the bridge and the work site to tell them what we were doing and, if necessary, discuss the mitigation measures to be implemented. One merchant informed us that he was not happy with the fact that equipment would be installed on his land. We therefore installed a large sign stating that his business was open during the work. An information session was also held in July 2015. The public and media were invited to ask the Gaz Métro teams their questions. Only three citizens attended, and media interviews were held prior to the information session.

4) Increase in the LSR plant's liquefaction capacity

Context

The natural gas liquefaction capacity of the LSR plant in east-end Montreal will be increased to allow new markets to be developed. Liquefied natural gas can be used as fuel for road and marine transportation, can supply natural gas distributors in the Northeastern United States, and can supply industrial facilities and communities that are remote from the gas network. This project, developed by Gaz Métro's unregulated activities affiliate, Gaz Métro LNG, aims to install new equipment to increase the LSR plant's liquefaction capacity from 3 Bcf/year to 9.825 Bcf/year. The work began in June 2015 and will run until the fall of 2016.

Measures

The expansion will be done in accordance with the environmental standards in force. In the context of this work, several plant processes will also be enhanced to reduce the site's impact on the environment. The noise generated by the work will not exceed the threshold set by the borough. It should also be noted that the plant has been in this industrial and institutional environment for 45 years. It has an excellent reputation. Through the Association industrielle de l'est de Montréal, Gaz Métro LNG representatives met with interested citizens and environmental, economic and municipal groups. They were provided with all the relevant information and the organization's representatives answered questions. The project is underway and dialogue with project stakeholders is ongoing. No issues have been raised to date.

5) Connection of Valero facilities to the natural gas network

Context

In the fall of 2014, Gaz Métro carried out work in connection with a natural gas supply agreement reached for Énergie Valero (Ultramar) facilities, at Pier 51 in Montréal-Est.

Gaz Métro added 300 metres to its network to meet Énergie Valero’s needs at its Montréal-Est terminal and its pier. The project is part of a first phase of work in Montréal-Est. A second phase, involving looping the network north of Rue Notre-Dame, will be undertaken in 2016. The work took approximately five weeks, running from October 14 to November 19, 2014.

Measures

Thorough analysis of the project yielded a route with the least impact on the community and best suited to the needs and operating requirements of Gaz Métro and Valero. Major obstructions and noise were among the potential nuisances for residents close to the site. Gaz Métro was therefore careful to keep residents informed during project execution. Effective signage was also deployed. Citizens’ access to their homes was maintained at all times. The Gaz Métro team also took on the task of moving residents’ recycling and garbage bins during the work. A Gaz Métro public affairs representative and project technician went door to door to hand out letters and an information flyer on the project. This first project phase went forward with the collaboration of partners, to the satisfaction of stakeholders.

7.1.2.2. Indicator: Number of complaints related to our work

	2013	2014	2015
Complaints	13	17	12

Gaz Métro received 177 complaints in fiscal 2015. Of these, 12 dealt specifically with work done by the organization and were handled by the construction team. Note that no complaints were received with respect to the 30 projects ([Social acceptability of projects](#)) that were flagged for close monitoring by the sustainable development, public and government affairs team. In fiscal 2014, our work raised 17 out of 206 complaints, and 13 out of 286 complaints in fiscal 2013. Gaz Métro plans to institute feedback mechanisms that are more project-specific in the coming fiscal years.

7.2. Natural gas supply

G4-12

Description of the natural gas supply chain and the organization's practices and procedures, including the source of natural gas, selection of natural gas suppliers, and distribution modes.

7.2.1. *Management approach – Natural gas supply*

Gaz Métro deals with numerous suppliers of natural gas. The following section provides a description of the supply chain context, in response to a request from our stakeholders.

Summary of supply chain

Gaz Métro's supply chain covers all the steps required to provide a quality natural gas distribution service. It includes natural gas suppliers, companies that look after the construction and maintenance of the network, suppliers of goods and equipment, and providers of related services (information technology, insurance, etc.).

Procurement expenditures can be broken down into two categories:

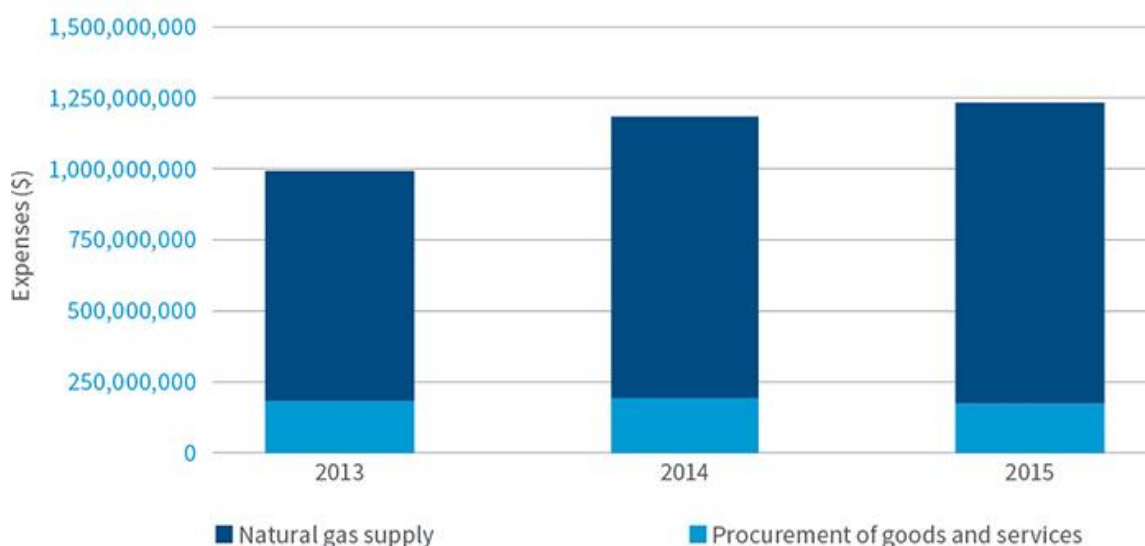
1. Expenditures incurred with respect to natural gas suppliers involved in production, transportation and storage;
2. Expenditures incurred with respect to suppliers of other goods and services.

During fiscal year 2015, Gaz Métro's total procurement expenditures were \$1.232 billion, with natural gas procurement costs accounting for 86% of this amount.⁵

⁵ Data shown includes capitalized values.

7.2.2. Performance indicators

7.2.2.1. Purchasing practices - Procurement expenditures



Since fiscal 2013, natural gas supply has accounted for a growing percentage of total procurement expenditures: in fiscal 2013, it constituted 82% of procurement expenditures, compared with 86% in fiscal 2015.

7.2.2.2. Purchasing practices - Overview of natural gas supply

				2013	2014	2015	
Total volume distributed (PJ)				207.0	223.2	222.8	
1. Natural gas supplied by Gaz Métro (network gas)	Percentage of total volume distributed (%)			39.1	39.8	39.0	
	Volume distributed as network gas (PJ)			80.9	88.8	87.0	
	Breakdown of purchases by point	Dawn	Percentage of network gas (%)	74.0	84.3	60.5	
			Volumes (PJ)	59.9	74.9	52.6	
			Number of suppliers	12	12	12	
		Percentage of total volume distributed (%)			28.9	33.6	23.6
		Empress	Percentage of network gas (%)	25.7	15.4	39.4	
			Volumes (PJ)	20.8	13.7	34.3	
	Number of suppliers		14	19	20		
	Percentage of total volume distributed (%)			10.0	6.1	15.4	
	Gaz Métro territory	Percentage of network gas (%)			0.2	0.2	0.1
		Volumes (PJ)			0.2	0.2	0.1
		Number of suppliers			2	1	1
Percentage of total volume distributed (%)			0.1	0.1	0.0		
2. Natural gas purchased by customers (direct purchases)	Number of customers			3,300	3,534	3,774	
	Percentage of total volume distributed (%)			60.9	60.2	61.0	
	Volume distributed as direct purchases (PJ)			126.1	134.4	135.8	
	Direct purchase with transport by Gaz Métro	Dawn	Percentage of volume as direct purchases (%)	0.0	0.0	0.0	
			Volumes (PJ)	0.0	0.0	0.0	
			Number of customers	0	0	0	
		Percentage of total volume distributed (%)			0.0	0.0	0.0
		Empress	Percentage of volume as direct purchases (%)	73.1	91.3	96.2	
			Volumes (PJ)	92.2	122.7	130.7	
	Number of customers		3,125	3,371	3,706		
	Percentage of total volume distributed (%)			44.5	55.0	58.7	
	Direct purchase with transport by customer	Gaz Métro territory	Percentage of volume as direct purchases (%)	26.9	8.7	3.8	
			Volumes (PJ)	33.9	11.7	5.1	
Number of customers			175	163	68		
Percentage of total volume distributed (%)			16.4	5.2	2.3		

The natural gas consumed by Gaz Métro customers in Québec (222.8 petajoules (PJ)) is purchased either from Gaz Métro (system gas: approximately 39% of natural gas distributed) or directly from a third party (direct purchases: approximately 61%).

G4-22

Note: In the 2013 Sustainability Report, an error was made in the number of suppliers reported at the “Gaz Métro Territory” point of purchase. It should have read 2 instead of 1.

The volumes of natural gas supplied by Gaz Métro were essentially identical in fiscal 2014 and 2015, but differences were observed in the points of purchase. The volumes of natural gas purchased at Empress and supplied by Gaz Métro were up in 2015 due to an exceptional increase in transportation capacities held between Empress and the Gaz Métro territory.

Since 2013, the number of direct purchase customers who provide for their own transportation service has decreased—along with volumes, consequently—as more of these customers opt for the transportation service offered by Gaz Métro.

Types of gas procurement contracts

1. Natural gas supplied by Gaz Métro (system gas and gas for fixed-price supply customers)

In fiscal 2015, approximately 39% of distributed natural gas volumes (87.0 PJ) were purchased by Gaz Métro (as opposed to purchased by customers directly from suppliers) and resold to customers opting for Gaz Métro's supply service or the fixed-price supply service. Gaz Métro resells the natural gas at cost and does not make any profit on the commodity price of natural gas.

Natural gas purchases are mainly carried out at two hubs, which are not production sites. Here is a breakdown of the volumes of distributed natural gas by natural gas purchases made by Gaz Métro in 2015:

- Approximately 60.5% of volumes were purchased at Dawn (52.6 PJ), in Southern Ontario, from 12 suppliers, representing 23.6% of the total natural gas distributed;
- Approximately 39.4% of volumes were purchased at Empress (34.3 PJ), in Alberta, from 20 suppliers, representing 15.4% of the total natural gas distributed;
- Approximately 0.1% of volumes were purchased directly in Québec (0.1 PJ) from a biogas producer, representing 0.04% of the total natural gas distributed.

Gaz Métro's natural gas suppliers are mainly intermediaries such as energy brokers and the subsidiaries of large banks that are active in the energy field.

Consistent with the customer consumption profile, more significant purchases occur in wintertime, because natural gas is often used for heating. To meet customer demand, Gaz Métro makes 71.2% of its natural gas purchases in winter. Natural gas flows are thus dynamic in nature and vary depending on the season and the consumption needs of customers.

2. Natural gas purchased by customers from suppliers (direct purchases)

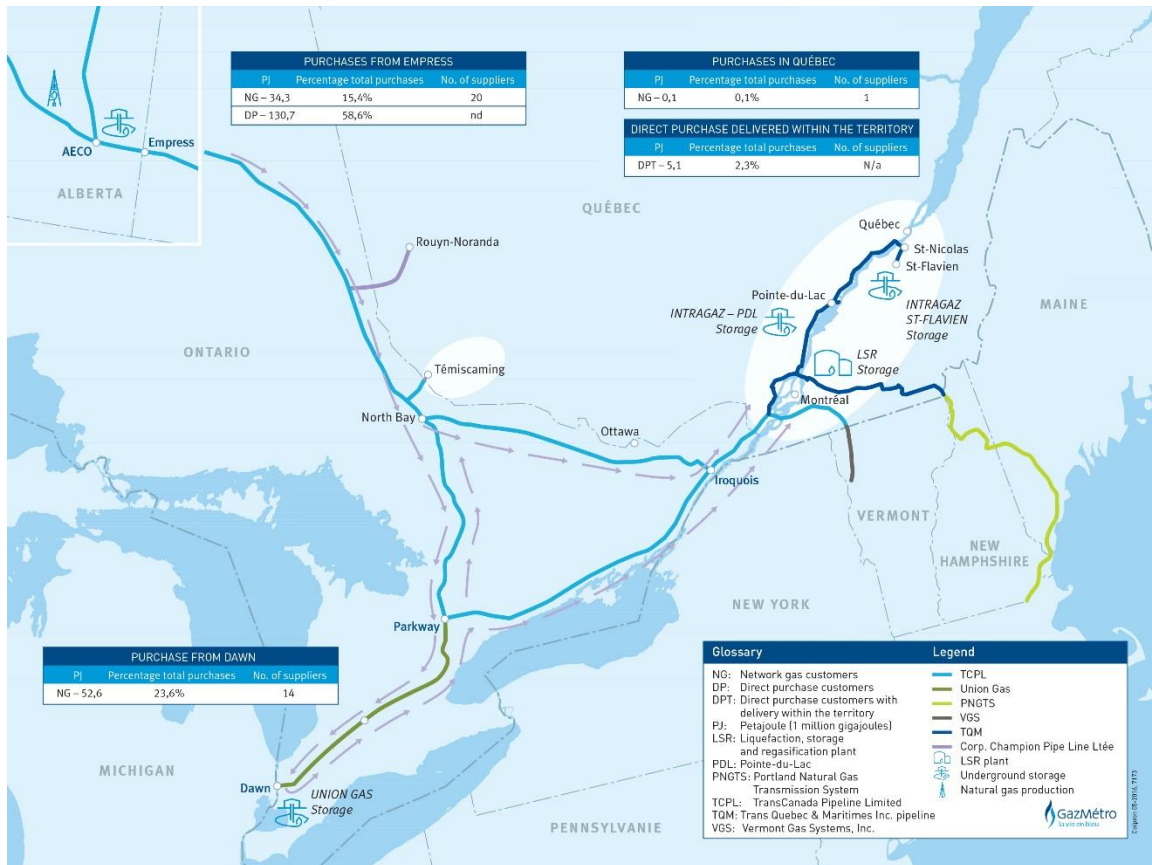
Most of the gas volumes distributed by Gaz Métro are purchased by customers directly from suppliers of their choosing. In fiscal 2015, such was the case for 3,774 customers, representing approximately 61% of the gas volumes distributed by Gaz Métro (135.8 PJ). These are mainly customers who consume significant volumes of natural gas. Generally speaking, natural gas is purchased and delivered uniformly over a specified period.

Transportation of direct-purchase natural gas

The majority of customers who purchase natural gas directly from third-party suppliers opt for Gaz Métro's transportation service, which means that Gaz Métro designates the delivery point for these customers. In fiscal 2015, 100% of the direct purchases made by this category of Gaz Métro customer were completed at Empress by means of brokers. This type of transaction accounted for approximately 58.7% of total natural gas volumes distributed by Gaz Métro in fiscal 2015 (130.7 PJ).

The remaining segment of customers who purchase natural gas directly from suppliers provide their own transportation service and ensure that the natural gas they buy is delivered to Gaz Métro's distribution network. In such cases, Gaz Métro is unable to determine the point of purchase or the origin of the natural gas. This type of transaction accounts for approximately 2.3% of the natural gas volumes distributed by Gaz Métro (5.1 PJ) to approximately 68 customers. Gaz Métro is therefore responsible only for distributing natural gas from the point where it enters its network up to the customer's destination.

Gas supply map



Additional information on natural gas transportation and storage

Natural gas from Empress or Dawn is moved by Gaz Métro in infrastructures held by TCPL or Union Gas, depending on the section used. Gaz Métro, together with direct purchase customers delivering in Gaz Métro's territory, also deals with third parties that hold transportation capacity in TCPL or Union Gas facilities.

In addition, Gaz Métro uses storage sites consistent with the purchasing profiles of various types of customers and the need to adjust supplies to meet demand.

The gas supply map shows transactions at the main points of purchase, the transportation infrastructure that moves natural gas to Québec, and the various storage sites.

7.2.2.3. Purchasing practices– Proportion of spending on local suppliers at significant locations of operation

From the standpoint of gas procurement, a supplier is considered local if headquartered in Québec. Thus, 0.04% of volumes distributed by Gaz Métro were local in origin. This percentage is, however, expected to rise. Gaz Métro intends to inject biomethane in its gas network as a means to increase the share of local natural gas production.

		2013	2014	2015
Gas volume (PJ)	Local	0.2	0.2	0.1
	Total	207.0	223.1	222.8
Expenses (\$)	Local	222,000	1,202,000	750,000
	Total	811,443,000	991,103,000	1,059,401,000

From the standpoint of gas procurement, a supplier is considered local if headquartered in Québec. The information on local suppliers is currently only available for the 20 main suppliers.

G4-22

Note: in the 2013 Sustainable Development report, a purchase of 0.1 PJ delivered in Gaz Métro’s territory should not have been considered as a local purchase.

7.2.2.4. Social acceptability of natural gas

Based on discussions with stakeholders, for Gaz Métro, the two components of social acceptability are the provenance and production methods of natural gas, and how the organization conducts its projects in the community. This indicator pertains specifically to the provenance of natural gas. To find out more on our projects, please consult the [Social Acceptability](#) section.

Sources of natural gas

Gaz Métro is unable to identify the production locations of the gas molecules it distributes. The traceability of the natural gas supply remains technically impossible. Given the highly interconnected North American gas network, it is not possible to know the exact source of a molecule of gas purchased in Western Canada or at Dawn, Ontario.

For example, Dawn is a hub connected to most of the large supply basins in North America, namely Western Canada Sedimentary Basin; U.S. Rockies; Mid-Continent; Marcellus; and Gulf of Mexico. With more and more non-traditional shale gas production taking place in North America, it is safe to say, however, that the proportion of this type of natural gas entering Québec will also increase over time.

In recent years, Gaz Métro has increased its share of the supply from Dawn, in Ontario, as opposed to the Empress hub in Alberta. The advantage of the Ontario site is that it is

much closer to Québec (approximately 800 km) than the Alberta terminal (approximately 3,500 km). Procuring natural gas closer to where it is consumed in Quebec reduces the transportation distances, and therefore decreases the environmental footprint of this phase in the natural gas life cycle.

