An Ambitious Transition

Annual Report
2024

Hydro Québec

Hydro-Québec in Numbers

$2.7 billion

Net income in 2024

192.3 TWh

Electricity sales,
including 15.1 TWh outside Québec

$6.0 billion

Investments in Québec in 2024

9.9¢/kWh

Average price obtained on sales outside Québec

8.05¢/kWh

Residential rate,
the lowest in North America

$19.7 million

Donations and sponsorships
to 605 organizations in 2024

$4.0 billion

Contribution to the Québec government's revenue in 2024

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Message from the Chair of the Board



Manon Brouillette
Chair of the Board of Directors

Since launching the *Action Plan 2035 – Towards a Decarbonized and Prosperous Québec* in November 2023, Hydro-Québec has played a central and active role in an extensive transformation of the Québec economy: the energy transition. This transition, which calls for replacing polluting fossil fuels with renewable energy, will bring with it a significant increase in electricity demand, requiring more generation, more investment and wiser consumption, along with a willingness to learn to do things differently.

In 2024, the whole organization was involved in implementing the *Action Plan*, and the Board of Directors commends the work accomplished on numerous fronts. To support Hydro-Québec, the Board reviewed its operations, aligning the mandates assigned to its committees with the five main priorities in the Plan. New additions to the Board this year included two firsts: Victoria LaBillois, from the Listuguj Mi'gmaq First Nation, is the first Indigenous person to serve on the Board, and Jean Marc Lechene, from Paris, France, an expert in the global wind energy sector, is the first Director to join the Board from abroad. These members bring invaluable knowledge and experience, as does our third new member, Jonathan Gignac, Deputy Minister of Economy, Innovation and Energy, and I wish to extend a warm welcome to each of them.

The Board reviewed and approved two major strategies: the *Wind Power Development Strategy* and the *Strategy for Economic Reconciliation and to Strengthen Relations with First Nations and Inuit*. They will guide Hydro-Québec's initiatives in these areas in the coming years. We also endorsed the project to upgrade the main transmission system and the creation of three partnerships with community stakeholders to develop wind power projects in the Wocawson zone, in Bas-Saint-Laurent, and in the Chamouchouane and Nutinamu-Chauvin zones, in Saguenay–Lac-Saint-Jean. In addition, we gave the green light to the non-binding agreement in principle for hydroelectric generation in Labrador, signed in December.

The Board closely followed the discussions related to the *Action Plan 2035* that Hydro-Québec carried out with stakeholders and the public to gather their ideas and solutions. We strongly believe that this dialogue with all concerned groups, which will continue in the coming years, is essential to the success of the energy transition and will contribute to creating sustainable collective wealth.

As Chair of the Board, I had the honour of meeting with the representatives of other global energy transition leaders during the 26th World Energy Council in the spring. These exchanges yielded teachings and insights that I shared with the other Board members to ensure that we are well-equipped to advise and support Hydro-Québec in the coming years.

I wish to thank all Board members for their team spirit, commitment and meticulous work, and to highlight the contributions of David Bahan, Geneviève Biron, Dominique Fagnoule and Hélène V. Gagnon, whose mandates have ended.

Looking forward, we know 2025 will bring its own share of challenges. Hydro-Québec's management team can count on the Board of Directors to help determine the best ways to implement the *Action Plan* and ensure effective collaboration with the public and with the company's stakeholders, for the benefit of all Quebecers.

Message from the President and Chief Executive Officer



Michael Sabia
President and Chief Executive Officer

Hydro-Québec's know-how and innovation in renewable energy are renowned worldwide. Every year, major power system operators contact us to speak with our experts. I understand why—I, too, am impressed by the skill and determination of our teams and the high quality of their work.

I want to thank all our employees for their collective efforts to improve the quality of electricity service in 2024. We made good progress on this priority from our *Action Plan 2035*, which is at the heart of our public service mission. Average outage duration dropped by over 50%, and the average wait time for the three most common connection-related work requests decreased by 20%. We plan to continue improving in these areas in the years to come.

The same applies to our energy efficiency initiatives. The improvements we made to our offerings and to how we support our customers, along with the ad campaigns we ran, led to an increase in energy savings of over 30%. The kilowatthours saved will allow us to meet growth in electricity demand with fewer new facilities, which in turn will have a positive impact on our rates in the coming years, benefitting all Quebecers.

We also worked hard in 2024 to lay solid foundations for the success of the energy transition and the creation of collective wealth for Québec. These foundations can be summarized in three words: listening, collaboration and partnership.

In early 2024, we initiated a dialogue with the public, municipalities and our stakeholders to gather their ideas on our *Action Plan* and their expectations with regard to our practices. I feel privileged to have been part of this process, which has already allowed us to improve our practices. The dialogue enriched our environmental, social and governance visions. It also influenced how we do things, how we interact with customers and how we work with the communities that host our projects and operations. Several key documents, launched throughout the year, speak to this influence, including our new *Wind Power Development Strategy* and the three partnership agreements that resulted from it, related to zones with a wind power potential of up to 5,000 MW, as well as our *Sustainable Development Plan* and the plan to upgrade our main transmission system. Finally, we are also applying the lessons learned from this dialogue to the refurbishment projects currently underway to increase the installed capacity of 10 of our hydroelectric generating stations.

The same spirit of collaboration and openness is essential in our relations with Indigenous communities. Our *Strategy for Economic Reconciliation and to Strengthen Relations with First Nations and Inuit*, unveiled in December 2024, aims to create opportunities for interested communities to actively participate, as full partners, in the large-scale infrastructure projects we will carry out in the coming years, so that they can gain tangible and sustainable benefits. The strategy also aims to make our organization more open and inclusive, and ensure Indigenous people play a greater role at all levels.

Our collaborative approach extends beyond Quebec itself. The memorandum of understanding signed with our neighbours in Newfoundland and Labrador provides an outline of the new agreement that will replace the outdated agreement for Churchill Falls generating station, which has been the source of much discontent for Newfoundlanders and Labradorians. The agreement lays the groundwork for a win-win partnership that will contribute to Québec's energy security for the next 50 years at competitive prices, while also providing our partners with new supplies of clean, renewable energy, as well as, starting in 2025, significant additional income to support their own goals.

We still have a lot of work to do to implement our *Action Plan*, but our destination is clear: a decarbonized and prosperous Québec by 2035. Our *Plan* is also clear: to equip Hydro-Québec with the means and infrastructure it needs to meet the growing demand for renewable energy while improving the quality of electricity service. All this, based on a socially acceptable approach, rooted in collaboration. Because the contribution of all Quebecers will be essential to ensure the decarbonization of the economy and build a sustainable energy future, for the benefit of Québec society today and for generations to come.

Management Team





Michael Sabia, President and Chief Executive Officer

Maxime Aucoin, Executive Vice President – Strategy and Finance

Claudine Bouchard, Executive Vice President and Chief Operating and Infrastructure Officer, Chief Executive Officer, Société d'énergie de la Baie James





Graham Fox, Vice President – Public Affairs, External Relations and Communications

Domenica Maciocia, Senior Vice President – Talent and Organizational Development

Jean-François Morin, Vice President – Digital Technologies




Stéphanie Assouline, Vice President – Corporate, Legal and Regulatory Affairs and Acting Chief Governance Officer

Dave Rhéaume, Executive Vice President – Commercial Activities and Chief Customer Officer

Implementing the *Action Plan 2035*: Progress Update

In November 2023, Hydro-Québec published its *Action Plan 2035 – Towards a Decarbonized and Prosperous Québec*. Designed to provide Québec with the means to achieve its goals, the plan revolves around two pillars: electricity service quality and the energy transition. It proposes a set of ambitious initiatives structured around five main priorities:

1. Improve service quality.
2. Help our customers make better use of electricity.
3. Increase our power generation capacity.
4. Partner with First Nations and Inuit communities.
5. Become an agile, innovative and transparent organization.

Since all Quebecers will have a role to play in this major project, we launched a discussion with the public and our stakeholders at the start of the year, to gather their comments and suggestions on the proposed initiatives and how to improve our practices.

These exchanges helped us better understand our customers' needs, our partners' expectations and challenges, and the different regional realities. Quebecers also made it clear that they want to be active participants in the energy transition and want us to maintain an ongoing dialogue with them.

Based on these findings, we turned some of the elements from our Action Plan into concrete commitments and worked tirelessly to finalize our improved game plan, in collaboration with numerous partners. We have already made significant progress in many areas, as described below.

Priority 1: Improve Service Quality.

Improving electricity service quality is our first and most important priority. Over the years, service quality has deteriorated under the combined effect of aging assets, increased demand and the impacts of climate change. We must act quickly to correct the situation. We defined a series of measures to reduce outage duration, increase grid resilience and offer a better experience to customers when they interact with us.

Service Continuity

The good news is that service quality has improved compared to previous years. In fact, despite the devastation caused by storm Debby in August, we managed to reduce the average number of outage minutes per customer by 20% compared to the average of 2019 to 2023.

Many factors contributed to this improvement. First, since 40% of outages on the distribution system are caused by contact between vegetation and power lines, we stepped up our vegetation control efforts, clearing over 20,000 km of lines and felling over 100,000 trees posing a high risk to our facilities. This work was carried out in collaboration with municipalities. The goal: a 30% reduction in outages related to vegetation by 2028.

After launching a widespread campaign to inspect our lines, strategic equipment, poles and civil engineering structures, we also considerably increased our investment in initiatives to improve the robustness of our power system, focusing on the most problematic elements. We have begun rolling

out new techniques to improve grid reliability, such as using composite poles, which are stronger than wooden poles, direct burial of distribution lines and using covered conductors. These types of investments are in line with our *Climate Change Adaptation Plan*.

We also improved our outage tracker for customers affected by a service interruption. The tool now provides information on the cause and status of the outage and an estimated restoration time, most notably for major outages.

Requests for Work
To speed up the processing time for requests for work, such as requests to connect new electrical installations owned by our customers to the grid, we are simplifying the procedures involved. Our efforts have already begun to bear fruit, as we have managed to reduce lead times by an average of 20% for the three most common types of work, which led to a 25% reduction in related complaints.

To make life easier for our customers, we also launched a new web page containing all request-related information: types of requests, preparation, steps to follow, estimated lead times and costs.

Priority 2: Help Our Customers Make Better Use of Electricity.

Our energy efficiency programs and our rate offers to promote consumption at the right time were more popular in 2024, thanks to ad campaigns we ran throughout the year and improvements we made to the offers and to the support provided to our different customer groups.

Energy Efficiency
In 2024, the savings achieved through our energy efficiency initiatives rose by over 30%, for a total of 1,107 net gigawatthours (GWh), which is equivalent to the average annual consumption of more than 52,000 single-family homes. All our customer groups contributed to this increase.

The LogisVert program, launched in 2024, offers residential customers financial incentives for the purchase of efficient appliances, such as heat pumps, or for measures aimed at improving the building envelope, such as insulating the roof or caulking doors and windows. In 2024, more than 100,000 energy-efficient appliances were purchased with support from the program.

Our Efficient Solutions Program has also proved successful. It is designed for business customers in all sectors. In 2024, we increased the financial support offered for specific equipment, including several types of heat pumps and heat recovery systems, and we integrated new measures for automating demand response in buildings. In all, 6,842 projects were submitted under the program, 92% more than in 2023.

Finally, in the rate case that we filed for approval with the Régie de l'énergie in August 2024, we tripled our budget for energy efficiency, from $150 million in 2022 to $500 million in 2025.

Demand Response Management
To help us face peak winter periods without overexpanding the power system or buying less clean electricity at a high price, we offer rates and rate options, such as Flex rates and the Demand Response Option, designed to encourage customers to shift their consumption outside these periods. In 2024, together our offers resulted in the potential shaving or shifting of 2,378 megawatts (MW) during peak demand events, and led to substantial financial savings for the growing number of customers availing themselves of these options.

In addition, to help customers make the most of these incentive offers, we expanded our smart home service, Hilo, by increasing the number of compatible thermostats.

Priority 3: Increase Our Power Generation Capacity.

In the *Action Plan 2035*, we stated that achieving decarbonization and economic growth in Québec will require between 8,000 and 9,000 MW of additional capacity by 2035. That's why we worked on several fronts in 2024 to launch or continue capacity-expanding projects. Our efforts are already bearing fruit, as we ended the year with some 2,500 MW in development or announced. This number includes 1,700 MW of capacity freed up by our energy efficiency and demand response initiatives.

Wind Power
The wind sector will play a key role in the energy transition. That's why we plan to develop over 10,000 MW of new wind power capacity by 2035.

To help us roll out these new capacities quickly, cost-effectively and while fostering social acceptability, we launched the *Wind Power Development Strategy* in May 2024.

This strategy proposes a new development model based on the implementation, in strategic zones, of large-scale projects that can reach over 1,000 MW, which will generate economies of scale. We will take on the role of prime contractor and work closely with the First Nations and municipalities wishing to participate as partners and investors, opportunities that will provide them with independent revenues and a say at every step of the project. In collaboration with our partners, we may also enlist the help of wind power industry experts.

To date, we have already delineated three zones that meet our development criteria: significant wind power potential, ability to integrate the generation into the power transmission system and support for the project from the local community. We have also signed partnership agreements with local stakeholders, who seized the opportunity to play a central role in the sustainable economic development of their territory:

- Agreement with the Pekuakamiulnuatsh First Nation, the Atikamekw Council of Wemotaci and the Domaine-du-Roy regional county municipality for the development of the Chamouchouane area in Saguenay–Lac-Saint-Jean, which could be home to up to 3,000 MW of wind power capacity.
- Agreement with the Alliance de l'énergie de l'Est for the development of the Wocawson area, in the southwest of Bas-Saint-Laurent, which could host approximately 1,000 MW of wind power capacity. The Alliance de l'énergie de l'Est represents 16 MRCs and the Wolastoqiyik Wahsipekuk First Nation.
- Agreement with the Innus Essipit First Nation and the Fjord-du-Saguenay MRC for the development of the Nutinamu-Chauvin area, in Saguenay–Lac-Saint-Jean, which has up to 1,000 MW of wind power potential.

In addition to large-scale projects and to respond to regional realities, smaller-scale projects with a maximum installed capacity of 350 MW will continue to be carried out. Wind power industry partners will participate in such projects, which will be comparable to those carried out over the past 20 years. Calls for tender will continue to be the preferred approach.

Hydropower

Hydropower has always been at the core of our operations and that will continue in the coming years. In December 2024, we signed a historic non-binding agreement in principle with our neighbours in Newfoundland and Labrador, to acquire significant hydropower supplies from Labrador until 2075.

The agreement includes two components. The first covers the existing Churchill Falls generating station and stipulates that Hydro-Québec will continue to have access to the current output of this generating station for 50 years. The second stipulates that 550 MW of installed capacity will gradually be added to this generating station between 2028 and 2038, and that two new facilities will be built in Labrador—Churchill Falls 2 (1,100 MW) and Gull Island (2,250 MW)—with commissioning planned for 2034. In total, the future agreement will give us guaranteed access to 7,200 MW from Labrador, 2,400 MW more than currently, at a competitive price. When added to the 8,000 to 9,000 megawatts that we will develop in Québec, in line with our *Action Plan*, by 2035 our total additional capacity will reach 11,000 MW, making a significant contribution to Québec's energy security, decarbonization and collective wealth.

As partner or investor in the Churchill Falls 2 and Gull Island construction projects, we will seek to involve the Indigenous communities affected in these projects early on and at every step along the way, both in Labrador and Québec. Our initiatives will include exploring the possibility of economic partnerships that could generate independent revenues, in line with the principles set out in our economic reconciliation strategy.

Increasing our generation output will also involve expanding the installed capacity of our hydroelectric fleet in Québec. Our current focus is on 10 generating stations:

- Refurbishment projects are underway at Carillon and Rapide-Blanc.
- Preliminary work for the replacement of three generating units at Outardes-2 and Rapide-Blanc is almost complete, and refurbishment is slated to begin in 2025.
- Technical feasibility, economic, environmental and social studies were completed in 2024 for the following generating stations: Trenche, Jean-Lesage (Manic-2 facility) and René-Lévesque (Manic-3 facility). Detailed engineering and preparatory work will continue in 2025.
- Technical feasibility, economic, environmental and social studies are ongoing for several generating stations: Robert-Bourassa, La Grande-3, La Grande-4 and Sainte-Marguerite-3. For the last of these, the option under study is to add a third generating unit in a turbine pit built for that purpose during the generating station's original construction.

These 10 projects will provide over 2,130 MW of additional capacity by 2035.

Upgrading of the Main Transmission System

To integrate the new output and strengthen the power system so that we can meet the growth in electricity demand, in November 2024 we launched the first phase of the upgrade of our main transmission system.

This massive undertaking—the largest electricity transmission project in recent decades in Québec—represents over $10 billion in investments, will create thousands of jobs over a 10-year period and generate economic spinoffs of over $7 billion for the province. In addition to the optimization of existing facilities, the upgrade includes the construction of some 850 km of high-voltage lines (735 or 315 kilovolts (kV)), supported by some 1,600 towers, and 5 strategic substations. These facilities will be commissioned in stages between 2031 and 2036. Three priority areas have been identified—Côte-Nord, Appalaches–Bas-Saint-Laurent and Vallée du Saint-Laurent—but no line routes have yet been determined.

In line with the commitments we made following our discussions with stakeholders related to the *Action Plan 2035*, we have begun consultations about this project with the MRCs, municipalities, First Nations and interest groups in the six administrative regions likely to be affected. Our goals are to present the areas under study and the projects planned, to deepen our understanding of the host communities and gather the concerns and suggestions of local stakeholders from the outset so that we can take them into account as much as possible and to minimize the project's impact on the natural and human environments and on farms, forests and the landscape. In other words, the environmental and social acceptability of projects is at the heart of our approach.

Priority 4: Partner with First Nations and Inuit Communities

This year marked the beginning of a new era in our relations with the First Nations and Inuit of Québec. Inspired by the *United Nations Declaration on the Rights of Indigenous Peoples* and by our exchanges with some 100 representatives from Indigenous communities in the spring, our reconciliation vision has two components:

- Recognition of the repercussions of the past and resolution of associated disputes.
- Creation of partnerships to carry out the new large-scale infrastructure projects required for the success of the energy transition.

In September, we received gold-level certification in the Partnership Accreditation in Indigenous Relations (PAIR) program run by the Canadian Council for Indigenous Business.

Agreements to Recognize the Past and Prepare for the Future

We signed several agreements founded on the recognition of the past and on economic reconciliation, and agreements that lay the groundwork for a mutually beneficial relationship and collaboration in the future:

- Ayimihiituunaanuwich – ᐊᔨᒥᐦᐄᑌᑌᓇᓇᐘᐃᒡ agreement with the Grand Council of the Crees (Eeyou Istchee)/Cree Nation Government (GCC(EI)/CNG) establishing a process to jointly evaluate certain aspects of possible capacity increases at the La Grande hydroelectric complex.
- Mishta Uashat Lac-Robertson agreement with the Innu Council of Unamen Shipu to resolve the disputes related to the construction, operation and maintenance of Lac-Robertson hydroelectric generating station, in Côte-Nord, and to formalize the shared intention of the community and Hydro-Québec to maintain a long-term, mutually beneficial relationship.
- Innu Tapuetamun agreement with the Innu Council of Pakua Shipi resulting from the discussions related to the Lac-Robertson development and aiming to establish a long-term mutually beneficial relationship.
- Master agreement between the Innu First Nation of Pessamit and the Québec government for social, economical and community development, which provides for the negotiation of a nation-to-nation agreement for energy development.
- Agreement in principle with some Anishnabeg communities with a view to the settlement of disputes related to the construction and operation of Hydro-Québec facilities on the *Nitakinan* of First Nations signatories in the Outaouais and Abitibi-Témiscamingue regions, as well as the establishment of parameters of a consultation process applicable to the study of new Hydro-Québec projects on this territory.
- Pakatan agreement on training and employment with the Nutashkuan Innu First Nation to develop a local workforce by implementing tangible training and job creation initiatives within Hydro-Québec or other companies in energy related sectors.

All these agreements are founded on trust, mutual respect and a common desire build a fairer and more equitable tomorrow for future generations in the current context of the energy transition.

In April, we also signed historic agreements with the Mohawk Council of Kahnawà:ke to formalize the joint ownership of the Hertel–New York interconnection line. This is the first time a Hydro-Québec transmission asset is jointly owned with a third party or an Indigenous community.

Strategy to Strengthen Relations and Establish Economic Reconciliation

Our 2024 highlights include the publication, in December, of the *Strategy for Economic Reconciliation and to Strengthen Relations with First Nations and Inuit*. Developed in a spirit of cooperation and openness, the Strategy aims to define more concretely Hydro-Québec's commitments to Québec's Indigenous communities and ensure that they are able to participate fully, if they so wish, in the major projects of the energy transition.

The *Strategy*'s initiatives are divided into four main topics:

1. Participation and economic benefits
2. Environment, land and resources
3. Labour and employment
4. Ongoing relations and customer services

The publication of the *Strategy* is a significant milestone in the ongoing dialogue with First Nations and Inuit. The goal is to establish a common understanding and vision of our respective challenges and on that basis, drive sustainable solutions, in the best interest of Indigenous communities and Québec society.

Priority 5: Become an Agile, Innovative and Transparent Organization.

To meet the ambitious targets set out in our *Action Plan*, we need to change our ways. We must become more efficient and innovative, by harnessing the know-how we developed over the years, which has gained worldwide recognition.

The discussions we held with the public and our stakeholders in early 2024 were a first important step toward this change. They taught us that we need to listen and be receptive to understand our customers' needs, and that we need to be more open to welcome and facilitate collaboration with all the people and groups that will be called to work with us to ensure the success of the energy transition.

We took these teachings to heart and put them into practice:

- They led to the 40 or so commitments we made to improve and implement the *Action Plan*.
- They are also reflected in our *Wind Power Development Strategy*, where we define a new development model focused on the rigorous planning of power system evolution and on partnerships with First Nations and the municipal world to speed up the development of this sector.
- The consultations we launched last fall with the municipalities, MRCs, First Nations and interest groups in the regions impacted by our plan to upgrade the main transmission system are a testament to our firm belief in the importance of sharing information before projects get off the ground.
- Finally, our *Strategy for Economic Reconciliation and to Strengthen Relations with First Nations and Inuit* is a direct result of our exchanges with representatives from Indigenous communities. The strategy has already led to partnerships between First Nations and other community actors to develop wind power in three high-potential zones, and we are confident that more partnerships will follow. We also supported the creation of new study programs on the lineworker trade and the mechanics of hybrid and electric construction equipment at the vocational training centre (CFP) in Baie-James. These programs will make it easier for the people living in Nord-du-Québec's Indigenous communities to access high-quality training that will help them secure promising opportunities within Hydro-Québec or the companies working with us to achieve the energy transition.

To speed up service restoration after an outage, we changed our methods and we proactively dispatch crews to regions where extreme weather events are expected.

In addition, we are harnessing technological innovations to improve service quality. We used thermal inspections, carried out by helicopter, to scan numerous lines and identify hot spots to prevent outages. Robots and drones, including machines that were developed by our research centre, such as the LineDrone, were also used for inspections. One example is the inspection of the Grondines–Lotbinière underwater tunnel, which houses our 450-kV direct current line that runs under the Fleuve Saint-Laurent (St. Lawrence River). Thanks to the use of a robot, the inspection, which once required a five-person team and lasted a week, was completed in three hours. We are also conducting pilot projects on the use of artificial intelligence in different fields in order to increase our agility.

Finally, we created a centre of expertise, within our organization, whose mandate is to determine the best possible course of action to ensure a successful energy transition, for the benefit of all Quebecers.

Management's Discussion and Analysis

This Management's Discussion and Analysis should be read in conjunction with the consolidated financial statements of Hydro-Québec and the notes thereto. The financial information and tabular amounts presented herein are expressed in Canadian dollars, unless otherwise indicated. The consolidated financial statements take into account the decisions handed down by the Régie de l'énergie of Québec [Québec energy board] with respect to the transmission and distribution of electricity. They also reflect the provisions of *An Act to simplify the process for establishing electricity distribution rates* (S.Q. 2019, c. 27) and *An Act mainly to cap the indexation rate for Hydro-Québec domestic distribution rate prices and to further regulate the obligation to distribute electricity* (S.Q. 2023, c. 1).

This analysis, and especially the Outlook section, contains statements based on estimates and assumptions concerning future results and the course of events. Given the risks and uncertainties inherent in any forward-looking statements, Hydro-Québec's actual future results could differ from those anticipated. Finally, the information contained herein takes into account any significant event that occurred on or before February 14, 2025, the date of approval of this Annual Report by Hydro-Québec's Board of Directors.

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2024 at a Glance

NET INCOME
2024: $2,663M
2023: $3,288M

Hydro-Québec's net income totalled $2,663 million in 2024, at the top of the target range for the year, which forecast income of between $2.2 billion and $2.7 billion. This performance was achieved despite persistently low runoff and mild temperatures in Québec throughout the year, and represents a decrease of $625 million compared to the $3,288 million recorded a year earlier.

