



WORK BETTER | AIM HIGH | BUILD THE FUTURE

SUSTAINABILITY REPORT 2016

Highlights

VALUE CHAIN

The value chain includes all activities that create value, from product design to service provision. At Hydro-Québec, we integrate criteria for environmental protection, social progress and economic development into every link in this chain.

CONSTRUCTION

\$2.2 billion

Volume of activity

Through our projects, we contribute to creating jobs for local suppliers and communities, and our activities generate various other spinoffs.

GENERATION

36,908 MW

Installed capacity

Thanks to our hydropower, companies produce goods and services with a small environmental footprint, while neighboring provinces and states are supplied with clean, renewable energy.



TRANSMISSION

34,292 km

Length of transmission lines

We provide high-quality, reliable power transmission and monitor the changing needs of our customers. Our interconnections allow advantageous power interchanges with neighboring systems and ensure non-discriminatory access to our system.

DISTRIBUTION AND CUSTOMER SERVICE

4,244,541

Customer accounts

We guarantee customers high-quality services and reliable power at one of the lowest rates in North America. Moreover, we offer customers energy efficiency solutions to help them reduce their power consumption.

MANAGEMENT AND SUPPORT OF OUR BUSINESS UNITS

\$4 billion

Contribution to the Québec government's revenue

Our guidelines and objectives also promote dialogue with the community, the socioeconomic spinoffs of our activities and community investment.

TECHNOLOGICAL INNOVATION

\$134 million

R&D budget allocated to IREQ in 2016

Through our partnerships with universities, research centres and other industries, we share expertise and resources along with risks. Technological innovation is a driver of value creation for our partners and customers.

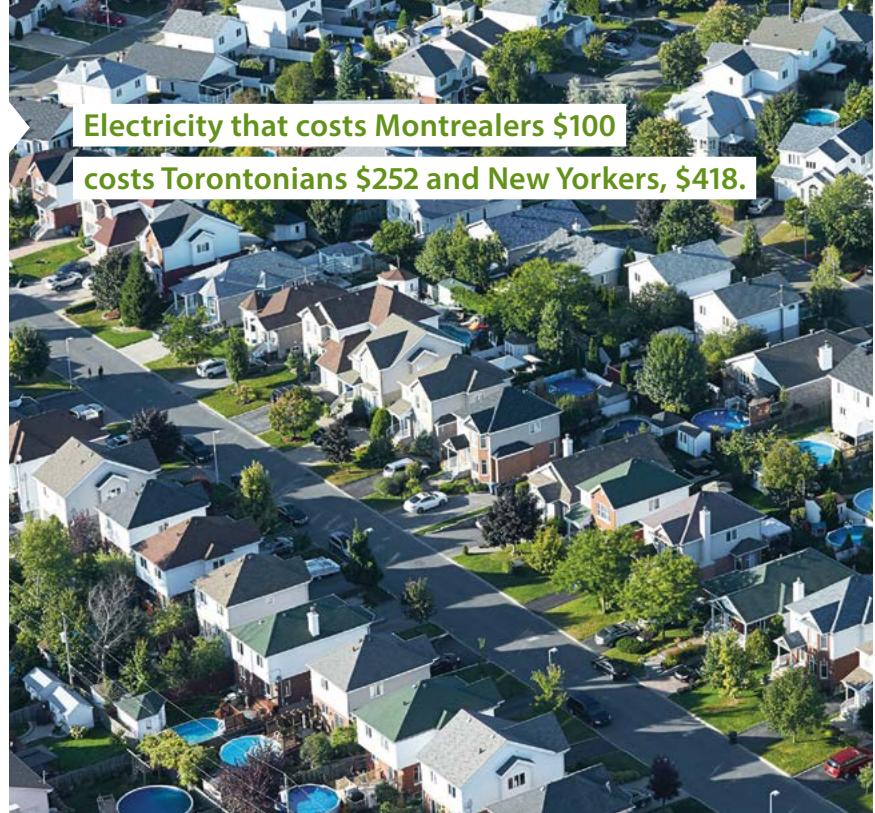


OUR CUSTOMERS FIRST

A new corporate culture is emerging, one that is focused on customers and driven by results. Our goal is to serve our customers better and make an even greater contribution to Québec's development.

The efforts we are investing in this cultural transformation are beginning to bear fruit. For example, we reduced the average call wait time for residential customers by over 50%.

We also invested \$2.4 billion in the power grid to make it stronger and more reliable. The combined effect of our initiatives meant that public satisfaction with the company rose by 9%.



Electricity that costs Montrealers \$100
costs Torontonians \$252 and New Yorkers, \$418.