On November 1, 2016, Gaz Métro will reach an important threshold in its gas procurement. As of this date, over 89% of its transportation capacities will come from Dawn, and less than 11% will come from Empress. This will mark a significant shift, as the breakdown between the two supply sites had long been roughly equal. During the rate hearings before the Régie de l'énergie in fall 2015, Gaz Métro announced savings for its customers on the order of \$140 million as a result of the redeployment of its gas supply.

Natural gas supply context

Gaz Métro is sensitive to its customers' concerns about the sources of natural gas and the type of production basin. As a gas distributor, however, Gaz Métro is not involved in natural gas exploration or development. Gaz Métro's natural gas suppliers are mainly intermediaries such as energy brokers and the subsidiaries of large banks that are active in the energy field.

That said, Gaz Métro pays close attention to the evolving standards in gas production and appreciates the efforts made by producers to limit methane leaks, so as to reduce the environmental footprint of their operations upstream in the natural gas value chain. Discussions are currently underway at different levels of government regarding methane emissions in the natural gas industry; an issue Gaz Métro takes seriously in its operations. These are detailed in the [Emissions, leaks and environmental management](#) section.

Responsible procurement process

As part of its responsible procurement process, which aims to improve its purchasing practices, and, following the publication of its new Supplier Code of Conduct in 2015, which mainly targets goods and services suppliers, Gaz Métro recently compiled a certain amount of information on the business practices of its gas suppliers. This study enabled Gaz Métro to identify those suppliers that have made a formal commitment to sustainable development or that have implemented internal ethics, socioeconomic development, environmental and occupational health and safety policies.

Gaz Métro plans to begin discussions with its gas suppliers to complete the profile of their practices and raise their awareness about Gaz Métro's sustainable development initiatives. The goal of this exercise is to make every effort to favour those suppliers that, for the same price, have demonstrated better sustainable development management.

Impacts of natural gas production

A number of studies have been or are being conducted on the environmental footprint of shale gas production, notably with respect to methane emissions. As yet, no definitive conclusions can be drawn on this issue, because the observed impacts vary widely and cannot be scientifically proven in large, representative samples.

In June 2015, the U.S. Environmental Protection Agency released a study on the impacts of hydraulic fracking on drinking water resources. This study describes the impacts that this extraction process has on sources of drinking water located near gas production wells but does not include a review of the other environmental impacts associated with gas production. Results on the latter are still awaited. In this evolving context, scientific input is critical for understanding the impacts of natural gas production, improving processes, properly balancing benefits and drawbacks, and, ultimately, making sound decisions.

Natural gas production in Québec

Since 2011, a moratorium has been in place on natural gas exploration and production in Québec. A major process is currently underway that includes a strategic environmental assessment of the entire hydrocarbons sector. Gaz Métro is following this process closely.

If Québec eventually chooses to produce natural gas, the way things stand, Gaz Métro, as Québec's principal natural gas distributor, would be called on to implement the necessary infrastructure to deliver it to customers. Based on this hypothesis, an agreement was struck in October 2014 between Gaz Métro and Hydrocarbures Anticosti, a company partnered with the Québec government through Investissement Québec. Under this agreement, Gaz Métro is contributing its expertise to define technical solutions for distributing the natural gas produced in Anticosti. In the event the government authorizes these projects and that it is possible to produce gas at a competitive price, Gaz Métro could market it.

[7.2.2.5. Significant changes to the supply chain](#)

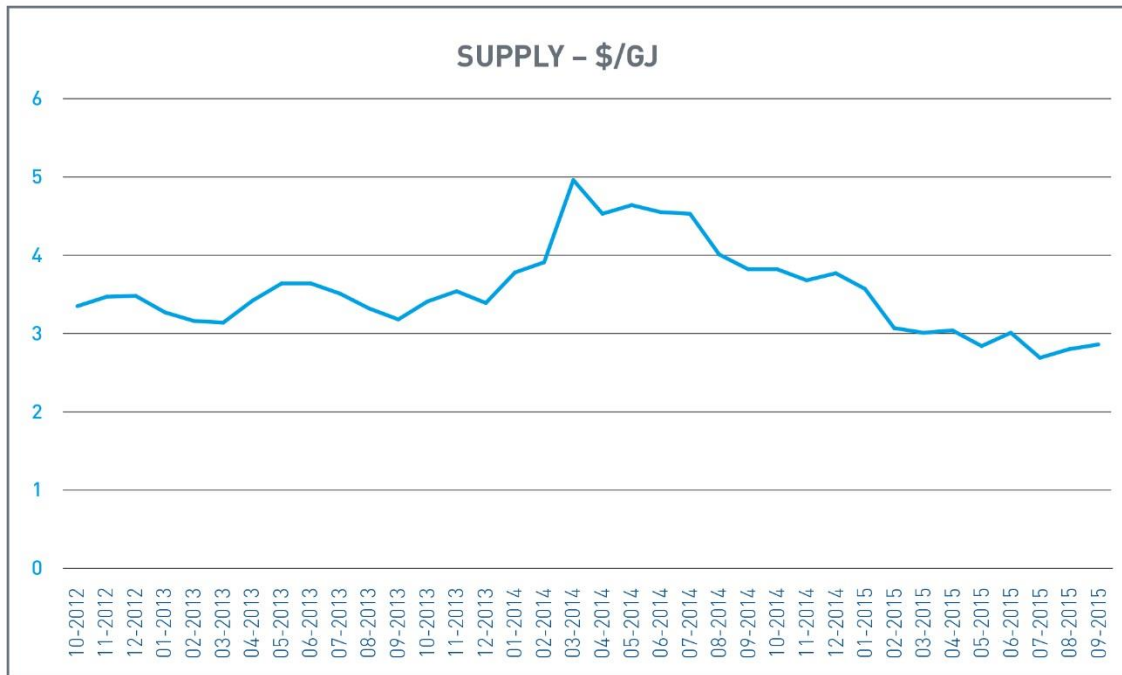
G4-13

In September 2013, Gaz Métro announced it had reached an agreement in principle, the "Settlement Agreement," with TCPL and other gas distributors in Eastern Canada. The agreement was signed on October 31, 2013. This agreement locks down the development of the infrastructures needed to increase Gaz Métro's share of the supply from Dawn, the gas hub in Southern Ontario. The agreement also gave Gaz Métro the opportunity to revise the terms of its relationship with TCPL and lay the ground rules that will keep everyone satisfied for years to come. An application to have this agreement approved was filed with the National Energy Board (NEB) on December 20, 2013. The NEB approved it in November 2014.

In the Energy East file, Gaz Métro publicly expressed its concerns in 2014 about TCPL's proposed project; specifically, its impacts on Québec natural gas customers, whose supply could be compromised. Ontario natural gas distributors raised similar objections, fearing

their customers would also be affected. Several discussions held last fiscal year led to the conclusion of an agreement in principle in August 2015 between Gaz Métro, the Ontario natural gas distributors and TCPL on the Energy East project. Gaz Métro and its Ontario counterparts obtained the necessary supply security guarantees for gas customers, in the event the Energy East project is carried out. This agreement was signed in October 2015.

7.2.2.6. Purchasing practices– Supply price



The price of natural gas has been falling, and this trend continued in 2015. Gaz Métro’s supply price, referred to as “system gas price,” was, on average, \$3.18/GJ in 2015. The average supply price between October 2013 and September 2014 was \$4.09/GJ. This represents an annual average price decrease for natural gas of 22.20% compared with fiscal year 2014. The commodity price bottomed out at \$2.80/GJ in August 2015, the lowest it’s been since 1999. The low natural gas price is an economic advantage.

Financial analysts agree that the price will remain low for several years to come. That said, to minimize the effects of gas price fluctuations on its customers, Gaz Métro designed tools such as an equal payment plan and a method for determining the system gas price.

7.3. Legal and regulatory context

Regulatory monitoring of Gaz Métro's activities by the Régie de l'énergie, subject to the cap-and-trade system for greenhouse gas emission allowances (CATS) and legal compliance with legislation and regulations in Gaz Métro's sector of activity.

Regulatory context: Regulatory requirements governing monitoring of the organization's operations (e.g. Régie de l'énergie, Greenhouse Gas Cap-and-Trade System)

7.3.1. Management approach – Regulatory context

Regulatory framework

Gaz Métro's natural gas distribution activity in Québec is regulated by the Régie de l'énergie. The Régie's primary role is to set or modify the rates and conditions for the distribution, transportation, balancing and supply of natural gas by a distributor. The Régie also performs other functions, including overseeing the activities of a distributor, determining its rate of return, specifically authorizing investments of \$1.5 million or more, reviewing consumer complaints, and setting the conditions for the installation of a distributor's facilities in municipalities.

Gaz Métro has the obligation to supply and deliver natural gas to anyone who requests it, and to deliver natural gas to consumers who purchase natural gas from a third party. Existing and future customers can refer to the Conditions of Service and Tariff, which define the responsibilities of the distributor and the customer. The Act respecting the Régie de l'énergie (Québec), under certain conditions, allows Gaz Métro to apply to the Régie to be exempted from the requirement to deliver natural gas or to provide service to a consumer.

Regulatory influence

To make known its solutions for sustainable economic development and greenhouse gas (GHG) reduction, Gaz Métro took part in public consultations in the areas of energy and natural resources, GHG reduction targets and transportation. Specifically, Gaz Métro:

- Presented briefs and participated in all four parts of the Québec government's consultation on its next energy policy;
- Presented briefs and made presentations before parliamentary committee regarding the 2030 greenhouse gas reduction target;
- Participated in consultations on proposed amendments to the *Environment Quality Act* (Québec);
- Participated in consultations on the social acceptability of energy and natural resources projects.

Gaz Métro also occasionally meets with the elected officials responsible for the above-mentioned issues and holds regular discussions with various stakeholders on public policy issues pertaining specifically to the environment, energy and economic development. This

is done transparently, and Gaz Métro and some of its employees are registered in the Registry of Lobbyists.

Gaz Métro also collaborates with the Association industrielle de l'Est de Montréal (AIEM), the Association québécoise pour la production d'énergie renouvelable (AQPER), the Conseil du patronat du Québec (CPQ), the Conseil patronal en environnement du Québec (CPEQ), Écotech, the Fédération des chambres de commerce du Québec (FCCQ) and the SWITCH alliance.

Greenhouse Gas Cap-and-Trade System (C&T System)

The Government of Québec is aiming to reduce the province's GHG emissions by 20% compared with 1990 levels by 2020. Recently, the Québec government set the reduction target for 2030 at 37.5% compared with 1990 levels.

The C&T System has been in place in Québec since January 1, 2013. However, fuel distributors like Gaz Métro were not subject to the C&T System until the start of phase two, on January 1, 2015.

As such, Gaz Métro must now cover both its own emissions and those of its customers (except those that are themselves subject to the C&T System). Consequently, Gaz Métro introduced a new C&T System service in its pricing, effective January 1, 2015, to recover from applicable customers the costs of purchasing emission allowances to offset the actual GHG emissions resulting from natural gas combustion.

Gaz Métro participated in the auctions held in November 2014 and in February, May, August and November 2015. In addition, the company acquired the first offset credits ever generated in Québec under the C&T System. The 161,510 offset credits purchased from EcoSolutions Recycling Inc. (RES) stem from the destruction of 81 tonnes of CFCs between 2009 and 2011. CFCs are powerful greenhouse gases (GHG) found in old refrigerators and other domestic cooling appliances. The transaction, totalling over \$2 million, is in keeping with Gaz Métro's vision of ensuring compliance with the C&T System while generating positive spinoffs in Québec. In fact, Gaz Métro signed an agreement with RES to acquire future offset credits that RES expects to produce.

Furthermore, Gaz Métro is pursuing efforts to reduce its emissions and those of its customers by means of energy efficiency initiatives and by adopting renewable natural gas supply sources (biomethane).

As a regulated company, Gaz Métro submitted applications to the Régie de l'énergie in 2014 and 2015 for approval of its coverage strategies for each compliance period under the regulation respecting the C&T System as well as to integrate the costs associated with the C&T System into its rates.

7.3.2. Performance indicators – Regulatory context

7.3.2.1. Investment projects over \$1.5 million approved by the Régie de l'énergie

The Régie de l'énergie has exclusive jurisdiction to set or modify the rates and the conditions of service for the supply, transportation and delivery of natural gas in Québec. As such, Gaz Métro annually submits a rate case and an annual report to the Régie de l'énergie for the latter's approval. The rate case outlines Gaz Métro's projections for the fiscal year under review, whereas the annual report presents the actual results of the fiscal year ended. In its decision regarding the rate case, the Régie approves, among other things, the rate base, the rate of return, the operating expenses, the development plan, the Global Energy Efficiency Plan (GEEP) budget, the supply plan, the commercial programs, the conditions of service and the rates for the various services required to achieve fair and reasonable cost recovery. Gaz Métro must also obtain the Régie's approval for any investment project totalling \$1.5 million or more, by submitting specific applications.

For the purposes of this document, the investment projects of \$1.5 million or more have been divided into two categories: Network and MTQ (Ministère des Transports du Québec); and Property and Information Technology.

- The Network and MTQ category comprises all acquisition, relocation, extension and improvement projects involving Gaz Métro's distribution or transmission networks as well as customer connection projects. This category also includes any project under the MTQ's responsibility that involves relocating a natural gas line.
- The Property and Information Technology category comprises all property acquisition or improvement projects not involving Gaz Métro's distribution or transmission networks as well as any information technology investment project.

The investment projects are grouped by rate year and date of approval by the Régie de l'énergie. Given that these approved projects are to be developed in the future, their associated costs are not necessarily incurred in the year of approval but rather, in most cases, over several years.

Investment projects of \$1.5 million or more approved by the Régie de l'énergie

Investment project category	Investment (\$M)		
	2013	2014	2015
Investment project – Network and MTQ	34.423 ⁽¹⁾	16.919	90.721
Investment project – Property and Information Technology	5.963	10.100	0.000
Total	40.386	27.019	90.721

(1) Includes \$11.4 million approved in 2011 (D-2011-104).

7.3.2.2. Number of regulatory affairs outside Québec for which Gaz Métro is an intervenor

Gaz Métro intervenes in regulatory affairs outside Québec at both federal (National Energy Board) and provincial levels (Ontario Energy Board) with a view to protect the interests of its customers and shareholders.

The number of files indicated in the table represents the number of requests for intervention made by Gaz Métro for the rate year in question.

Number of regulatory affairs outside Québec for which Gaz Métro is an intervenor

	2013	2014	2015
National Energy Board	0	2	3
Ontario Energy Board	3	0	1
Total	3	2	4

Legal compliance: Compliance with legislation and regulations, including compliance with the legal requirements applicable to the environment, occupational health and safety, marketing communications and network safety.

7.3.3. Performance indicators – Legal compliance

No notices of non-compliance or of violation have been issued against Gaz Métro in reference to performance indicators G4-PR07, G4-PR09 and G4-SO08 in fiscal 2014 or 2015.

7.3.3.1. Product responsibility– Non-compliance with laws, regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship.

	Type of Notice		Notice Consequence(s)		
	Notice of non-compliance	Notice of violation	Number of fines	Fine (\$)	Non-pecuniary penalty
2013	0	0	0	0	0
2014	0	0	0	0	0
2015	0	0	0	0	0

No notices of non-compliance or of violation have been issued against Gaz Métro under laws or regulations governing advertising and marketing (including the Consumer Protection Act, the Competition Act and the Telecommunications Act).

7.3.3.2. Product responsibility– Non-compliance with laws and regulations governing Gaz Métro’s main activities

	Type of Notice		Notice Consequence(s)		
	Notice of non-compliance	Notice of violation	Number of fines	Fine (\$)	Non-pecuniary penalty
2013	0	0	0	0	0
2014	0	0	0	0	0
2015	0	0	0	0	0

No notices of non-compliance or of violation have been issued against Gaz Métro under laws and regulations that govern Gaz Métro's main activities (including An Act respecting the Régie de l'énergie, the Building Act, the Gas, Water and Electricity Companies Act, the Electricity and Gas Inspection Act and An Act respecting the mode of payment for electrical and gas service in certain buildings) in fiscal 2014 or 2015.

7.3.3.3. Society– Non-compliance with the laws and regulations governing health and safety

	Type of Notice		Notice Consequence(s)		
	Notice of non-compliance	Notice of violation	Number of fines	Fine (\$)	Non-pecuniary penalty
2013	0	0	0	0	0
2014	0	0	0	0	0
2015	0	0	0	0	0

No notices of non-compliance or of violation have been issued against Gaz Métro under laws or regulations governing health and safety (including the Act respecting occupational health and safety) in fiscal 2014 or 2015.

7.3.3.4. Environmental compliance– Non-compliance with the laws and regulations governing the environment

Fiscal year	Notice of legal non-compliance	Criminal penalty	Pecuniary administrative penalty
2013	0	0	0
2014	2	0	0
2015	1	0	0

In July 2014, Gaz Métro received a notice of non-compliance concerning the incorporation of shrubs in work to stabilize a bank of a stream. A corrective measures plan was submitted and the work was completed on time.

In September 2014, Gaz Métro received a notice of non-compliance for releasing methane and other gaseous products into the atmosphere, and for failing to notify the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques (MDDELCC) in a timely manner. An internal procedure was amended to specify the notion of “without delay” that is stipulated by law with regards to notifying the MDDELCC.

During fiscal 2015, Gaz Métro received a notice of non-compliance for erosion-control work found to be ineffective that was part of a project for the Ministère des Forêts, de la Faune et des Parcs to extend natural gas distribution. To the satisfaction of the Ministry, the appropriate corrective actions were taken within the required time frame.

7.3.3.5. Society– Civil claims or criminal proceedings related to public safety issues that resulted in a conviction or out-of-court settlement

	2013	2014	2015
Amicable settlement	1	1	0
Conviction	0	0	0

The data from fiscal 2014 shows the settlement of one claim, without admission of liability, for an immaterial amount.

7.4. Growth and development

Business practices contributing to the company's growth, the development of the natural gas network (including operational, economic and regulatory constraints), the development of innovative energy projects (natural gas as fuel and liquefied natural gas to replace more polluting energy sources), the production of renewable energy (wind energy and biomethane) and the integration of energy technologies to meet the specific needs of our customers.

The financial picture presented in this section outlines the results of the growth strategy Gaz Métro has implemented. In addition to the financial performance and economic value of the company's activities, this section makes the link with the financial implications, risks and business opportunities of climate change.