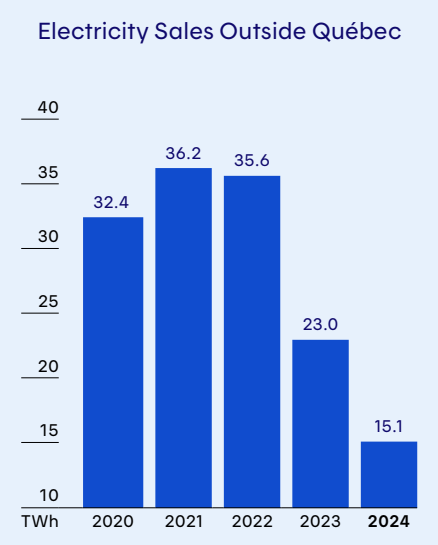
The decrease in net income is mainly due to a $866-million decline in electricity sales on markets outside Québec, attributable to a drop in export volume and the impact of the hedging strategy, which was less favourable than in 2023. In addition, operational expenditure increased by $477 million, due partly to the negative effect of the reassessment of the future costs of decommissioning Gentilly-2 nuclear facility and the growth in activities associated with the priorities of the *Action Plan 2035*. Furthermore, electricity purchases rose by $280 million due to an increase in external supply volume given the prudent management of water resources. However, the combined effect of these factors was mitigated by a $564-million increase in electricity sales in Québec.

In light of these results, Hydro-Québec will be able to pay a dividend of $2.0 billion to the Québec government, its sole shareholder.

A prolonged period of low runoff

ELECTRICITY SALES OUTSIDE QUÉBEC
2024: 15.1 TWh
2023: 23.0 TWh

The results for 2024 continue to be set against a backdrop of low runoff conditions that have persisted since last year. It should be recalled that scant snow cover in late winter 2022–2023, lower-than-usual spring runoff and modest summer and fall precipitation in northern Québec had reduced natural water inflows to the company's large reservoirs in the second half of 2023. In 2024, the trend continued, with summer and fall precipitation below normal levels. As a result, Hydro-Québec continued to take a prudent approach to managing its energy reserves and therefore limited its exports to ensure optimum use of water resources, resulting in a decline in electricity sales on external markets. These reached 15.1 TWh, a decrease of 7.9 TWh compared to 2023. However, this situation had no impact on Québec's energy supply or its long-term commitments with neighbouring markets.



A hedging strategy for sales outside Québec that continues to bear fruit

AVERAGE PRICE OBTAINED[a]
2024: 9.9¢/kWh
2023: 10.3¢/kWh

AVERAGE MARKET PRICE
2024: 7.0¢/kWh
2023: 5.2¢/kWh

Hydro-Québec continued to benefit from the deployment of its risk management strategy, implemented to reduce price volatility on energy markets through the use of derivative financial instruments. Although the impact of the hedging strategy was positive in 2024, it was less marked than in 2023. Last year, implementing this strategy had in fact enabled the company to benefit from the high forward prices in 2022 arising from the global geopolitical situation, which had a very positive impact on revenue in 2023.

a) For all markets outside Québec, including hedging effect.

Average temperatures in Québec milder than last year

EFFECT OF TEMPERATURES ON SALES IN QUÉBEC
2024: -3.9 TWh
2023: -2.7 TWh

In 2024, temperatures across Québec were milder overall than the previous year; in fact, Québec had its warmest year ever recorded for the province as a whole.

In particular, the first quarter was the mildest in 10 years, while in southern Québec, fall was the warmest on record. Since these are the quarters in which Hydro-Québec generates most of its electricity sales, any rise or fall in temperatures during these periods has a direct effect on sales volume. The milder temperatures observed in 2024 resulted in a 3.9-TWh reduction in sales in Québec compared to normal temperatures.

Electricity demand continually increasing in Québec

ELECTRICITY SALES IN QUÉBEC[a]
2024: 177.2 TWh
2023: 177.3 TWh

In Québec, normalized electricity sales, i.e., excluding the temperature effect, rose for the sixth consecutive year, totalling 181.1 TWh—a historic high—due in particular to the increase in the number of customer accounts, primarily in the residential segment, as well as in the commercial, institutional and small industrial segment. As a result, the volume of normalized electricity sales in Québec has increased by nearly 10 TWh since 2020. In the 2024 progress report on the *Electricity Supply Plan* filed with the Régie de l'énergie, Hydro-Québec stated that it anticipates strong increase in demand in all major consumption segments in the coming years, i.e., an increase of approximately 60 TWh from 2022–2035, given the growing number of initiatives aimed at decarbonizing Québec.

As a result, total sales volume, which takes into account the temperature effect and customer demand throughout the province, totalled 177.2 TWh in 2024, virtually unchanged from the previous year.

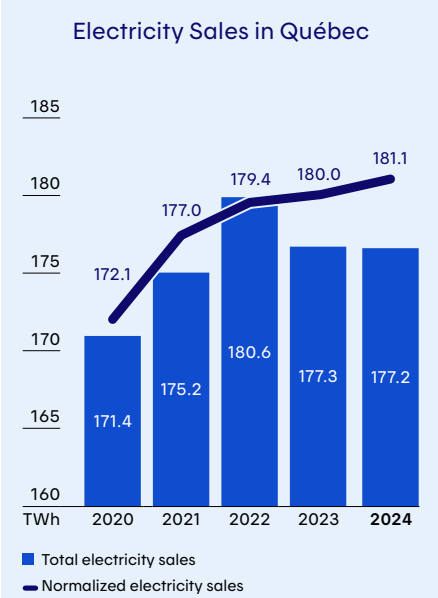
Strategic initiatives to achieve the priorities of the *Action Plan 2035 – Towards a Decarbonized and Prosperous Québec*

A long-awaited agreement in principle

In December, the governments of Québec and Newfoundland and Labrador reached a non-binding agreement in principle to renew the contract for the Churchill Falls hydroelectric generating station. This agreement, which includes adding capacity to the Churchill Falls generating station and the construction of two new generating stations, will give Québec access to 7,200 MW of renewable energy for the next 50 years at a lower cost than any other option in North America. It also aims to maintain affordable rates for Québec residents and businesses, while pursuing transparent collaboration with Indigenous communities.

A strategy with momentum

Under its *Wind Power Development Strategy* announced in May, Hydro-Québec has entered into partnerships with First Nations and local communities to develop the Chamouchouane and Nutinamu-Chauvin zones in the Saguenay–Lac-Saint-Jean region, and the Wocawson zone in the Bas-Saint-Laurent region. The projects in these three zones, with potential capacities of 3,000 MW, 1,000 MW and 1,000 MW respectively, will add to the 1,200-MW Des Neiges wind farms currently under construction in the Capitale-Nationale region. Together, these projects and those resulting from calls for tenders will play a major role in achieving the company's goal of adding 10,000 MW of wind power capacity by 2035.



Improving service quality, a corporate priority

In line with the objectives set out in the *Action Plan 2035*, Hydro-Québec has continued to allocate increasing sums to servicing and maintaining the electrical system, including in connection with the digital transformation of its activities, in an effort to optimize its processes and improve service quality. Among other things, it stepped up vegetation control around power lines by carrying out selective clearing, brush clearing, pruning and cutting down of at-risk trees near facilities. This enabled the clearing of more than 20,000 kilometres of power lines in 2024, which meets the clearance rate needed to lower the impact of vegetation growing close to the grid. The purpose of this work is to reduce the number of service interruptions caused by vegetation coming into contact with network equipment, particularly during major weather events. All these efforts, while putting upward pressure on operational expenditure, helped reduce the average number of outage minutes per customer by more than 50% compared to last year. It is important to note that in 2024, the annual average service interruption duration per customer is 20% lower than the average duration for the 2019–2023 period.

a) Including the temperature effect.

Significant increase in investments in the equipment fleet

CAPITAL EXPENDITURES
2024: $5,987M
2023: $4,898M

Also in accordance with the priorities set out in the *Action Plan 2035*, Hydro-Québec has significantly increased the funds allocated to investments in capital assets. This represents an increase of $1.1 billion over the previous year, to $6.0 billion for all of 2024. This growth of over 20% reflects the company's resolve to invest steadily in its generating, transmission and distribution facilities in order to offer customers reliable, high-quality service.

A large part of this amount, or $3.6 billion, was invested in large-scale projects aimed at ensuring the long-term operability of the company's assets, in particular to enhance grid robustness, modernize it and replace end-of-life equipment.

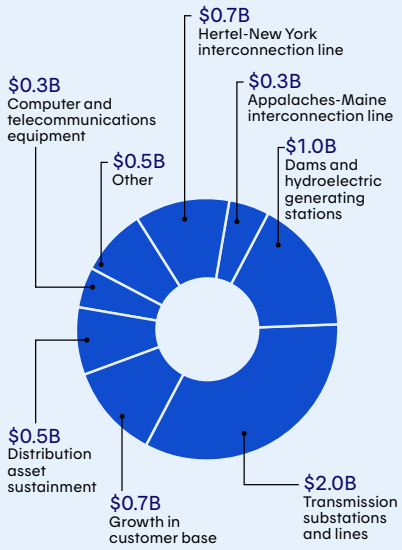
In addition, $2.4 billion was allocated to development projects to increase generation capacity, handle the growing customer base in Québec, or increase the energy exchange capacity with neighbouring markets. Ongoing projects include the construction of the Hertel–New York interconnection line, to connect with the Champlain Hudson Power Express line to deliver electricity right into New York City, as well as the deployment of a transmission line in the Chaudière-Appalaches and Estrie regions, as part of a larger project to build a new 1,200-MW interconnection between Québec and New England.

A major contribution to the Québec economy, year after year

Hydro-Québec's contribution to the Québec government's revenue for 2024 amounts to $4.0 billion. In particular, this includes the company's net income of $2.7 billion, water-power royalties, the public utilities tax, and guarantee fees related to debt securities. This contribution to the Québec economy, combined with the company's significant investments in capital assets, generates major economic spinoffs throughout the province. It therefore plays an important role in public finances, benefiting all Quebecers.

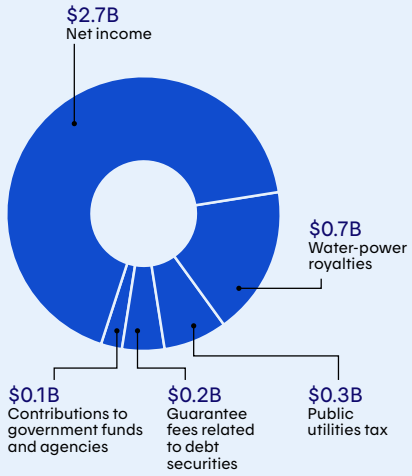
Investments in Québec in 2024

$6.0B



Hydro-Québec's Contribution to the Québec Government's Revenue for 2024

$4.0B



Consolidated Results

Net income

Hydro-Québec's net income totalled $2,663 million in 2024, a $625-million decrease compared to the $3,288 million recorded in 2023, in a context where the average price obtained on external markets had reached record levels due to the skilful deployment of the hedging strategy, which had a marked favourable effect on financial results. In 2024, mild temperatures in Québec and below-normal natural water inflows for the second year in a row contributed significantly to the decline in net income.

Revenue

Revenue totalled $16,113 million, compared to $16,086 million a year earlier. Electricity sales amounted to $15,578 million, or $302 million less than the $15,880 million recorded the previous year. This decline is attributable to a $866-million decrease in electricity sales on markets outside Québec, partially offset by a $564-million increase in sales in Québec. Other revenue from ordinary activities and revenue from other activities amounted to $535 million, an increase of $329 million compared to the $206 million recorded in 2023.

Revenue from ordinary activities

Electricity sales in Québec

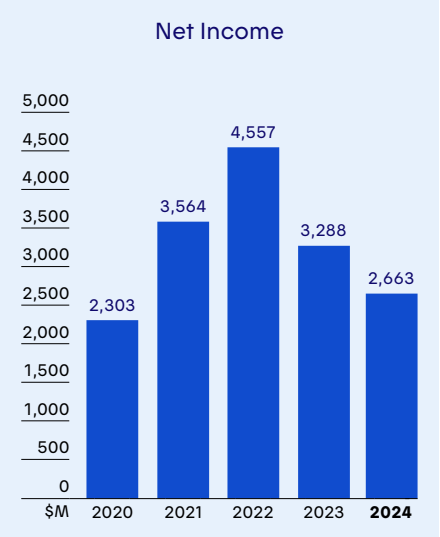
Electricity sales in Québec amounted to 177.2 TWh, virtually identical to the 177.3 TWh recorded in 2023. Nonetheless, associated revenue rose by $564 million due to the combined effect of four main factors.

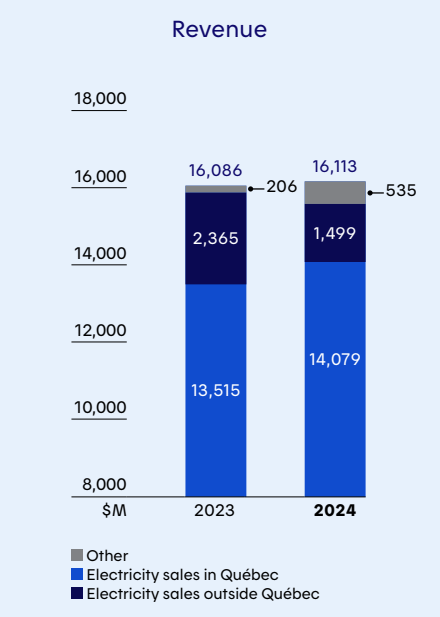
First, temperatures had a negative effect of 1.2 TWh or $107 million compared to the previous year. Overall, temperatures across Québec in 2024 were the warmest on record. For almost 90% of the days in the winter of 2023–2024, temperatures were above climate normals. The impact on electricity sales in Québec was most pronounced in the first quarter, resulting in a decrease of 1.5 TWh or $135 million. In particular, temperatures in February were on average 4°C higher than the previous year. As heating accounts for the vast majority of electricity consumption during the winter months, any rise in temperatures during this period has an unfavourable impact on the volume of electricity sales and related revenue. Conversely, temperatures in the fourth quarter were slightly colder than last year, resulting in a 0.4 TWh or $40 million increase in sales in Québec.

Second, baseload demand, including the impact of an additional day of sales on February 29 (2024 being a leap year), rose by 1.1 TWh or $118 million, mainly due to increased energy needs in the residential segment and in the commercial, institutional and small industrial segment, where demographic change led to growth in the number of customer accounts. However, this growth was mitigated by a slight downturn in demand in several business segments in the large industrial customer category.

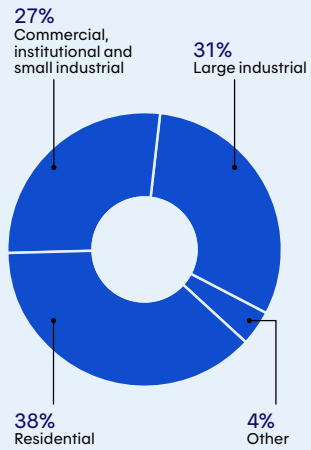
Third, the rate indexations that came into effect on April 1, 2023 and 2024, resulted in a $508-million increase in revenue. In accordance with the provisions of *An Act mainly to cap the indexation rate for Hydro-Québec domestic distribution rate prices and to further regulate the obligation to distribute electricity*, the indexation rate for domestic rates, i.e., those that apply to residential and farm customers, was capped at 3%, while rates for business customers rose by 5.1%, with the exception of the large-power industrial rate (Rate L), which increased by 3.3%.

Fourth, the increase in aluminum prices, which have an effect on revenue from some special contracts, led to a $53-million increase in revenue from electricity sales in Québec.

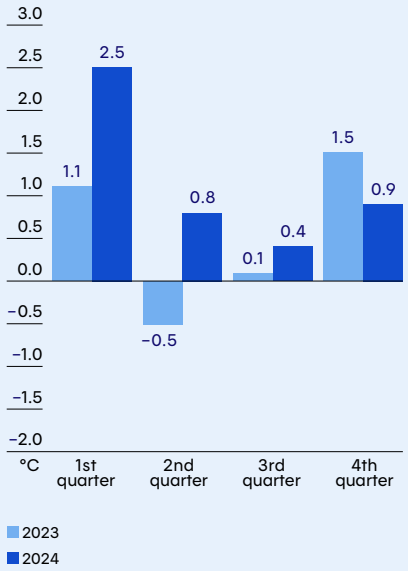




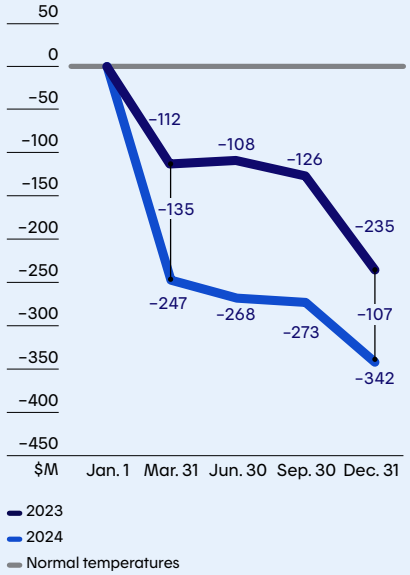
Breakdown of Electricity Sales in Québec in 2024 by Segment (TWh)



Variances in Actual Temperatures Compared to Normals – Montréal and Québec



Cumulative Impact on Electricity Sales in Québec of Actual Temperatures Compared to Normals



Electricity Sales in Québec by Segment

	Sales volume			Revenue		
	2024	2024-2023 change		**2024**	2024-2023 change	
Segment	TWh	TWh	%	$M	$M	%
Residential	**68.2**	0.1	0.1	**6,035**	183	3.1
Commercial, institutional and small industrial	**48.2**	0.6	1.3	**4,697**	291	6.6
Large industrial	**54.4**	(0.7)	(1.3)	**2,939**	87	3.1
Other	**6.4**	(0.1)	(1.5)	**408**	3	0.7
Total	**177.2**	(0.1)	(0.1)	**14,079**	564	4.2

Factors Underlying the 2024–2023 Change in Sales by Segment

	Volume effects					Price effects			**Total**
	Baseload demand		Temperatures		**Total**	Rate adjustments	Other	**Total**	
Segment	TWh	$M	TWh	$M	$M	$M	$M	$M	$M
Residential	1.1	93	(1.0)	(92)	**1**	184	(2)	**182**	**183**
Commercial, institutional and small industrial	0.7	62	(0.1)	(14)	**48**	248	(5)	**243**	**291**
Large industrial	(0.7)	(35)	–	–	**(35)**	54	68	**122**	**87**
Other	–	(2)	(0.1)	(1)	**(3)**	22	(16)	**6**	**3**
Total	1.1	118	(1.2)	(107)	**11**	508	45	**553**	**564**

Electricity sales outside Québec

Revenue from electricity sales in markets outside Québec stood at $1,499 million in 2024, a $866-million decrease from the $2,365 million recorded in 2023. This decline is due to two main factors. First, sales volumes fell by 7.9 TWh to 15.1 TWh for the year as a whole, in the context of the low runoff levels that have persisted for several months. As a result of substantially lower-than-normal natural water inflows in the major hydroelectric reservoirs of northern Québec, Hydro-Québec significantly limited its exports during the year, in an effort to prudently and proactively manage its large reservoirs. Second, the impact of the hedging strategy implemented to reduce price volatility on energy markets was less favourable in 2024 than in 2023, resulting in a drop in sales revenue on markets outside Québec. Last year, this strategy enabled the company to benefit from the high forward prices in 2022 arising from the global geopolitical situation, which had a very positive impact on revenue in the comparative period.

Other revenue from ordinary activities

Other revenue from ordinary activities amounted to $349 million, compared to $287 million in 2023. This $62-million increase is due in part to higher sales of renewable energy certificates to third parties. These certificates provide proof of exclusive ownership, granted to a third party by Hydro-Québec, of the environmental attributes associated with the use of 100% renewable energy.

Revenue from other activities

Revenue from other activities increased by $267 million compared to the previous year. This change is due to the recognition, in 2023, of a non-recurring negative adjustment of $284 million in the share of the results of Hydro-Québec's investment in Innergex énergie renouvelable inc. This adjustment was made following a comparison of the carrying value of the investment with its fair value.

Expenditure

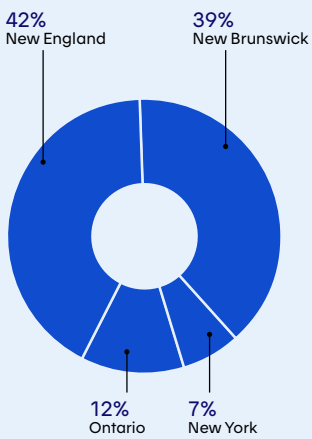
Total expenditure reached $10,990 million in 2024, compared to $10,394 million a year earlier.

Operational expenditure

Operational expenditure amounted to $4,609 million, or $477 million more than the $4,132 million recorded in 2023, the result of several factors.

On one hand, the increase is due in part to the reassessment of certain assumptions, in particular the higher estimated dismantling costs related to decommissioning obligations for the Gentilly-2 nuclear facilities. In accordance with the terms and conditions of the decommissioning licence issued by the Canadian Nuclear Safety Commission, Hydro-Québec is required to conduct a review of all costs associated with the dismantling of the facilities of this generating station on a five-year basis. These reassessments resulted in a negative variance of $146 million compared to the previous year. On the other hand, the residual negative variance of $331 million can also be explained by a number of other factors, including the expansion of activities to improve service quality and reliability, in accordance with the priorities set out in the company's *Action Plan 2035*. These activities include servicing and maintenance activities for the electrical system, vegetation control and expenditure related to digital services to meet Hydro-Québec's increased business needs and support the company's technological evolution. Lastly, the higher operational expenditure is also due to the increase in the current service cost of employee future benefit plans. The cost increased following the decrease, in late 2023, in long-term interest rates on capital markets, which determine the discount rates. This decrease in interest rates led to an increase in the present value of services rendered.

Breakdown of Sales Outside Québec in 2024 by Market (TWh)



Other components of employee future benefit cost

In the line item Other components of employee future benefit cost, a credit amount of $773 million was recognized in 2024, compared to $689 million the previous year. This variance is due to the increase in the expected rate of return on assets and the growth in the value of the Pension Plan's assets as at December 31, 2023, which had a positive impact on the amounts recognized under this item in 2024.

Electricity purchases

Electricity purchases totalled $2,925 million, an increase of $280 million compared to the $2,645 million recognized in 2023. This difference is mainly due to the increase in external supply volume as part of the prudent management of energy reserves. In particular, electricity export purchases increased by 5.7 TWh, notably due to natural water inflows well below normal in Québec for a second year in a row. The higher electricity purchases are also due to an increase in wind power supplies mainly because of higher output from contracted facilities. The output of these facilities varies based on weather conditions.

Depreciation and amortization

Depreciation and amortization expense amounted to $3,019 million, compared to $3,089 million a year earlier. This $70-million decrease is mainly attributable to the recognition, in 2023, of an expense related to Hydro-Québec's acquisition of Great River Hydro. At the end of 2023, following the rise in interest rates since the acquisition date, Hydro-Québec compared the total carrying amount of the net assets acquired with their aggregate fair value. As the fair value was found to be lower than the recorded carrying value of the net assets, a non-recurring charge of $140 million was recorded. However, this positive variance was mitigated by a $73-million increase in depreciation of property, plant and equipment and intangible assets due to the impact of new asset commissioning in 2023 and 2024, net of assets that were fully amortized during those years.

Taxes

Taxes were $1,210 million, comparable to the $1,217 million recognized in 2023. The decrease in water-power royalties resulting from lower output volumes was partially offset by the indexation of the applicable rate.

Financial expenses

Financial expenses stood at $2,460 million in 2024, a $56-million increase compared to the $2,404 million recorded the previous year. The $150-million increase in net interest on long-term debt resulting from net debt issues was partially offset by a $69-million rise in net investment income attributable to a higher average cash volume than in 2023.