91 %



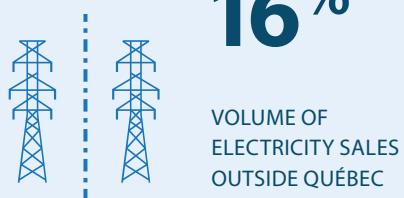
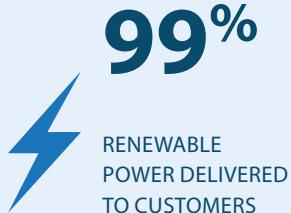
**Our net exports reached a historical peak of 32.6 TWh,
and contributed about \$803 million to net income.**

OUR MANAGEMENT OF ENERGY DEMAND

From now until 2026, Québec energy demand will continue to grow, but slowly, and our supply will more than suffice.

To meet demand, we use the power we generate as well as electricity we purchase from other producers, and we also encourage our customers to save energy.

For the coming decade, we will have a certain amount of power available every year, and we plan to fully utilize it on neighboring markets.



OUR ENERGY PORTFOLIO

Hydropower accounts for the largest share of our energy portfolio, followed by other renewables such as wind power, biomass and small hydro. Electricity we generate makes up 80% of the portfolio, and we purchase 20%.

The thermal energy used to supply remote communities will be replaced by clean energy. The conversion process is already under way.

Our major hydropower project, the Romaine complex, is progressing steadily: the third of its four generating stations is set to be commissioned in 2017.

Romaine-3 generating station will soon add 395 MW to the installed capacity of our generating fleet, which now stands at 36,908 MW.



172,278 GWh
TOTAL ENERGY GENERATED



44,886 GWh
TOTAL ENERGY PURCHASED

9,380 GWh
ENERGY SAVINGS

Chamouchouane–Bout-de-l'Île project

\$1 billion

ECONOMIC SPINOFFS FOR QUÉBEC
AS A WHOLE



Romaine
complex

\$3.5 billion

ECONOMIC SPINOFFS FOR
QUÉBEC AS A WHOLE, INCLUDING
\$1.3 BILLION FOR THE REGION

OUR CONTRIBUTION TO CLIMATE STABILIZATION AND ENVIRONMENTAL PROTECTION

As North America's leading producer of clean energy, we plan to be full participants in the energy transition that is taking shape around the globe. In Québec, the power industry is responsible for less than 1% of GHG emissions. Worldwide, the figure is 30%.

In addition to contributing to climate stabilization, we are harnessing a renewable resource in an environmentally sensitive way. Drinking water, birds, fish and trees all benefit from the various measures we take to protect biodiversity.

We contribute to the work of the Ouranos consortium in regional climatology and adaptation to climate change.



91%



REDUCTION IN
GHG EMISSIONS
SINCE 1990

7.95 Mt CO₂
eq.



EMISSIONS AVOIDED
BY NET ELECTRICITY
EXPORTS



Because our facilities have a presence
in the local landscape, we forge close ties
with the communities around them.

AN ACTIVE PRESENCE IN THE COMMUNITY

We have a presence wherever there are electricity needs in Québec.

Every day, we speak with our customers, as well as our suppliers, our business partners, municipal representatives, property owners and farmers affected by our operations. We also speak with community organizations and consumer groups, people with whom we share use of land, and organizations that want to use our facilities for recreation or tourism.

100



NUMBER OF PROJECTS
WITH A PUBLIC
PARTICIPATION PROCESS

4,400



NUMBER OF REQUESTS
FROM COMMUNITY
REPRESENTATIVES

OUR COMMITMENT TO TECHNOLOGICAL INNOVATION AND TRANSPORTATION ELECTRIFICATION

In 2016, we invested \$134 million in R&D by our research institute. More than ever, innovation spearheads the company's development and profitability.

Whether they involve extra-high-voltage power transmission, energy storage and conversion, or transportation electrification, our innovations enable us to play a leading role in the emerging worldwide transition to lower-emitting energy sources.

We plan to capitalize on our expertise and commercialize our technological innovations on world markets.

The Electric Circuit covers nearly every region of Québec.



794

NUMBER OF
CHARGING STATIONS
IN THE ELECTRIC
CIRCUIT



1,156

NUMBER OF PATENTS
HELD OR PENDING

HYDRO-QUÉBEC'S CONTRIBUTION TO THE QUÉBEC ECONOMY IN 2016

\$6 billion

Dividend \$2,146 million	Procurement from Québec-based companies \$2,772 million	Water-power royalties \$667 million
Public utilities tax \$284 million	Municipal and school taxes \$40 million	Community investments \$28 million



\$28 million

COMMUNITY
INVESTMENTS



94%

PROCUREMENT
OF GOODS AND
SERVICES IN QUÉBEC

OUR SOCIOECONOMIC CONTRIBUTION

Our business operations contribute about 4% to Québec's GDP. As a corporate citizen, we also support a host of social activities in all of the province's regions, through our Integrated Enhancement Program, the Fondation Hydro-Québec pour l'environnement and our program of donations and sponsorships.

Our community investments support social and humanitarian initiatives, health and educational institutions, environmental enhancement, sports and cultural activities, and volunteer commitments by our employees.

In 2016, we contributed \$5.7 million to Centraide through Hydro-Québec's 40th fundraising campaign.

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On the cover

A heritage gem: Rapides-Farmer generating station, on the Rivière Gatineau in the Outaouais region.