7.4.1. Management approach – Economy

Gaz Métro takes the steps necessary to generate excellent economic returns and create value for its customer base, shareholders, partners and employees, as well as for the communities in which it operates. As such, Gaz Métro adopted a prudent, targeted growth strategy. This strategy centres on the growth of regulated activities in Canada and the U.S., and the development and operation of innovative, promising energy projects, including natural gas as fuel, liquefied natural gas as a replacement for higher emission-producing energies, wind power and biomethane.

7.4.1.1. Economic performance– Summary of the consolidated annual financial performance

	In millions of dollars		
	2013	2014	2015
Income	2,217.4	2,536.7	2,720.6
Gross margin	934.1	1,014.1	1,078.0
Income before income taxes	209.5	221.7	238.2
Net income	178.9	173.8	188.0
Net income (net loss) attributable to non-controlling interests	-1.5	-0.9	3.6
Net income attributable to partners	180.4	174.7	184.4
Net income attributable to partners, excluding non-recurring items	165.7	174.7	192.4
Basic and diluted net income per unit attributable to partners (\$)	1.21	1.15	1.19
Distributions declared per unit to partners (\$)	1.12	1.12	1.12
Cash flow related to operating activities	488.0	605.0	738.0
Total assets	5,582.8	6,144.2	7,218.0
Total debt	2,801.7	3,167.8	3,593.3
Ratio of debt to invested capital (%)	66.0	68.1	66.3

For the fiscal years ended September 30 (in millions of dollars).

The data in the Summary of the consolidated annual financial performance include the activities of Gaz Métro, its subsidiaries and all joint ventures.

The data in the Summary of the consolidated annual financial performance include the activities of Gaz Métro, its subsidiaries and all joint ventures⁶.

Fiscal 2015 was a positive year for Gaz Métro. In fact, our net profits grew by 8% in 2015. This growth is mainly attributable to the favourable impact of the exchange rate on our U.S. subsidiaries' performance; the revenues generated by our [wind activities](#), as a result of favourable wind conditions and the fact that wind farms 2 and 3 were in operation the entire year; and the increase in sales in our liquefied natural gas activities.

For fiscal 2014, the 5% net growth in profits from fiscal 2013 is mainly attributable to the colder temperatures observed during the winter period and by the favourable impact of the exchange rate on our U.S. subsidiaries' performance. However, these positive effects were muted by the profits made in fiscal 2013 from the sale of HydroSolution, a subsidiary specialized in the sale and rental of residential hot-water heaters.

7.4.1.2. Economic performance – Direct economic value generated and distributed

		Canada			United States			Consolidated		
		2013	2014	2015	2013	2014	2015	2013	2014	2015
Direct economic value generated (income)	Products	1,447,503	1,669,848	1,767,501	769,853	866,861	953,086	2,217,356	2,536,709	2,720,587
	Distributions received from entities	0	0	0	35,923	65,390	71,331	35,923	65,390	71,331
	Subtotal	1,447,503	1,669,848	1,767,501	805,776	932,251	1,024,417	2,253,279	2,602,099	2,791,918
Economic value distributed	Operating costs (excluding depreciation)	851,980	1,045,831	1,028,281	488,053	522,263	586,967	1,340,033	1,568,094	1,615,248
	Employee compensation and benefits	205,470	198,745	206,441	84,412	105,478	121,921	289,882	304,223	328,362
	Government remittances	65,549	55,566	47,042	61,405	68,243	83,022	126,954	123,809	130,064
	Community investments	1,895	2,002	2,127	796	661	745	2,691	2,663	2,872
	Financial expenses	-1,446	-2,831	-4,377	-2,253	-2,748	-7,795	-3,699	-5,579	-12,172
	Subtotal	1,123,448	1,299,313	1,279,514	632,413	693,897	784,860	1,755,861	1,993,210	2,064,374
Non-allocated direct economic value generated (before payments to capital providers)		324,055	370,535	487,987	173,363	238,354	239,557	497,418	608,889	727,544
Payments to capital providers								300,435	320,462	356,342
Non-allocated direct economic value generated				487,987			239,557	196,983	288,427	371,202

Amounts are in thousands of dollars.

The increase in the direct economic value generated and distributed that has been observed in recent years is mainly attributable to the growth of our regulated activities in Canada and the U.S., the favourable impact of the appreciation of the U.S. dollar over the Canadian dollar, the commissioning of our wind farms, held in partnership, and by the development of our liquefied natural gas activities.

⁶ Net income attributable to partners (excluding non-recurring items) and the debt/total capitalization ratio are considered financial measures that are not defined by Canadian GAAP. For more information on these measures, refer to the heading describing financial measures not defined by Canadian Generally Accepted Accounting Principles (GAAP) and other financial measures defined by Canadian GAAP in section L) OVERVIEW OF THE PARTNERSHIP AND OTHER of the MD&A of GMi for the year ended September 30, 2015.

7.4.1.3. Economic performance – Financial implications for the company’s activities due to climate change

Climate change can have repercussions on Gaz Métro’s economic performance. The main elements to take into account are listed below.

Climate change opportunities

The environmental advantages of natural gas are undeniable assets that favour its adoption and constitute the driving force behind a growing demand for it in North America. Natural gas is the cleanest fossil fuel. In fact, its use instead of other more polluting energies, such as diesel, oil and coal, results in an immediate reduction in GHG emissions of approximately 25%, 32% and 42%, respectively, thus contributing to the achievement of the Québec government’s GHG reduction targets.

In terms of air quality, the use of natural gas over other fossil fuels significantly reduces levels of atmospheric pollutants, which helps mitigate smog and acid rain.

Natural gas’s competitive edge over other forms of energy is also boosting overall demand and fostering the development of its use in other forms such as liquefied natural gas and compressed natural gas. As such, heavy transportation and maritime transport industries now have an alternative solution to diesel for powering their vehicles and ships, and companies established in remote regions not served by an oil network now have access to natural gas, which can be delivered by truck or boat. Over the longer term, these new opportunities could lead to other projects, such as the development of independent networks that use liquefied natural gas. Gaz Métro is attuned to the needs of its existing and future customer base and is actively pursuing the development of these new markets. The investment of \$118 million by Gaz Métro and Investissement Québec to triple the LSR plant’s liquefaction capacity by year-end 2016 is one such example.

C&T System regulation

To meet its legal obligations under the Cap and Trade (C&T) System, in force for fuel distributors since January 1, 2015 (since January 1, 2013 for other emitters), Gaz Métro must acquire emission allowances to offset the GHG emissions attributable to its natural gas transportation and distribution activities as well as emissions related to the combustion or use of natural gas distributed for consumption in Québec, with the exception of those attributable to the natural gas it has distributed to its customers that are subject to the C&T System.

For more information, please refer to the section on the [C&T System](#).

Seasonal weather variations

Demand for natural gas varies by season, with consumption levels being higher in winter.

Gaz Métro benefits from a revenue normalization mechanism for its natural gas distribution, based on normal temperatures and normal wind velocity. Gaz Métro normalizes natural gas deliveries and subsequently reflects the adjustment in its revenues using rate stabilization accounts. The appropriate amounts are recovered from or remitted to customers within a given period.

With climate change, historical weather data could become less reliable. Unusual or severe temperatures could have a positive or negative effect on the revenue normalization mechanism and thus influence Gaz Métro's financial situation.

Extreme weather events

Gaz Métro's energy distribution activities are directly affected by severe weather conditions such as ice and snow storms, high winds and natural disasters. These unusual conditions, which run the risk of becoming more frequent as a result of climate change, could cause property damage or have other hard-to-forecast effects, resulting in costs that may not be fully insured. These situations could require specific regulatory approvals from the Régie de l'énergie in order to recover certain amounts. While Gaz Métro has generally received such approvals, there is no guarantee they would be granted in a sufficient or timely manner.

7.4.2. Performance indicators – Business development (QDA)

The improvements and extensions made to Gaz Métro's natural gas distribution network contribute to the company's growth. This section outlines the various types of gas network development projects carried out in 2015.

7.4.2.1. Highlights – Natural gas distribution in Québec: Major projects

Several major investment projects were analyzed during the last fiscal year, including the project to extend our network in the Bellechasse regional county municipality. This consists in a 71 km extension between Lévis and Sainte-Claire. Highly anticipated by the public, this project would help the region's businesses achieve energy savings and reduce their GHG emissions. It was approved by Québec's Régie de l'énergie in December 2015.

Another major project is the connection for the city of Asbestos, authorized by the Régie de l'énergie in March 2016. Upon the Régie's authorization, construction work will begin on these two projects, for commissioning in December 2016.

Every year, Gaz Métro expands its network, making natural gas available to new customers who previously could not access this service.

In the last three years, 459 extension projects have been completed for a total of 171 km of pipeline, 956 newly-connected customers and approximately 54 million cubic metres of natural gas. Incidentally, in fiscal 2015 (not including the Bellechasse project), over 180 extension projects were carried out, thus extending the gas network by 79 km and boosting natural gas sales by over 27 million cubic metres.

7.4.2.2. Highlights – Natural gas distribution in Québec: Major industry market

For several years, industrial natural gas customers have benefited from the competitive advantage of natural gas over other petroleum products. This has allowed Gaz Métro to maintain its sales volumes and revenues despite unfavourable economic conditions in Québec.

While this puts us in a position to implement new industrial projects in Québec, significant challenges in transportation and distribution network capacities render the sales cycle long and complex.

Existing major industry customers have taken advantage of the competitive natural gas prices to sign long-term agreements with Gaz Métro.

Snapshot of the major industry market in 2015:

- Approximately 400 customer accounts across nine sectors;
- Total consumption of 111 Bcf, representing 56% of Gaz Métro’s total volume.
- Over \$109 million in distribution revenues.

7.4.2.3. Highlights – Natural gas distribution in Québec: Network improvement

Improvement and strengthening of the Saguenay and Estrie networks

The growing popularity of natural gas is leading to saturation of the transmission network serving the Gaz Métro distribution network at certain times of year in certain regions.

Gaz Métro has agreed to improve and strengthen its transmission networks in Saguenay and Estrie in order to ensure reliable and sufficient supply to its existing and future customers. The transmission networks in these two regions had reached a high saturation rate. It was therefore necessary to find solutions to these capacity issues.

In Saguenay, the proposed solution is two-pronged: to improve the network and to strengthen it. On the improvement front, Gaz Métro will add a natural gas compressor equipped with a generator at the existing Saint-Maurice compression station. To strengthen the network, a new compression station will be built in La Tuque. These projects, valued at over \$80 million, are expected to be completed in November 2017.

In Estrie, Gaz Métro signed a five-year agreement with TCPL to increase the delivery pressure at the Waterloo delivery station to ensure customers’ supply for the coming years. This agreement can be extended for successive four-year terms. It should buy the two parties enough time to find a viable longer-term solution, while in the meantime strengthening Estrie’s supply, as in Saguenay. Furthermore, a joint working group has been formed between TCPL, TQM and Gaz Métro to identify solutions.

7.4.2.4. Highlights – Natural gas distribution in Québec: Residential market

Gaz Métro has been developing the residential market for over 15 years. The vast majority of new customers in this market stem from new constructions. To analyze its performance, Gaz Métro uses a formula that shows the penetration rate of natural gas residences among all new residential constructions. The following table illustrates the changes in penetration rate within this market.

Market segment	2014	2015
Single family	8.9%	9.0%
Condominium – 49 units or less	31.2%	37.1%
Condominium – 50 to 199 units	72.4%	78.5%
Condominium – 200 units or more	100%	100%

The table shows that the penetration rate in the single-family market remained stable. This segment is difficult to win over, given the prominence of projects outside the network and the low cost of electric baseboard heating. In the condo market of 49 units or less, the penetration rate grew in 2015, whereas it fell slightly in condos with 50 to 199 units. In the past two years, Gaz Métro has enjoyed a perfect performance in the condo market of 200 units or more, with a penetration rate of 100%.

7.4.3. Performance indicators – Business development (non-QDA and renewable energies)

In addition to development projects to distribute natural gas in Québec, Gaz Métro is involved in many projects in the fields of renewable energies and the development of technologies for new uses of natural gas.

7.4.3.1. Highlights – LSR plant

Increasing our LSR plant's liquefaction capacities to meet growing demand and replace oil products

To tap into the market potential for liquefied natural gas, Gaz Métro announced, in partnership with Investissement Québec, its plan to boost liquefaction capacity at its liquefaction, storage and regasification (LSR) plant, on September 30, 2014. The project will triple the plant's production capacity to 9 Bcf. The work got under way in June 2015 and should be completed in the fall of 2016.

7.4.3.2. Highlights – Natural gas as fuel

Natural gas for vehicles: A proven solution

Generally less expensive and always more environmentally friendly than diesel, natural gas has a major potential in the transportation sector.

Natural gas for vehicles (NGV) is a particularly promising option for heavy vehicles fleets, including waste-collection trucks. It has proven to be an efficient solution for waste-collection companies like Sani-Estrie inc., EBI, BFI, Gaudreau Environnement Inc. and ABC Environnement, multifunction vehicles such as those of the City of Saint-Hyacinthe and Gaz Métro, and heavy-transport vehicle fleets such as the ones operated by Transport Robert 1973 Ltée, TGL and Canadian American Transportation (C.A.T. Inc.).

During the 2015 fiscal year, Gaz Métro served 24 customers who used natural gas as fuel. For the 2015 fiscal year, the 22 fuelling sites in Québec and 630 vehicles that run on natural gas helped replace 14.8 million litres of diesel⁷.

In total, 19,404 tons of CO₂ equivalent were avoided by using natural gas as fuel during the 2015 fiscal year, including 12,900 tons by using renewable natural gas produced by EBI.

⁷ This quantity of transported diesel also takes into account 91 lift trucks that run on compressed natural gas.

7.4.3.3. Highlights – Marine natural gas

Convinced of the environmental and economic advantages of liquefied natural gas, the Société des traversiers du Québec (STQ) ordered its first three LNG-powered ferries. This choice is also in keeping with stricter environmental standards, in particular the creation of emission control areas (ECAs) throughout the world, which limit the rate of nitrogen oxide and sulfur oxide emissions. Since January 2015, the Saint Lawrence–Great Lakes system has been one of these emission control areas, which will become even more restrictive over the coming years. Presently, liquefied natural gas offers one of the best solutions. In July 2015, the *F.-A.-Gauthier*, North America's very first liquefied natural gas ferry, was officially put into service. It currently replaces the *Camille-Marcoux* on the Matane–Baie Comeau crossing and will eventually serve the Baie-Comeau–Godbout crossing.

STQ's choice of LNG to power its three new ferries is a milestone for Quebec's maritime transportation sector and paves the way for other ship-owners. The other two ferries will link Tadoussac with Baie-Sainte-Catherine. They are scheduled to come into service in 2016.

7.4.3.4. Highlights – Natural gas outside the network

Liquefied natural gas makes natural gas accessible in regions that hitherto relied on petroleum products due to their remoteness from the gas distribution network by pipeline. It therefore promotes regional prosperity and a healthier environment. It allows companies to avoid consuming diesel and stay competitive, and can be a decisive factor for attracting new businesses. A sign of this potential: In 2016, Stornoway Diamonds will be the first mining company in Québec to use liquefied natural gas.

Meeting peak needs at the TransCanada Energy power plant

In the spring of 2015, Gaz Métro announced the signing of an agreement with Hydro-Québec Distribution to supply the TransCanada Energy (TCE) power plant in Bécancour with liquefied natural gas. This project would allow the TCE power plant to meet Hydro-Québec's electricity needs during peak demand periods. The project is still subject to various conditions, including the issuing of an authorization certificate by the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques.

Meeting northeastern U.S. energy needs

Even though the United States is one of the world's largest natural gas producers, several northeastern states are grappling with natural gas supply problems due to the limited capacities of pipeline transportation.

With its liquefied natural gas distribution-by-truck solutions, Gaz Métro meets peak and preventive storage needs in New England (Maine, Vermont, New Hampshire, Massachusetts, Connecticut and Rhode Island).

Gaz Métro recently announced the signing of major commercial agreements with subsidiaries of National Grid in New England, one of the main natural gas distributors in the northeastern U.S. With these procurement contracts, over the next three years, Gaz Métro LNG will supply significant volumes of natural gas delivered in the form of liquefied

natural gas in order to supply National Grid's storage facilities. Gaz Métro LNG will produce liquefied natural gas at the Gaz Métro LSR plant in Montréal.

Pilot project with Arcelor Mittal

Arcelor Mittal will conduct a pilot project at its pellet plant on the Côte-Nord to demonstrate the technical feasibility and economic advantages of natural gas. This project aims to convert a part of its manufacturing process supplied by heavy fuel oil to liquefied natural gas, a cleaner energy source. The pilot project will begin in the fall of 2016 and will last a year.

7.4.3.5. Highlights – Renewable energies – Biomethane

Biomethane: An attractive solution in more ways than one

In Québec, landfill operations account for about 5.5% of total greenhouse gas emissions. Québec municipalities have to make important decisions in order to comply with the Québec Policy on Residual Materials, which will prohibit the disposal of residual organic matter starting in 2022.

Using organic matter to produce biomethane, a renewable natural gas, avoids major greenhouse gas emissions to the atmosphere and, at the same time, ensures optimum management of this matter. By replacing petroleum products with biomethane, we can reduce greenhouse gas emissions by more than 99.4% and reduce fine particles by close to 99%.

Gaz Métro is very interested in different projects to produce renewable natural gas, mainly by processing organic waste from wastewater treatment plants, from municipal waste collection, from ICI (industrial, commercial, institutional) sources, and waste from non-food agricultural sources. Biomethane projects are thus aimed at using residual materials to meet Québec's energy needs. Gaz Métro would like to offer its customers locally produced renewable natural gas injected into its gas network.

Saint-Hyacinthe biomethane plant

According to a decision rendered by the Régie de l'énergie, Gaz Métro can now inject biomethane into its network and offer it to its customers. The decision authorizes Gaz Métro to receive biomethane produced by the city of Saint-Hyacinthe and proceed with a connection project aimed at integrating the biomethane into its network. Once this work is completed, up to approximately 13 million cubic metres of biomethane produced by the City per year will be injected into Gaz Métro's gas network. The City will use part of this natural gas in its vehicles and buildings, and sell another part to its own customers. The rest will be made available to all natural gas consumers in Québec, who will have access to clean, renewable and locally produced energy.