Key Figures

	2024	2023
OPERATIONS AND DIVIDEND ($M)		
Revenue	**16,113**	16,086
Income before financial expenses	**5,123**	5,692
Net income	**2,663**	3,288
Dividend	**1,997**	2,466
BALANCE SHEETS ($M)		
Total assets	**99,709**	92,668
Property, plant and equipment and intangible assets	**80,055**	76,185
Long-term debt, including current portion	**60,359**	55,155
Equity	**28,707**	27,527
FINANCIAL RATIOS		
Return on equity (%)[a]	**9.6**	12.2
Capitalization (%)[b]	**32.7**	33.7
Profit margin (%)[c]	**16.5**	20.4
Interest coverage[d]	**2.03**	2.36
Self-financing (%)[e]	**37.1**	47.5

a) Net income divided by average equity for the year less average accumulated other comprehensive income for the year. The decrease in this ratio compared to 2023 is mainly attributable to the decline in net income.

b) Equity divided by the sum of equity, long-term debt, current portion of long-term debt, borrowings and derivative instrument liabilities, less derivative instrument assets and sinking fund.

c) Net income divided by revenue. The decrease in this ratio compared to 2023 is mainly attributable to the decline in net income.

d) Sum of income before financial expenses and net investment income divided by net interest on long-term debt. The decrease in this ratio compared to 2023 is mainly due to lower income before financial expenses.

e) Cash flows from operating activities less dividend paid, divided by the sum of cash flows from investing activities—excluding acquisitions and disposals of short-term investments and acquisition of sinking fund securities—and repayment of long-term debt. The decrease in this ratio compared to 2023 is mainly attributable to a $2.0-billion decrease in cash flow from operating activities, the impact of which was mitigated by a lower dividend payout.

Note: Some of the prior year's data have been reclassified to conform to the presentation adopted in the current year.

Cash and Capital Management

Operating activities

Cash flows from operating activities amounted to $5.2 billion in 2024, compared to $7.2 billion in 2023. The $2.0-billion decrease was mainly due to a $1.0-billion decline in change in non-cash working capital items, as well as a $0.6-billion drop in net income compared to last year. The cash flows were used in particular to pay the dividend for 2023 and to finance a portion of the investment program, among other things.

Investing activities

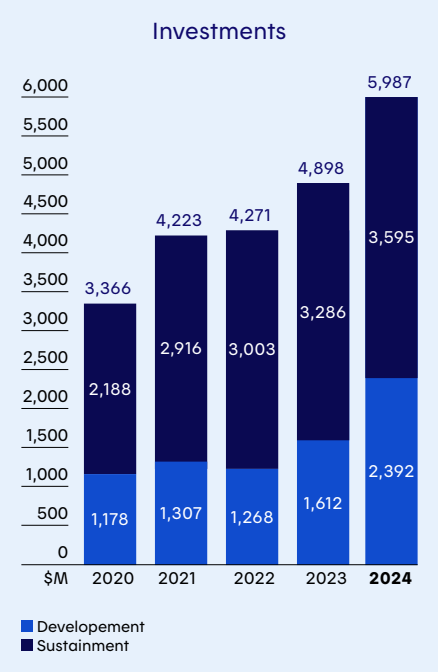
In 2024, Hydro-Québec invested $6.0 billion in property, plant and equipment and intangible assets, compared to $4.9 billion in 2023. This growth of over 20% is due to the company's resolve to invest steadily in its generating, transmission and distribution facilities in order to offer customers reliable, high-quality service, one of the priorities in the *Action Plan 2035*.

More than 60% of the amount invested in 2024 was allocated to large-scale asset sustainment initiatives, and 40% to major development projects. It should be noted that sustainment investments have significantly increased in recent years. In fact, funds allocated to sustainment in 2024 have increased by nearly two-thirds compared to five years ago.

As a result, Hydro-Québec allocated $3.6 billion to asset sustainment. In particular, it continued to invest in its generating facilities to ensure their long-term operability and maximize their output. Work is underway at the Rapide-Blanc and Carillon generating stations in the Mauricie and Laurentides regions respectively, and at the Bersimis-2 development in the Côte-Nord region. Regarding power transmission, the company continued the installation of two new converter units at Châteauguay substation in the Montérégie region, as well as modernizing equipment and systems, including the replacement of grid control systems, special protection systems and substation protections and controls, and pursued activities related to the architecture development plan for the 315-kV system on the island of Montréal. At the same time, it carried out work to optimize the operation of the distribution system and to maintain and improve the quality of its distribution assets.

Investments in development projects totalled $2.4 billion. In particular, significant funds were allocated to various projects to handle the growing customer base in Québec and increase output capacity. For example, work is underway at Outardes-2 generating station, in the Côte-Nord region, to increase its capacity. Other ongoing projects include the construction of the Hertel–New York interconnection line, to connect with the Champlain Hudson Power Express line, which will make it possible to supply New York City with electricity, as well as the deployment of a 320-kV direct-current line in the Chaudière-Appalaches and Estrie regions, as part of a larger project to build a new 1,200-MW interconnection between Québec and New England.

Hydro-Québec is also continuing its transportation electrification efforts with ongoing investments in its public charging network, the Electric Circuit, and the modernization of its vehicle fleet.



Financing activities

During the year, Hydro-Québec carried out a number of fixed-rate issues on the Canadian capital market: an issue of medium-term notes maturing in 2029, for an amount of $0.6 billion, at an average cost of 3.96%, and bond issues maturing in 2063 and 2065 for an amount of $5.2 billion, at an average cost of 4.29%.

The funds raised, in the total amount of $5.8 billion, were partly used to support a portion of the investment program and to repay maturing debt.

Sources of Financing

Type of financing	Amount authorized by the Board of Directors	Market	Outstanding as at December 31, 2024
Operating credit lines	C$ or US$1,000 million[a]		C$4.6 million
Credit facility[b]	US$2,000 million[c]		–
Commercial paper[b]	US$5,000 million or equivalent in C$	United States or Canada	–
Medium-term notes[b]	US$3,000 million or equivalent in other currencies	United States	US$177 million[d]
	C$20,000 million or equivalent in US$	Canada	C$14,695 million[d]

a) Of this amount, available balances of US$259 million, C$2 million and $451 million in Canadian or U.S. dollars are covered by operating credit line agreements with the financial institutions concerned.

b) Guaranteed by the Québec government.

c) Including a US$750-million swing loan.

d) Net proceeds from the issuance of medium-term notes.

Credit Ratings

			2024
	Commercial paper	Long-term debt	Outlook
U.S. agencies			
Moody's	**P-1**	**Aa2**	**Stable**
S&P Global Ratings	**A-1+**	**AA–**	**NA[a]**
Fitch Ratings	**F1+**	**AA–**	**Stable**
Canadian agency			
Morningstar DBRS	**R-1 (middle)**	**AA (low)**	**Stable**

a) S&P Global Ratings does not provide an outlook for Hydro-Québec's credit rating.

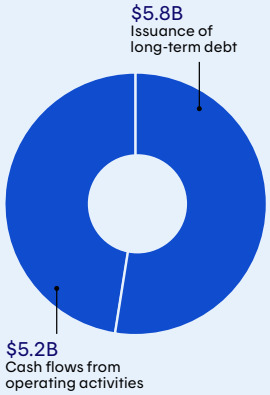
These credit ratings are identical to those in effect as at December 31, 2023.

Dividend and capitalization rate

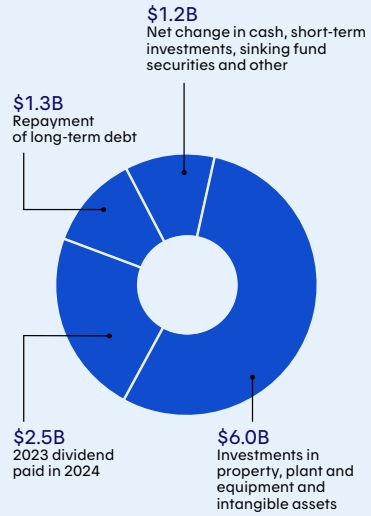
The dividend payable to the Québec government for 2024 is $1,997 million. The capitalization rate was 32.7% as at December 31, 2024.

Under the *Hydro-Québec Act* (CQLR, c. H-5), the dividend cannot exceed 75% of net income. Moreover, the Québec government may not declare, in respect of a given year, a dividend in an amount that would have the effect of reducing the capitalization rate to less than 25% at the end of the year.

Sources of Funds in 2024



Uses of Funds in 2024



Regulatory Framework

The *Act respecting the Régie de l'énergie* (CQLR, c. R-6.01) grants the Régie de l'énergie of Québec (the "Régie") exclusive authority to determine or modify the rates and conditions under which electricity is transmitted and distributed in Québec. Hydro-Québec's electricity transmission and distribution activities are therefore regulated.

Power transmission

In its role as provider of power transmission services in Québec, Hydro-Québec operates and develops one of the most extensive power transmission systems in North America. It markets system capacity and manages power flows throughout Québec, offering non-discriminatory access to its system to all market players in compliance with applicable regulatory requirements.

Rate case

In August 2024, as part of its power transmission activities, Hydro-Québec filed a rate application for the years 2023, 2024 and 2025 with the Régie de l'énergie. This application seeks the approval of revenue requirements and the setting of rates for transmission services. The Régie's decision regarding this application is expected in the first quarter of 2025.

Electricity distribution

In its role as power distributor in Québec, Hydro-Québec has the mandate to provide electricity to the Québec market and to deliver reliable power and quality services to its customers with a view to efficiency and sustainable development. In this context, it also promotes energy efficiency.

Rate-setting

Since 2019, the *Act respecting the Régie de l'énergie* has provided that rates are to be set or modified by the Régie every five years commencing on April 1, 2025, and that, in the interim, they are to be adjusted each year based on the annual change as at September 30 in the average Québec Consumer Price Index, excluding alcoholic beverages, tobacco products and recreational cannabis (average CPI). However, it authorizes Hydro-Québec to apply to the Régie, before the deadline, to modify its distribution rates if they do not allow for recovery of the cost of service. In February 2023, the National Assembly

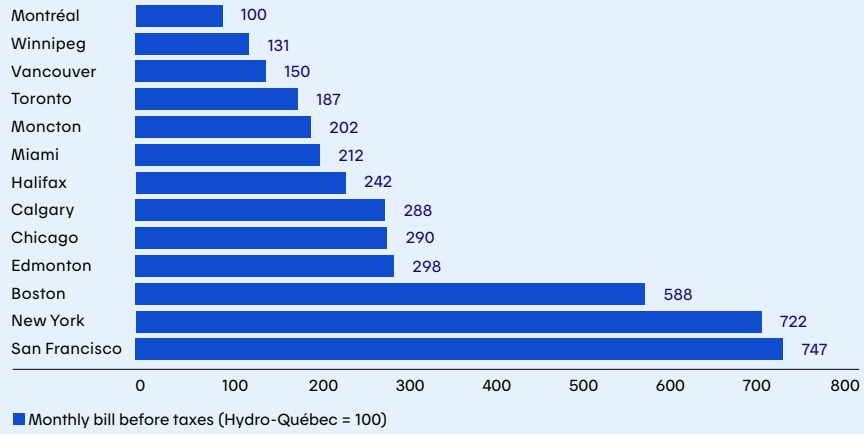
Process for Establishing Electricity Distribution Rates

2020	2021-2024	2025	2026-2029
Rate freeze	Indexation based on inflation[ab]	Régie de l'énergie to set rates based on cost of service for one year and start of new cycle	Indexation based on inflation[ab]

a) Excluding Rate L.

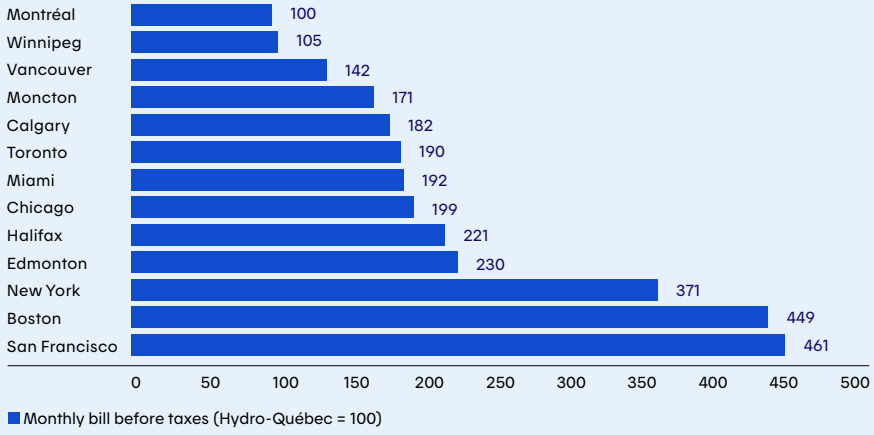
b) Based on the lesser of the average CPI and the top rate of the Bank of Canada's inflation-control range for residential rates beginning April 1, 2023, in accordance with the provisions of *An Act mainly to cap the indexation rate for Hydro-Québec domestic distribution rate prices and to further regulate the obligation to distribute electricity*.

Comparative Index of Electricity Prices for Residential Customers[a] in 2024



a) As at April 1, 2024 (for residential customers with monthly consumption of 1,000 kWh).

Comparative Index of Electricity Prices for Large-Power Customers[a] in 2024



a) As at April 1, 2024 (for large-power industrial customers with a monthly consumption of 3,060,000 kWh and a power demand of 5,000 kW).

of Québec passed *An Act mainly to cap the indexation rate for Hydro-Québec domestic distribution rate prices and to further regulate the obligation to distribute electricity* (the *"Act"*). Among other things, the *Act* stipulates that the indexation rate for residential (domestic) electricity rates will be based on the lesser of the average CPI and the top rate of the Bank of Canada's inflation-control range.

On April 1, 2024, the increase in residential rates was thus limited to 3% in accordance with the *Act*. The business customer rates were indexed at a rate of 5.1%, which is equal to the average CPI between September 30, 2022, and September 30, 2023. Rate L was increased by 3.3%.

Residential rates were increased by 3% for the rate year ended March 31, 2024. Business rates were indexed at 6.5%, while Rate L was indexed at 4.2%.

In August 2024, a rate application was filed with the Régie de l'énergie for the rates that will apply as of April 1, 2025. The increases requested are 3% for residential rates, 3.9% for business rates and 3.3% for Rate L. The Régie's decision on this application is expected in the first quarter of 2025.

Year after year, Hydro-Québec's electricity rates continue to be among the most affordable anywhere in North America.

Supplying electricity to the Québec market

In its role as power distributor, Hydro-Québec relies on several sources to supply the Québec market, mainly the heritage pool of 165 TWh. It also issues short- and long-term calls for tenders to meet the needs that are not covered by the heritage pool.

For short-term needs, it may also buy electricity directly on the market, without tendering, under an authorization granted by the Régie de l'énergie. For unexpected needs that cannot be otherwise met, it relies on a framework agreement covering the period from January 1, 2023, to December 31, 2025. The Régie approved the renewal of this agreement in December 2022.

In November 2024, Hydro-Québec filed the 2024 Progress Report on the *Electricity Supply Plan 2023–2032* with the Régie, which constitutes the second follow-up since the Plan was filed. This report provides an updated demand forecast for the Québec market, which includes Hydro-Québec's increased efforts and ambitious energy efficiency targets set out in the *Action Plan 2035*, and also outlines the events that have influenced supply planning as well as the measures taken since the first progress report filed in November 2023. To achieve its energy efficiency objectives, Hydro-Québec relies on an integrated offer based on raising awareness among customers and helping them make lasting changes in the way they use electricity, as well as on a financial assistance program that encourages the implementation of energy efficiency measures. To help reduce consumption during peak demand periods, Hydro-Québec is also planning measures to facilitate the participation and curtailment efforts of customers who have enrolled in the Demand Response Option.

Finally, in July 2021, Hydro-Québec entered into a partnership agreement with Énergir to reduce greenhouse gas emissions associated with heating residential, commercial and institutional buildings. The agreement seeks to implement a dual-energy solution combining electricity and natural gas in keeping with the *2030 Plan for a Green Economy*, which establishes the Québec government's electrification and climate change policy framework. Under this agreement, Hydro-Québec pays Énergir an annual contribution based on actual volumes of natural gas converted to electricity. The launch of the dual-energy offer for residential customers took place in June 2022, and the offer for commercial and institutional customers was launched in November 2023. In January 2024, a similar agreement was signed with Enbridge Gaz Québec. The offer is expected to be launched in the first quarter of 2025.

Legislative amendments under study

In June 2024, the bill titled *An Act to ensure the responsible governance of energy resources and to amend various legislative provisions*, which aims to adapt the regulation of the energy sector with a view, in particular, to achieving the government's objectives in terms of energy transition and decarbonization of the economy, was tabled in the National Assembly of Québec. Among other provisions, this bill calls for major changes for Hydro-Québec, including implementing an integrated energy resource management plan (IERMP), a focus on greater agility in the deployment of new generating facilities, such as the large-scale wind farms targeted by the company's *Wind Power Development Strategy*, and the facilitation of partnerships with First Nations, Inuit and municipalities for major projects.

Specifically with regard to electricity rates, the bill calls for shortening the rate review cycle from five to three years, allowing Hydro-Québec to propose new rates or change existing ones between rate reviews, developing a concept for allocating rate adjustments in order to smooth rate increases, and introducing innovative rate practices that promote greater awareness of responsible consumption habits.

The bill is currently following the various stages of the parliamentary process in the National Assembly of Québec.

Organizational Structure

The following three groups constitute the pillars that allow Hydro-Québec to carry out its mission and create value for its customers:

- Groupe – Exploitation et infrastructures
- Groupe – Activités commerciales et relations clientèle
- Groupe – Stratégie et finances

The **Groupe – Exploitation et infrastructures** is responsible for optimal infrastructure asset management as well as the design and development of the energy system in order to provide quality electricity service to meet the needs of customers. In the current context of growing demand, the Groupe is tasked with designing and developing an energy system integrating new technologies making it possible to welcome other sources of renewable energy. In addition, the Groupe oversees operations and system control, company asset management and also provides required expertise. It carries out construction and refurbishment projects, and is responsible for facility operations and maintenance work. With reliability a top priority at Hydro-Québec, the Groupe is also in charge of implementing interventions and core initiatives at the appropriate time, in particular the vegetation control program, which is among the most beneficial measures. Additionally, in support of activities related to the energy system, the Groupe ensures the implementation of efficient environmental measures and company-wide safe and healthy work environments. Lastly, it is tasked with the management and development of property assets, the vehicle fleet as well as activities related to air transportation.

The mandate of the **Groupe – Activités commerciales et relations clientèle** is to forecast Québec's electricity needs in the context of the energy transition and to manage energy supplies, including by leveraging agreements with partners. It is also responsible for commercial relationships within Québec and beyond. In addition, it aims to provide each customer with an optimal experience, and oversees the development of products and services for the customer base in Québec, particularly in terms of demand response—specifically Hilo and dynamic pricing—as well as rate options, energy efficiency programs and the Electric Circuit. It conducts these activities with a view to striking a balance between supply and demand at the lowest possible cost, while maximizing Hydro-Québec's contribution to achieving the Québec government's decarbonization and economic development objectives. It is also responsible for positioning the company's citizen brand and developing a strong corporate image, in particular to attract talented people and motivate employees, as well as to instill a sense of pride and belonging at Hydro-Québec.

The mandate of the **Groupe – Stratégie et finances** is to carry out energy and strategic planning, allocate resources, and oversee financial and risk management. In concrete terms, the Groupe is responsible for the development of the wind power sector (from overall planning to project implementation), strategic procurement and contract management, energy transactions, and commercialization strategies to promote the clean, renewable energy produced by Hydro-Québec. It forecasts energy needs and prepares energy balances over the long term. It develops business strategies and conducts strategic R&D projects, in addition to carrying out development activities and entering into partnerships as part of various projects. It also oversees all financial activities, in particular accounting activities, transactional processes, financial planning, financing activities, cash management and financial risk management as well as the company's control activities. Lastly, it also aims to maximize the return on the Pension Plan, based on a level of risk deemed acceptable.

As part of their activities, these three groups are supported by the **Groupe – Affaires corporatives, juridiques et réglementaires et gouvernance, Groupe – Affaires publiques, relations externes et communications, Groupe – Talents et développement organisationnel, Groupe – Technologies numériques** and **Groupe – Audit interne.**

Outlook

The financial outlook for 2025 presented below does not take into account two elements. The first element is the potential impacts resulting from the uncertainty related to the imposition of customs tariffs by the United States. The second is the non-binding agreement in principle reached in December 2024 between Québec and Newfoundland and Labrador regarding the renewal of the contract for the Churchill Falls hydroelectric generating station, given that steps remain to be completed before a definitive agreement is signed.

For 2025, Hydro-Québec is anticipating net income of between $2.4 and $3.0 billion. This range is primarily attributable to the fact that the company must continue to limit its exports due to the context of low runoff, which requires proactive management of energy reserves. As a result, the company will take a proactive approach in identifying opportunities to grow its profitability based on weather conditions and export markets. It will aim for the top of the target range.

The company is planning to make investments in the order of $7.2 billion in 2025, which represents an increase of 20% compared to 2024. Nearly two-thirds of the amounts invested will be used to increase the reliability and resilience of the power system to provide improved customer service. The largest projects include the addition of two converter units to Châteauguay substation to increase its interconnection capacity with the New York system, and the refurbishment work underway at Rapide-Blanc and Carillon generating stations to optimize the generating activities.

The balance of the planned investments will be dedicated to development activities to meet the growth in demand in Québec, increase Hydro-Québec's activities on neighbouring markets and support the decarbonization of the economy. Other activities include the connection of new customers to the distribution network, the completion of preparatory work on projects to increase the capacity of certain hydroelectric generating stations, including Outardes-2 generating station, and the improvement of transmission capacity via the construction of the Hertel–New York interconnection line, which will be connected to the Champlain Hudson Power Express line, and the construction of the Appalaches–Maine interconnection line, which will be connected to the New England Clean Energy Connect line.

The 2025 borrowing program is set at $5.0 billion. The funds collected will help finance the company's ongoing needs, including a large portion of the investment program.

Integrated Risk Management

For many years, Hydro-Québec has applied an integrated risk management process as part of its ongoing activities. This process is supported by various control, communication and assessment mechanisms intended to ensure dynamic monitoring of risk developments.

All groups within the company have a role to play. As part of their activities, they manage the risks to which they are exposed and reassess them on a regular basis, daily in some cases, using the tools developed by the Groupe – Stratégie et finances, among other things. This approach makes it possible to create an enterprise risk portfolio during the annual planning process. The portfolio is presented to the Board of Directors with the Business Plan, which includes a sensitivity analysis indicating the impact of certain risks on Hydro-Québec's capacity to attain its net income target.

Financial risks

In the course of its operations, Hydro-Québec carries out transactions that expose it to certain financial risks, such as market, liquidity and credit risk. The adoption of strategies that include the use of derivative instruments and systematic monitoring considerably reduces exposure to such risks and their impact on the company's results.

To manage market and credit risks, a team of specialists that is independent from the teams carrying out the transactions constantly monitors a number of indicators related to financial and energy transactions, recommends strategies and applies controls aimed at reducing risk.

Market risk

Hydro-Québec's results are subject to three main types of market risk: currency risk, interest rate risk and risk associated with energy and aluminum prices. Fluctuations in the Canadian dollar's exchange rate relative to the U.S. dollar affect revenue from sales denominated in U.S. dollars as well as the cost of U.S. dollar–denominated debt. Interest rate fluctuations affect financial expenses and pension costs. Lastly, energy price fluctuations affect revenue from wholesale markets, while aluminum price fluctuations have an impact on revenue from special contracts with certain large industrial customers in Québec.

Hydro-Québec mainly uses derivative financial instruments to manage its market risks. The purpose of this management approach is to limit the impact of risk on its results, according to strategies and criteria that are established based on its risk tolerance. In addition, market risk over the medium and long term is mitigated by the offsetting effect between the impact of a general increase or decrease in interest rates on financial expenses, on one hand, and the impact of such an increase or decrease on pension costs, on the other.

Hydro-Québec's pension costs are also subject to the risk of fluctuation in the fair value of investments held in the Pension Fund portfolio. To manage this risk, the company relies on asset diversification and on investment management strategies that include the use of derivatives.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. This type of risk may arise from difficulties accessing sources of financing to carry out its investment program.

Hydro-Québec's liquidity risk is mitigated by several factors, including substantial cash flows from operating activities, access to a preauthorized standby credit facility and a diversified portfolio of highly liquid financial instruments.

Integrated Risk Management Process

	Annually	Semi-annually
Groups	• Identification of each group's risks • Update of the list of each group's risks to be included in the enterprise risk portfolio	Report on the monitoring of each group's risks included in the enterprise risk portfolio (certain risks may be monitored on a quarterly basis where deemed appropriate)
Management Committee (or the Executive Vice President – Strategy and Finance acting as Chief Risk Officer)	Review of the enterprise risk portfolio, the major risk map and the probability of attaining the net income target	Review of the semi-annual consolidated report on the monitoring of the enterprise risk portfolio
Board of Directors	**Audit Committee** Analysis of the integrated risk management process, the enterprise risk portfolio and the major risk map **Investments and Major Projects Committee** Analysis of the Business Plan and the probability of attaining the net income target **Board of Directors** Review of the Business Plan and the probability of attaining the net income target	

Credit risk

Credit risk is the risk that a counterparty may not meet its contractual obligations.

Hydro-Québec is exposed to credit risk related to receivables through ongoing electricity sales both inside and outside Québec.

It is also exposed to credit risk related to the cash equivalents, short-term investments and derivative instruments it trades with financial institutions and other issuers and, to a lesser extent, with North American energy companies. These derivative instruments are associated with power purchase agreements it concludes to supply the Québec market and with energy transactions on markets outside Québec.