Under the agreement in force, injection of biomethane into Gaz Métro's distribution network is scheduled to begin in 2017 and will continue for 20 years. Saint-Hyacinthe is the first municipality to use biomethanation to derive value from organic matter, and to use the resulting biomethane to meet its energy needs.

This project is setting the example for other renewable natural gas producers in Québec.

Second-generation renewable natural gas

In addition to first-generation renewable natural gas, second-generation renewable natural gas can be generated from forest biomass.

Gaz Métro is following this sector's technical developments closely, particularly through NGTC.

Second-generation renewable natural gas could help achieve the Québec greenhouse gas reduction target for 2030 of 37.5% below 1990s levels.

[7.4.3.6. Highlights – Wind energy and multiple technologies](#)

The second phase of the Seigneurie de Beaupré Wind Farms, in collaboration with Boralex and Valener, is completed, with the commercial commissioning of an additional 68 MW. The wind farm now produces 340 MW.

Integration of multiple energy technologies

Gaz Métro has an indirect ownership interest in a project company of TUGLIQ, which owns and operates the innovative wind power project at the Raglan mine in Nunavik, completed in collaboration with Glencore plc. Since August 4, 2015, the largest wind turbine in Québec's Far North has been turning at the Raglan mine. The 3-MW wind turbine is specially adapted to withstand extreme weather. The project also features an innovative energy delivery and storage system. An inertia wheel stabilizes the turbine's energy variations and provides a continuous current. A long-life lithium battery stores the electricity produced by the fuel cell and thus provides the network with electricity during transitions from diesel generators to the wind turbine. Lastly, an electrolysis system that produces hydrogen, equipped with a reservoir to store hydrogen and a fuel cell to convert hydrogen into electricity, is yet another innovative infrastructure that allows the Raglan mine to meet its energy needs. According to the figures provided by the operator, as of September 30, 2015, 2.22 million litres of diesel and of 6.18 kilotons of CO₂ equivalent were avoided thanks to this energy delivery and storage system.

Gaz Métro would like to develop future wind energy or energy storage projects in the Nord-du-Québec. These projects will be among the orientations of the Plan Nord of the Québec government, which "intends to support the development of clean, innovative energy sources to supply isolated communities in the area covered by the Plan Nord."

7.5. Energy efficiency and internal energy consumption

At Gaz Métro, we reduce our energy consumption through energy efficiency programs for our customers and through actions taken internally in connection with our use of electricity and natural gas at our head office, LSR plant and business offices.

Energy efficiency: Programs and initiatives enabling customers to reduce consumption of natural gas or other more polluting forms of energy (conversion to natural gas), including the Global Energy Efficiency Plan (GEEP).

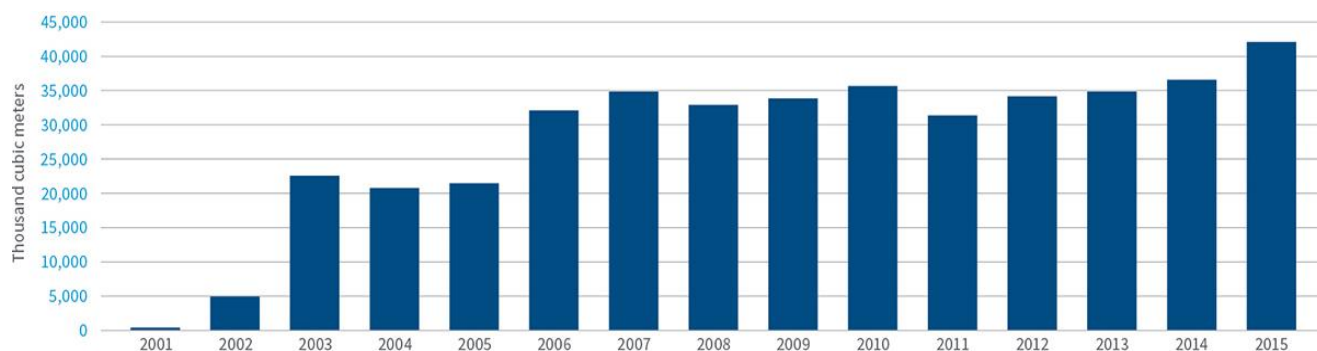
7.5.1. Management approach – Energy efficiency

Gaz Métro is working actively to help its 197,250 customers improve their consumption by proposing 20 programs that promote the implementation of high-efficiency measures.

These savings translate into significant environmental and economic benefits for our customers and Québec society.

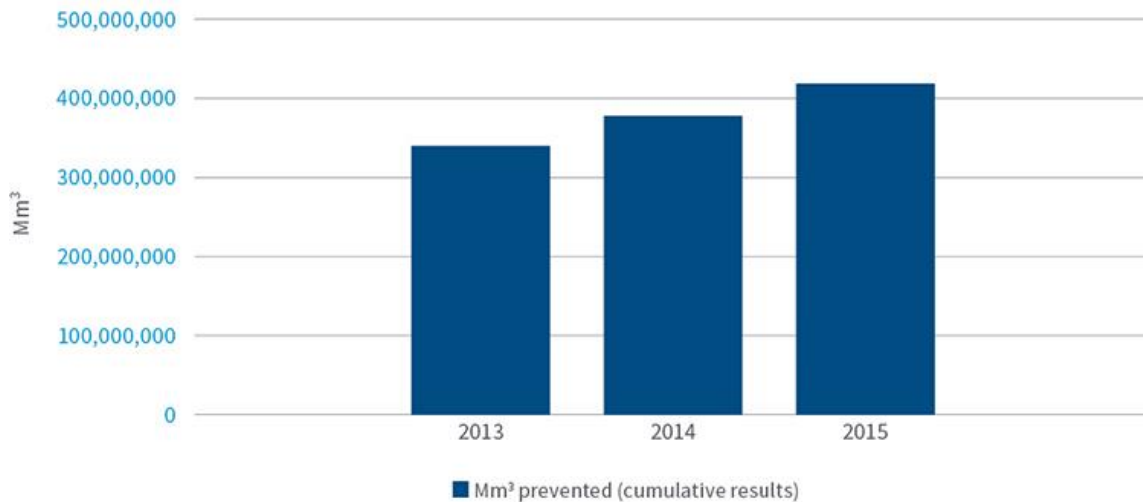
7.5.2. Performance indicators

7.5.2.1. Total net savings from Gaz Métro's energy efficiency programs



Thanks to more than \$15-million in financial assistance, Gaz Métro's energy efficiency programs helped customers carry out 4,167 projects and generate savings of more than 42 million cubic metres of natural gas in fiscal 2015, yielding an annual greenhouse gas reduction of 80,846 tonnes. This is the best annual result since the energy efficiency programs were implemented over 15 years ago. Over the lifespan of the energy efficiency measures applied, these reductions could save over \$160 million, depending on the change in natural gas prices.

7.5.2.2. Energy - Reductions in energy requirements of products and services (customers)



Since 2001, the 111,469 energy efficiency projects fostered by the financial assistance of Gaz Métro programs have saved nearly 420 million cubic metres of natural gas, representing a 803,740-ton reduction in greenhouse gas emissions on Quebec's environmental report card.

Internal energy consumption: Energy consumption (electricity, natural gas, fuel) within our facilities for our operations and the vehicle fleet.

7.5.3. Management approach – Internal energy consumption

Gaz Métro's energy consumption primarily includes the direct use of electricity and natural gas for heating, air conditioning and lighting its head office, LSR plant and business offices, the use of natural gas required for distribution in the network (heating delivery points, etc.) and the direct supply of gas, diesel and natural gas for the vehicle fleet.

The energy consumption of our operations is managed by Gaz Métro's Engineering department. The energy consumption of buildings is managed by Gaz Métro's Building Management department, while the energy consumption of our vehicle fleet is managed by Gaz Métro's Fleet Management department. Energy consumption monitoring is carried out using an integrated scorecard.

7.5.4. Performance indicators – Internal energy consumption

7.5.4.1. Energy - Energy consumption within the organization

The energy consumption of buildings takes into account the energy consumption of the head office, business offices, LSR plant, compression stations in St-Maurice and Ste-Sophie, some delivery and regulation stations, etc.

The value of energy consumption increased during the 2014 fiscal year because the calculations now include the energy consumption of the LSR plant and the consumption of smaller electricity distributors such as Hydro-Sherbrooke.

Energy consumption data, like all greenhouse gas emissions data, is calculated on an annual basis from January 1 to December 31, even if Gaz Métro's fiscal year extends from October 1 to September 30.

Energy consumption – Buildings

	GJ		
	2012	2013	2014
Electricity	79,622	168,446	190,211
Natural gas	25,413	25,776	28,779
Total – Buildings	105,035	194,222	218,990

Energy consumption – Vehicles

		GJ		
		2012	2013	2014
Gasoline (GJ)	Cars	6,258	6,166	4,957
	Light trucks	15,405	59,532	58,929
	Heavy vehicles	36,827	0	0
	All-terrain vehicles	1,204	1,139	1,246
Diesel (GJ)	Cars	0	0	0
	Light trucks	1,527	2,613	2,802
	Heavy vehicles	8,399	6,880	6,786
	All-terrain vehicles	1,680	1,443	1,394
CNG (GJ)	Cars	0	217	189
	Light trucks	0	1,338	1,167
	Heavy vehicles	0	72	63
	All-terrain vehicles	0	72	63
Total – Vehicles	71,300	79,472	77,596	

Over the last few years, Gaz Métro has increased the size of its vehicle fleet, based on operational needs, which led to increased fuel consumption for 2013 and 2014.

Energy consumption – Operations

	GJ		
	2012	2013	2014
Delivery station heating	151,576	135,738	147,872
LSR plant	30,795	31,533	31,017
Total – Operations	182,371	167,271	178,889

This table only outlines natural gas consumption in Gaz Métro's operations. The increased energy consumption at the LSR plant in 2013 is due to the fact that we performed maintenance and improvement work in the reservoirs. The reservoirs had to be drained, and we re-gasified liquefied natural gas to re-inject it into the network.

Energy consumption within the organization

	GJ		
	2012	2013	2014
Buildings	105,035	194,222	218,990
Operations	182,371	167,271	178,889
Vehicles	71,300	79,472	77,596
Grand total – Buildings, operations and vehicles	358,706	440,965	475,475

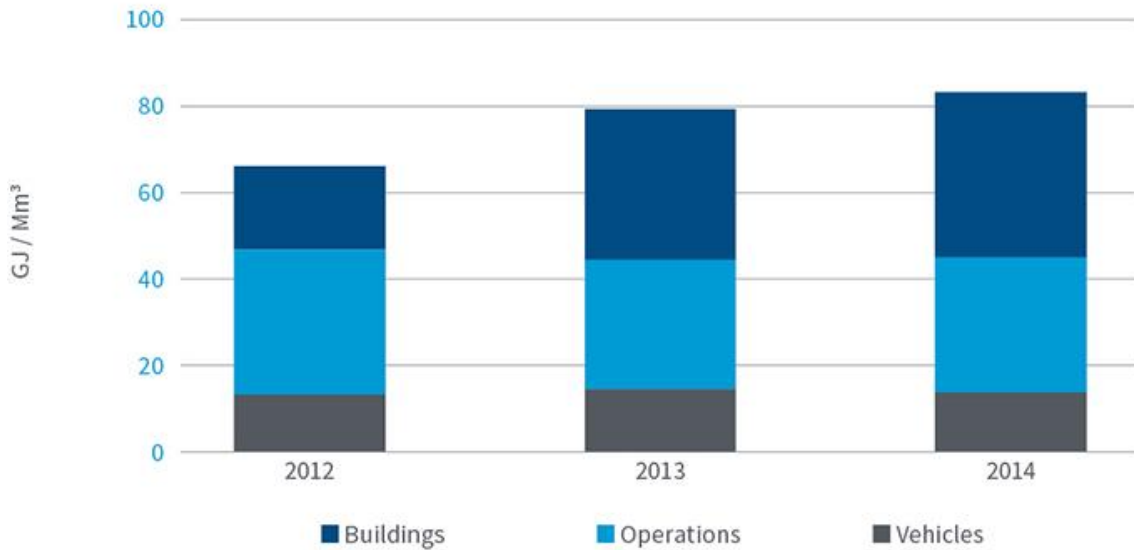
In spite of initiatives to improve the energy efficiency of Gaz Métro's fleet of vehicles and its buildings, total energy consumption grew from 440,965 GJ for the 2013 fiscal year to 475,475 GJ for the 2014 fiscal year.

7.5.4.2. Energy - Energy intensity

Gaz Métro measures energy intensity to assess the result of its internal energy efficiency measures.

The amount of energy consumed is compared to the total volume of natural gas delivered in order to present the ratio of energy necessary for every million cubic metres of natural gas distributed. In 2014, the total volume of standardized natural gas delivered was 5,701,000 m³. In 2014, the energy intensity was 83 GJ/Mm³.

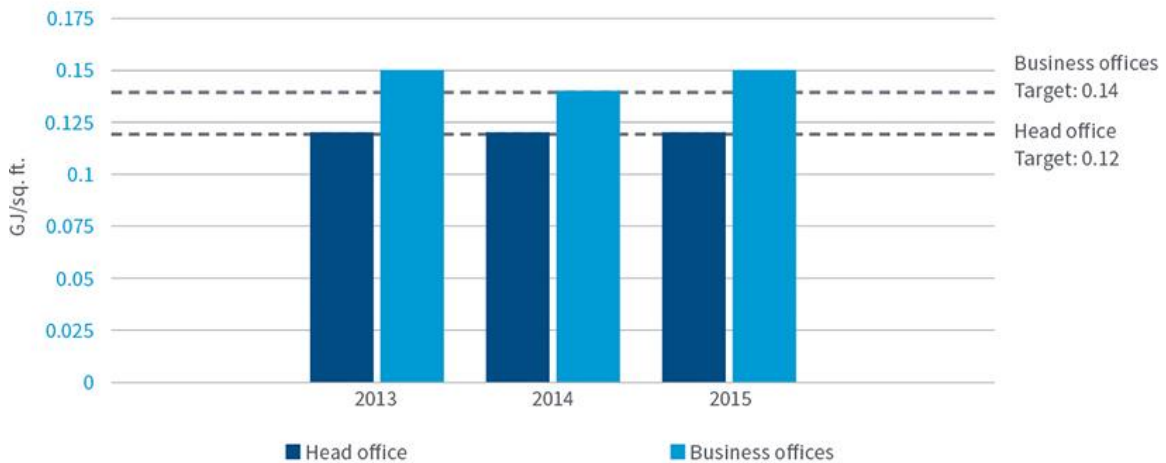
Energy intensity



Energy intensity is the ratio of energy needed for each million cubic metre of natural gas distributed.

Energy consumption data, as well as GHG data, are provided for a calendar year (January 1 to December 31), as required by GHG reports to different levels of government.

7.5.4.3. Energy - Reduction of energy consumption



The amount of energy consumed is compared to the square footage of buildings.

In 2015, the energy consumption target for the head office was 0.12 GJ/ft²/year. For the time being, in the short term, no energy consumption reduction project is planned at the head office. Over the course of 2016, a greenhouse gas reduction action plan will be developed to find new ways of reducing energy consumption.

7.6. Emissions, leaks and environmental management

The main impact of Gaz Métro's products and services is linked to greenhouse gas (GHG) emissions. This topic examines the emissions related to our activities, the management of potential incidents and, more globally, the management of the gas network's environmental impact.

Emissions and atmospheric pollutants: Management of greenhouse gas emissions and other atmospheric pollutants (e.g. nitrogen oxides (NO_x), sulfur dioxides (SO₂)) associated with (including fugitive leaks, vehicle and building combustion and third-party damage).

7.6.1. Management approach – Emissions and atmospheric pollutants

Greenhouse gas emissions and the impact of climate change are two of Gaz Métro's main environmental issues, given the nature of the organization's activities.

Evaluating greenhouse gas emissions at Gaz Métro is overseen by an Environmental Management System (EMS) procedure that establishes an annual emissions inventory, to meet legal and other requirements.

Obligations pursuant to federal regulations

If the greenhouse gas emitted over the course of a calendar year exceeds the threshold set annually by the *Notice with respect to reporting of greenhouse gases* (GHGs), under the *Canadian Environmental Protection Act* (1999), Gaz Métro must file an annual report on its greenhouse gas emissions to Canada's Environment Minister, in accordance with the Notice. For the 2015 calendar year, this threshold was set at 50,000 tons or more of CO₂ equivalent.

Gaz Métro is also obligated to is required to produce a report to Canada's Environment Minister regarding certain substances if it meets the conditions set out in the *Notice with Respect to Substances in the National Pollutant Release Inventory* issued under the *Canadian Environmental Protection Act* (1999). This Notice is published every one or two years. Gaz Métro also must send a copy of this report to the Minister of Sustainable Development, Environment and the Fight against Climate Change.

Obligations pursuant to Québec regulations

As described in the [Regulatory context](#) section, since January 1, 2015, Gaz Métro must reduce or compensate for the GHG emissions i) attributable to its network and ii) those related to the combustion or use of natural gas it has distributed to a portion of its customers, according to the *Regulation respecting a cap-and-trade system for greenhouse gas emission allowances* under the *Environment Quality Act*. In addition, pursuant to the *Environment Quality Act* and the *Regulation respecting mandatory reporting of certain emissions of contaminants into the atmosphere*, Gaz Métro must also annually report its emissions (of GHG and certain

contaminants) to the Minister of Sustainable Development, Environment and the Fight against Climate Change.

Obligations pursuant to municipal regulations

A report of air emissions from the LSR plant is produced annually for the City of Montréal. Gaz Métro is also a Montréal Community Sustainable Development Plan partner and voluntarily implements initiatives to contribute to the plan's objectives, including reducing GHG emissions by 30% below the 1990 level by 2020. This is one of the main objectives of the 2010–2015 Montréal Community Sustainable Development Plan.

7.6.2. Performance indicators – Emissions, atmospheric pollutants and the impact of climate change⁸

7.6.2.1. Emissions - Direct greenhouse gas (GHG) emissions (Scope 1)

GHG emissions data is calculated on an annual basis from January 1, to December 31, as required by GHG reports to different levels of government, even though Gaz Métro's fiscal year runs from October 1 to September 30.

Direct emissions subject to RMR (t CO₂eq.)

	2012	2013	2014
Combustion (delivery stations and LSR plant; excludes administrative offices)	9,006	9,142	8,821
Purges	6,456	7,380	7,976
Fugitive leaks	19,244	18,895	17,969
Torches	54	8	9
Damage by third parties (atmospheric emissions)	5,536	8,169	7,401
Subtotal	40,296	43,594	42,175

Data are provided for a calendar year (January 1 to December 31), to comply with official GHG declarations.

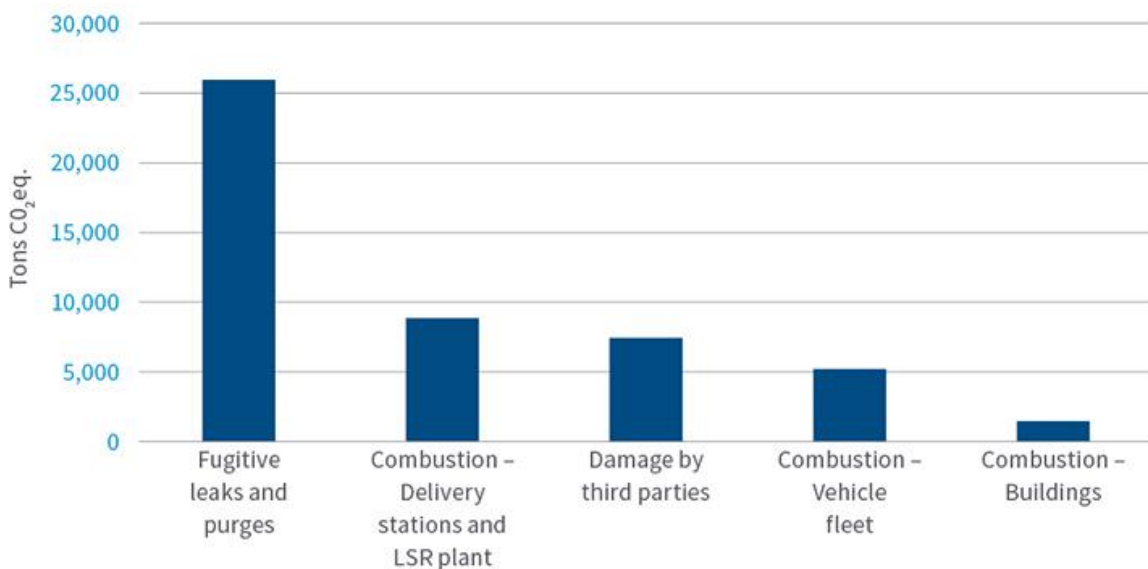
⁸ The emission factors applied are Environment Canada's; the calculation protocol was developed by Clearstone Engineering Ltd. for the Canadian Energy Partnership for Environmental Innovation. Although not legally required to do so, Gaz Métro voluntarily had a third-party organization, Enviro-Accès, audit its GHG emission statements for its facilities in 2013 and 2014. The report, issued on March 24, 2016, concluded on a reasonable assurance basis that these statements respect the principles and guidelines of the ISO 14064-1 standard and the GHG protocol, globally recognized benchmarks, and that the amounts reported contain no substantial variances (less than 5%).

Other direct emissions (t CO₂eq.)

	2012	2013	2014
Combustion – Vehicle fleet	5,316	5,291	5,169
Combustion – Buildings	1,266	1,271	1,419
Subtotal	6,582	6,562	6,588

Data are provided for a calendar year (January 1 to December 31), to comply with official GHG declarations.

Direct GHG emissions by type of activity for calendar year 2014



7.6.2.2. Products and services– Scope of mitigation measures for the environmental impacts of products and services

The main impact of Gaz Métro products and services is GHG emissions, particularly those associated with fugitive leaks within the network (which represent approximately 50% of Gaz Métro's emissions).

A specific procedure (purges and burning) aims to reduce GHG emitted when the gas network is shut down or being maintained. This procedure requires the use of a burner for a shutdown and applies to all planned purges equal to or greater than 50 cubic metres of natural gas for shutting down or maintaining the gas network. Burning purges reduce the GHG emitted, because the result of the combustion, mainly carbon dioxide (CO₂) is expelled into the atmosphere rather than methane (CH₄). From January 1 to December 31, 2014, 52 tons of CO₂ were avoided through burning using flares.

7.6.2.3. Emissions - Energy indirect greenhouse gas (GHG) emissions (Scope 2)

	2012	2013	2014
Electricity consumption (t CO ₂ eq.)	133	51	85
Total indirect GHG emissions (t CO₂eq.)	133	51	85

Indirect emissions result from producing electricity, heat or cold. For Gaz Métro, indirect emissions are related to the consumption of electricity (Scope 2).

Data are provided for a calendar year (January 1 to December 31), to comply with official GHG declarations.

7.6.2.4. Emissions – Total direct and indirect GHG emissions

	2012	2013	2014
Emissions subject to RMR (scope 1)	40,296	43,594	42,175
Other direct emissions (scope 1)	6,582	6,562	6,588
Indirect emissions (scope 2)	133	51	85
Total	47,011	50,207	48,848

Data are provided for a calendar year (January 1 to December 31), to comply with official GHG declarations.

7.6.2.5. Emissions - Greenhouse gas (GHG) emissions intensity⁹

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The intensity ratio for GHG emissions illustrates the GHG emitted for every million cubic metres of natural gas distributed. For the 2014 calendar year, the GHG emission intensity represented 8.57 tons of CO₂/Mm³, compared to 9.05 tons of CO₂/Mm³ in 2013.

Greenhouse gas emissions intensity

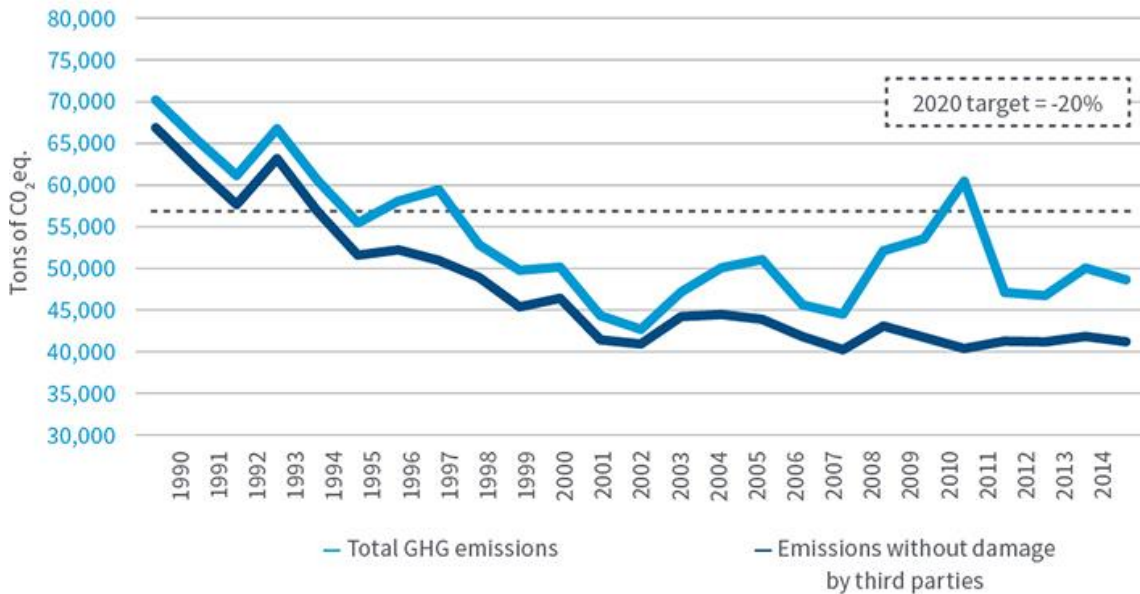
	2012	2013	2014
Standardized volume of natural gas delivered (Mm ³)	5,417	5,550	5,701
Intensity of GHG emissions (tons of CO ₂ /Mm ³)	8.68	9.05	8.57
Variation in intensity of emissions compared with 1990 (%)	-34.6	-31.8	-35.4

Data are provided for a calendar year (January 1 to December 31), to comply with official GHG declarations.

⁹ In this report, emission intensity includes data on direct and indirect emissions. In the 2013 report, this indicator only included direct emissions.

7.6.2.6. Emissions - Reduction of greenhouse gas (GHG) emissions

The evolution of Gaz Métro's direct GHG emissions since 1990



Total emissions (Scope 1 and Scope 2) for calendar year 2014 dropped by 30.2 % compared with 1990.

Internal greenhouse gas emission reductions

Gaz Métro aims to reduce the GHG emissions generated from its operations by 20%, compared with 1990, by 2020. Several steps have been taken over the years to achieve this objective. As early as 2014, emissions were already 30% below 1990 levels, thus exceeding the 20% objective set out in the Gaz Métro Environmental Policy.

As part of the performance incentive mechanism, the Régie de l'énergie had approved a GHG emissions management plan for Gaz Métro, which provides for annual reductions of its emissions by 350 tons of CO₂ over 5 years (2008 to 2012), for a total of 1,750 tons of CO₂, through the implementation of recurring projects or programs. Although the mechanism no longer applies, Gaz Métro decided to continue applying this management plan during fiscal 2015.

Because it has been subject to CATS since January 1, 2015, Gaz Métro will review its internal GHG emissions reduction objective. Emissions have been stable over the last few years because few new internal emissions reduction projects were implemented.

Because there were no emission reductions over the 2015 calendar year, Gaz Métro purchased certified offset credits on the voluntary market for all 350 tons.

As with all companies working to reduce their GHG emissions for several years, Gaz Métro's additional reduction projects are becoming increasingly complex and require greater collaboration between the various company sectors.

An internal multi-disciplinary team was created in 2015 to develop an approach that will allow Gaz Métro to set objectives that take this context into account and define new reduction projects in the short, medium and long term. It should be noted that Gaz Métro's next GHG emissions reduction target will have to take into account the 37.5% reduction target for 2030, compared to 1990 levels, set by the Québec government in 2015.

Over the 2016 calendar year, a GHG emissions reduction plan with several scenarios and a cost-benefit analysis will be prepared.

7.6.2.7. Emissions - Nitrogen oxides (Nox), sulfur oxides (Sox) and other significant air emissions

While natural gas emits virtually no contaminants or particles that affect air quality through acid rain and smog, Gaz Métro is required to produce a report for the National Inventory of Releases of Pollutants (NIRP) under the *Canadian Environmental Protection Act* (1999).

Likewise, the *Regulation respecting mandatory reporting of certain emissions of contaminants into the atmosphere*, adopted pursuant to the *Environment Quality Act* (Québec), requires Gaz Métro to send a copy of the report for the NIRP to the Minister of Sustainable Development, Environment and the Fight against Climate Change and annually report any other contaminants.

Aside from the GHG mentioned in the previous section, Gaz Métro has emitted no other regulated air contaminants at a level equal to or higher than the prescribed threshold during the 2015 calendar year.

NOx, SOx and other substantial atmospheric emissions

	2012	2013	2014
Carbon monoxide (CO)	7.370	5.900	6.300
Sulfur dioxide (SO ₂)	0.053	0.050	0.050
Nitrogen oxides, expressed as NO ₂ (NOx)	8.774	7.100	7.600
Volatile organic compounds (VOC)	0.483	0.390	0.420
Total particles (TPM)	0.167	0.050	0.050
Total particles with a diameter equal to or less than 10 microns (PM ₁₀)	0.167	0.050	0.050
Total particles with a diameter equal to or less than 2.5 microns (PM _{2.5})	0.167	0.050	0.050
Total releases (in tons)	17.181	13.590	14.520

Data are provided for a calendar year (January 1 to December 31), to comply with official GHG declarations.

Nitrogen oxides, sulfur oxides and other emissions are directly proportional to natural gas consumption in our various facilities: buildings, delivery stations, etc. Consequently, reducing these emissions reduces natural gas consumption.

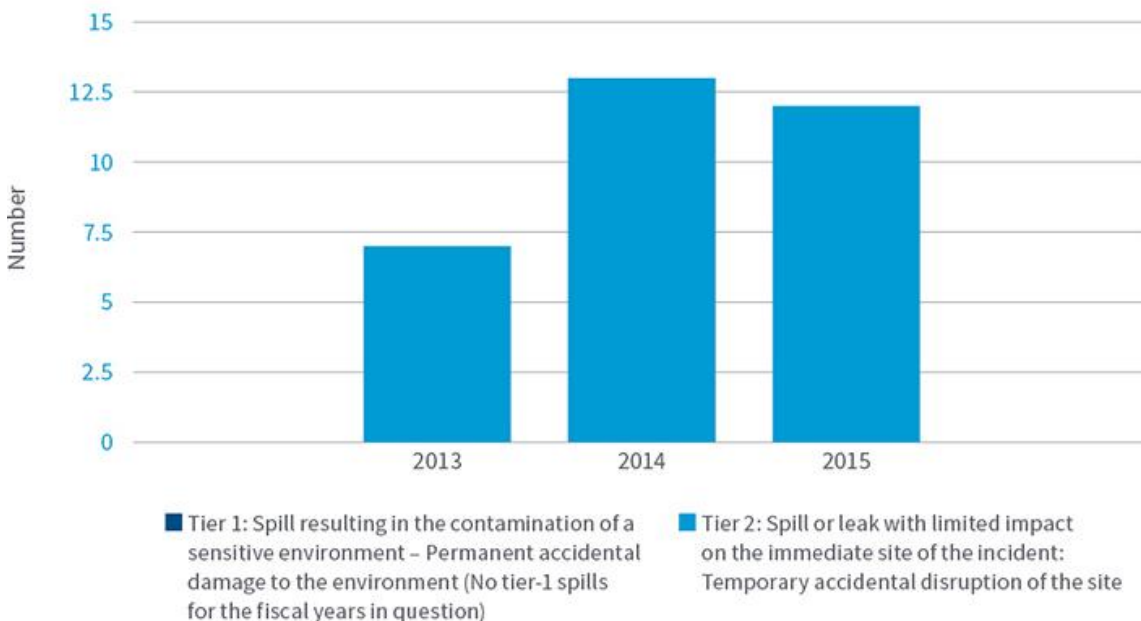
Contaminant leaks and spills: Management of leaks, spills and fires involving hazardous materials or contaminants, as well as incident reporting.

7.6.3. Management approach – Contaminant leaks and spills

Gaz Métro activities and facilities are subject to comprehensive environmental legislation and regulation governing accidental leaks and spills. To effectively manage potential incidents, a procedure has been put in place in Gaz Métro's Environmental Management System (Interventions in case of a leak, spill or fire involving hazardous materials or contaminants). It applies to all spills and leaks of hazardous materials or contaminants, save for some exceptions. This operational procedure supplements Gaz Métro's Emergency Measures Plan. (For more information on the Emergency Measures Plan, consult the Safety of the gas network section.)

7.6.4. Performance indicators – Contaminant leaks and spills

7.6.4.1. Effluents and waste - Total number and volume of significant spills



During Gaz Métro's past three fiscal years, there were no significant spills or leaks (only tier 2). The 12 events that occurred during the 2015 fiscal year were corrected, and the products spilled were contained and recovered, as appropriate to the type and quantity of product in question. Only 1 of the 12 events had a volume exceeding 160 litres.

For example, spills can be caused by equipment malfunction in our facilities (delivery stations, compression station, LSR plant) or mechanical equipment malfunction during manoeuvres, either by Gaz Métro or by a third party.

Management of the environmental impact of the gas network: Management practices and system instituted to define and mitigate environmental risks and impacts associated with the company's activities and natural gas distribution.

7.6.5. *Management approach – Management of the environmental impact of the gas network*

Managing the environment

Gaz Métro places a great deal of importance on protecting the environment. Pursuant to its [Environmental Policy](#), Gaz Métro shall show leadership, rigour and determination in pursuing its environmental actions in its Quebec gas distribution activities and with its customers and the general public in a context of sustainable development.

Gaz Métro believes that the qualities and competitive position of natural gas enable it to contribute to the sustainable development of our society. But we also know that any human activity has an environmental footprint. As such, Gaz Métro is committed to action in three areas: i) protection of the environment and prevention of pollution; ii) promotion of energy efficiency and reduction of pollution; and iii) collaboration with and consultation of interested parties.

In accordance with the legislative and regulatory framework in force in Québec (including the *Environment Quality Act*), Gaz Métro implicitly applies the precautionary principle in many of its activities, whether through its environmental management system or its asset management programs. Gaz Métro also makes every effort to better inform the public of the risks associated with the transport and distribution of natural gas and annually implements its preventive maintenance program.

In addition, through its risk management process, Gaz Métro identifies and monitors significant issues and risks on an ongoing basis in order to improve their mitigation planning.

Environmental Management System

In the year 2000, to mitigate or reduce risks, Gaz Métro put in place an EMS that is ISO 14001 certified. Since then, the certification has been renewed every three years and verified in the meantime through certification maintenance audits. Maintaining the EMS enables us to identify consistent strategic orientations for the environment, to set environmental objectives and targets and to monitor the results obtained.

To accomplish this, Gaz Métro analyses major environmental risks, which cover the following activities:

- Operating, maintaining, developing and improving the Québec network for the transport and distribution of natural gas and the LSR plant;
- Planning, distributing and deploying emergency measures;
- Operating and maintaining a fleet of vehicles and a refuelling station;
- Conducting environmental management of buildings, workshops and assets.

All these activities can have an impact on local communities. Significant risks are generally related to the following areas:

- Managing hazardous materials;
- Managing contaminated water and soils;
- Atmospheric emissions;
- Respecting legal and regulatory obligations.

The EMS enables monitoring for legal compliance and helps Gaz Métro continually improve its performance. Risks are thereby mitigated, notably by instituting operational and management procedures, awareness-raising programs and training for employees, suppliers and subcontractors, and internal surveillance audits.

Roles and responsibilities for managing environmental issues are shared among a number of actors:

- The Management Committee ensures that the appropriate resources are assigned to the implementation and continuous improvement of the EMS. These resources can be human, technological or financial.
- Managers ensure EMS requirements are applied in their units and report any problems to the EMS coordinator.
- Members of the Management Committee and the Occupational Health and Safety and Environment Committee (reporting to the Board of Directors) participate in quarterly and annual environmental reporting.
- Finally, all employees receive initiation training on the environment, which includes a presentation of the content of the Gaz Métro Environmental Policy.

In February 2015, Gaz Métro had the Bureau de normalisation du Québec conduct a maintenance audit of its Environmental Management System. The audit results warranted the maintenance of its ISO 14001 certification.