Exposure to credit risk is reduced by putting in place frameworks and limits related to risk concentration and counterparty exposure. To ensure compliance with such limits and frameworks, Hydro-Québec takes a proactive approach based on various controls and monitoring reports. These enable it to react quickly to any event that could have an impact on the financial position of its counterparties. In addition, the company generally does business with counterparties that have a high credit rating. It also enters into agreements to keep the market value of the main derivative instrument portfolios below a predetermined threshold.

Regulatory risks

Hydro-Québec is exposed to regulatory risks because, under the *Act respecting the Régie de l'énergie*, its electricity transmission and distribution operations are regulated. The decisions handed down by the Régie de l'énergie may therefore affect the results associated with these activities. In particular, the *Act* stipulates that rates are determined on a basis that allows for recovery of the cost of service and provides a reasonable return on the rate base.

However, *An Act to simplify the process for establishing electricity distribution rates*, which came into force in 2019, put an end to the regulatory practice whereby any variance between the actual amounts of certain items, in particular revenue variances related to weather conditions and variances related to the cost of electricity supplies, and the amounts forecast in the rate filings, which were based on climate normals and recognized by the Régie for rate-setting purposes, could later be factored into the rates. As a result, Hydro-Québec is now exposed to the risks associated with these items, which were formerly covered by variance and deferral accounts. Since 2021, however, these risks have been partially offset by the annual indexation of the distribution rates.

Various means have been put in place in an attempt to reduce the impact of risk on the revenue and expenditure related to regulated activities. These measures include submitting complete and well-argued files to the Régie and maintaining a constructive dialogue with the Régie and the intervenors, particularly during working sessions.

Operational risks

Managing an electric power system like Hydro-Québec's poses many technical challenges associated with the aging of the equipment, technological progress and changing customer needs, particularly in the context of the energy transition. The company must make informed decisions to plan its short- and long-term investments.

Generation activities

One of the principal uncertainties related to generation activities relates to natural water inflows. Hydro-Québec must maintain sufficient energy reserves to meet its commitment to supply an annual base volume of up to 165 TWh of heritage pool electricity while still fulfilling its contractual obligations. In concrete terms, this means being able to cover a natural inflow deficit of 64 TWh over two consecutive years, and 98 TWh over four consecutive years. To manage this risk, the company relies on several mitigation measures that it adheres to rigorously. It manages its reservoir storage on a multiyear basis and maintains an adequate margin between commitments and generating capacity. This margin allows it to compensate for variations in runoff, replenish its reserves or take advantage of business opportunities. It regularly reports to the Régie de l'énergie on its generating capacity and its energy reserve.

Moreover, Hydro-Québec operates many generating stations and control structures in southern Québec, particularly on the Rivière Saint-Maurice, the Rivière des Outaouais (Ottawa River) and the Fleuve Saint-Laurent (St. Lawrence River), along which a number of urban centres and other agglomerations are located. These rivers experience major spring flooding. To reduce the impact of flooding on communities, Hydro-Québec plans ahead and manages its facilities in such a way as to maximize public safety, by carrying out rigorous monitoring and by working closely with the authorities. For example, various reservoirs are used to limit the risk of flooding. The company also holds numerous information sessions each year to educate the public about the key role that its reservoirs and control structures play in managing floods.

Temperature variations, low runoff and the difference between actual demand on the Québec market and projections represent other elements of risk, as these factors impact energy sales in Québec and the volume available for export.

Transmission activities

Several factors, such as extreme weather events and equipment failure, may cause service interruptions or result in the unavailability of part of the transmission system. The multifaceted strategy adopted by Hydro-Québec to prevent these problems includes compliance with the standards of the North American Electric Reliability Corporation (NERC) as well as various measures to maintain and reinforce its power system in order to ensure that assets continue to operate smoothly throughout their useful lives. It is worth noting in this regard that the Direction principale – Contrôle des mouvements d'énergie et exploitation des réseaux of the Groupe – Exploitation et infrastructures serves as the Reliability Coordinator for transmission systems in Québec, a role it was assigned by the Régie de l'énergie in 2007.

Hydro-Québec must ensure adequate transmission capacity to supply the company's distribution system and the facilities of other customers, as well as transmission system security and reliability. To do so, it applies optimal management of the annual peak load and invests in modernizing its transmission

facilities based on an asset management model. It has also undertaken major projects to replace the grid control systems, special protection systems and substation protections and controls.

Distribution activities

The continuity of the electricity distribution service is a critical issue for Hydro-Québec. However, as climate change becomes apparent around the world, it is also having a very real impact on its power grid and on the daily activities of its customers due to the power outages that come with it, among other things. That is why the company is planning to increase investments in its power grid to offer reliable, high-quality service at an affordable price.

Hydro-Québec deals at all times with demand fluctuations (in normal weather conditions) that result from the economic and energy-related situation and that impact its results. Since *An Act to simplify the process for establishing electricity distribution rates* came into force, the company has also been exposed to risks associated with weather conditions, namely revenue variances related to temperature fluctuations and variances in electricity supply costs. To limit the impact of all these risks, it constantly fine-tunes its method of forecasting electricity demand.

Export activities

In addition to runoff and temperature uncertainties, export activities on wholesale markets are subject to market risk and the risk of unavailability of generating and transmission equipment. Market risk is the result of fluctuations in energy prices on markets outside Québec. It is mitigated by the ongoing monitoring of trends on wholesale markets and the use of hedging derivatives. The risk of unavailability of equipment is mitigated through the implementation of maintenance and upgrade programs.

The risks related to export activities are quantified in an integrated fashion by a team of specialists that is independent from the team carrying out the transactions. This team sees to the application of controls, submits daily reports to the managers who oversee these activities and ensures compliance with the limits approved by Management and the Board of Directors.

Construction activities

Pressure on construction project costs is a risk to which Hydro-Québec is constantly exposed. This pressure stems from such factors as a labour shortage due in part to the boom in Québec's construction industry, the increase in prices for certain materials and products, as well as various factors affecting project schedules (issues such as late deliveries, poor quality and work stoppages).

To meet its commitments and continue to apply high safety and quality standards, the company implemented a number of measures to reduce its exposure to risk. For instance, teams analyze health and safety risks and then develop integrated solutions to eliminate or mitigate these risks in the early stages of engineering. In addition, the company closely monitors project schedules, costs, accidents and risks specific to each project or key deliverable, an approach that enables it to ensure that projects are progressing as planned and to take any necessary corrective action. Hydro-Québec also maintains ongoing relations with the relevant organizations and government departments to stay abreast of future amendments to laws and regulations that could affect its activities. Finally, it monitors markets and develops strategies to foster competition, increase its attractiveness (as a customer), ensure the sustainability of supplies and maintain expertise in its markets. It also adjusts its project completion strategies based on economic conditions, in consultation with its partners.

Corporate and other activities

Occupational health and safety

Hydro-Québec continues to implement game-changing tools to improve its occupational health and safety (OHS) performance in order to protect all staff members and suppliers. In particular, its aim is for the prevention of health-related risks, including psychological risks, to be an integral part of health and safety activities. Despite all the measures taken, a staff member sadly died in 2024 as a result of electrocution, as did an employee of a contractor hired to carry out projects and activities. These tragic events are a reminder that hazards are pervasive, and that daily health and safety efforts are of paramount importance.

The company continues to take concrete steps to control the main hazards in order to prevent potentially serious incidents, both in day-to-day operations and on construction projects. It relies on the leadership of its field crews, and continuously monitors the control of hazards through inspections and other prevention activities. It prioritizes the principal identified hazards and has established clear, consistent requirements for these hazards, and supports its suppliers to help them fulfill their OHS role. Given the high rate of workforce turnover, new worker orientation, qualification and support are a very high priority.

Health and safety performance indicators continue to be monitored in dashboards and performance reviews. As required, new indicators are measured, in line with the control of the principal hazards.

Safety of personnel and assets and protection of reputation and revenue

Hydro-Québec is committed to ensuring the safety of all assets needed to carry out its mission, as well as that of its employees and the public, and to protecting its reputation and revenue.

To provide optimum protection, Hydro-Québec fosters a culture focused on safety, in order to increase public and employee awareness of good habits to secure assets and reduce electricity-related hazards (vegetation control, clearance standards from power lines, etc.). This culture also enables it to anticipate, evaluate, monitor and prevent risks and threats, as well as to implement adapted measures in line with best practices, and to respond effectively in the event of incidents and attempts that cause harm, damage or threat to individuals, assets, revenue or reputation in order to limit impacts, in compliance with legal, regulatory and contractual safety requirements.

In particular, it ensures that patrols are carried out on a daily basis to ensure effective surveillance. In addition, it secures its buildings and facilities in accordance with established standards, and maintains protective equipment and mechanisms. It also oversees the development and sustainability of technology security systems.

Concerning protection of reputation and revenue, the company pays particular attention to electricity theft, fraud, intellectual property infringement and possible attacks on the grid. To counter these risks, it relies on a series of measures, including an analytical method for detecting electricity theft, the creation of a team dedicated to investigating collusion, corruption, fraud and economic integrity, the proactive verification of security risks, as well as continued active surveillance in collaboration with its partners. To mitigate the risk of damage to its reputation in relation to the establishment of a business relationship with an external company or partner, Hydro-Québec carries out risk assessments and verifications when necessary.

Security of digital technologies
Cybersecurity is a key concern for Hydro-Québec. To manage this issue, it relies on a multidisciplinary team that works closely with a network of external collaborators. These stakeholders analyze risks, protect the work environment, identify incidents and implement solutions.

The cybersecurity program that was developed and the measures taken are based on industry best practices and the recommendations of government security and intelligence agencies. The company monitors the evolution of external threats, compares its situation with that of its peers, carries out incident simulations to improve its resilience and ensures compliance with applicable regulatory and legal frameworks. It regularly assesses the mitigation measures in place and deploys new strategies based on changes in the business environment and emerging trends. Specifically, the current program is based on the following orientations:

- increasing cybersecurity for operational technologies
- strengthening the protection of information (including personal information)
- integrating new capabilities using modern technological tools and data
- improving the measurement and communication of cybersecurity risks
- creating a cybersecurity culture at all levels

Lastly, the cybersecurity coordinator frequently reports on the company's main risks and actions to members of the Management Committee and the Board of Directors.

Growth in demand
In line with decarbonizing the economy, Hydro-Québec is called on to play a central role in the electrification of Québec and intends to leverage its expertise in clean, renewable energy to contribute to the continuing reduction of the use of fossil fuels. The energy transition presents its own unique challenges, such as the tightening of energy and capacity balances, the increased investments required to meet the increase in demand and the need to use energy wisely. To this end, the company is looking to its *Action Plan 2035*, which aims to reduce greenhouse gases, meet expected growth in electricity demand and offer customers a simpler, more reliable and more affordable service.

Environment
Every year, Hydro-Québec reviews its identification of environmental risks and opportunities using its ISO 14001:2015-certified environmental management system. It thereby seeks to better control the impact of its operations and projects on biophysical and human environments and to maximize the positive environmental spin-offs of its presence throughout Québec.

Climate change
The nature of Hydro-Québec's activities, namely the generation, transmission and distribution of hydroelectric power, means that the company is exposed to the effects of climate change. An unforeseen extreme weather event that impacts the generation, transmission or distribution assets could significantly reduce the capacity to supply energy within and outside Québec, and could result in substantial increases in costs to replace damaged assets. In 2022, Hydro-Québec released its first *Climate Change Action Plan*, which sets out measures to take into account the impact of climate change in the design and operation of facilities, to limit the impact of outages and to ensure compliance with the highest standards of worker health and safety. These measures contribute to achieving the objectives of the *Action Plan 2035*, in particular to increase system reliability and further develop the network in light of climate change. In 2024, the focus was on developing the process for updating the *Climate Change Action Plan*.

Uncertainty relative to the imposition of tariffs by the United States

The United States is considering imposing tariffs on Canadian products if Canada does not meet certain conditions. In addition, the U.S. administration intends to apply tariffs on all steel and aluminum products imported from all countries, without exception, beginning in March 2025. Management is closely monitoring the situation to assess potential impacts, such as supply chain disruption, as well as economic instability that could impact electricity demand and future company investments. If these tariffs come into effect, Management will actively work to adapt its strategies to mitigate the impacts on the activities of Hydro-Québec.

MANAGEMENT'S REPORT ON FINANCIAL INFORMATION

Hydro-Québec's consolidated financial statements and all the information contained in this Annual Report are the responsibility of Management and are approved by the Board of Directors. The consolidated financial statements have been prepared by Management in accordance with United States generally accepted accounting principles and take into account the decisions handed down by the Régie de l'énergie of Québec with respect to the transmission and distribution of electricity. They include amounts determined based on Management's best estimates and judgment. Financial information presented elsewhere in the Annual Report is consistent with the information provided in the consolidated financial statements.

Management maintains an internal control system whose objective is to provide reasonable assurance that financial information is relevant and reliable and that Hydro-Québec's assets are appropriately recorded and safeguarded. In particular, this system includes Hydro-Québec's policies and directives, as well as the Code of Ethics applicable to all Hydro-Québec employees, which aim to ensure the proper management of resources and the orderly conduct of business, in compliance with the applicable laws and regulations. The controls relating to financial information are subject to an evaluation by a team that supports Management. The goal of this evaluation is to ensure the proper functioning of the controls. An internal audit process also assists in establishing that the controls exercised by the business in its activities are sufficient and effective. Recommendations ensuing from this process are submitted to Management and the Audit Committee.

The Board of Directors approves the corporate governance rules. It assumes its responsibility for the consolidated financial statements through its Audit Committee, composed solely of independent directors, who do not hold full-time positions within Hydro-Québec or in one of its subsidiaries. The Audit Committee is responsible for recommending the consolidated financial statements to the Board of Directors for approval. The Audit Committee meets with Management, the independent auditors and the Vice President – Internal Audit to discuss the results of their audits and the resulting findings with respect to the integrity and the quality of Hydro-Québec's financial reporting as well as its internal control system. The independent auditors and the Vice President – Internal Audit have full and unrestricted access to the Audit Committee, with or without Management present.

The 2024 and 2023 consolidated financial statements have been audited jointly by the Auditor General of Québec, KPMG LLP and Ernst & Young LLP.

/s/ Manon Brouillette
Chair of the Board

/s/ Michael Sabia
President and Chief Executive Officer

/s/ Jean-Hugues Lafleur
Executive Vice President and Chief Financial Officer

Montréal, Québec
February 14, 2025

INDEPENDENT AUDITORS' REPORT

To the Minister of Finance

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Hydro-Québec and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2024 and 2023, and the consolidated statements of operations, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024 and 2023, and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with United States generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit adressed the key audit matter
Capitalization of labour costs to property, plant and equipment	
Description of the matter As discussed in notes 1 and 9 to the consolidated financial statements, property, plant and equipment are carried at cost, which comprises the cost of materials and labour, other costs directly related to projects that meet capitalization criteria, as well as financial expenses capitalized during construction. Maintenance and repair costs are recognized in results when incurred. **Why the matter is a key audit matter** Given the magnitude and volume of capitalized self-build projects to which a number of employees are assigned, we made significant efforts in conducting our audit procedures regarding the Group's determination of the portion of labour costs directly attributable to projects that meet the capitalization criteria. Accordingly, we identified the capitalization of labour costs to property, plant and equipment as a key audit matter.	Our audit procedures conducted to address this key audit matter included the following: • We obtained an understanding, evaluated the design and tested the operating effectiveness of key controls over the process for capitalizing labour costs to property, plant and equipment; • For a selection of hours capitalized in projects, we discussed with the managers responsible the hours capitalized and the nature of the project; • For a sample of capitalized labour costs, we compared the number of hours spent by an employee to the number of hours charged to this project in the approved time sheet; • For a selection of capitalized projects, we investigated certain variances between the actual capitalized costs and the approved budgeted costs by examining the supporting documents.

Key audit matter	How our audit adressed the key audit matter
Determining the projected benefit obligation of the pension plan	
Description of the matter As stated in notes 1 and 17 to the consolidated financial statements, projected benefit obligation of the pension plan amounted to $25,443 million as at December 31, 2024. The projected pension obligation of the pension plan is calculated according to the projected benefit method prorated on years of service. The calculation is based on Management's best estimates, including the following significant assumptions: discount rate, salary escalation, mortality rate and employee retirement age. **Why the matter is a key audit matter** Given the magnitude and sensitivity of the Group's calculation of the pension plan's projected benefit obligation to minor changes in certain significant assumptions, significant judgments on our part and specialized actuarial expertise and knowledge were required to assess the results of our audit procedures with respect to Management's material assumptions. Accordingly, we identified the determination of the projected benefit obligation of the pension plan as a key audit matter.	Our audit procedures conducted to address this key audit matter included the following: • We compared a selection of data used by actuarial experts chosen by Management to the Group's records. • We assessed the appropriateness of significant assumptions by assessing in particular: - The salary escalation rate compared with historical data and collective agreements; - Employee retirement age compared with historical data. • We involved our actuarial professionals with specialized skills and knowledge to help us assess: - The method used to determine the discount rate and its calculation, by comparing the discount rate with the published external rates; - The adjustments made by the Group to the published Canadian mortality table based on historical plan data; - Appropriateness of the Group's actuarial model.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained the Annual Report prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. GAAP, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by the *Auditor General Act* (CQLR, c. V-5.01), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

The engagement partners from KPMG LLP and from Ernst & Young LLP on the audit resulting in this independent auditors' report are respectively Philippe Grubert and Martine Quintal.

On behalf of the Auditor General of Québec,

/s/ KPMG LLP[1]

/s/ Ernst & Young LLP[2]

/s/ Patrick Dubuc, CPA auditor
Assistant Auditor General

Montréal, Québec
February 14, 2025

[1] CPA auditor, public accountancy permit No. A120220
[2] CPA auditor, public accountancy permit No. A112005

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Operations

Years ended December 31 In millions of Canadian dollars	Notes	2024	2023
Revenue	5	**16,113**	16,086
Expenditure			
Operations		**4,609**	4,132
Other components of employee future benefit cost	17	**(773)**	(689)
Electricity purchases		**2,925**	2,645
Depreciation and amortization	4, 9	**3,019**	3,089
Taxes	6	**1,210**	1,217
		10,990	10,394
Income before financial expenses		**5,123**	5,692
Financial expenses	7	**2,460**	2,404
Net income		**2,663**	3,288

Consolidated Statements of Comprehensive Income

Years ended December 31 In millions of Canadian dollars	Notes	2024	2023
Net income		**2,663**	3,288
Other comprehensive income	15		
Net change in items designated as cash flow hedges	14	**(185)**	488
Net change in translation differences		**185**	(23)
Net change in items designated as net investment hedges	14	**(163)**	26
Net change in employee future benefits	17	**695**	(665)
Other		**(18)**	2
		514	(172)
Comprehensive income		**3,177**	3,116

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Balance Sheets

As at December 31 In millions of Canadian dollars	Notes	2024	2023
ASSETS			
Current assets			
Cash and cash equivalents		**3,846**	2,111
Short-term investments		**76**	1,206
Accounts receivable and other assets	8	**3,953**	3,767
		7,875	7,084
Property, plant and equipment and intangible assets	9	**80,055**	76,185
Regulatory assets	3	**1,277**	1,819
Employee future benefit assets	17	**6,888**	4,656
Other assets	10	**3,614**	2,924
		99,709	92,668
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	11	**4,424**	4,134
Dividend payable	15	**1,997**	2,466
Current portion of long-term debt	12	**121**	1,416
		6,542	8,016
Long-term debt	12	**60,238**	53,739
Employee future benefit liabilities	17	**1,230**	1,275
Other liabilities	13	**2,992**	2,111
		71,002	65,141
EQUITY	15		
Share capital		**4,374**	4,374
Retained earnings		**23,576**	22,910
Accumulated other comprehensive income		**757**	243
		28,707	27,527
		99,709	92,668
Commitments and contingencies	18		

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board of Directors,

/s/ Geneviève Brouillette
Chair of the Audit Committee

/s/ Manon Brouillette
Chair of the Board

Consolidated Statements of Changes in Equity

Years ended December 31 In millions of Canadian dollars	Note	Share capital	Retained earnings	Accumulated other comprehensive income	Total equity
Balance as at December 31, 2023		**4,374**	**22,910**	**243**	**27,527**
Net income			**2,663**		**2,663**
Other comprehensive income	15			**514**	**514**
Dividend	15		**(1,997)**		**(1,997)**
Balance as at December 31, 2024		**4,374**	**23,576**	**757**	**28,707**
Balance as at December 31, 2022		4,374	22,088	415	26,877
Net income			3,288		3,288
Other comprehensive income	15			(172)	(172)
Dividend	15		(2,466)		(2,466)
Balance as at December 31, 2023		4,374	22,910	243	27,527

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31 In millions of Canadian dollars	Notes	2024	2023
Operating activities			
Net income		**2,663**	3,288
Adjustments to determine net cash flows from operating activities			
Depreciation and amortization		**3,019**	3,089
Deficit of net cost recognized with respect to amounts paid for employee future benefits		**(421)**	(452)
Other		**636**	637
Regulatory assets and liabilities		**(492)**	(173)
Change in non-cash working capital items	16	**(203)**	814
		5,202	7,203
Investing activities			
Additions to property, plant and equipment and intangible assets		**(5,987)**	(4,898)
Acquisition of a company, net of cash acquired	4	**–**	(2,019)
Acquisition of short-term investments		**(2,241)**	(5,218)
Acquisition of sinking fund securities		**(555)**	–
Disposal of short-term investments		**3,349**	6,028
Other		**(62)**	58
		(5,496)	(6,049)
Financing activities			
Issuance of long-term debt		**5,787**	3,872
Repayment of long-term debt		**(1,323)**	(1,102)
Cash receipts arising from credit risk management		**2,559**	3,513
Cash payments arising from credit risk management		**(2,590)**	(3,670)
Dividend paid		**(2,466)**	(3,418)
Other		**17**	9
		1,984	(796)
Foreign currency effect on cash and cash equivalents		**45**	(20)
Net change in cash and cash equivalents		**1,735**	338
Cash and cash equivalents, beginning of year		**2,111**	1,773
Cash and cash equivalents, end of year		**3,846**	2,111
Supplementary cash flow information	16		

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2024, and 2023

Amounts in tables are in millions of Canadian dollars, unless otherwise indicated.

Hydro-Québec was established under the Hydro-Québec Act (CQLR, c. H-5). Its mission is to provide reliable electric power to the Québec market by using primarily clean and renewable sources of energy and operating an integrated electricity generation, transmission and distribution system. It also exports electricity to neighbouring markets in Canada and the United States. As a government corporation, Hydro-Québec is exempt from paying income taxes in Canada.

Note 1 – Significant Accounting Policies

Hydro-Québec's consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP").

Management has reviewed events occurring until February 14, 2025, the date of approval of these consolidated financial statements by the Board of Directors, to determine whether circumstances warranted consideration of events subsequent to the balance sheet date.

Regulation

The *Act respecting the Régie de l'énergie* (CQLR, c. R-6.01) grants the Régie de l'énergie of Québec (the "Régie") exclusive authority to determine or modify the rates and conditions under which electricity is transmitted and distributed by Hydro-Québec. Hydro-Québec's electricity transmission and distribution activities in Québec are therefore regulated. Under this legislation, rates are to be set on a basis that allows for recovery of the cost of service and provides a reasonable return on the rate base.

Since the end of performance-based regulation (PBR) in 2022, power transmission rates have been set using a cost-of-service method. In decisions D-2022-157 of December 21, 2022, and D-2024-006 of January 26, 2024, the Régie authorized the provisional renewal, effective January 1, 2023, and January 1, 2024, respectively, of Hydro-Québec's power transmission rates applicable in 2022. In decision D-2024-081, of August 2, 2024, the Régie deemed it appropriate that the transmission rates for the years 2023, 2024 and 2025 be set simultaneously.

The electricity distribution rates are governed by *An Act to simplify the process for establishing electricity distribution rates* (S.Q. 2019, c. 27). This Act, which came into force in December 2019, effectively amended the *Act respecting the Régie de l'énergie*. In particular, it specifies that electricity distribution rates are to be set by the Régie every five years commencing on April 1, 2025, and that, in the interim, they be adjusted each year based on the annual change in the average Québec Consumer Price Index. More specifically, the indexation rate for residential (domestic) electricity rates has been capped at the top rate of the Bank of Canada's inflation-control range since the coming into force in February 2023 of *An Act mainly to cap the indexation rate for Hydro-Québec domestic distribution rate prices and to further regulate the obligation to distribute electricity* (S.Q. 2023, c. 1). Lastly, the *Act to simplify the process for establishing electricity distribution rates* authorizes Hydro-Québec to apply to the Régie, before the deadline, to modify its electricity distribution rates if they do not allow for recovery of the cost of service.

Under U.S. GAAP, it is acknowledged that rate regulation may affect the timing of the recognition of certain transactions in the consolidated results, giving rise to the recognition of regulatory assets and liabilities.

When certain costs incurred may likely be recovered in future rates, such costs are deferred and recognized as assets. However, if it is probable that Hydro-Québec will be required to reimburse customers, or when costs that will be incurred in the future have been recovered, a liability is recognized. The balances of these assets and liabilities are amortized over the recovery periods approved by the Régie.

The risks and uncertainties related to regulatory assets and liabilities are monitored and assessed from time to time. When Hydro-Québec deems that the net carrying amount of a regulatory asset or liability is no longer likely to be taken into account in determining future rates, a loss or gain is recognized in the results for the period during which the judgment is made.

Scope of consolidation

The consolidated financial statements include the accounts of Hydro-Québec and its subsidiaries. All intercompany balances and transactions are eliminated at the time of consolidation.

Investments over which Hydro-Québec has joint control or significant influence are accounted for on an equity method basis in other assets. These investments are initially recognized at cost, and their carrying amount is subsequently increased or decreased by an amount equal to Hydro-Québec's share of the changes in their net assets after the date of acquisition. Hydro-Québec's share of the results of these investments is recognized in revenue from other activities. Dividends received from investees reduce the carrying amount of the investments.

Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires that Management make estimates and assumptions that affect the amounts recognized as assets and liabilities, the disclosures regarding contingent assets and liabilities at the date of the consolidated financial statements and the amounts recognized as revenue and expenditure for the years at issue. The estimates relate, among other things, to the carrying amount of regulatory assets; fair value measurements of financial instruments; as well as the useful life of property, plant and equipment and intangible assets for calculating the depreciation and amortization expense. They also concern cash flows, the expected timing of payments, and the discount rates used to determine asset retirement obligations and employee future benefit obligations, which are based on different economic and actuarial assumptions. Actual results could differ from those estimates and such differences could be significant.

Note 1 – Significant Accounting Policies (continued)

Revenue

Substantially all revenue from ordinary activities is derived from electricity sales contracts with customers. These sales are recognized over time, based on the electricity delivered and the amount that Hydro-Québec is entitled to charge in accordance with regulated rates or contractual provisions.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date, whereas non-monetary items denominated in foreign currencies are translated at the historical exchange rate. Revenue and expenditure arising from foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the transaction date. The exchange gains or losses resulting from the translation of monetary items are included in results.

The financial statements of foreign operations whose functional currency is not the Canadian dollar are translated according to the current rate method. Under this method, assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date, whereas revenue and expenditure are translated at the average exchange rate in effect during the period. The exchange gains or losses resulting from the translation of the financial statements of these foreign operations are presented in Other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include investments with a maturity of three months or less from the date of acquisition.

Short-term investments

Short-term investments consist of money market instruments mainly issued by Canadian provincial governments and Canadian banks with a maturity of more than three months from the date of acquisition. As at December 31, 2024 all the counterparties with which Hydro-Québec dealt had a credit rating of A or higher. These investments are classified as available-for-sale debt securities, and are recognized at fair value. Changes in fair value are recorded in Other comprehensive income until they are realized, at which time they are reclassified to results.

Accounts receivable

Accounts receivable are recognized at the amount invoiced, net of the allowance for credit losses. This allowance is based on the status and risk profile of customer files, the recovery experience for each age group of accounts, the current economic conditions and the future economic forecasts on the balance sheet date.

Other financial assets and liabilities

Other financial assets and liabilities are measured at amortized cost using the effective interest method. Amortized cost includes issue expenses as well as premiums and discounts, if applicable. Interest is recognized in results.

Derivative instruments

Derivative instruments are recognized at fair value at the balance sheet date, except those for which Hydro-Québec chose to apply the normal purchases and normal sales scope exemption. When they are subject to enforceable master netting arrangements, the derivative instruments are presented at the net amount, net of the balance of cash exchanged as collateral.

Hydro-Québec applies cash flow, net investment or fair value hedge accounting to eligible hedging relationships that it designates as hedges. It ensures that hedging relationships are highly effective in hedging the designated risk exposure. In addition, for hedges of anticipated transactions, it assesses the probability of the occurrence of those transactions designated as hedged items at least on a quarterly basis.

In the case of cash flow or net investment hedges, changes in the fair value of an instrument designated as a hedge are recognized under Other comprehensive income. Thus, for cash flow hedges, these amounts are reclassified to results, in the line item affected by the hedged item, during the periods in which the hedged item affects results. For net investment hedges, the amounts will be reclassified to results when Hydro-Québec disposes of its net investment in the foreign establishment.

In the case of fair value hedges, changes in the fair value of the hedged item attributable to the hedged risk are recognized in results during the hedging period. Changes in the fair value of the instrument designated as a hedge are also recognized in results, under the same line item as the fair value of the hedged item. Derivative instruments that are not designated as hedges are recognized in results.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In accordance with the applicable standards, Hydro-Québec classifies the fair value measurements of assets and liabilities according to a three-level hierarchy, based on the type of inputs used in making these measurements:

- Level 1: Quoted prices (unadjusted) on active markets for identical assets or liabilities at the measurement date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly;
- Level 3: Unobservable inputs.

Materials and supplies

Inventories of materials and supplies are valued at the lower of cost and net realizable value. Cost is determined by the weighted average cost method.

Note 1 – Significant Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment are carried at cost, which comprises the cost of materials and labour, other costs directly related to projects that meet capitalization criteria, as well as financial expenses capitalized during construction. Costs are capitalized when they allow for increased service capacity or to extend the useful life of an existing property, plant and equipment asset.

Property, plant and equipment also include pre-construction phase costs for projects whose technical feasibility has been demonstrated, whose profitability has been estimated, and for which Management deems that it will in all likelihood have the necessary resources for completion. The present value of retirement obligations related to property, plant and equipment, as well as that of agreements with local communities concerned by certain investment projects, are added to the carrying amount of the property, plant and equipment at issue. Contributions from third parties and government assistance are applied against the cost of the related property, plant and equipment.

Further, property, plant and equipment related to rate-regulated activities include certain amounts resulting from regulatory practices authorized by the Régie. These amounts correspond primarily to the impact of the change of depreciation method in property, plant and equipment and the cost of dismantling and restoring the premises relating to replaced assets for which no asset retirement obligation was recognized.

Property, plant and equipment are depreciated over their useful life, using the straight-line method, starting at the date of commissioning.

When property, plant and equipment are retired, their cost, net of accumulated depreciation and salvage value, is recognized in the results for the year.

Maintenance and repair costs are recognized in results when incurred.

Intangible assets

Intangible assets are recognized at cost.

The cost of internally developed computer software is capitalized when it meets capitalization criteria. The related financial expenses are capitalized during the development period.

Intangible assets with an indefinite useful life are not amortized. These assets are tested for impairment annually or more frequently if events indicate a potential impairment loss.

Intangible assets with a finite useful life are amortized according to the straight-line method.

Leases

Hydro-Québec's leases mainly concern office buildings and its electricity generating and transmission facilities. On the execution date, Hydro-Québec determines whether an agreement is a lease by assessing whether it confers a right to control the use of a specific asset for a certain time period in exchange for consideration.

Right-of-use assets and lease liabilities where the lease is for a term of more than 12 months are recognized at the lease commencement date, using the present value of the lease payments for the term of the lease. The discount rate used is the interest rate implicit in the lease to the extent that it can be readily determined. If such is not the case, Hydro-Québec uses its incremental borrowing rate at the commencement date of the lease. The costs associated with variable lease payments are not taken into account in measuring the lease liabilities and are recognized in results as and when they are incurred. If a lease has both lease and nonlease components, Hydro-Québec has elected to group them together and recognize them as a single lease component.

Right-of-use assets related to finance leases are recognized in Property, plant and equipment and intangible assets, while the corresponding liabilities are recorded in Long-term debt. The depreciation and amortization of assets and interest on finance lease liabilities are recognized in Depreciation and amortization and Financial expenses, respectively.

Right-of-use assets related to operating leases are recognized in Other assets, while the corresponding liabilities are recognized in Other liabilities. Operating lease expenses are recognized on a straight-line basis as an operational expenditure over the term of the lease.

Impairment of long-lived assets

Hydro-Québec reviews the carrying amount of its property, plant and equipment and its amortizable intangible assets whenever events or changes in circumstances indicate that the expected undiscounted net cash flows could be lower than the carrying amount of the property. An impairment loss corresponding to the amount by which the carrying amount exceeds fair value is recognized in the results for the year, if applicable.

Note 1 – Significant Accounting Policies (continued)

Employee future benefits

Hydro-Québec offers all its employees a contributory pension plan based on final pay (the "Pension Plan"), as well as other post-retirement benefits and post-employment benefits (collectively, the "Other plans"). Hydro-Québec's employee future benefit plans are defined-benefit plans.

The funded status of employee future benefit plans is recognized in Hydro-Québec's Consolidated Balance Sheets. It is equal to the difference between the fair value of plan assets and the value of the projected benefit obligations of each plan.

Pension Plan and other post-retirement benefits

The Pension Plan is a fully funded contributory plan that provides pension benefits based on the number of years of service and an average of the best five years of earnings. These benefits are indexed annually based on a rate which is the greater of the inflation rate, up to a maximum of 2%, and the inflation rate less 3%.

The other post-retirement benefits are provided by group life, medical and hospitalization insurance plans, which are contributory plans with contributions adjusted annually.

Benefit costs and obligations under the Pension Plan and other post-retirement benefits provided in exchange for current service are calculated according to the projected benefit method prorated to years of service. They are determined using a discount rate and are based on Management's best estimates, in particular concerning the expected return on plan assets, salary escalation, the increase in health care costs, the mortality rate, and employee retirement age.

In order to establish the benefit costs and its obligations under the Pension Plan and other post-retirement benefits, Hydro-Québec has adopted the following policies:

- Discount rates used to determine the projected benefit obligations and to estimate the current service cost and the interest on obligations are based on the interest rate curve on the measurement date, namely December 31, of high-quality Canadian corporate bonds. These discount rates take into account the amount and different payment maturity dates of the projected benefit obligations for each plan.
- Actuarial gains and losses are initially recognized in Other comprehensive income. Thereafter, amortization of actuarial gains or losses is recognized under Other components of employee future benefit cost if the unamortized net actuarial gain or loss at the beginning of the year exceeds 10% of the value of the projected benefit obligations or 10% of the market-related value of the Plan assets, whichever is greater. The amortization corresponds to the excess divided by active employees' average remaining years of service.
- The expected return on Pension Plan assets is based on a market-related value determined by using a five-year moving average value for equity securities and by measuring other asset classes at fair value.

Asset retirement obligations

Asset retirement obligations correspond primarily to the costs of dismantling the Gentilly-2 nuclear facilities, the removal of spent nuclear fuel resulting from their operations, and the dismantling of thermal generating stations.

Hydro-Québec accounts for these obligations in Other liabilities, in the period in which the legal obligations with respect thereto arise, provided that a reasonable estimate of their fair value can be made. Fair value is determined by discounting the estimated cash flows required to settle the future obligation, calculated using a credit-adjusted risk-free rate. These cash flows are established on the basis of studies that use various assumptions concerning the measures and timing to be adopted for the retirement.

Asset retirement obligations are added to the carrying amount of the related long-lived asset and are amortized over its useful life. The increase in the liability attributable to the passage of time is recognized as an operational expenditure (i.e., an accretion expense) for the current year.

Asset retirement obligations may be adjusted to reflect the revision of expected timing and estimated cash flow amounts. The resulting change in costs is recognized as an increase or decrease in the carrying amount of an item of property, plant and equipment. When the asset reaches the end of its useful life, any change is immediately recognized as an operational expenditure.

Agreements with local communities

Hydro-Québec has entered into various agreements with the local communities concerned by certain investment projects. The amounts under these agreements are recognized in Long-term debt if they fall within the definition of a liability, and the offsetting item is recognized in Property, plant and equipment and intangible assets. The recognized amounts are determined by discounting the future cash flows related to these agreements. The discount rate used is the interest rate on Hydro-Québec bonds at the date of initial recognition. Subsequently, in the case of agreements with indexed cash flows, the cash flows are subject to an annual re-estimate that can result in a change in the discount rate.

Related party transactions

In the normal course of business, Hydro-Québec sells electricity and enters into other business transactions with its sole shareholder, the Québec government and its agencies, as well as with other government corporations. These transactions are measured at the exchange amount.

Note 2 – Changes to Accounting Policies

Segmented information

On January 1, 2024, Hydro-Québec adopted, using a retrospective approach, Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280)—Improvements to Reportable Segment Disclosures*, issued by the Financial Accounting Standards Board ("FASB") for periods beginning on or after that date, and for interim periods beginning on or after January 1, 2025.

This ASU requires the disclosure of additional segmented information, including the title and position of the individual or the name of the group identified as the chief operating decision maker as well as the significant expenses regularly provided for the purposes of evaluating the performance of the operating segment or segments of the entity. The required information is disclosed in Note 19, Information on the Operating Segment.

Financial instruments

On July 1, 2024, Hydro-Québec adopted, on a prospective basis, the Accounting Standards Codification 848, *Reference Rate Reform*, issued by the FASB.

This standard provides optional expedients for transactions affected by reference rate reform, if certain criteria are met. Hydro-Québec has elected to apply the measure that allows hedge accounting to be maintained for relationships whose derivative instruments have been affected by a change in the reference rate, namely the replacement of the Canadian Dollar Offered Rate ("CDOR") by the Canadian Overnight Repo Rate Average ("CORRA"). It has also elected to apply the measure that adjusts the discount rate of the hedged debt at the time of transition.

The change in reference rate affects fair value hedging relationships aimed at converting certain fixed-rate debts into variable-rate debts. The application of this standard did not have a significant impact on Hydro-Québec's consolidated financial statements.

Note 3 – Regulation

Distribution activities

Electricity distribution rates were indexed at a rate of 5.1% on April 1, 2024, with the exception of residential rates and Rate L, which were indexed at a rate of 3% and 3.3%, respectively.

Regulatory assets and liabilities

	Expected years of amortization	2024	2023
Regulatory assets			
Costs related to energy efficiency and demand response initiatives[a]	2025–2039	**892**	495
Financial aid related to public transit electrification[b]	2025–2047	**282**	268
Costs related to a suspension agreement[c]	2025–2026	**224**	341
Employee future benefits[d]	Various	**–**	827
Other	2025–2047	**11**	14
		1,409	1,945
Less			
Current portion		**132**	126
		1,277	1,819
Regulatory liabilities			
Employee future benefits[d]	Various	**335**	–
Depreciation of property, plant and equipment[e]	2025–2115	**291**	300
		626	300

a) Eligible costs incurred with regard to energy efficiency and demand response initiatives are recognized as a regulatory asset and bear interest at the rate of return on the rate base until such time as they are included in the rate base and amortization begins.

b) The amounts Hydro-Québec allocated for public transit electrification purposes are recognized as regulatory assets. Amortization of these amounts begins when they are included in the rate base, i.e., when they are paid.

c) The offsetting entry for the financial liability recorded for an agreement regarding the temporary suspension of electricity deliveries from a generating station is recognized as a non-interest-bearing regulatory asset. This regulatory asset is amortized when the annual costs related to the suspension agreement are recovered in the rates, according to the amounts billed.

d) The unamortized balances of net actuarial gains and losses to be reimbursed or recovered in future rates are recognized as regulatory assets or liabilities, as the case may be. These assets and liabilities are non-interest-bearing and are amortized when the unamortized balances are reclassified as a cost component of employee future benefits.

e) Prior to July 10, 2015, the useful life of property, plant and equipment was limited to 50 years for rate-setting purposes. The differences in the depreciation expense resulting from this limit were recognized as a non-interest-bearing regulatory liability and are amortized at the same rate as the property, plant and equipment concerned.

Note 4 – Acquisition of a Company

Acquisition of Great River Hydro NE LLC

On February 10, 2023, Hydro-Québec acquired 100% of the units of Great River Hydro NE LLC, a company which owns and operates 13 hydropower generating stations located in the states of Vermont, New Hampshire and Massachusetts, for a cash consideration of $2,056 million (US$1,539 million), including the final adjustments made to the purchase price. This acquisition will mainly enable Hydro-Québec to diversify its revenue streams in New England, its main export market.

The transaction was accounted for as a business combination based on the acquisition method.

The following table presents the purchase price allocation among the assets acquired and the liabilities assumed, measured at fair value on the acquisition date:

Assets	
Current assets	60
Property, plant and equipment	2,502
Intangible assets	524
Goodwill	138
	3,224
Liabilities	
Current liabilities	31
Long-term debt	986
Other long-term liabilities	151
	1,168
Total purchase price	2,056
Less	
Cash acquired	37
Total purchase price, net of cash acquired	2,019

The determination of the fair value of assets acquired and liabilities assumed is based on Management's estimates and assumptions and reflects the fair value of the consideration paid. Goodwill represents the excess of the purchase price over the aggregate fair value of the net assets acquired, and largely represents future growth. Goodwill is tax deductible. Given the rise of interest rates since the acquisition date, Hydro-Québec performed a comparison of the total carrying amount of the net assets acquired with the aggregate fair value, determined using the discounted future cash flow method, and recognized a $140-million expense in Depreciation and amortization in 2023.

Property, plant and equipment are depreciated over their estimated useful life, using the straight-line method. The weighted average useful life of property, plant and equipment was 67 years in 2023.

Intangible assets primarily represent licences, permits and other acquired rights. The operation of a hydropower generating station is subject to obtaining a renewable licence issued by the U.S. Federal Energy Regulatory Commission. As at December 31, 2024, the licences associated with three hydropower generating stations were in the process of being renewed, for anticipated periods of approximately 40 years. With regard to the other licences, their average residual term before the next renewal is 15 years. Intangible assets are subject to straight-line amortization over their estimated useful life of 70 years.

The acquisition resulted in transaction costs of $21 million that were recognized in operational expenditure, including $15 million in 2023, as well as transfer taxes of $4 million that were recognized in Taxes in 2023.

The results are presented in the Consolidated Statements of Operations, since the acquisition date. In 2023, revenue and the net loss recognized in the Consolidated Statements of Operations totalled $136 million and $179 million, respectively.

The impact of pro forma information on Hydro-Québec's consolidated revenue and net income was not significant for the 12-month period ended December 31, 2023.

Note 5 – Revenue

	2024	2023
Revenue from ordinary activities		
Electricity sales		
In Québec	**14,079**	13,515
Outside Québec	**1,499**	2,365
	15,578	15,880
Other revenue from ordinary activities	**349**	287
	15,927[a, b]	16,167[a, b]
Revenue from other activities	**186**	(81)[c]
	16,113	16,086

a) Including revenue from the United States of $996 million in 2024 ($1,784 million in 2023).

b) Including gains and losses on derivative instruments whose amounts are presented in Note 14, Financial Instruments.

c) Including an adjustment of $(284) million relating to an investment at equity (see Note 10, Other Assets).

Note 6 – Taxes

	2024	2023
Water-power royalties[a]	724	740
Public utilities tax[b]	333	333
Other	153	144
	1,210	1,217

a) Water-power royalties payable to the Québec government totalled $717 million in 2024 ($734 million in 2023).

b) The public utilities tax is payable to the Québec government.

Note 7 – Financial Expenses

	2024	2023[a]
Net interest on long-term debt[b]	2,601	2,451
Capitalized financial expenses	(227)	(207)
Net investment income[c]	(160)	(91)
Other[d]	246	251
	2,460	2,404

a) The prior year's data have been reclassified to conform to the presentation adopted in the current year.

b) Including investment income of $21 million ($20 million in 2023) from securities held in the sinking fund allocated to repaying the long-term debt. The voluntary sinking fund strategy aims to issue additional bonds and to invest the funds raised in securities issued by Canadian provincial governments, so as to ensure the availability of funds when these debts mature in 2035 (see Note 10, Other Assets, and Note 12, Long-Term Debt).

c) Including interest of $156 million ($189 million in 2023) on short-term borrowings and cash received as collateral. Hydro-Québec has access to a commercial paper program whose limit is US$5 billion or equivalent in C$. As part of its liquidity risk management, Hydro-Québec maintains an annual average outstanding amount of commercial paper ranging from US$2 billion to US$4 billion and can invest the funds raised in short-term investments and cash equivalents.

d) Including guarantee fees of $259 million ($246 million in 2023) paid to the Québec government related to debt securities, which are charged at a rate of 0.5%.

Note 8 – Accounts Receivable and Other Assets

	Notes	2024	2023
Accounts receivable[a, b]		2,231	2,020
Deposits[c]		176	81
Materials and supplies		762	590
Prepaid expenses		319	384
Regulatory assets	3	132	126
Derivative instruments	14	39	334
Other financial assets		294	232
		3,953	3,767

a) Including unbilled electricity deliveries, which totalled $1,592 million as at December 31, 2024 ($1,382 million as at December 31, 2023), as well as an allowance for credit losses of $386 million as at December 31, 2024 ($385 million as at December 31, 2023).

b) Including amounts receivable from the Québec government totalling $189 million as at December 31, 2024 ($171 million as at December 31, 2023).

c) Including amounts paid or Treasury bills transferred to clearing agents (see Note 14, Financial Instruments).

Note 9 – Property, Plant and Equipment and Intangible Assets

		2024		
	Depreciation/ amortization period	Cost	Accumulated depreciation/ amortization	Net carrying amount
Property, plant and equipment				
Dams and hydroelectric generating stations	40–120 years	56,222	23,531	**32,691**
Transmission substations and lines	30–85 years	40,733	17,002	**23,731**
Distribution substations and lines	25–70 years	18,959	8,663	**10,296**
Administrative buildings, telecommunications equipment and other	5–50 years	11,155	6,618	**4,537**
Property, plant and equipment under construction		6,794		**6,794**
		133,863	55,814	**78,049**[a, b]
Intangible assets				
Amortizable				
Software and licences	3–10 years	2,885	2,098	**787**
Rights related to water management and other	20–70 years	658	44	**614**
		3,543	2,142	**1,401**
Non-amortizable				
Easements and other				**605**
				2,006
				80,055[c]

		2023		
	Depreciation/ amortization period	Cost	Accumulated depreciation/ amortization	Net carrying amount
Property, plant and equipment				
Dams and hydroelectric generating stations	40–120 years	55,174	22,682	32,492
Transmission substations and lines	30–85 years	38,992	16,370	22,622
Distribution substations and lines	25–70 years	18,069	8,325	9,744
Administrative buildings, telecommunications equipment and other	5–50 years	10,156	6,260	3,896
Property, plant and equipment under construction		5,595		5,595
		127,986	53,637	74,349[a,b]
Intangible assets				
Amortizable				
Software and licences	3–10 years	2,669	1,991	678
Rights related to water management and other	20–70 years	607	30	577
		3,276	2,021	1,255
Non-amortizable				
Easements and other				581
				1,836
				76,185[c]

a) As at December 31, 2024, the cost and accumulated depreciation of property, plant and equipment under finance leases amounted to $1,330 million and $535 million, respectively ($1,080 million and $486 million as at December 31, 2023).

b) Including an amount of $1,378 million ($1,456 million as at December 31, 2023) relative to the regulatory practice authorized by the Régie in 2010 regarding the change in the depreciation method.

c) In 2024, the depreciation and amortization expense of property, plant and equipment and intangible assets amounted to $2,690 million and $120 million, respectively ($2,586 million and $115 million in 2023), and retirement of capital assets amounted to $128 million ($172 million in 2023). These amounts were recognized in Depreciation and amortization.

Note 10 – Other Assets

	Note	2024	2023
Investments		**1,697**	1,725
Sinking fund[a]		**1,202**	646
Contract fulfillment costs[b]		**316**	296
Operating lease assets		**112**	117
Derivative instruments	14	**8**	19
Other		**279**	121
		3,614	2,924

a) The mandatory sinking fund, allocated to repaying the long-term debt, consists of $724 million ($646 million in 2023) of securities issued by the Québec government, maturing in 2026. The voluntary sinking fund, allocated to repaying the long-term debt, consists of $113 million (nil in 2023) of securities issued by the Québec government and $365 million (nil in 2023) of securities issued by other Canadian provincial governments, maturing in 2035. No short-term bond was recognized in Short-term investments as at December 31, 2024 ($74 million as at December 31, 2023).

b) These costs correspond to setup costs to honour future sales contracts that will be mainly amortized on a straight-line basis over a 20-year period commencing on the starting date of electricity deliveries.