The 2015 version of the ISO 14001 standard was published on September 15, 2015. A three-year transition period from this date is planned to allow entities certified under the previous version of the ISO 14001 standard to reflect the changes made to the standard in their Environmental Management Systems. Once this transition period ends, all certifications will have to be made in accordance with the 2015 version of the ISO 14001 standard. Gaz Métro will analyze the impact of the changes and determine the appropriate steps to take to comply with them.

7.6.6. Performance Indicators – Management of the environmental impact of the gas network

7.6.6.1. Partnership– Activities with significant environmental impacts

The EMS (environmental management system) lists activities liable to have an environmental impact on local communities. Impacts are then analyzed and prioritized according to five considerations: regulatory compliance, public opinion, cost-benefit analysis, risk frequency and risk severity. The analysis identifies potentially significant environmental impacts for Gaz Métro. The priorities that ensue from this support the development of action plans, procedures or risk mitigation measures. It should be noted that any changes to Gaz Métro’s activities are also examined so that the environmental impacts can be updated and any risks mitigated.

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In 2014 and 2015, 360 activities¹⁰ were listed in the EMS. Of these, 38% were deemed to have a potentially significant environmental impact. The activities, which vary in nature, touch on the following areas:

- i) development
- ii) natural gas odorizers
- iii) excavation and managing lands and waste materials
- iv) maintenance and management of the natural gas distribution network, and
- v) other activities related to maintenance, storage and the handling of materials and equipment

The table below presents various significant aspects grouped according to their potential environmental impact.

Potential environmental impact	Aspects of Gaz Métro’s activities concerned
Air pollution	Atmospheric emissions
	Fugitive emissions of natural gas
	Use, maintenance or storage of mercaptan
Water pollution	Contaminated soil management
	Discharge of water potentially contaminated with harmful substances
	Use or handling of pesticides
Soil contamination	Hazardous materials management
	Contaminated soil management
	Use or handling of pesticides
Environmental contamination*	Hazardous materials management
	Scrap or waste materials management
	Use or handling of pesticides
Environmental deterioration	Other atmospheric emissions (odour)
	Fire
	Use or handling of pesticides

Note: The term “environmental contamination” refers to a combination of many kinds of contamination (air, water, soil).

¹⁰ The 2013 report stated that 516 activities had been recorded in the EMS.

Identifying the potential impact of Gaz Métro’s activities must be broadened to include the economic, social and cultural impacts on local communities.

7.6.6.2. Transportation - Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce

Significant environmental impacts from transport for the company's activities

To evaluate the impact of its activities, Gaz Métro conducts environmental risks analyses. In terms of transporting products and other merchandise, the main significant risks are as follows:

- the transport of odorizer (mercaptan delivered by the supplier), and
- the risk of mercaptan and liquefied natural gas spills

Measures have been taken to mitigate these risks. Gaz Métro also implements measures to meet legal obligations with respect to transporting hazardous materials.

Significant environmental impacts from transport for the company's activities

Significant risks related to transport	Mitigation measures
The transport of odorizer (mercaptan delivered by the supplier)	<ul style="list-style-type: none"> ↪ Mercaptan carriers must show valid certificates of compliance. ↪ The Hazardous merchandise receiving, transport and shipping procedure from Gaz Métro's EMS, implemented under ISO 14001, governs this activity.
The risk of a mercaptan or LNG spill	<ul style="list-style-type: none"> ↪ Several different procedures can be applied, depending on the location of the spill. ↪ Some measures are set out in the OP16 procedure (Interventions in case of a leak, spill or fire involving hazardous materials or contaminants). ↪ In addition, two technical specifications provide precautionary procedures for planned work and emergency measures in the event of an odorizer spill. ↪ The LNG transport Emergency Response Plan (ERP), which meets Transport Canada requirements, governs spills involving the transport of LNG by truck, as required by the applicable legislation. ↪ The Gaz Métro corporate Emergency Measures Plan also includes specific response procedures in the event of LNG release at the LSR plant. ↪ All refuelling stations where GMTS owns the LNG distributed also have an Environmental Emergency Plan (EEP) in the event of spills.

7.6.6.3. Biodiversity and local communities - Direct and indirect significant impacts on biodiversity and operations with significant actual and potential negative impacts on local communities

Gaz Métro is always seeking to reduce the environmental impact of activities involved in building and operating its gas network, and minimize its environmental footprint.

As part of its EMS, the “Identification and evaluation of environmental aspects” procedure guides the process to define the significant environmental aspects and impacts resulting from the company’s main activities. The aspects and impacts are analyzed and prioritized according to five factors: regulatory compliance, public opinion, cost-benefit analysis, risk

frequency and risk severity. Mitigation measures such as objectives, environmental targets, training programs or procedures are then implemented to control the risk of the company's main activities.

Some of the company's main activities can have an environmental impact. However, during the most recent assessment, no significant impact on the biodiversity of protected areas or areas of high biodiversity value was found. It should be noted that any major change to Gaz Métro's activities is also examined so that the environmental elements and impacts can be updated and any risks mitigated. This analysis is not carried out on a project-by-project basis, but on all the company's main activities.

In addition, for specific projects, in particular those carried out within protected areas, areas of high biodiversity value, near watercourses or in wetlands, a project-specific analysis of the work site allows us to characterize the habitats and species present or potentially present and thus apply appropriate protection measures, where applicable, to minimize the impact of the construction or operating activities on biodiversity.

7.6.6.4. Highlights – Biodiversity management

In preparing some of its projects, Gaz Métro conducts biological inventories in its rights-of-way.

For example, with a view to acquiring a pipeline connecting Varennes and Montréal East through the Parc national des Îles-de-Boucherville, Gaz Métro verified the pipeline's integrity to ensure it will be safe for use. To do so, the pipeline was released and inspected in a few areas. Given the location of the work within a protected area, a biological inventory was conducted, covering more than 25 hectares in the Parc national des Îles-de-Boucherville. The actual or potential presence of seven animal species led us to implement several mitigation measures, such as prohibiting work during sensitive periods or protecting vegetation, in particular plants that offer a preferred habitat for fish and their breeding.

Also, to ensure the safety of its underground gas infrastructures, Gaz Métro must carry out vegetation control activities in its rights-of-way. As such, due to its location along the St. Lawrence River, the Bécancour sector is a particularly sensitive environment. In an inventoried area of more than 50 hectares, nearly 11 hectares are located in protected areas, i.e. two aquatic bird staging areas and a bald eagle breeding site, and seven sensitive species are present or likely to be present in the right-of-way, namely three plant species and four animal species. Mitigation measures are applied, including the use of trails for the movement of machinery to avoid destroying sensitive plant species and work stoppages during certain sensitive bird breeding periods.

7.6.6.5. Biodiversity - Area of rights-of-way in protected areas and areas of high biodiversity value

From October 1, 2012 and September 30, 2015, environmental characterization studies were carried out in Gaz Métro's rights-of-way. These rights-of-way are the swaths of land where natural gas pipelines are buried. In total, 829.6 hectares were inventoried. These biological inventories revealed that, for fiscal 2015, 30.8 hectares of Gaz Métro rights-of-way were located in protected areas or areas of high biodiversity value.

Because this indicator is a new measure, the 2015 figure will serve as the reference data for evaluating the evolution of Gaz Métro's substantial positive or negative impact on biodiversity in the coming years.

Many inventories were conducted during the 2014 fiscal year, mainly in transmission rights-of-way, view a view to performing plant management work, particularly in Abitibi, Mauricie and Saguenay-Lac-St-Jean. Only one inventory was in connection with a specific project during fiscal 2014. Despite its small size, this project was located in a habitat of the western chorus frog, whose breeding period extends from March 31 to August 1. The inventory helped schedule the project work between August 1 and December 1.

There was only one project in the 2015 fiscal year that required an inventory, namely the Pétromont 2 project, located in an urban area in Montréal East and Boucherville. No biodiversity issues were raised as part of the inventory.

7.6.6.6. Biodiversity - Number of sensitive species in Gaz Métro rights-of-way

From October 1, 2012 and September 30, 2015, environmental characterization studies were carried out in Gaz Métro's rights-of-way. In total, 829.6 hectares were inventoried. These rights-of-way are the swaths of land where natural gas pipelines are buried. These biological inventories revealed that, for fiscal 2015, 21 sensitive species are potentially present in Gaz Métro pipeline rights-of-way.

Because this indicator is a new measure, the 2015 figure will serve as the reference data for evaluating the evolution of Gaz Métro's substantial positive or negative impact on biodiversity in the coming years.

7.7. Health, safety and workplace

Programs and measures for maintaining a healthy and safe work environment and for ensuring a respectful, fair and productive work climate.

Occupational health and safety: Outreach programs and management systems that foster a safe, healthy work environment for the employees of Gaz Métro and for the partners and suppliers who represent it. They include management of workplace accidents and absenteeism.

7.7.1. Management approach – Occupational health and safety General

At Gaz Métro, occupational health and safety (OHS) is a fundamental value and a priority objective.

Every year, Gaz Métro renews its efforts to develop a culture of OHS, in keeping with its unwavering commitment to taking care of its employees. Respect for and protection of health and safety are at the heart of its corporate strategy. This commitment, which is described in the OHS policy, is part of its vision of sustainable development, benefitting its employees, customers, suppliers and shareholders, as well as the communities it serves.

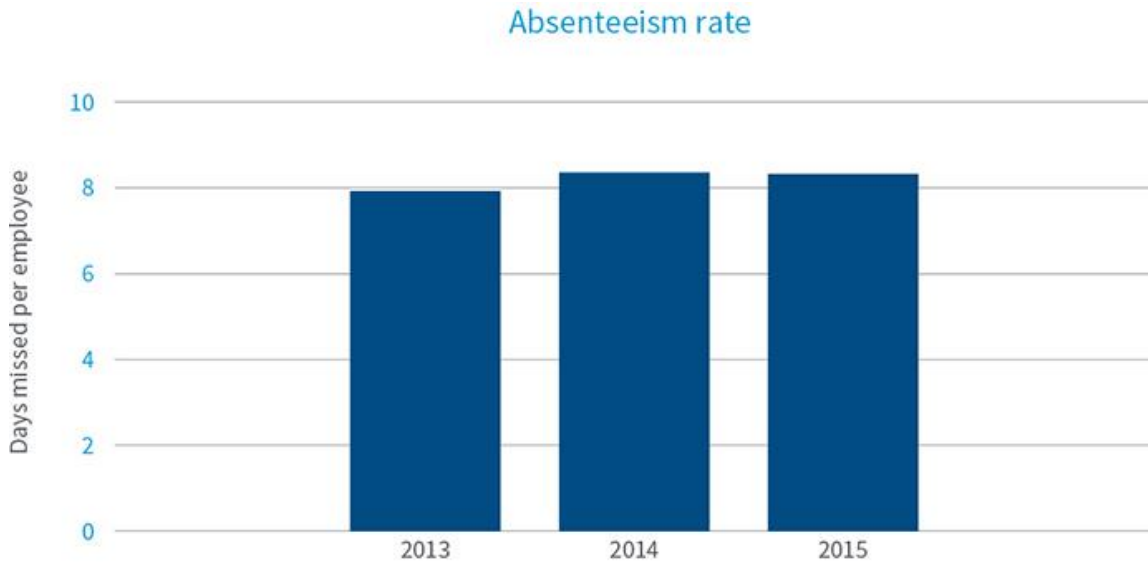
In 2010, Gaz Métro implemented a five-year structured plan to meet the highest OHS standards, making health and safety an integral part of its management systems. Over the years, significant gains have been made in prevention, but we still have work to do, including ensuring the proper documentation of events and providing quality OHS training, developed in collaboration with Gaz Métro's École de technologie gazière. Furthermore, the integration of the *Quality Assurance* and *Environment* components during the 2015 calendar year has enabled a more efficient coordination of Gaz Métro's management systems.

The *360 degrés d'attention* (360 degrees of caution) awareness campaign, which calls for all-around vigilance as a way to increase prevention, is still producing results three years after its inception. It maintained its momentum in 2015, now promoting psychological health. The company has consolidated its support structure by focusing on the human factor. Moreover, it has created conditions for cultivating well-being and promoting quality of life. In this spirit, close to 200 managers received training on prevention and on developing their staff's ability to intervene in the area of psychological health. The implementation of an informal mutual help network made up of management personnel who are trained and equipped to support and guide their co-workers also helped reinforce the protection net and further humanize the workplace.

Reporting to the Vice President, Employees, Culture and Environmental Oversight, the team of OHS specialists maintains a continuous dialogue with the management team and its union partners to attain and maintain ambitious objectives. With the contribution of approximately 100 OHS sector committee members throughout Quebec, all stakeholders are focused on inspiring every employee to develop prevention reflexes, on the job and everywhere else.

7.7.2. Performance indicators – Occupational health and safety

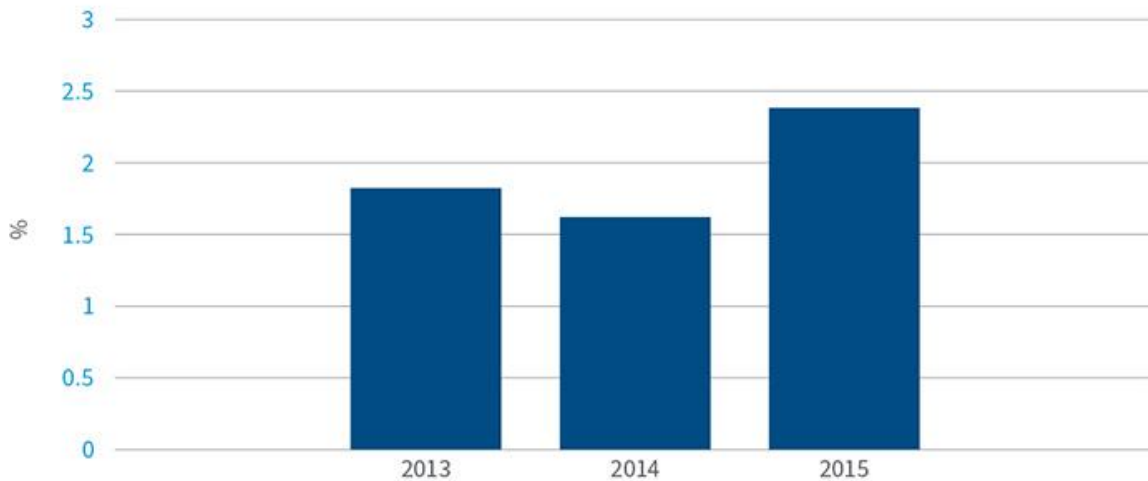
7.7.2.1. Labour practices and decent work –Types and rates of work accidents, occupational diseases, absenteeism, lost days and total number of work-related fatalities, by region and gender



The absenteeism rate is calculated based on the average number of days missed per person.

The absenteeism rate is calculated based on the average number of days missed per person. In 2014, the average number of days lost per person per year was 8.35, while in 2015, it was 8.34, which is just below the threshold of 8.40 established by Gaz Métro.

Work accidents rate



The formula is based on the number of work accidents with lost time (in addition to the day of the incident), multiplied by 200,000, then divided by the total number of hours worked.

We were unable to gather certain information, notably the data on gender, that for Gaz Métro providers, and information on the types of work accidents.

In 2015, the rate of work accidents for the full range of Gaz Métro's operations was 2.39, compared with 1.62 for the preceding fiscal year. This increase is the result of a higher number of accidents with loss of time, from 18 to 27. Our objective is to maintain the workplace injury frequency rate below 2.29.

The investigations and analysis of the events in question have led to the conclusion that it is mainly the manner of working and attitude toward tasks and risks which were at fault. Our prevention efforts therefore revolve around the following:

- Safer and more ergonomic basic work methods
- Increased awareness of the inherent risks of different work environments
- The importance of taking the time to analyze tasks and complete them properly

7.7.2.2. Labour practices and decent work –Health and safety issues covered in formal agreements with trade unions

Numerous occupational health and safety topics are covered in the three collective agreements governing labour relations at Gaz Métro. All conventions and agreements therefore address a range of health and safety concerns, including health and safety committee activities, personal protective equipment, and compensation in the event of an accident.

Everything occurs within the framework of the partnerships established with the unions; workplace prevention issues are discussed with the unions at the different joint health and safety committee meetings.

Two joint committees with the CSN and the Canadian Office and Professional Employees' Union (COPE, affiliated with the Fédération des travailleurs et travailleuses du Québec or

FTQ) are mandated to provide broad guidelines for managing workplace health and safety. These committees meet four times a year, and their progress is documented.

The collective agreement for union employees represented by the CSN addresses compensation for work accidents and provisions for prescribed safety gear (protective clothing, footwear and equipment). Equipment and clothing are selected following consultation with the union.

Gaz Métro also has 19 sector committees specific to various sites and activities which meet at least four times a year. Reports on each meeting allows progress to be monitored. The main objective is to establish best practices in terms of prevention and controlling the risks specific to each workplace.

Workplace: Measures implemented to foster ethical conduct, equal opportunity, diversity, a discrimination-free workplace and employee engagement, and maintain healthy relations with the unions.

7.7.3. Management approach – Workplace

Gaz Métro employs close to 1,449 people. Their engagement is essential to the company's success. Key to this engagement is their understanding of Gaz Métro's objectives and how they can contribute to attaining them. The company's objectives are measured on a scorecard that groups indicators of achievement. Management monitors progress regularly and uses these results (along with those specific to each department) to keep staff members informed and to serve as a basis for discussion.

Internally, Gaz Métro has developed a management style that underscores engagement and partnership. Consulting employees is a practice integral to its corporate culture, and is reflected in the establishment of tribunals through which the company, its orientations and its practices can be discussed. Our managers' forums, annual employee gathering, business office tours, meetings with specialized employees and regular meetings with the three union executives are some of the actions that attest to this. The corporate team is another good example of how we prioritize consultation. Established in 2001, the team consists of some 25 members (executives, managers, and specialized and union employees) drawn from every level and sector of the company. The corporate team meets five times yearly to discuss major issues that affect the entire workforce.

Having employees serve as company ambassadors is another significant engagement practice. Whether to deliver messages during advertising campaigns, share testimonials in the internal newsletter or take part in job fairs to promote Gaz Métro's attributes as an employer, their contributions are always voluntary and generous. For example, more than 145 employees were involved in the Ready for Next? advertising campaign during a big day of consultations. For Gaz Métro employees, "next" means sustainable energy solutions that are responsive to the climate change and greenhouse gas issues. Actions like these help create and maintain employees' pride and sense of belonging, which are fundamental aspects of engagement.

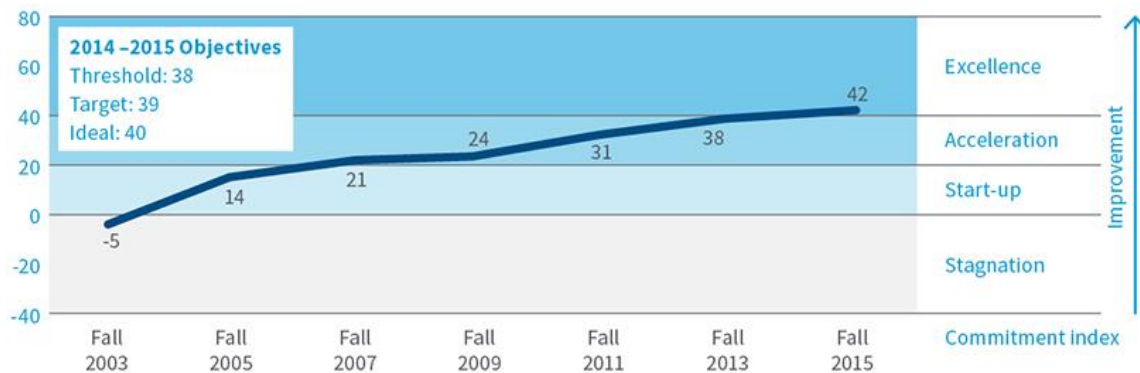
7.7.4. Performance indicators – Workplace

7.7.4.1. Highlights – Organizational commitment

At Gaz Métro, organizational commitment has been measured every two years since 2003 by an external survey covering three main aspects. First, the survey looks at practices that help generate meaning: strategic orientations, aligned objectives, customer commitment, customer and market understanding, and ease of customer relations. It also looks at practices that foster accountability and consideration, such as support, teamwork, autonomy, feeling valued, trust and recognition. A third aspect concerning management style focuses on the quality of supervision.

The index is calculated on a scale of excellence that varies between -100 and +100. The results, which represent the net difference between the positive and negative response percentages for the entire survey, allow a comparison with the market.

Organizational commitment survey



In total, 85% of employees responded to the survey in the fall of 2015, clear proof of their willingness to invest in the company's development. According to this survey, 55% of employees consider themselves to be very engaged.

The company's global index is 42 compared with 38 in the fall of 2013, which, according to the experts at SECOR-KPMG, positions Gaz Métro as a leader among companies of similar size. The management style index rose from 42 to 45, indicating that management style had a positive impact on organizational commitment. This significant increase means we are in the "excellence zone", which starts at 40.

7.7.4.2. Highlights – An equal opportunity workplace

Women represent 36% of Gaz Métro's workforce and are increasingly likely to work in so-called non-traditional occupations. In 2011, Gaz Métro launched an equal opportunity employment program that has made a positive impact. We are stepping up our efforts to recruit more women, in particular for non-traditional occupations such as Acquisition Technician and Operations Technician. In these kinds of positions, they currently account for just over 16% of the workforce, and our goal is to reach at least 20% in the coming years. To these ends, Gaz Métro has improved its procedures and organized information

days for the targeted groups in Montréal as well as in the regions (Québec and the Eastern Townships).

Policy regarding diversity

In October 2015, GMI's Board of Directors adopted the Policy Regarding Diversity on the Board of Directors (the "Policy Regarding Diversity"), which sets representation targets and presents ways to attain them. Gaz Métro has made it its mission to reflect the communities where it operates, and where its customers live and work. The broad spectrum of experienced candidates with diverse perspectives can only steer the Board in a positive direction and, by extension, foster healthy management of the company.

In keeping with this Policy Regarding Diversity, GMI's Board of Directors set itself the objective of moving toward male-female parity among its directors. Specifically, the Board established that at least 30% of its directors must be women.

GMI's Board of Directors also believes representation is critically important among executives. However, given that the number of executives is too small for adopting a target in their regard to be realistic, the objective was set to move toward parity in management positions, which include the positions of President and Chief Executive Officer, Vice President and Director. To attain this objective, in 2016, management will implement a diversity program that will include internal and external processes to increase the number of women holding management positions at Gaz Métro.

7.7.4.3. Equal remuneration for women and men – Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation

This section illustrates employees' entry-level wages per job category, as well as the distribution of men and women across different salary groups.

The pay scales below do not take gender into account.

COPE (office)

Salary range	Minimum hourly wage (\$)	Maximum hourly wage (\$)	Women	Men	Total
1	18.84	23.55	0	0	0
2	22.76	27.47	0	0	0
3	25.12	29.83	1	3	4
4	27.47	31.40	21	17	38
5	28.73	33.28	96	56	152
6	30.61	35.32	60	37	97
7	34.14	38.86	38	66	104
Total			216	179	395

*Note: This table does not include interns or students.

Increases are automatic and yearly. In general, it takes five years for an office employee who is a COPE member to progress from minimum to maximum wage.

COPE (representatives)

Salary range	Minimum hourly wage (\$)	Maximum hourly wage (\$)	Women	Men	Total
A	38.16	45.11	2	3	5
B	41.31	48.75	10	24	34
Total			12	27	39

Increases are automatic and biannual. In general, it takes representatives who are COPE members four years to progress from minimum to maximum wage.

CSN

Salary range	Minimum hourly wage (\$)	Maximum hourly wage (\$)	Women	Men	Total
1	29.76	29.76	4	7	11
2	31.28	31.28	0	1	1
3	32.08	32.08	1	4	5
4	32.09	36.13	35	168	203
5	32.25	32.25	0	1	1
6	32.47	32.47	5	15	20
7	32.84	32.84	6	9	15
8	34.05	36.13	2	13	15
9	34.52	34.52	0	1	1
10	34.52	37.66	0	3	3
11	34.57	34.57	0	23	23
12	34.78	34.78	0	4	4
13	36.13	36.13	0	21	21
14	36.13	38.69	2	55	57
15	36.13	39.30	0	2	2
16	37.66	37.66	1	14	15
17	38.69	38.69	0	21	21
18	39.83	39.83	0	19	19
Total			56	381	437

For most positions, salaries are fixed, and increases are yearly. For the remainder, increases are based on individual training and experience. In these positions, it takes between 12 and 18 months for an employee who is a CSN member to progress from minimum to maximum wage.

Note there is a noticeable gap between the number of groups in the 2013 Sustainability Report and this one: the presentation of the groups has been revised to take into account the changes in wage increases since September 30, 2013.

Specialized managers

Salary range	Minimum hourly wage (\$)	Maximum hourly wage (\$)	Women	Men	Total
A	26.41	39.61	14	1	15
B	31.69	47.53	25	3	28
C	37.45	56.17	77	95	172
D	42.73	64.09	56	77	133
E	48.01	72.02	0	6	6
F	52.81	79.22	1	0	1
Total			173	182	355

Managers

Salary range	Minimum hourly wage (\$)	Maximum hourly wage (\$)	Women	Men	Total
C	37.45	56.17	20	52	72
D	42.73	64.09	14	23	37
E	48.01	72.02	16	35	51
F	52.81	79.22	9	16	25
Total			59	126	185

For both managers and specialized employees, the wage increase mechanism is based on two factors. The first is performance, which is measured by a formal annual performance review. The second is salary group ratio: the lower the ratio, the larger the increase. Conversely, a higher ratio leads to a lower increase.

Leaders are paid based on a comparative analysis of the wages offered for similar positions on the market. This analysis is performed annually.

We have chosen to **partially** respond to the indicator G4-LA13 – *Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation*

The reason for this is, at Gaz Métro, the pay scales and hiring processes are gender-neutral. It therefore does not seem relevant to provide more detailed salary data. Salaries are determined based on position, candidate experience and internal equity, not gender. Furthermore, to prevent any form of systemic discrimination, modified or new positions are formally analyzed by an evaluation committee. In addition, we conduct a detailed pay equity review every five years.

7.7.4.4. Human rights – Total number of incidents of discrimination and corrective actions taken

Gaz Métro is committed to providing a discrimination-free workplace and has launched an awareness campaign to ensure that everyone adopts non-discriminatory attitudes, language and practices. No incidence of discrimination was reported in 2014 or 2015.

7.8. Customer satisfaction

Monitoring of the quality of customer service, complaint management and speed of service.

7.8.1. Management approach – Customer satisfaction

Response time policy

To monitor the quality of its customer service, Gaz Métro has established quality thresholds for the telephone response time for its various customer and activity segments. Whether in response to emergency calls or customer calls, the response time is between 20 and 180 seconds.

Emergency calls are taken by Customer Service during normal business hours and by Corporate Control outside these times. The percentage-compliance with response time policy indicator measures the percentage of calls answered within the prescribed time limits.

7.8.2. Performance indicators – Customer satisfaction

7.8.2.1. Percentage compliance with the response time policy

	2013	2014	2015
Results (%)	93.42	94.10	95.71

7.8.3. Management approach – Complaints management

In 2003, Gaz Métro adopted an integrated complaints management directive and created an Office of the Complaints Coordinator. The directive shows Gaz Métro's commitment to finding solutions that will sustain good business relations with current and potential customers. Customer Service is responsible for this directive, and managers must see to the directive's application with their staff. Internal associates from the various departments represent the company to its customers and are responsible for handling and resolving complaints in their respective departments. Monthly, quarterly and annual reports are prepared and presented to the company's senior management.

Complaints allow us to gauge the effectiveness and efficiency of business processes as well as the impact of behaviours and methods. From the standpoint of continued improvement, Gaz Métro uses its integrated management system to follow up on complaints and take corrective action as needed.

7.8.3.1. Percentage compliance with the complaints processing time and complaints resolution time

	Number of complaints	Complaints processed within response times (%)	Complaints resolved within response times (%)
2013	286	99.30	99.70
2014	205	100.00	98.60
2015	177	97.70	97.80

Complaints processing refers an agreement with the customer on the chosen method and required time to resolve a complaint. The count of two business days starts the day after the complaint is received (objective: 95%).

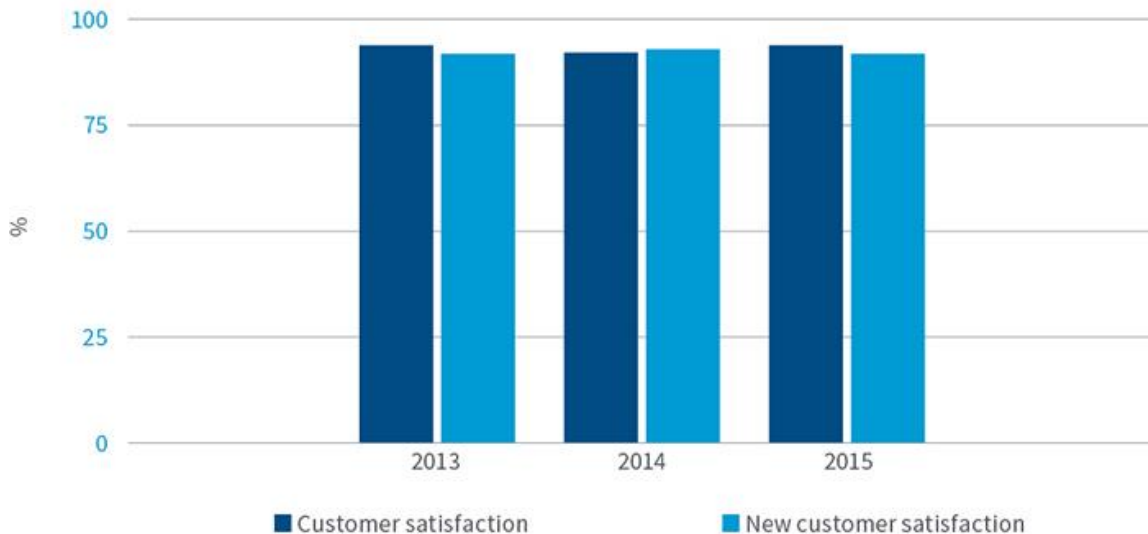
The complaints resolution time refers to the time between the date the complaint is received and the date the file is closed, depending on the complaint type (objective: 92%).

7.8.4. Management approach – Customer satisfaction survey

Mindful of its customers’ needs and preferences, Gaz Métro takes special care to keep them satisfied. Two key surveys—namely, the “Indicatif client” survey and the major industry customer survey—monitor changes in customer satisfaction over time. Gaz Métro has conducted both surveys in their current form systematically and on an annual basis for over ten years.

7.8.5. Performance indicators – Customer satisfaction survey

7.8.5.1. Customer satisfaction survey results (“Indicatif client” survey)



Telephone survey conducted by the SOM research firm on a continual (weekly) basis with a sample of more than 3,500 respondents per year. The survey is carried out with all types of Gaz Métro customer, with the exception of major industries; the results are presented quarterly and annually.

Gaz Métro conducts the “Indicatif client” survey¹¹ each year to assess the satisfaction of residential, commercial, institutional and industrial customers across Québec. This survey allows the company to follow two key indicators: customer satisfaction with a service received, and the satisfaction rates of new customers.

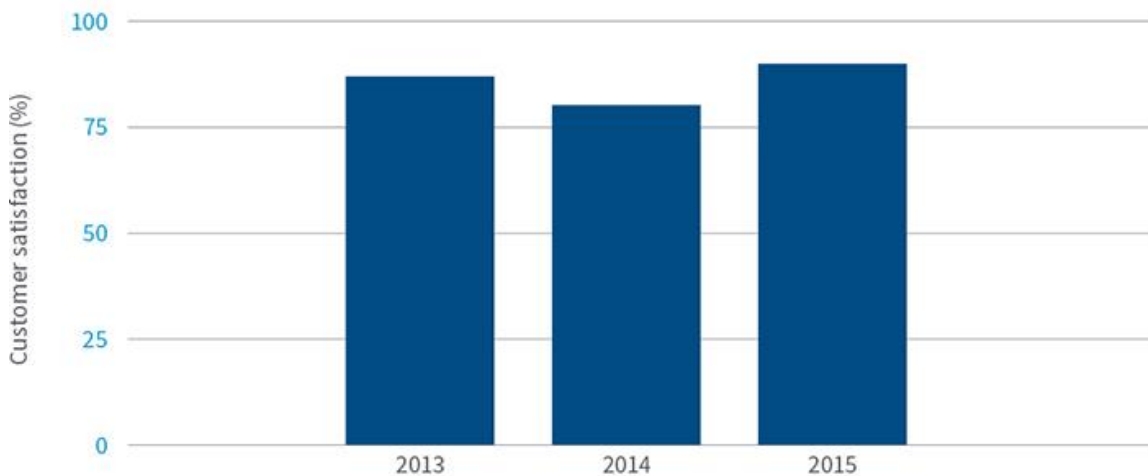
The customer satisfaction rate reflects the overall appreciation of services received from Gaz Métro during a recent interaction such as an installation, contact with a customer service representative or a visit from a technician, sales representative or [authorized Gaz Métro partner](#).

For a fifth consecutive year, the percentage of satisfied customers surpassed 90%, reaching 93.8% in 2015, compared with 92.3% in 2014, 94.2% in 2013, 91.3% in 2012 and 91.8% in 2011. This success is attributable to the strong performance of all involved stakeholders, including Customer Service.

Gaz Métro is equally attentive to the satisfaction of its new customers. This index refers to the appreciation of services received from Gaz Métro during all stages of the new customer acquisition process, such as the preparation of an offer by a representative or authorized partner, connection to the natural gas network, appliance installation and follow-up.

In the last three years, the satisfaction rate of new customers has remained above 90%.

7.8.5.2. Survey conducted with major industry customers



Note: The data shown for the satisfaction of major industry customers is rounded to the nearest unit, whereas the data shown for customer satisfaction and for the satisfaction of new customers is rounded to the nearest tenth.

¹¹ Telephone survey conducted by the SOM research firm on a continual (weekly) basis with a sample of more than 3,500 respondents per year. The survey is carried out with all types of Gaz Métro customer, with the exception of major industries; the results are presented quarterly and annually.

An annual survey is also conducted among major industry customers.¹² This survey's primary aims are to measure overall satisfaction with Gaz Métro, with consultants who are in direct contact with the customer, and with the company's various departments.

Following a downward trend between 2012 and 2014, the satisfaction rate of major industry customers bounced back significantly from 80% to 90% of customers being very satisfied (representing an appreciation of between 8 and 10). The results of the 2015 survey are notably attributable to the actions Gaz Métro took during fiscal 2015 to better inform its customers about its products and services.

¹² Survey of major industry customers: Online survey conducted each year by Extract Recherche Marketing of a sample of approximately 100 corporate clients.

7.9. Safety of the gas network

Carrying out of risk outreach and communication initiatives, preventive maintenance programs and policies pertaining to emergency measure management, operational continuity, and network recovery (emergency response time, management system). Includes measures to ensure customer safety.

7.9.1. Management approach – Safety of the gas network

Managing the safety of the network

Gaz Métro's primary objective in operating its network is to offer an uninterrupted supply of natural gas in a manner that is safe for its employees, customers and the public. To accomplish this, it makes ongoing efforts to protect the public and installations through rigorous maintenance and network improvement programs.

Gaz Métro's network safety process is founded, first and foremost, on preventive maintenance, corrective maintenance and asset management based on risk level and business values. Gaz Métro's commitment to managing the safety of its network also means adopting various policies and procedures, including:

- the Gaz Métro Occupational Health and Safety Policy;
- the integrity management programs for Gaz Métro's distribution and transmission networks, which were incorporated into the asset management strategy implemented several years ago;
- the Emergency Measures Management System;
- the Operational Recovery and Continuity System.

Integrated process

Gaz Métro has developed an Integrated management system (IMS) that covers the three certified management systems:

- The EMS is ISO 14001 certified;
- The quality system for the Network Technology Department's prefabrication workshop is ISO 9001 certified
- The quality system for the Measurements Department is certified under Measurement Canada's S-A-01-2006 standard.

The IMS also covers the Safety and Loss Management System under the CAN/CSA-Z662 standard, for which Gaz Métro has obtained certification. Lastly, Gaz Métro must comply with the CAN/CSA-Z662 standard, "Oil and gas pipeline systems" for the design, construction, operation, maintenance and improvement of its natural gas pipelines in Québec.