Investments

	2024	2023
At equity		
Société en commandite Hydroélectrique Manicouagan (60.0%)[a]	**547**	558
Innergex		
Innergex énergie renouvelable inc. (19.9% in 2024 and 19.8% in 2023)[b]	**326**	372
Innergex HQI USA LLC (50.0%)	**135**	159
Other	**689**	636
	1,697	1,725

a) This investment includes the unamortized excess of the purchase price over the underlying carrying amount of the net assets of Société en commandite Hydroélectrique Manicouagan as at the acquisition date, which consisted of unamortizable intangible assets of $282 million as well as property, plant and equipment of $180 million as at December 31, 2024 ($282 million and $189 million, respectively, as at December 31, 2023).

b) This investment includes the unamortized excess of the purchase price over the underlying carrying amount of the net assets of Innergex énergie renouvelable inc. as at the acquisition date, which consisted of net amortizable assets of $115 million as at December 31, 2024 ($119 million as at December 31, 2023). In 2023, Hydro-Québec proceeded to a comparison of the carrying value of the investment with its fair value as at December 31 and recognized an adjustment of $284 million in its share of the results.

Note 11 – Accounts Payable and Other Liabilities

	Notes	2024	2023
Accounts payable and accrued liabilities[a, b]		**3,346**	3,063
Accrued interest		**936**	890
Derivative instruments	14	**62**	115
Asset retirement obligations	13	**80**	66
		4,424	4,134

a) Including an amount of $117 million ($96 million as at December 31, 2023) to be paid to a Québec government corporation, as financial aid related to public transit electrification.

b) Including amounts received from clearing agents pursuant to margin calls (see Note 14, Financial Instruments).

Note 12 – Long-Term Debt

During the year, Hydro-Québec carried out a number of fixed-rate issues on the Canadian capital market: medium-term notes maturing in 2029, for a total nominal value of $0.6 billion, at an average cost of 3.96%, and bonds maturing in 2063 and 2065 for a total nominal value of $5.5 billion, at an average cost of 4.29%.

The following table presents a breakdown of the debt, including the current portion:

		2024		2023	
	Maturity	Effective interest rate[a] (%)	Carrying amount	Effective interest rate[a] (%)	Carrying amount
Canadian dollars					
Medium-term notes – fixed rate[b]	2025-2060	**5.07**	**14,096**	5.10	13,513
Long-term bonds – fixed rate[b, c]	2031-2065	**3.84**	**36,016**	3.77	30,516
U.S. dollars					
Medium-term notes – fixed rate[b]	2025-2028	**7.25**	**252**	7.42	264
Long-term bonds – fixed rate[b, d]	2026-2030	**8.99**	**3,601**	8.73	4,622
Redeemable perpetual notes at Hydro-Québec's option – variable rates[b, e]		**5.05**	**288**	5.92	264
Redeemable Great River Hydro NE LLC notes – fixed rate[f]	2032	**5.14**	**1,080**	5.14	990
			55,333		50,169
Plus					
Net premiums and unamortized issue expenses[b]			**2,822**		3,085
Adjustment for fair value hedged risk			**74**		56
Finance leases[g]	2036-2064		**330**		112
Other[h]	2025-perpetual		**1,800**		1,733
			60,359		55,155
Less					
Current portion			**121**		1,416
			60,238		53,739

a) Weighted average effective interest rates take into account contractual rates as well as premiums, discounts and issue expenses.

b) As at December 31, 2024, $56,076 million in long-term debt and borrowings, net of the sinking fund, and added to the notes held by a Hydro-Québec trust was guaranteed by the Québec government ($51,741 million as at December 31, 2023).

c) Some of these debts are related to a voluntary sinking fund, allocated to their repayment. This fund, recognized in Other assets, totalled $478 million as at December 31, 2024 (nil as at December 31, 2023).

d) Some of these debts carry sinking fund legal requirements. This fund, accounted for in Other assets, totalled $724 million as at December 31, 2024 ($720 million in Short-term investments and Other assets as at December 31, 2023).

e) The perpetual notes bear interest at the Secured Overnight Financing Rate (the "SOFR"), plus 0.49076% calculated semi-annually.

f) The subsidiary Great River Hydro NE LLC, holds senior notes totalling $1,080 million (US$750 million) as at December 31, 2024 [$990 million (US$750 million) as at December 31, 2023], bearing interest at a fixed rate of 4.94%. They are guaranteed by the entirety of the subsidiary's property, plant and equipment. The subsidiary is required to meet certain financial requirements and conditions relating to these notes, all of which had been met as of December 31, 2024, and 2023.

g) These debts are composed of finance leases covering certain facilities and an administrative building. The average weighted discount rate was 4.30% in 2024 (4.53% in 2023).

h) These debts are mainly composed of liabilities under agreements entered into with local communities. The average weighted discount rate was 4.49% in 2024 (4.51% in 2023).

Note 12 – Long-Term Debt (continued)

Capital repayments

The capital repayments maturing over the 2025–2029 period are as follows:

2025	121
2026	825
2027	434
2028	2,498
2029	3,582

Credit facility and lines of credit

Hydro-Québec has an undrawn credit facility of US$2,000 million, including a US$750-million swing loan, which will expire in 2027.

Any related debt securities will bear interest at a rate based on the SOFR, except for the swing loan, which is at the U.S. base rate.

Hydro-Québec also has access to operating lines of credit, which are renewed automatically in the absence of notice to the contrary and bear interest at the prime rate. As at December 31, the available balances on these lines of credit were as follows:

	2024	2023
C$ or US$ million	453	337
US$ million	259	200

Note 13 – Other Liabilities

	Notes	2024	2023
Asset retirement obligations		1,418	1,043
Accounts payable		711[a]	543
Regulatory liabilities	3	626	300
Operating lease liabilities		104	99
Derivative instruments	14	3	–
Other		130	126
		2,992	2,111

a) Including $155 million in government assistance received in advance from the Québec government as part of *2030 Plan for a Green Economy*. This government assistance targets specific property, plant and equipment projects to be completed in 2029.

Asset retirement obligations

The rates used to determine the present value of the estimated cash flows ranged from 0.2% to 6.4% as at December 31, 2024 and 2023.

	2024			2023		
	Gentilly-2 nuclear facilities[a]	Other fixed assets	Total	Gentilly-2 nuclear facilities[a]	Other fixed assets	Total
Balance, beginning of year	812	297	1,109	777	209	986
Liabilities incurred	–	30	30	–	27	27
Accretion expense	47	9	56	44	3	47
Liabilities settled	(31)	(20)	(51)	(34)	(4)	(38)
Revision of estimated cash flows and expected timing of payments	171	183	354	25	62	87
Balance, end of year	999	499	1,498	812	297	1,109
Less						
Current portion	51	29	80	36	30	66
	948	470	1,418	776	267	1,043

a) In compliance with the *Nuclear Fuel Waste Act* (S.C. 2002, c. 23), Hydro-Québec has established a trust fund to finance the cost of long-term management of its waste. As at December 31, 2024, the fair value of the investments held in this trust fund amounts to $193 million ($183 million as at December 31, 2023). The latter were composed of debt securities issued by Hydro-Québec.

Note 14 – Financial Instruments

In the course of its operations, Hydro-Québec carries out transactions that expose it to certain financial risks, such as market and credit risk. Exposure to such risks and the impact on results are reduced through careful monitoring and implementation of strategies that include the use of derivative instruments.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

Currency risk

Hydro-Québec uses currency swaps and forward currency purchase contracts to manage the currency risk associated with U.S. dollar denominated short-term borrowings and long-term debt and forward currency sales contracts to manage exposure associated with probable sales in U.S. dollars. When designated as hedging items, these derivative instruments are recognized as cash flow hedges.

Hydro-Québec also uses forward currency sales contracts to cover its net investment in a foreign operation whose functional currency is the U.S. dollar. When designated as hedging items, these derivative instruments are recognized as net investment hedges.

Interest rate risk

Hydro-Québec uses interest rate swaps to convert certain fixed-rate debts into variable-rate debts and interest rate forward contracts to set the interest rate for certain future debt issues. When designated as hedging items, these derivative instruments are recognized based on the type of hedge, cash flow hedge or fair value hedge. In light of the hedging strategy used, the variable-rate portion of the bonds was 3.2% as at December 31, 2024 (3.4% as at December 31, 2023).

Price risk

Hydro-Québec uses mainly commodity futures and swaps to manage risk resulting from fluctuations in energy, aluminum and diesel prices. This aims to mitigate the impact of market price volatility on the results on the sale and purchase of electricity and purchase of fuel indexed to these prices. When designated as hedging items, these derivative instruments are recognized as cash flow hedges.

The following table presents the notional amounts of forward contracts and swaps used to manage the main types of market risk:

	2024	2023
Currency risk		
Sale (US$ million)	**2,733**	3,734
Purchase (US$ million)	**2,964**	3,949
Interest rate risk		
Variable-rate payer (C$ million)	**1,500**	1,500
Fixed-rate payer (C$ million)	**2,000**	3,000
Price risk		
Electricity – Sale (TWh)	**5.5**	5.9
Electricity – Purchase (TWh)	**0.4**	1.2
Aluminum (tonnes)	**300,000**	279,600
Diesel (millions of litres)	**15.2**	–

Note 14 – Financial Instruments (continued)

Credit risk

Credit risk is the risk that one party to a financial asset will fail to meet its obligations.

Hydro-Québec is exposed to credit risk related to accounts receivable and other financial assets such as cash and cash equivalents, short-term investments, the sinking fund, deposits and derivative instruments.

In terms of accounts receivable, this risk arises primarily from ongoing electricity sales inside and outside Québec. The risk exposure is limited due to Hydro-Québec's large and diverse customer base in addition to measures put in place such as security deposits, scheduled prepayments, payment arrangements and service interruptions. Management therefore believes that Hydro-Québec is not exposed to a high credit risk, particularly because sales in Québec are billed at rates that allow for recovery of costs based on the terms and conditions set by the Régie.

In order to reduce the exposure to credit risk related to other financial assets, Hydro-Québec deals with a number of issuers and financial institutions with high credit ratings. Furthermore, to offset exposure to risk related to derivative instruments, it has signed, with each counterparty, a collateral exchange agreement based on the International Swaps and Derivatives Association ("ISDA") guidelines, which limits the market value of the portfolio. A variation of this market value beyond the agreed-upon limit will therefore result in a cash receipt or payment.

Fair value

Fair value of derivative instruments

The following tables present the fair value of derivative instruments, including the impact of offsets, by hedge type:

					2024
	Fair value hedges	Cash flow hedges	Net investment hedges	Derivatives not designated as hedges	Total
Assets					
Currency contracts	–	601	–	36	**637**
Interest rate contracts	129	18	–	–	**147**
Price contracts	–	41	–	33	**74**
Gross amounts recognized	129	660	–	69	**858**
Less					
Impact of gross amounts offset[a]					**92**
Impact of cash received as collateral[b]					**719**
Net assets					**47**[c]
Liabilities					
Currency contracts	–	41	124	4	**169**
Interest rate contracts	–	1	–	–	**1**
Price contracts	–	16	–	45	**61**
Gross amounts recognized	–	58	124	49	**231**
Less					
Impact of gross amounts offset[a]					**92**
Impact of cash paid as collateral[b]					**74**
Net liabilities					**65**[d]

Note 14 – Financial Instruments (continued)

	2023				
	Fair value hedges	Cash flow hedges	Net investment hedges	Derivatives not designated as hedges	Total
Assets					
Currency contracts	–	675	39	30	744
Interest rate contracts	110	–	–	–	110
Price contracts	–	313	–	214	527
Gross amounts recognized	110	988	39	244	1,381
Less					
Impact of gross amounts offset[a]					273
Impact of cash received as collateral[b]					755
Net assets					353[c]
Liabilities					
Currency contracts	–	114	–	19	133
Interest rate contracts	–	218	–	–	218
Price contracts	–	3	–	112	115
Gross amounts recognized	–	335	–	131	466
Less					
Impact of gross amounts offset[a]					273
Impact of cash paid as collateral[b]					78
Net liabilities					115[d]

a) The impact of gross amounts offset is related to contracts traded according to ISDA guidelines and constituting enforceable master netting arrangements. Such master netting arrangements apply to all derivative instrument contracts traded over the counter.

b) Cash amounts offset are amounts received or paid under collateral exchange agreements signed in compliance with ISDA guidelines.

c) As at December 31, 2024, $39 million was recorded in Accounts receivable and other assets ($334 million as at December 31, 2023) and $8 million in Other assets ($19 million as at December 31, 2023).

d) As at December 31, 2024, $62 million was recorded in Accounts payable and other liabilities ($115 million as at December 31, 2023) and $3 million in Other liabilities (nil as at December 31, 2023).

Moreover, although certain derivative instruments cannot be offset for lack of enforceable master netting arrangements, margin calls may result in amounts received from or paid to clearing agents, based on the fair value of the instruments concerned. Hydro-Québec may also transfer Treasury bills to a clearing agent as financial collateral. As at December 31, 2024, an amount of $30 million receivable in consideration of net payments (nil as at December 31, 2023) and an amount of $76 million receivable in consideration of the transfer of Treasury bills (nil as at December 31, 2023) were included in Accounts receivable and other assets, whereas no amount payable in consideration of net cash receipts was included in Accounts payable and other liabilities ($227 million as at December 31, 2023). When the Treasury bills mature, the clearing agent remits the proceeds, including interest, to Hydro-Québec.

Note 14 – Financial Instruments (continued)

Fair value hierarchy

Fair value measurements of derivative instruments are classified according to a three-level hierarchy, based on the inputs used.

	2024				2023			
	Level 1[a]	Level 2[b]	Level 3[c]	Total	Level 1[a]	Level 2[b]	Level 3[c]	Total
Assets	21	820	17	**858**	281	1,037	63	1,381
Liabilities	61	170	–	**231**	115	351	–	466
				627				915

a) Fair values are derived from the closing price on the balance sheet date.

b) Fair values are obtained by discounting future cash flows, which are estimated on the basis of the spot rates, forward rates or forward prices (foreign exchange rates, interest rates, and energy, aluminum or diesel prices) in effect on the balance sheet date, and take into account the credit risk assessment. The valuation techniques make use of observable market inputs.

c) Fair values are not based on observable inputs. The valuation technique used to classify price power purchase agreements of variable volumes is based on forward energy prices, taking the counterparty's historical consumption into consideration.

Impact of derivative instruments on results and Other comprehensive income

The instruments traded, the impact of which is presented in the table below, reduce the volatility of results. Most of the derivative instruments are designated as hedges.

	2024	2023
Gains (losses) on derivatives recognized in results		
Fair value hedges		
Interest rate contracts[a]	**13**	36
Derivatives not designated as hedges		
Currency contracts[b]	**122**	45
Price contracts[b]	**82**	229
	217[c]	310[c]
Gains (losses) on derivatives reclassified from Other comprehensive income to results		
Cash flow hedges		
Currency contracts[d]	**276**	(249)
Interest rate contracts[a]	**–**	(1)
Price contracts[e]	**394**	871
	670[c]	621[c]
Gains (losses) on derivatives recognized in Other comprehensive income		
Cash flow hedges		
Currency contracts	**170**	(73)
Interest rate contracts	**240**	(24)
Price contracts	**75**	1,206
	485	1,109
Net investment hedges		
Currency contracts	**(163)**	26
	322	1,135

a) These amounts were recognized in Financial expenses.

b) These derivative instruments are essentially traded as part of integrated risk management. Their impact on results is recognized in the line items affected by the managed risk. Therefore, in 2024, $84 million was recognized in Revenue ($368 million in 2023), $(8) million in Electricity purchases [$(136) million in 2023], and $128 million in Financial expenses ($42 million in 2023).

c) In 2024, the items Revenue, Electricity purchases, and Financial expenses totalled $16,113 million, $2,925 million and $2,460 million, respectively ($16,086 million, $2,645 million and $2,404 million in 2023).

d) In 2024, $(82) million was recognized in Revenue [$(138) million in 2023], and $358 million in Financial expenses [$(111) million in 2023].

e) In 2024, $394 million was recognized in Revenue ($858 million in 2023), and no amount was recognized in Electricity purchases ($13 million in 2023).

Note 14 – Financial Instruments (continued)

In 2024, Hydro-Québec did not reclassify any amount from Accumulated other comprehensive income to results after having discontinued cash flow hedges (net gain of $25 million in 2023).

As at December 31, 2024, Hydro-Québec estimated the total gains and losses in Accumulated other comprehensive income that would be reclassified to results in the next 12 months to be a net loss of $5 million (net gain of $302 million as at December 31, 2023).

As at December 31, 2024, the maximum period during which Hydro-Québec hedged its exposure to the variability of cash flows related to anticipated transactions was five years (six years as at December 31, 2023).

Fair value of other financial instruments

Fair value measurements for other financial instruments are Level 2 measurements. Fair value is obtained by discounting future cash flows, based on rates observed on the balance sheet date for similar instruments traded on financial markets.

The fair value of cash equivalents, accounts receivable, deposits, other financial assets and financial liabilities approximates their carrying amount because of the short-term nature of these financial instruments, except for the items presented in the table below:

		2024		2023	
	Notes	Carrying amount	Fair value	Carrying amount	Fair value
Assets					
Sinking fund	10	**1,202**	**1,201**	646	631
Liabilities					
Long-term debt[a]	12	**60,359**[b]	**61,483**	55,155[b]	58,329

a) Including the current portion.

b) Including an amount of $1,486 million as at December 31, 2024 ($1,489 million as at December 31, 2023) for debts subject to a fair value hedge, which resulted in an adjustment of $125 million ($114 million as at December 31, 2023) with respect to existing hedging relationships and of $(51) million [$(58) million as at December 31, 2023] for hedging relationships terminated by Hydro-Québec.

Note 15 – Equity

Share capital

The authorized share capital consists of 50,000,000 shares with a par value of $100 each, of which 43,741,090 shares were issued and paid up as at December 31, 2024 and 2023.

Retained earnings

Under the *Hydro-Québec Act*, the dividends to be paid by Hydro-Québec are declared once a year by the Québec government, which also determines the payment terms. For a given year, the dividend cannot exceed the distributable surplus, equal to 75% of net income. This calculation is based on the consolidated financial statements. However, in respect of a given year, no dividend may be declared in an amount that would have the effect of reducing the capitalization rate to less than 25% at the end of the year. All or a portion of the distributable surplus that has not been subject to a dividend declaration may no longer be distributed to the shareholder as a dividend.

For 2024, the dividend is $1,997 million ($2,466 million for 2023).

Accumulated other comprehensive income

						2024
	Cash flow hedges	Translation differences	Net investment hedges	Employee future benefits	Other	Accumulated other comprehensive income
Balance, beginning of year	656	(1)	26	(485)	47	**243**
Other comprehensive income before reclassifications	485	185	(163)	695	(18)	**1,184**
Less						
Gains reclassified outside of Accumulated other comprehensive income	670	–	–	–	–	**670**
Other comprehensive income	(185)	185	(163)	695	(18)	**514**
Balance, end of year	471	184	(137)	210	29	**757**

						2023
	Cash flow hedges	Translation differences	Net investment hedges	Employee future benefits	Other	Accumulated other comprehensive income
Balance, beginning of year	168	22	–	180	45	415
Other comprehensive income before reclassifications	1,109	(23)	26	(664)	2	450
Less						
Gains reclassified outside of Accumulated other comprehensive income	621	–	–	1	–	622
Other comprehensive income	488	(23)	26	(665)	2	(172)
Balance, end of year	656	(1)	26	(485)	47	243

Note 16 – Supplementary Cash Flow Information

	2024	2023
Change in non-cash working capital items		
Accounts receivable and other assets	**(493)**	435
Accounts payable and other liabilities	**290**	379
	(203)	814
Activities not affecting cash		
Increase in property, plant and equipment and intangible assets in connection with:		
Finance lease liabilities	**224**	–
Other long-term debts	**61**	–
Other	**295**	114
	580	114
Increase in operating lease assets and liabilities	**33**	7
	613	121
Interest paid	**2,307**	2,210

Note 17 – Employee Future Benefits

The projected benefit obligations, valued by independent actuaries, and the assets of employee future benefit plans, at fair value, are valued as at December 31 of each year.

Changes in projected benefit obligations and in plan assets, at fair value

	Pension Plan		Other plans		Total	
	2024	2023	**2024**	2023	**2024**	2023
Projected benefit obligations						
Balance, beginning of year	**25,290**	23,129	**1,474**	1,349	**26,764**	24,478
Current service cost	**393**	283	**50**	44	**443**	327
Employee contributions	**256**	256			**256**	256
Benefit payments and refunds	**(1,237)**	(1,226)	**(84)**	(84)	**(1,321)**	(1,310)
Interest on obligations	**1,158**	1,156	**67**	67	**1,225**	1,223
Actuarial (gain) loss[a]	**(417)**	1,692	**(65)**	71	**(482)**	1,763
Acquisition of a company	**–**	–	**–**	27	**–**	27
Balance, end of year	**25,443**	25,290	**1,442**	1,474	**26,885**	26,764
Plan assets, at fair value						
Balance, beginning of year	**29,946**	29,040	**129**	111	**30,075**	29,151
Actual return on plan assets	**3,366**	1,876	**7**	–	**3,373**	1,876
Employee contributions	**256**	256			**256**	256
Contributions by Hydro-Québec	**–**[b]	–[b]	**32**	22	**32**	22
Benefit payments and refunds	**(1,237)**	(1,226)	**(23)**	(22)	**(1,260)**	(1,248)
Acquisition of a company	**–**	–	**–**	18	**–**	18
Balance, end of year	**32,331**	29,946	**145**	129	**32,476**	30,075
Funded status – Plan surplus (deficit)	**6,888**	4,656	**(1,297)**	(1,345)	**5,591**	3,311
Presented as:						
Employee future benefit assets	**6,888**	4,656	**–**	–	**6,888**	4,656
Accounts payable and other liabilities	**–**	–	**67**	70	**67**	70
Employee future benefit liabilities	**–**	–	**1,230**	1,275	**1,230**	1,275

a) The actuarial gain as at December 31, 2024, is primarily due to the higher discount rates resulting from the increase in long-term interest rates on financial markets. Conversely, the actuarial loss as at December 31, 2023, was mainly due to the lower discount rates resulting from the decrease in long-term interest rates.

b) Actuarial valuations as at December 31, 2023 and 2022, for Pension Plan funding purposes triggered a contribution holiday for Hydro-Québec in 2024 and 2023.

As at December 31, 2024, accumulated benefit obligations under the Pension Plan totalled $23,928 million ($23,721 million as at December 31, 2023). Unlike projected benefit obligations, accumulated benefit obligations do not take into account the future salary assumption.

Pension Plan assets

Investments and their associated risks are managed in accordance with the Hydro-Québec Pension Fund Investment Management Policy (the "Investment Policy"), which is approved every year by the Board of Directors. These risks include market risk, credit risk and liquidity risk. The Investment Policy provides for diversification of benchmark portfolio securities in order to maximize the expected return within an acceptable risk interval that takes into account the volatility of the Pension Plan's surplus or deficit. Additional frameworks define the approval process for each type of transaction and establish rules governing the active management of the different portfolios as well as credit risk management. Compliance with the Investment Policy and the additional frameworks is monitored on a regular basis. The Investment Policy allows the use of derivative instruments such as forward contracts, options and swaps.

The target allocation of Pension Plan investments, as established by the Investment Policy in effect as at December 31, 2024, was as follows:

%	Target allocation
Fixed-income securities	41
Equities	43
Alternative investments[a]	16
	100

a) Alternative investments include real estate investments and opportunistic funds.

Note 17 – Employee Future Benefits (continued)

The fair value of net Pension Plan investments as at December 31, according to the fair value hierarchy and based on the type of securities, was as follows:

	2024				2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash	1,249	–	–	**1,249**	2,010	–	–	2,010
Short-term investments[a]	–	26	–	**26**	–	959	–	959
Bonds[a, b]	5	8,421	–	**8,426**	551	6,941	–	7,492
Listed shares	14,071	–	–	**14,071**	12,332	–	–	12,332
Real estate investments[a, c, i]	–	264	4,315	**4,579**	–	198	4,303	4,501
Private investments[d, i]	–	–	5,117	**5,117**	–	–	3,558	3,558
Hedge funds[e]	–	4,911	–	**4,911**	–	4,099	–	4,099
Investment assets[a, f]	157	172	–	**329**	25	962	–	987
Investment liabilities[a, g]	(7)	(6,222)	–	**(6,229)**	(237)	(5,626)	–	(5,863)
	15,475	7,572	9,432	**32,479**[h]	14,681	7,533	7,861	30,075[h]

a) The fair value of Level 2 short-term investments, bonds, real estate investments and investment assets and liabilities is essentially measured by discounting net future cash flows, based on the current market rate of return. Level 2 derivative instruments are measured using the market closing prices of the underlying products or by discounting net future cash flows.

b) Pension Plan assets include securities issued by Hydro-Québec, as well as by the Québec government and some of its agencies, for a total of $1,521 million ($866 million as at December 31, 2023).

c) The fair value of Level 3 real estate investments is measured by independent appraisers. The main method used to determine the fair value of these investments is discounting future cash flows. This method is based on observable and unobservable inputs, in particular the discount rate and future cash flows.

d) The fair value of Level 3 private investments is measured by various techniques including future cash flow discounting or using data such as earnings multiples or the price of recent comparable transactions.

e) Hedge funds are measured at the values provided by the fund managers, which are determined on the basis of the fair value of the underlying investments or of the net asset value.

f) Investment assets mainly consist of securities purchased under resale agreements, for an amount of $117 million ($612 million as at December 31, 2023), derivative instruments, for an amount of $3 million ($154 million as at December 31, 2023), and amounts due from pending trades, for an amount of $10 million ($152 million as at December 31, 2023). As at December 31, 2024, this also included collateral pledged totalling $144 million (nil as at December 31, 2023). Securities purchased under repurchase agreements are not recognized in assets given that the counterparty retains substantially all the risks and rewards incidental to ownership.

g) Investment liabilities mainly consist of securities sold under repurchase agreements, for an amount of $6,034 million ($4,931 million as at December 31, 2023), bonds sold short, for an amount of $118 million ($677 million as at December 31, 2023), and collateral received, for an amount of $2 million ($237 million as at December 31, 2023). The securities sold under repurchase agreements are presented in assets given that the Pension Fund retains nearly all the risks and rewards incidental to their ownership. The bonds sold short represent the Pension Fund's commitments to purchase securities from another party to hedge its positions.

h) The fair value of investments does not take into account the net amount of payables and receivables, which is an amount payable of $148 million ($129 million as at December 31, 2023).

i) The prior year's data related to certain real estate and private funds have been reclassified to conform to the presentation adopted in the current year, resulting in a decrease of $203 million in Level 3 real estate investments recognized in 2023 and a corresponding increase in Level 3 private investments.

A reconciliation of the opening and closing balances of Level 3 investments is presented in the table below:

	2024			2023[a]		
	Real estate investments	Private investments	Total	Real estate investments	Private investments	Total
Balance, beginning of year	4,303	3,558	**7,861**	4,269	3,109	7,378
Acquisitions	307	1,282	**1,589**	366	815	1,181
Disposals	(81)	(243)	**(324)**	(95)	(263)	(358)
Realized net gains	1	8	**9**	–	6	6
Unrealized net (losses) gains	(127)	512	**385**	(237)	(109)	(346)
Transfers[b]	(88)	–	**(88)**	–	–	–
Balance, end of year	4,315	5,117	**9,432**	4,303	3,558	7,861

a) The prior year's data related to certain real estate and private funds have been reclassified to conform to the presentation adopted in the current year.

b) A real estate fund classified as Level 3 in 2023 was transferred to Level 2 in 2024 (no transfers in 2023).

Note 17 – Employee Future Benefits (continued)

Plan costs

Net cost components recognized for the year

	Pension Plan		Other plans		Total	
	2024	2023	**2024**	2023	**2024**	2023
Current service cost[a]	**393**	283	**50**	44	**443**	327
Other components of employee future benefit cost[b]						
Interest on obligations	**1,158**	1,156	**67**	67	**1,225**	1,223
Expected return on plan assets	**(1,994)**	(1,904)	**(4)**	(3)	**(1,998)**	(1,907)
Amortization of net actuarial gain	**–**	–	**–**	(1)	**–**	(1)
Amortization of past service credits	**–**	–	**–**	(4)	**–**	(4)
	(836)	(748)	**63**	59	**(773)**	(689)
Net (credit) cost recognized for the year	**(443)**	(465)	**113**	103	**(330)**	(362)

a) This component, net of the amount capitalized in assets, is recognized as an operational expenditure.

b) This item is presented separately in the Consolidated Statements of Operations. Its components are not capitalized in assets.

Components of Other comprehensive income for the year

	Pension Plan		Other plans		Total	
	2024	2023	**2024**	2023	**2024**	2023
Actuarial gain (loss)	**1,789**	(1,720)	**68**	(74)	**1,857**	(1,794)
Amortization of net actuarial gain	**–**	–	**–**	(1)	**–**	(1)
Amortization of past service credits	**–**	–	**–**	(4)	**–**	(4)
Change in Other comprehensive income	**1,789**	(1,720)	**68**	(79)	**1,857**	(1,799)
Change in the employee future benefit regulatory (liability) asset	**(1,122)**	1,084	**(40)**	50	**(1,162)**	1,134
Net change in Other comprehensive income	**667**	(636)	**28**	(29)	**695**	(665)

Components of Accumulated other comprehensive income

	Pension Plan		Other plans		Total	
	2024	2023	**2024**	2023	**2024**	2023
Unamortized net actuarial gain (loss)	**537**	(1,252)	**10**	(58)	**547**	(1,310)
Unamortized past service costs	**–**	–	**(2)**	(2)	**(2)**	(2)
Aggregate of amounts recognized in Accumulated other comprehensive income	**537**	(1,252)	**8**	(60)	**545**	(1,312)
Employee future benefit regulatory (liability) asset	**(332)**	790	**(3)**	37	**(335)**	827
Net amount recognized in Accumulated other comprehensive income	**205**	(462)	**5**	(23)	**210**	(485)

Note 17 – Employee Future Benefits (continued)

Significant actuarial assumptions

The following actuarial assumptions, used to determine the projected benefit obligations and net cost recognized for the plans, result from a weighted average.

	Pension Plan		Other plans	
	2024	2023	**2024**	2023
Projected benefit obligations				
Rate at end of year (%)				
Discount rate – Projected benefits	**4.72**	4.63	**4.71**	4.63
Salary escalation rate[a]	**3.20**	3.20		
Net cost recognized				
Rate at end of prior year (%)				
Discount rate – Current service cost	**4.63**	5.09	**4.63**	5.08
Discount rate – Interest on obligations	**4.63**	5.08	**4.63**	5.07
Expected long-term rate of return on plan assets	**6.75**[b]	6.50[b]	**2.40**	2.10
Salary escalation rate[a]	**3.20**	3.15		
Active employees' average remaining years of service	**14**	14	**12**	12

a) This rate takes salary increases into account as well as promotion opportunities while in service.

b) The expected long-term rate of return on the Pension Plan assets is the average of the expected long-term returns on the various asset classes, weighted according to the target weightings of each of these, plus a rebalancing, diversification and active management premium, net of expected management and administrative fees.

As at December 31, 2024, health care costs were based on an average annual growth rate of 6.0% for 2025. According to the assumption used, this rate will continue to decrease until 2027 to reach 5.3% until 2030, then drop gradually until it reaches a final rate of 4.0% in 2040.

Benefits expected to be paid in next 10 years

	Pension Plan	Other plans
2025	1,274	82
2026	1,289	83
2027	1,303	84
2028	1,319	85
2029	1,335	87
2030–2034	7,040	469

In 2025, Hydro-Québec expects to make contributions of $24 million to Other plans, but does not plan to make contributions to the Pension Plan.

Note 18 – Commitments and Contingencies

Commitments

Electricity purchases

Hydro-Québec has concluded electricity purchase agreements with companies over which it has joint control or significant influence. In 2024, electricity purchases from these companies amounted to $504 million ($399 million in 2023).

As at December 31, 2024, Hydro-Québec was also committed under contracts to purchase electricity and transmission services from counterparties. Based on the renewal clauses, the terms of these contracts extend through 2066.

On the basis of all these commitments, Hydro-Québec expects to make the following payments over the coming years:

2025	2,210
2026	2,529
2027	3,013
2028	3,107
2029	3,277
2030 and thereafter	82,040

Investments

As part of its development projects and activities aimed at sustaining its assets, Hydro-Québec is committed to purchasing materials and services for an estimated amount of $7.1 billion over the period from 2025 to 2035. In addition, under leases that are not yet in force, but to which it is already committed, Hydro-Québec expects to make lease payments for a total undiscounted amount of $209 million from 2025 to 2045.

Contingencies

Litigation

In the normal course of its development and operations, Hydro-Québec is involved in claims and legal proceedings from time to time. Management believes that adequate provision has been made for such litigation. Consequently, it does not expect any material adverse effect of such contingent liabilities on the financial position or consolidated results of Hydro-Québec.

Among other pending actions, certain First Nations and Inuit communities have instituted proceedings before the Québec courts against the governments of Canada and Québec and against Hydro-Québec based on claims of Aboriginal rights and titles. For example, the Innu of Uashat mak Mani-utenam are claiming $1.5 billion as compensation for various activities carried out on the territory they claim, including the generation and transmission of electricity. In addition, the Innu of Pessamit have brought an action seeking the recognition of their Aboriginal rights and title to lands in Québec where certain Hydro-Québec electricity generation and transmission facilities are located, including the Manic-Outardes and Bersimis hydroelectric complexes. They allege that these facilities infringe on their Aboriginal rights and title and are claiming $500 million in compensation. Hydro-Québec is contesting the merits of these claims.

In addition, proceedings have been instituted against Hydro-Québec and Churchill Falls (Labrador) Corporation Limited ["CF(L)Co"] relative to the Churchill Falls hydroelectric complex in Labrador, which is owned and operated by CF(L)Co. In an action brought before the courts of Newfoundland and Labrador in October 2020, Innu Nation Inc. alleges that the construction and operation of this hydroelectric complex amount to a "common enterprise" of CF(L)Co and Hydro-Québec, and allegedly infringe on the Aboriginal rights and title of the Labrador Innu. Innu Nation Inc. seeks a disgorgement of the profits that CF(L)Co and Hydro-Québec have derived from the operation of this hydroelectric complex or, failing that, monetary compensation of $4 billion with regard to Hydro-Québec. In another action brought in 2023 before the Québec Superior Court, the Innu of Uashat mak Mani-utenam and the Innu of Matimekush-Lac John allege that the Churchill Falls complex infringes on their Aboriginal rights and title, as well as their treaty rights. In addition to various judicial declarations and permanent injunction orders, these two Innu communities are jointly claiming from Hydro-Québec $2 billion in compensatory damages, $200 million in punitive damages, and additional damages in the form of an annual payment equivalent to 12.5% of 15% of Hydro-Québec's annual profits from the date of the commencement of the proceedings. Hydro-Québec is contesting the merits of these claims.

Note 19 – Information on the Operating Segment

Hydro-Québec has only one operating segment. It manages its activities using a cross-functional approach. Its results and total assets are analyzed on a consolidated basis by the chief operating decision maker, i.e., the President and Chief Executive Officer. The latter uses net income to analyze actual and forecast results in order to assess Hydro-Québec's performance. Significant expenses that are submitted to the chief operating decision maker for this purpose on a regular basis over the course of the year are disclosed in the following table. Investments are also submitted.

	Notes	2024	2023
Revenue	5	**16,113**	16,086
Expenditure			
Current operations[a]		**4,179**	3,824
Electricity purchases		**2,925**	2,645
Depreciation and amortization	4, 9	**3,019**	3,089
Other[b]		**867**	836
Financial expenses	7	**2,460**	2,404
Net income		**2,663**	3,288
Investments[c]		**6,483**	5,080

a) Current operational expenditure is mainly composed of payroll, the cost of external services, acquisition costs of tangible and intangible property, and operating lease expenses.

b) The other expenditure is mainly composed of taxes, other components of employee future benefit cost and current service cost of the Pension Plan.

c) Investments are composed of investments in property, plant and equipment and intangible assets, and in regulatory assets with respect to costs related to energy efficiency and demand response initiatives as well as to financial aid related to public transit electrification.

FIVE-YEAR REVIEW

Consolidated Financial Information

$M	2024	2023	2022	2021	2020
OPERATIONS					
Revenue	**16,113**	16,086	16,567	14,526	13,594
Expenditure					
Operations	**4,609**	4,132	3,844	3,288	3,146
Other components of employee future benefit cost	**(773)**	(689)	(1,020)	(743)	(494)
Electricity purchases	**2,925**	2,645	2,834	2,169	2,204
Depreciation and amortization	**3,019**	3,089	2,828	2,689	2,694
Taxes	**1,210**	1,217	1,230	1,191	1,138
	10,990	10,394	9,716	8,594	8,688
Income before financial expenses	**5,123**	5,692	6,851	5,932	4,906
Financial expenses	**2,460**	2,404	2,294	2,368	2,603
Net income	**2,663**	3,288	4,557	3,564	2,303
DIVIDEND	**1,997**	2,466	3,418	2,673	1,727
BALANCE SHEET SUMMARY					
Total assets	**99,709**	92,668	89,374	82,698	80,895
Long-term debt, including current portion	**60,359**	55,155	51,541	49,698	48,413
Equity	**28,707**	27,527	26,877	23,260	21,322
INVESTMENTS AFFECTING CASH					
Property, plant and equipment and intangible assets	**5,987**	4,898	4,271	4,223	3,366
FINANCIAL RATIOS					
Return on equity (%)[a]	**9.6**	12.2	17.6	14.3	9.5
Capitalization (%)[b]	**32.7**	33.7	34.6	32.0	31.0
Profit margin (%)[c]	**16.5**	20.4	27.5	24.5	16.9
Interest coverage[d]	**2.03**	2.36	3.01	2.53	1.91
Self-financing (%)[e]	**37.1**	47.5	55.4	52.7	12.9

a) Net income divided by average equity for the year less average accumulated other comprehensive income for the year.

b) Equity divided by the sum of equity, long-term debt, current portion of long-term debt, borrowings and derivative instrument liabilities, less derivative instrument assets and sinking fund.

c) Net income divided by revenue.

d) Sum of income before financial expenses and net investment income divided by net interest on long-term debt.

e) Cash flows from operating activities less dividend paid, divided by the sum of cash flows from investing activities—excluding acquisitions and disposals of short-term investments as well as acquisitions of sinking fund securities—and repayment of long-term debt.

Operating Statistics

	2024	2023	2022	2021	2020
GWh					
Electricity sales					
In Québec, by segment					
Residential	**68,275**	68,221	70,941	67,572	68,647
Commercial, institutional and small industrial	**48,174**	47,571	47,983	46,157	45,146
Large industrial	**54,387**	55,087	55,357	55,779	52,096
Other	**6,401**	6,450	6,279	5,721	5,557
	177,237	177,329	180,560	175,229	171,446
Outside Québec					
Canada and United States	**15,092**	23,001	35,634	36,190	32,397
Total electricity sales	**192,329**	200,330	216,194	211,419	203,843
$M					
Revenue from electricity sales					
In Québec, by segment					
Residential	**6,035**	5,852	5,974	5,522	5,535
Commercial, institutional and small industrial	**4,697**	4,406	4,205	3,957	3,853
Large industrial	**2,939**	2,852	2,674	2,498	2,208
Other	**408**	405	378	342	333
	14,079	13,515	13,231	12,319	11,929
Outside Québec					
Canada and United States	**1,499**	2,365	2,912	1,826	1,466
Total revenue from electricity sales	**15,578**	15,880	16,143	14,145	13,395
As at December 31					
Number of customer accounts					
In Québec, by segment					
Residential	**4,264,311**	4,223,163	4,178,346	4,128,692	4,076,286
Commercial, institutional and small industrial	**329,638**	327,790	325,498	323,501	321,562
Large industrial	**205**	201	194	193	189
Other	**4,989**	4,938	4,868	4,812	4,763
Total customer accounts	**4,599,143**	4,556,092	4,508,906	4,457,198	4,402,800

Operating Statistics (continued)

	2024	2023	2022	2021	2020
MW					
Installed capacity – Québec					
Hydroelectric	**36,854**	36,885	36,882	36,694	36,687
Thermal	**543**	541	547	544	544
Photovoltaic	**10**	10	10	10	–
	37,407[a]	37,436	37,439	37,248	37,231
Installed capacity – United States					
Hydroelectric	**619**	619	30	30	–
Total installed capacity	**38,026**	38,055	37,469	37,278	37,231
GWh					
Total energy requirements[b]	**209,061**	217,286	235,717	231,913	223,869
MW					
Peak power demand in Québec[c]	**40,004**	36,346	42,601	40,537	36,450
km					
Lines (overhead and underground)					
Transmission	**34,900**	34,922	34,678	34,775	34,826
Distribution	**229,283**	228,568	227,796	226,949	226,752
Total lines (overhead and underground)	**264,183**	263,490	262,474	261,724	261,578

a) In addition to the generating capacity of its own facilities, Hydro-Québec has access to almost all the output from Churchill Falls generating station (5,428 MW) under a contract with Churchill Falls (Labrador) Corporation Limited that will remain in effect until 2041. A new non-binding agreement in principle reached in 2024 provides for the replacement of this contract with a new one that will run until 2075. Hydro-Québec also purchases all the output from 44 wind farms (3,933 MW) and 55 hydroelectric generating stations (712 MW) and almost all the output from 13 biomass and 4 biogas cogeneration plants (409 MW) operated by independent power producers. Moreover, 525 MW are available under long-term contracts.

b) Total energy requirements consist of kilowatthours delivered within Québec and to neighbouring systems.

c) The 2024 figure is the best estimate as at February 14, 2025. The values indicated reflect demand at the annual domestic peak for the winter beginning in December. The 2024–2025 winter peak occurred at 8:00 a.m. on January 22, 2025.

Other Information

	2024	2023	2022	2021	2020
%					
Rate increases as at April 1					
Residential rates	**3.0**	3.0	2.6	1.3	–
Business rates	**5.1**	6.5	2.6	1.3	–
Rate L[a]	**3.3**	4.2	1.7	0.8	–
As at December 31					
Total number of employees[b]					
Permanent	**20,600**	19,841	18,808	18,163	17,414
Temporary	**2,680**	2,965	3,243	3,005	2,597
	23,280	22,806	22,051	21,168	20,011
%					
Representation of underrepresented groups					
Women	**28.0**	28.5	28.7	28.5	28.5
Other[c]	**14.5**	13.0	12.6	11.9	10.7

a) Rate L is included in the large industrial customer segment.

b) Excluding employees of subsidiaries and joint ventures.

c) Self-reported members (men and women) of the following groups: Indigenous peoples, ethnic minorities, visible minorities and people with disabilities.

CONSOLIDATED RESULTS BY QUARTER

					2024
$M	1st quarter	2nd quarter	3rd quarter	4th quarter	12-month period
Revenue	4,873	3,464	3,515	4,261	**16,113**
Expenditure					
Operations	1,011	1,074	1,144	1,380	**4,609**
Other components of employee future benefit cost	(193)	(193)	(193)	(194)	**(773)**
Electricity purchases	810	692	583	840	**2,925**
Depreciation and amortization	724	733	741	821	**3,019**
Taxes	337	265	283	325	**1,210**
	2,689	2,571	2,558	3,172	**10,990**
Income before financial expenses	2,184	893	957	1,089	**5,123**
Financial expenses	608	624	613	615	**2,460**
Net income	1,576	269	344	474	**2,663**

					2023
$M	1st quarter	2nd quarter	3rd quarter	4th quarter	12-month period
Revenue	5,484	3,488	3,226	3,888	16,086
Expenditure					
Operations	962	993	937	1,240	4,132
Other components of employee future benefit cost	(172)	(172)	(173)	(172)	(689)
Electricity purchases	812	608	508	717	2,645
Depreciation and amortization	705	708	720	956	3,089
Taxes	366	283	269	299	1,217
	2,673	2,420	2,261	3,040	10,394
Income before financial expenses	2,811	1,068	965	848	5,692
Financial expenses	580	612	602	610	2,404
Net income	2,231	456	363	238	3,288

Board of Directors
















Top row: **Manon Brouillette, Michael Sabia**

Second row: **geneviève bich, Geneviève Brouillette, Sarin Boivin-Picard, Anne-Marie Croteau, Hanane Dagdougui**

Third row: **Marco Dodier, Luc Doyon, Jonathan Gignac, Victoria LaBillois, Jean Marc Lechene**

Bottom row: **Claude Séguin, Paul Stinis**

Hydro-Québec's Board of Directors has 14 members, 12 of whom sit as independent directors. The Québec government appoints the Chair of the Board of Directors for a term of up to five years, which can be renewed twice, consecutively or not. The other Board members are also appointed by the Québec government, in keeping with the expertise and experience profile established by the Board. Directors hold their position for a term of up to four years that can be renewed twice, consecutively or not. Women make up 6 of the 14 members, one of the members was 35 years of age or younger when appointed, and three of the members voluntarily self-identified as belonging to one of the diversity groups reflecting the various segments of Québec society.

Manon Brouillette

Chair of the Board, Hydro-Québec

Initial appointment: June 2, 2023
Term: June 2, 2028
Status: Independent director
Place of residence: Montréal

Manon Brouillette holds a bachelor's degree in public communications (marketing profile) from Université Laval and also completed the Ivey Executive Program at the University of Western Ontario's Richard Ivey School of Business. Ms. Brouillette has over 20 years of experience as a senior executive in the telecommunications, media and high-tech sectors. Among other things, she served as President and Chief Executive Officer of Vidéotron as well as Executive Vice President at Verizon and Chief Executive Officer of Verizon Consumer Group. She also has extensive experience as a corporate director, having sat on the boards of several Québec and international companies, including Banque Nationale, Cirque du Soleil, BFA Industries, Sonder, Lightspeed, Altice France and Altice USA. In addition, her social engagement has led her to sit on the boards of the École de technologie supérieure, Montréal's Quartier de l'innovation and the Centre hospitalier universitaire Sainte-Justine. She is committed to developing women's leadership skills and promoting mental health in the workplace.

Michael Sabia

President and Chief Executive Officer, Hydro-Québec

Appointment: August 1, 2023
Term: August 1, 2028
Status: Non-independent director
Place of residence: Montréal

Michael Sabia holds a bachelor's degree in economics and political science from the University of Toronto and a master's in those fields from Yale University, where he also pursued doctoral studies. He has extensive experience as an executive in both the public and private sectors. After having spent 10 years in the Canadian civil service at the start of his career, he joined the Canadian National Railway, where he later became Chief Financial Officer. He then held a number of senior positions at BCE, including that of President and Chief Executive Officer. His tenure as President and Chief Executive Officer of Caisse de dépôt et placement du Québec (CDPQ) from 2009 to 2020 was marked by growth of the investment group's assets and global presence and the consolidation of its role as a leader of the Québec economy. He also served as Chair of the Board of the Canada Infrastructure Bank and Director of the University of Toronto's Munk School of Global Affairs and Public Policy before taking office as Canada's Deputy Minister of Finance, a role he played from 2020–2023. Deeply committed to community involvement, he is a member of the Board of Directors of the Mastercard Foundation, one of the largest foundations in the world, whose mission is to advance learning and financial inclusion in Africa and to support Indigenous youth in Canada. Mr. Sabia is an Officer of the Order of Canada.

geneviève bich

Vice President, Human Resources, Metro inc.

Appointment: September 9, 2015
Term: April 9, 2028
Status: Independent director
Place of residence: Montréal

geneviève bich holds a bachelor of arts with a major in psychology from McGill University and a law degree from Université de Montréal. She is a member of the Barreau du Québec and the Ordre des conseillers en ressources humaines agréés du Québec. From 1991 to 2008, she held various management positions at Bell Canada, including Vice President, Human Resources and Labour Relations. Before joining Metro in 2013 as its Vice President of Human Resources, Ms. bich worked at Groupe Dynamite and Aimia. Ms. bich also sits on the Advisory Committee of Attraction Inc.

Geneviève Brouillette

Corporate Director

Appointment: July 12, 2017
Term: April 9, 2028
Status: Independent director
Place of residence: Montréal

With a bachelor's degree in accounting from Université du Québec à Montréal and a bachelor of commerce from McGill University, Geneviève Brouillette is a member of the Ordre des comptables professionnels agréés, which awarded her the title of Fellow (FCPA) in 2022, and is certified by the Institute of Corporate Directors. She began her career in finance and management at Coopers & Lybrand (now PwC) over 35 years ago and has since contributed to the success of such renowned companies as Keurig Dr Pepper, Groupe St-Hubert, Reader's Digest and Kraft Heinz. From 2019 to 2024, she was Chief Financial Officer of Aldo.

Her expertise includes business plan design and execution, capital allocation and optimization, turnarounds, mergers and acquisitions, and strategy development for governance and human resources. For close to 25 years, Ms. Brouillette has sat on the boards of several private and public companies and non-profit organizations. She joined Transat's Board of Directors in 2023 and was assigned to its Human Resources and Governance Committee in 2024. She has also been on the Previan Board since 2022 and chairs its Audit Committee. Appointed to Hydro-Québec's Board in 2017, she has chaired the Audit Committee since 2019. She became a member of the Invenstment and Major Projects Committee in 2024 and sat on the Human Resources Committee until 2024. Finally, she served on the Board of Multiple Sclerosis Canada from 2001 to 2010.

Sarin Boivin-Picard

Consultant in private practice

Appointment: June 1, 2022
Term: June 1, 2026
Status: Independent director
Place of residence: Chaudière-Appalaches

Sarin Boivin-Picard holds a bachelor's degree in business administration from HEC Montréal, a master's degree in finance from IE Business School (Spain) and a master's degree in business administration from Oxford University (United Kingdom). Mr. Boivin-Picard began his career as a structured products analyst at the Banque Nationale du Canada while simultaneously serving as a reserve officer in the Canadian Armed Forces. He then joined the Lucie and André Chagnon Foundation as an investment analyst and taught business administration as a lecturer at Université de Moncton. He also worked as a product manager for Altitude-sports.com before joining Nextgen Venture Partners, a venture capital firm. He is currently a consultant in private practice.