The IMS has enabled the sharing of procedures for these systems. Other management systems are also integrated to the IMS, such as:

- the Major Projects Quality System based on the ISO 9001 standard;
- the Security Management Program (CSA Z246.1);
- the Emergency Measures Management System;
- the Operational Recovery and Continuity System;
- the Occupational Health and Safety System.

Objectives with a timeline are established annually and followed up on regularly, to ensure the performance of our management systems. These objectives are updated during the integrated management review, which allows Gaz Métro managers to understand the value of, efficiency of and potential improvements to these systems.

Risk mitigation

Asset management program

Gaz Métro has developed a network asset management strategy based on best practices. The asset management strategy is a risk-centred initiative. It is intended to strike a balance between risk, cost and performance.

The operationalization of the asset management strategy allows Gaz Métro to forecast investments required over the coming years.

Preventing damage by third parties

Gaz Métro encourages contractors to adopt best industry practices to reduce the risk of damage to our property. A third-party damage prevention program, managed in conjunction with Info-Excavation, the Régie du bâtiment du Québec and the Commission de la santé et de la sécurité du travail, raises awareness among the main stakeholders, particularly municipalities and excavation contractors.

During fiscal 2015, as part of its awareness program, Gaz Métro held:

- sessions at two conferences for excavators and contractors;
- Seven in-house training sessions and seven training sessions at the Régie du bâtiment's request;
- Four awareness meetings with fire departments;
- Seven training sessions for Gaz Métro employees and employees of various Québec municipalities.

Gaz Métro also participates in Info-Excavation's efforts (formerly carried out by the Alliance pour la protection des infrastructures souterraines du Québec) to promote best practices in this field. Furthermore, Gaz Métro contributes to efforts to have the Government of Québec pass a bill with respect to preventing damage by third parties (like in Ontario), alongside Info-Excavation.

Emergency measures management and safety and loss management

Gaz Métro has an Emergency Measures Management program that applies equally to natural and technological events and events caused by human activity.

Moreover, the CAN/CSA-Z662 standard creates an obligation to develop, implement and update a documented Safety and Loss Management System for pipeline networks to ensure people's safety and protect the environment and property. The design and construction of the Gaz Métro network meets the most stringent standards of the Canadian gas industry.

Assignor awareness program

The primary aim of this program is to remind landowners who have granted a servitude to Gaz Métro of the factors they need to consider regarding the use of these properties. To accomplish this, the following actions are taken:

- Annual mailout of an information leaflet about the servitude to all assignors;
- Updates of assignor contact information via a mailout containing a return postage guarantee;
- Updates of the Prexim database by the Principal Advisor, Real Estate Expertise and Surveying;
- Visits, on a three-year cycle, to the assignors to inform them in more detail of the uses that are permitted and forbidden. They are also reminded of the requirement to obtain Gaz Métro's authorization before undertaking any work. In the event the assignor is not home, the information is left in the mailbox;
- Implementation of customer service telephone lines to answer assignors' questions.

Program for risk disclosure to municipalities

This primary aim of this program is to raise municipalities' awareness about the presence of the gas network, notably to help them develop their emergency response plans and thus meet the requirement of section 10.5.2.2 of the above-mentioned CSA Z662 standard.

Gaz Métro meets with the cities it serves to inform them of various safety elements that need to be considered when residing or working near a natural gas network.

The following stakeholders are invited to take part in the meetings:

- General Manager and/or Mayor of the municipality;
- Fire chief;
- Chief of the municipal police and/or Sûreté du Québec;
- Public works director;
- Urban planning representative;
- Public Health Branch representative;
- Emergency Management representative;

The main topics covered in the meetings are:

1. Gaz Métro presentation and data on natural gas;
2. Preventive and corrective actions to ensure the safety and integrity of our network;
3. Preventive measures for excavations around the network;
4. Preventive actions regarding the possible presence of sewer crossings;
5. Emergency response measures – distribution network;
6. Emergency response measures – transmission network;

The program is jointly managed by the Sustainable Development and Public and Government Affairs team and the cities. Under this program, a meeting with each city is organized every three years. In the last three years, meetings were held with the municipalities that are most traversed or served by the gas network. These meeting will continue.

Responsibilities

Preparing Gaz Métro employees for emergency interventions means maintaining an operational corporate emergency plan that reflects the company's risks. In collaboration with the company's relevant vice-presidencies, specific response procedures (SRP) and/or business continuity and recovery plans (PCRO) that are specific to their respective activities are developed and maintained. Every year, Gaz Métro organizes simulation training and exercises for each sector, need and region, so that its employees are as prepared as they can be for emergencies.

7.9.2. Performance indicators – Safety of the gas network

7.9.2.1. Emergency response time compliance rate

	2013	2014	2015
Result (%)	94.2	94.4	95.0

Gaz Métro aims to respond to emergency situations within 35 minutes of receiving the call. This indicator measures the percentage of occasions on a monthly basis that we reached the site of an emergency within the target timeframe, for the entire territory served.

A score of 94.4% was achieved for fiscal 2014, compared with 94.2% for fiscal 2013. In fiscal 2015, an outstanding 95% of calls were responded to in less than 35 minutes.

At 9,277, the number of calls received was slightly lower than the previous fiscal year (down 5.1%).

Since fiscal 2011, the number of emergency calls has progressively decreased by 10%.

7.9.2.2. Preventive maintenance programs

Gaz Métro strives to ensure the safety of its distribution network through preventive maintenance programs. These programs include specific activities aimed at maintaining

all of its assets. Among others, such activities include leak detection in all mains, building and equipment connections, verification of the cathodic protection systems in the steel networks, verification of the measuring and pressure regulator stations, and verification of the natural gas odorizers.

	2013	2014	2015
Number of projects completed	54,786	56,353	55,030
Preventive activities completion rate in relation to activities forecast at the start of the year (in %)	100	99.6	98.2

The preventive activities completion rate in relation to the number of activities forecast at the start of 2015 was 98.2%. In fiscal 2014, this rate was 99.6% and in fiscal 2013, it was 100%. The variations are generally explained by the addition and removal of equipment in the network during the year.

Historically, Gaz Métro has completed over 97% of its preventive maintenance programs every year. For 2016, 56,328 activities are planned.

The increase in activities is explained by the fact that we now account for the activities of all programs, instead of only those activities monitored by the Régie de l'énergie.

7.9.2.3. Product responsibility – Non-compliance with the regulations concerning the impacts of products and services on health and safety

	Type of Notice		Notice Consequence(s)		
	Notice of non-compliance	Notice of violation	Number of fines	Fine (\$)	Non-pecuniary penalty
2013	0	0	0	0	0
2014	0	0	0	0	0
2015	0	0	0	0	0

In the specified period, OHS and Environment employees did not receive, handle or have brought to their attention any information relating to non-compliance with a regulation or a non-conformity notice from the Commission de la santé et de la sécurité du travail or the Régie du bâtiment du Québec.

8. GRI Content Index

G4-32

Gaz Métro declares that this report was drafted in "Core" compliance with the G4 Global Reporting Initiative (GRI) Guidelines.



General Standard Disclosures ("strict" compliance criteria)	Section	External assurance
G4-1 President's statement	Page 1	NV
G4-3 Name of the organization	Page 7	NV
G4-4 Primary brands and services	Page 27	NV
G4-5 Location of headquarters	Page 27	NV
G4-6 Geographical breakdown	Page 27	NV
G4-7 Legal form	Page 7	NV
G4-8 Markets served	Pages 23, 27, 34, 50	NV
G4-9 Scale of the organization	Pages 32, 49, 64	NV
G4-10 Employee breakdown	Page 32	NV
G4-11 Collective agreement	Page 32	NV
G4-12 Supply chain	Pages 5, 49, 50, Metrio	NV
G4-13 Significant changes	Pages 7, 56	NV
G4-14 Precautionary principle	Pages 85, 88	NV
G4-15 Charters and principles	Page 31	NV
G4-16 Associations	Page 30	NV
G4-17 Entities included	Pages 7, 29	NV
G4-18 Content process	Pages 9, 20	NV

G4-19 Material aspects	<i>Page 19</i>	<i>NV</i>
G4-20 Aspect boundary within the organization	<i>Pages 108-114</i>	<i>NV</i>
G4-21 Aspect boundary outside the organization	<i>Pages 108-114</i>	<i>NV</i>
G4-22 Restatements of information	<i>Pages 51, 54, 81, 87</i>	<i>NV</i>
G4-23 Significant changes	<i>Page 14</i>	<i>NV</i>
G4-24 List of stakeholders	<i>Pages 15, 20</i>	<i>NV</i>
G4-25 Selection criteria	<i>Page 15</i>	<i>NV</i>
G4-26 Approach	<i>Pages 10, 16, 17, 19, 20</i>	<i>NV</i>
G4-27 Key topics and concerns	<i>Page 10</i>	<i>NV</i>
G4-28 Reporting period	<i>Page 7</i>	<i>NV</i>
G4-29 Date of previous report	<i>Page 7</i>	<i>NV</i>
G4-30 Reporting cycle	<i>Page 7</i>	<i>NV</i>
G4-31 Contact point	<i>Page 7</i>	<i>NV</i>
G4-32 "In accordance" option	<i>Pages 7, Page 108</i>	<i>NV</i>
G4-33 External audit	<i>Page 7</i>	<i>NV</i>
G4-34 Governance structure	<i>Page 36</i>	<i>NV</i>
G4-56 Internal principles and standards	<i>Page 40</i>	<i>NV</i>

G4-20, G4-21

Boundary:

- Natural gas distribution activities in Québec, within Gaz Métro
- ⦿ Natural gas distribution activities in Québec, within and outside Gaz Métro (including external factors such as customers and suppliers of Gaz Métro)
- ⦿ Natural gas distribution activities in Québec, including the activities of Gaz Métro subsidiaries and joint ventures

The scope applies to all indicators for a given Aspect, unless the scope of an indicator differs from the scope of its Aspect. In these cases, the scope of the indicator is indicated.

G4-20, G4-21

Material aspects	Management approach and indicators	Page	Non-publication	External assurance
Économie	General G4-DMA	64		NV
⊙ Economic performance	<ul style="list-style-type: none"> G4-EC1 Direct economic value generated and distributed 	65		NV
	<ul style="list-style-type: none"> G4-EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change 	66	Impacts have not been quantified because the information is currently unavailable.	NV
⊙ Purchasing practices	G4-EC9 Proportion of spending on local suppliers at significant locations of operation	54, <i>Metrio</i>	The information about local suppliers is currently available only for the 20 main suppliers.	NV
Environment	General G4-DMA	85		NV
⊙ Energy	General G4-DMA	73, 75		NV
	General G4-DMA-b	103		NV
	<ul style="list-style-type: none"> G4-EN3 Energy consumption within the organization 	74		NV
	<ul style="list-style-type: none"> G4-EN5 Energy intensity 	76		NV
	<ul style="list-style-type: none"> G4-EN6 Reduction of energy consumption 	77		NV
● Water	<ul style="list-style-type: none"> ⊙ G4-EN7 Reductions in energy requirements of products and services 	73		NV
	G4-EN8 Total water withdrawal by source	<i>Metrio</i>		NV
● Biodiversity	G4-EN11 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	89	Impact identification and assessment is done in the case of specific projects, information is currently unavailable for all operational sites.	NV
	G4-EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas of high biodiversity value outside protected areas	88		NV

G4-20, G4-21

Material aspects	Management approach and indicators	Page	Non-publication	External assurance
	G4-EN14 Total number of IUCN red list species and National Conservation list species with habitats in areas affected by operations, by level of extinction risk	90	Impact identification and assessment is done in the case of specific projects, information is currently unavailable for all operational sites.	NV
	Specific G4-DMA-b	78		NV
● Emissions	G4-EN15 Direct greenhouse gas (GHG) emissions (Scope 1)	79		NV
	G4-EN16 Energy indirect greenhouse gas (GHG) emissions (Scope 2)	81		NV
	G4-EN18 Greenhouse gas (GHG) emissions intensity	81		NV
	G4-EN19 Reduction of greenhouse gas (GHG) emissions	82		NV
	G4-EN21 NOx, SOx and other significant air emissions	83		NV
	General G4-DMA	84		NV
● Effluents and waste	G4-EN23 Total weight of waste by type and disposal method	<i>Metrico</i>		NV
	G4-EN24 Total number and volume of significant spills	84		NV
● Effluents and services	G4-EN27 Extent of impact mitigation of environmental impacts of products and services	80		NV
● Environmental compliance	G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	62		NV
● Transports	G4-EN30 Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	88	Lack of information to quantify significant impacts. The information is currently unavailable.	NV

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Material aspects	Management approach and indicators	Page	Non-publication	External assurance
Social – Labour practices and decent work	General G4-DMA	91		NV
	Specific G4-DMA-b	91	To be completed in future reports.	NV
• Employment	G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender, and region	32, <i>Metrio</i>	Certain information could not be collected, particularly for the breakdown of data by gender and for Gaz Métro service suppliers. The information is currently unavailable.	NV
	G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	92	Certain information could not be collected, particularly for the breakdown of data by gender and for Gaz Métro service suppliers and to specify the type of occupational injuries. The information is currently unavailable.	NV
• Occupational Health and Safety	G4-LA8 Health and safety topics covered in formal agreements with trade unions	93		NV
	G4-LA9 Average hours of training per year per employee by gender, and by employee category	<i>Metrio</i>	The breakdown by gender is not possible because of the level of detail of the information collected.	NV
• Training and education	G4-LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	<i>Metrio</i>		NV
	G4-LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	<i>Metrio</i>		NV

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Material aspects	Management approach and indicators	Page	Non-publication	External assurance
<ul style="list-style-type: none"> Equal remuneration for women and men 	G4-LA13 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	96	Information on base salary only. Information on the ratio of remuneration is currently unavailable.	NV
<ul style="list-style-type: none"> Supplier assessment for labour practices 	G4-LA15 Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	<i>Metrio</i>	Lack of information to quantify the number of suppliers that had significant actual and potential negative impacts. The information is currently unavailable.	NV
Social – Human rights	General G4-DMA	95		NV
<ul style="list-style-type: none"> Non-discrimination 	G4-HR3 Total number of incidents of discrimination and corrective actions taken	98		NV
<ul style="list-style-type: none"> Supplier human rights assessment 	G4-HR11 Significant actual and potential negative human rights impacts in the supply chain and actions taken	<i>Metrio</i>	Lack of information to quantify the number of suppliers that had significant actual and potential negative impacts. The information is currently unavailable.	NV
Social – Society	General G4-DMA	58		NV
	Specific G4-DMA-b		Information unavailable.	NV
<ul style="list-style-type: none"> Local communities 	G4-SO2 Operations with significant actual and potential negative impacts on local communities	87	The potential economic, social and cultural impacts are not addressed in the company's current risk assessment. Only environmental impacts are considered.	NV
<ul style="list-style-type: none"> Compliance – Health and safety 	G4-SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	62		NV

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Material aspects	Management approach and indicators	Page	Non-publication	External assurance
<ul style="list-style-type: none"> Supplier assessment for impacts on society 	G4-SO10 Significant actual and potential negative impacts on society in the supply chain and actions taken	<i>Metrio</i>	Lack of information to quantify the number of suppliers that had significant actual and potential negative impacts. The information is currently unavailable.	NV
<p>Social – Product responsibility</p>	General G4-DMA	99		NV
<ul style="list-style-type: none"> Customer health and safety 	Specific G4-DMA-b		Lack of information on the life cycle analysis.	NV
	G4-PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	107		NV
<ul style="list-style-type: none"> Product and service labelling 	G4-PR5 Results of surveys measuring customer satisfaction	100, 100		NV
<ul style="list-style-type: none"> Compliance – Marketing communications 	G4-PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	61		NV
<ul style="list-style-type: none"> Compliance – Network safety 	G4-PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	62		NV

9. GLOSSARY

Units of measurement and general terms

CH ₄	Methane
CO	Carbon monoxide
CO ₂	Carbon dioxide
VOC	Volatile organic compounds
CSA-Z246	Security Management System certification
CSA-Z662	Safety and Loss Management System certification
Offset credit	Credit issued to a project promoter for greenhouse gas reductions or removals achieved under an offset project. One offset credit represents one tonne of carbon dioxide equivalent emissions reduced or removed.
QDA	Quebec Distribution Activity
ES3	Energy Sector Sustainability Study
GHG	Greenhouse gases
GJ	Gigajoule
LNG	Liquefied natural gas
GRI G4	Fourth generation of the Global Reporting Initiative guidelines
NPRI	National Pollutant Release Inventory
ISO 9001	Quality Management System certification
ISO 14001	Environmental Management System certification
m ³	Cubic metre
MW	Megawatt
MWh	Megawatt-hour
NO _x	Nitrogen oxides
PJ	Petajoule
GEEP	Global Energy Efficiency Plan
Scope 1	Sum of direct emissions produced by burning fossil fuel resources owned or controlled by an organization
Scope 2	Sum of indirect emissions resulting from the purchase or production of electricity
EMS	Certified ISO 14001: 2008 Environmental Management System
SO ₂	Sulfur dioxide
CATS	Regulation respecting the Greenhouse Gas Cap-and-Trade System
HRCG	Human Resources and Corporate Governance committee
RMR	Regulation respecting mandatory reporting of certain emissions of contaminants into the atmosphere
OHS	Occupational health and safety

Organizations and entities

CSN	Confédération des syndicats nationaux
NGTC	Natural Gas Technologies Centre
CVPS	Central Vermont Public Service Corporation
ECPAR	Espace québécois de concertation sur les pratiques d'approvisionnement responsables
FEÉ	Energy Efficiency Fund
GMI	Gaz Métro inc.
GMP	Green Mountain Power
GMTS	Gaz Métro Transport Solutions
GRI	Global Reporting Initiative
IMS	Integrated Management System
Intragaz	Intragaz Group
ISO	International Organization for Standardization
MDDELCC	Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques
RCM	Regional county municipality
MTQ	Ministère des Transports du Québec
NEB	National Energy Board
Régie	Régie de l'énergie du Québec
RBQ	Régie du bâtiment du Québec
COPE	Canadian Office and Professional Employees' Union
STQ	Société des traversiers du Québec
TCPL	TransCanada PipeLines Limited
TCE	TransCanada Energy
TQM	Trans Québec & Maritimes Pipeline Inc.
Union Gas	Union Gas Limited
LSR plant	Natural gas liquefaction, storage, and regasification facility
Valener	Valener Inc.