Anne-Marie Croteau

Dean, John Molson School of Business, Concordia University

Appointment: July 6, 2016
Term: August 19, 2024[a]
Status: Independent director
Place of residence: Montréal

Anne-Marie Croteau holds a bachelor's degree in actuarial mathematics from Concordia University, a bachelor's degree in business administration and a master's in management from HEC Montréal, and a Ph.D. in administration from Université Laval. She is Dean of the John Molson School of Business at Concordia University and a full professor of business technology management. Certified by the Collège des administrateurs de sociétés, she sits on the executive boards of the Autorité des marchés financiers and the AACSB International network, an accreditation body for business schools, and is the Vice Chair of the board of Collège André-Grasset. She has also served on the boards of the Société de l'assurance automobile du Québec and Finance Montréal and been a member of the Conseil des parrains et marraines of the Jeune Chambre de commerce de Montréal.

Hanane Dagdougui

Associate Professor, Department of Mathematical and Industrial Engineering, Polytechnique Montréal

Appointment: February 19, 2020
Term: February 19, 2024[a]
Status: Independent director
Place of residence: Montréal

Hanane Dagdougui holds a PhD in high-risk activities engineering from the École nationale supérieure des mines de Paris (France), and a PhD in energy systems engineering from the École Polytechnique at the University of Genoa (Italy). Prior to joining Polytechnique Montréal in 2017, she was a research assistant at the Department of Informatics, Bioengineering, Robotics and Systems Engineering at the University of Genoa, and then an institutional researcher in the electrical engineering department of Montréal's École de technologie supérieure. Ms. Dagdougui is a member of the Group for Research in Decision Analysis (GERAD), Mila (the Quebec Artificial Intelligence Institute), the Réseau québécois sur l'énergie intelligente (RQEI) and the Energy Modelling Hub (EMH). She has published numerous papers on the energy industry, most of which explore the links between operations research, artificial intelligence and the various actors in the power system and power grid stakeholders. She has also participated in several major international conferences.

Marco Dodier

Consultant in private practice

Consultant in private practice
Appointment: July 12, 2021
Term: July 12, 2025
Status: Independent director
Place of residence: Estrie

Marco Dodier received a bachelor's degree in industrial engineering from Université du Québec à Trois-Rivières in 1998. After co-founding Cesart in 1996, he held the positions of Executive Vice President and President, growing the company into one of the largest and most well-known web development and consulting firms before it was acquired by Bell Canada in 2005. From 2006 to 2015, as President of Gesca Digital Investments, he was in charge of developing the company's digital assets through acquisitions or equity stakes. In addition, Mr. Dodier held several executive positions within the Power Corporation group from 2009 to 2015, including President of Cyberpresse, President of w.illi.am/ and co-President of Duproprio.com. In 2015, he became President and Chief Executive Officer of DuProprio, before selling the company to Desjardins in 2021. He is currently an independent consultant.

Luc Doyon

Corporate Director

Appointment: September 4, 2019
Term: April 2, 2028
Status: Independent director
Place of residence: Montréal

Luc Doyon holds a bachelor's degree in mechanical engineering from Polytechnique Montréal and a graduate diploma in welding engineering from the École supérieure du soudage et de ses applications in Paris, France. He has also taken part in the Executive Education program at INSEAD (Institut européen d'administration des affaires) [European Institute of Business Administration] in Fontainebleau, France. He spent his career with the French industrial group Air Liquide, where he worked from 1983 to 2017. He started out as an engineer at Air Liquide Canada and became a manager in 1988. In particular, he served as Vice President, Merchant Gases at Air Liquide America in Houston, and President and Chief Executive Officer of Air Liquide Canada in Montréal. In 2012, he was appointed President and Chief Executive Officer of the welding division of Groupe Air Liquide in Paris, and in 2017 he left the company. He is also a corporate director of Chemtrade Logistics and Lassonde Industries.

a) When their term expires, directors remain in office until replaced or reappointed.

Jonathan Gignac

Deputy Minister, Ministère de l'Économie, de l'Innovation et de l'Énergie

Initial appointment: June 12, 2024
Term: May 31, 2026
Status: Non-independent director
Place of residence: Québec

Since receiving a bachelor's degree in economics from Université Laval in 2000, Jonathan Gignac has held a variety of key positions in the areas of energy strategy and economic development at the Ministère des Ressources naturelles et de la Faune, the Ministère des Finances and the Société du Plan Nord. He was appointed Deputy Minister of Economy, Innovation and Energy in June 2024. Mr. Gignac chaired the Board of Directors of the Société ferroviaire et portuaire de Pointe-Noire and currently serves on the board of Investissement Québec.

Victoria LaBillois

President and speaker, V LaBillois MC Services

Initial appointment: October 1, 2024
Term: October 1, 2028
Status: Independent director
Place of residence: Listuguj, Québec

Victoria LaBillois holds a Bachelor of Arts and a Master's in Business Administration from the University of New Brunswick. She began her career in the public sector as a program officer at the Indigenous Citizens Department of Heritage Canada. She became Director of Training and Employment Services at Listuguj Mi'gmaq Development Centre and Director of Urban Services at the First Nations Human Resource Development Commission of Québec, before joining the Mi'gmaq government of Listuguj as Director of Intergovernmental Relations and later becoming Director of Commercial Fishing. She also held the positions of Director of Health at Gesgapegiag Health and Community Services and National Director of Employer and Partner Relations at the Aboriginal Human Resource Council. In 2021, she entered the private sector as President and Chief Executive Officer of Wejipeg Excavation and President of Wejuseg Construction. Ms. LaBillois has also been President of the Gespe'gewaq Mi'gmaq Resource Council. Since 2023, she has been President and speaker at V LaBillois MC Services and Vice President of the National Indigenous Economic Development Board. She serves on the board of several organizations, including the Coady Institute and the Listuguj Mi'gmaq Development Centre.

Jean Marc Lechene

Corporate Director

Appointment: October 1, 2024
Term: October 1, 2028
Status: Independent director
Place of residence: Paris

Jean Marc Lechene holds a civil engineering degree from the École nationale supérieure des mines de Paris and a Master's in Business Administration from the Institut européen d'administration des affaires (INSEAD). He started off his career as an IT development engineer for Air Liquide and moved on to hold various executive positions at Dassault Systèmes, McKinsey & Company and Lafarge, before being hired by Michelin as Senior Vice President and President of Large Goods Vehicles Europe. From 2011 to 2012, he was President of Lechene Consulting, and from 2012 to 2019, he was Operations Director and Senior Vice President of Vestas Wind Systems. He chairs the boards of Caillau, Norican Group and Tresu, and serves on several other boards, including those of McPhy Energy and Baettr. He was a member of the Velux Board of Directors for six years.

Claude Séguin

Chair of the Board, Fonds de solidarité de la Fédération des travailleurs

Appointment: August 19, 2020
Term: September 25, 2028
Status: Independent director
Place of residence: Montréal

With a bachelor's degree in business administration from HEC Montréal and both a master's and a PhD in public administration from Syracuse University in New York State, Claude Séguin began his career in the public sector, holding management positions at the Secrétariat du Conseil du trésor before being appointed Assistant Deputy Minister of Finance in 1983 and Deputy Minister in 1987. In 1992 he struck out into the private sector as Téléglobe Inc.'s Executive Vice President, Finance and Chief Financial Officer. He then served as President of CDP Capital—Private Equity at the Caisse de dépôt et placement du Québec, and subsequently joined Groupe CGI, where he was Senior Vice President, Corporate Development and Strategic Investments from 2003 to 2016 and Special Advisor to the Chairman from 2016 to 2018. He has been Chair of the Board of the FTQ Fonds de solidarité since 2018.

Paul Stinis

Corporate Director

Appointment: April 22, 2015
Term: August 19, 2024[a]
Status: Independent director
Place of residence: Montréal

With a bachelor's in mining engineering from McGill University and an MBA from Concordia University, Paul Stinis began his career as an engineer in the oil and gas industry. He has held various management positions at two major banks and was Vice President, Finance and Treasurer at Bell Canada International. In 2003, he joined the BCE/Bell Canada group as Vice President and Assistant Treasurer, then served as Senior Vice President and Treasurer from 2009 to 2018. Among other duties, he was in charge of all operations related to treasury and capital markets, including risk management, insurance, pension funds, pension plans, group benefits and investor relations. From 2015 to 2018, he headed Bimcor, the pension fund investment manager for the BCE/Bell Canada group. At the start of 2021, he joined the advisory committee that manages the investment strategy for the McGill University Pension Plan. Since February 7, 2024, he has sat on the Board of the Banque Laurentienne du Canada as an independent director.

a) When their term expires, directors remain in office until replaced or reappointed.

Activity Report of the Committees of the Board of Directors

Executive Committee (A)

The Executive Committee did not hold any meetings in 2024.

Governance and Customer Experience Committee (B)

Chaired by Marco Dodier, the Governance and Customer Experience Committee, previously named the Governance and Social Responsibility Committee, took on new duties this year. On September 27, 2024, the Committee's mandate was expanded to include customer experience, marketing, business intelligence and brand management. Meanwhile, other areas that had previously been part of the Committee's mandate were reassigned to other committees: health and safety, environment and sustainability were transferred to the Human Resources Committee, and delegations of authority, legislative and regulatory developments and litigation to the Audit Committee.

With a view to optimizing Board operations, the Committee recommended that the Board review the charter and composition of all its committees. The Committee kept abreast of the Board's evaluation process and reviewed the results obtained and the action plan drafted. It also recommended the review of the expertise and experience profiles for Board member nominations, and the approval of the *Code of Ethics and Rules of Professional Conduct for the Directors and Executives of Hydro Québec and its subsidiaries*.

It received the report on the directors' training program for 2024 and commented on the training program for 2025.

The Committee had discussions with Management on the *Sustainable Development Plan 2024—2028*, and its members were given a presentation on the social acceptability indicator used by the company. The Committee recommended that the Board support the 2024 Centraide campaign. It also reviewed changes to the company's list of decision-making powers to ensure sound governance.

In accordance with its mandate, the Committee recommended approval of various donations and sponsorships, based on the company's Social Responsibility Directive, and the appointment of the most senior officer of each of Hydro-Québec's wholly owned subsidiaries. It reviewed the company's environment policy (titled *Notre environnement*), recommended that the Board update it and reviewed the reports on its application. It closely monitored the follow-ups carried out after audit reports and the company's preparedness in terms of forest fire prevention and management. It also conducted relevant follow-ups on the respect of human rights in the supply chain.

Audit Committee (C)

Chaired by Geneviève Brouillette, FCPA, the Audit Committee was assigned the following additional responsibilities: delegations of authority, litigation and legislative and regulatory developments. The Committee met with the independent auditors to examine



In 2024, Hydro-Québec expanded its collection of works by Jean Paul Riopelle with the acquisition of a choice piece: a lithocollage created in 1967 from scrap cuttings of lithographic prints. Considered one of the artist's major works, and exceptional in its rarity, quality, format and perfect state of conservation, this prestigious piece was selected for the recent retrospective presented at the National Gallery of Canada. It was reproduced on a full page in the retrospective's catalogue and was chosen to illustrate part of the catalogue's cover.

Jean Paul Riopelle (1923-2002)

Gardes – Collage on canvas, 1967
132.2 x 196.6 cm



A Sobey Art Award finalist (2021), Lorna Bauer works with photography and sculpture. Here, a bubble made of blown glass is embedded within a wire mesh, creating a material tension between the two elements. If the glass evokes the body and its breath and the receptable suggests oppression, the glass's overflow points to a call for emancipation.

Lorna Bauer (1980-)

...air is where effort goes...once our effort is spent...this crowded air...No.9 – Blown glass and metal, 2021
78.7 (height) x 43 (diam.) cm

© Lorna Bauer

the company's quarterly and annual financial statements as well as the annual financial statements of the Hydro-Québec Pension Plan. It recommended that the Board approve the statements. The Committee fulfilled its role in overseeing business risk management. It kept a close watch on changes in the enterprise risk portfolio and revised it, taking into account factors such as the implementation of the *Action Plan 2035*, the labour shortage, cybersecurity incidents and the decrease in export revenue.

The Committee carefully monitored the management of risks related to the Hydro-Québec Pension Fund, the Fund's performance compared to its peers, and the structure of its portfolio. It recommended that the Board approve the Pension Fund Investment Management Policy and the actuarial valuation of Pension Plan funding and solvency.

The Committee ensured that the company's major processes related to risk management, internal controls, governance and operation were independently assessed and that significant and pressing threats brought to its attention by the Vice President – Internal Audit or by any other member of the management team were addressed. The Committee recommended to the Board that it review the charter of the Groupe – Audit interne and closely monitored the improvement plan developed for the group's practices. It also reviewed the report on corporate compliance.

The Committee carried out its other responsibilities, namely ensuring the sound management of the company's finances and internal controls. It also reviewed reports on a variety of topics, including the programs for mobilizing funds, swaps and financial risk management, the optimal use of the company's resources and company monitoring, the application of the company's policies on financial disclosure and finances (titled *Divulgation financière* and *Nos finances*). It reviewed the *Policy for Reporting Misconduct and Situations Involving Discrimination or Harassment and the Anti-Corruption Policy* and recommended their approval by the Board.

The members of the Committee attended a range of presentations related to dam safety and to the structure of Hydro-Québec and its subsidiaries and holdings. All Audit Committee members are independent.

Human Resources Committee (D)

The Human Resources Committee, chaired by geneviève bich, was assigned new responsibilities on September 27, 2024. Its mandate was modified to include all issues related to health and safety, environment and sustainability.

The Committee studied the objectives stemming from the priorities in Hydro-Québec's *Action Plan 2035* and recommended that the Board approve them. It also recommended the appointment of the company's new executives. It supported organizational changes, including a review of the role of the Groupe – Talents et développement organisationnel, designed to help Hydro-Québec meet its goals.

The Committee examined the overall compensation of Hydro-Québec's employees and executives, and of the employees and executives of its wholly owned subsidiaries, and made recommendations to the Board. It also paid close attention to the collective agreement renewal process and studied the development strategies for management succession planning.

To fulfill its mandated responsibilities, the Committee regularly reviews a dashboard of strategic indicators and carries out any follow-up required in relation to occupational health and safety and the environment. The Human Resources Committee reviewed the Corporate Ombudsman's report and her recommendations. It read Hydro-Québec's safety policy (titled *Notre sécurité*) and recommended that the Board approve it. It also studied the evaluation criteria and evaluation of the President and Chief Executive Officer's performance, and recommended Board approval.

Investment and Major Projects Committee (E)

Chaired by Paul Stinis until September and by Claude Séguin since November, the Investment and Major Projects Committee, previously called the Investment and Financial Affairs Committee, was assigned new responsibilities. Since September 27, 2024, the Committee oversees the implementation of the integrated energy plan and the investment plan, which includes the performance of all project portfolios and investment programs.

The Committee closely monitored the implementation of the new governance per investment project portfolios.

It recommended that the Board approve several long-term operability projects, including the replacement of the headgates at Bersimis-1 and Bersimis-2 generating stations, the replacement of the 315-kV section of Guy substation and the underground line related to that section, the replacement of the generating units at Beauharnois and René-Lévesque generating stations and the rehabilitation of Trenche generating station.

The Committee also recommended approval of a number of expansion projects, such as the construction of the new Coteau-du-Lac substations (Hochelaga et Jean-Jacques-Archambault) and their supply line, the integration of wind farms such as the Des Neiges – south sector farm, and the revision of the costs for two interconnection projects, Hertel–New York (CHPE line in the United States) and Appalaches–Maine (NECEC line in the United States).

After studying Hydro-Québec's strategic procurement, the Committee made recommendations to the Board, including approval of the program to renew the company's aircraft fleet, the strategy to secure supply of capacity transformers and medium- and high-voltage breakers and the procurement process for projects related to 735-kV lines, substations to reinforce the main power system and high-voltage underground cables.

The Committee monitored the progress and performance of the innovations portfolio and of major projects, including the Hertel–New York and Appalaches–Maine interconnection line projects.

It closely reviewed the procurement plan, including the needs for coming years, and submitted the rate applications for transmission services and distribution activities to the Board for approval. The Committee applied a recalibration to the distribution rates, which will come into effect in April 2025, for the first time after five years of indexation to inflation.

The Committee recommended that the Board review two policies: the goods and services acquisitions policy (titled *Nos acquisitions de biens meubles et de services et les conditions de contrats*) and the system reliability policy (titled *Fiabilité de notre réseau électrique*). The latter was also the subject of a report, which was read by the Committee.

Finally, the Committee recommended that the Board approve the 2025–2035 investment plan.

Digital Technologies Committee (F)

In accordance with its mandate, the Digital Technologies Committee, chaired by Anne-Marie Croteau, monitored the performance of the activities and projects involving digital technologies. It examined the current and planned financial commitments required for the development and implementation of major IT systems and infrastructure that will enable the company to carry out its mission and achieve its business objectives.

The Committee kept a close watch on cybersecurity issues, the management program for major cybersecurity incidents and the management of the main digital technology risks.

It reviewed the master plan of the Groupe – Technologies numériques and the company's digital ambitions for 2035. The Committee advised on the implementation of different projects, including the SAP Core Evolution project, the unification of the customer service centres and the rewriting of the company's digital technologies policy (titled *Nos technologies numériques*). It studied the reports on the application of the policy covering IT and communication technologies (titled *Nos technologies de l'information et des communications*) and was kept abreast of the progress on the mobile radiocommunication program and the energy system evolution project.

Finally, together with the Investment and Major Projects Committee, the Digital Technologies Committee studied the evolution of the SAP modernization program.

Director Attendance at Meetings of the Board of Directors and Board Committees in 2024

Directors	Committees	Notes	Board[1]	Committees					
				A[2]	B	C	D	E	F
		Number of meetings	11	0	4	4	7	8[3]	5[4]
Manon Brouillette	A B C D E F		10/11		4/4	4/4	6/7	7/8	4/5
Michael Sabia	A		11/11						
David Bahan		5	3/4						
geneviève bich			11/11		4/4		7/7		
Geneviève Biron	B F	6	3/3		1/1				1/1
Sarin Boivin-Picard	B F	7	11/11		1/1				5/5
Geneviève Brouillette	C D E	8	9/11			4/4	6/6	2/2	
Anne-Marie Croteau	D F		11/11				7/7		5/5
Hanane Dagdougui	C F	9	11/11			3/3			5/5
Marco Dodier	B D E F	10	10/11		1/1		6/6	6/6	1/1
Luc Doyon	B D E	11	10/11		2/3		1/1	5/8	
Dominique Fagnoule	C F	12	7/8			3/3			4/4
Hélène V. Gagnon	B	13	8/8		3/3				
Jonathan Gignac		5	6/7						
Victoria LaBillois	C D	14	3/3			1/1	1/1		
Jean Marc Lechene	B E	15	3/3		1/1			2/2	
Marie-Josée Morency	B D	16	5/6		1/2		3/5		
Claude Séguin	C E	17	11/11			1/1		8/8	
Paul Stinis	C E	18	11/11				1/1	8/8	1/1

Comittees

A. Executive
B. Governance and Customer Experience
C. Audit
D. Human Resources
E. Investment and Major Projects
F. Digital Technologies

Notes

1. The Board of Directors held 11 meetings, including 3 special meetings.
2. The Executive Committee did not hold any meetings in 2024.
3. Including 1 joint meeting with the Digital Technologies Committee (F). Attendance of members of committee F at the joint meeting is indicated in this column.
4. Including 1 joint meeting with the Investment and Major Projects Committee (E). Attendance of members of committee E at the joint meetings is indicated in this column.
5. David Bahan resigned on May 31, 2024, and was replaced by Jonathan Gignac, appointed effective June 12, 2024.
6. Geneviève Biron resigned on April 30, 2024.
7. Sarin Boivin-Picard joined the Governance and Customer Experience Committee on October 1, 2024. He remains a member of the Digital Technologies Committee.
8. Geneviève Brouillette joined the Investment and Major Projects Committee and left the Human Resources Committee on October 1, 2024. She remains the Chair of the Audit Committee.
9. Hanane Dagdougui left the Audit Committee on October 1, 2024. She remains a member of the Digital Technologies Committee.
10. Marco Dodier became Chair of the Governance and Customer Experience Committee on October 1, 2024. On that date, he also joined the Digital Technologies Committee and left the Human Resources Committee and the Investment and Major Projects Committee.
11. Luc Doyon joined the Human Resources Committee and left the Governance and Customer Experience Committee on October 1, 2024. He remains a member of the Investment and Major Projects Committee.
12. Dominique Fagnoule held his position until September 30, 2024.
13. Hélène V. Gagnon held her position until September 30, 2024.
14. Victoria LaBillois was appointed effective October 1, 2024. She is a member of the Audit Committee and the Human Resources Committee.
15. Jean Marc Lechene was appointed effective October 1, 2024. He is a member of the Governance and Customer Experience Committee and the Investment and Major Projects Committee.
16. Marie-Josée Morency held her position until August 18, 2024.
17. Claude Séguin became Chair of the Investment and Major Projects Committee on October 1, 2024, and joined the Audit Committee on the same date.
18. Paul Stinis resigned as Chair of the Investment and Major Projects Committee on September 30, 2024. He replaced Manon Brouillette as interim Chair of the Board for the Board and committee meetings (Human Resources and Digital Technologies) held in March 2024.

Governance

Hydro-Québec's Board of Directors complies with the requirements of the *Hydro-Québec Act* with regard to governance. In particular, it ensures that appropriate control mechanisms are in place and are the subject of periodic reporting.

Independence

The independent members of the Board of Directors have no direct or indirect relations or interests—in particular of a financial, commercial, professional or philanthropic nature—that could affect the quality of their decision-making with regard to the interests of the company.

Rules of Ethics

The Board is responsible for compliance with the rules set out in the Code of Ethics and Rules of Professional Conduct for Directors and Executives of Hydro-Québec and its subsidiaries (in French only), which are based primarily on the Regulation respecting the ethics and professional conduct of public office holders.

Compensation and benefits paid to directors

Compensation of Members of the Board of Directors for the Year Ended December 31, 2024

	Compensation for serving on the Board		Compensation for serving on committees[a]		Benefits	Total compensation for the year
Member's name	Chair	Member	Chair	Member		
David Bahan[bc]	–	–	–	–	$83	$83
geneviève bich[d]	–	$31,473	$6,872	$11,397	$186	$49,928
Geneviève Biron[e]	–	$10,147	–	$2,973	$2,906	$16,026
Sarin Boivin-Picard	–	$31,459	–	$6,937	$3,251	$41,647
Geneviève Brouillette[f]	–	$30,980	$6,872	$11,397	$3,568	$52,817
Manon Brouillette[g]	$202,598	–	–	–	$7,344	$209,942
Anne-Marie Croteau	–	$31,467	–	$12,388	$197	$44,052
Hanane Dagdougui	–	$31,464	–	$8,919	$186	$40,569
Marco Dodier[h]	–	$30,480	$1,629	$13,874	$7,845	$53,828
Luc Doyon	–	$31,461	–	$7,433	$2,601	$41,495
Dominique Fagnoule[i]	–	$22,770	–	$7,928	$2,320	$33,018
Hélène V. Gagnon[j]	–	$23,263	$5,243	$3,964	$145	$32,615
Jonathan Gignac[k]	–	–	–	–	$97	$97
Victoria LaBillois[l]	–	$8,689	–	$1,982	$267	$10,938
Jean Marc Lechene[m]	–	$8,690	–	$2,973	$44	$11,707
Marie-Josée Morency[n]	–	$17,754	–	$4,460	$5,230	$27,444
Claude Séguin[o]	–	$31,462	–	$9,415	$3,251	$44,128
Paul Stinis	–	$31,473	–	$14,370	$6,294	$52,137

a) Compensation and benefits for all independent directors is set out in Order-in-Council No. 610-2006 and is indexed periodically by the government. It consists of a basic annual retainer of $21,168 plus a fee of $991 for each Board or committee meeting attended. A yearly supplement of $6,617 is paid to chairs of the Audit, Human Resources and Governance and Customer Experience committees.

b) Receives no compensation as a member of the Board of Directors.

c) David Bahan resigned on May 31, 2024.

d) Chair of the Human Resources Committee.

e) Geneviève Biron resigned on April 30, 2024.

f) Chair of the Audit Committee.

g) Manon Brouillette receives an annual compensation of $195,000 as Chair of the Board of Directors. She receives no other compensation. The year 2024 had 27 pay periods, instead of the usual 26.

h) Marco Dodier became Chair of the Governance and Customer Experience Committee on October 1, 2024.

i) Dominique Fagnoule held his position until September 30, 2024.

j) Hélène V. Gagnon held her position until September 30, 2024, and was Chair of the Governance and Social Responsibility Committee.

k) Jonathan Gignac was appointed effective June 12, 2024.

l) Victoria LaBillois was appointed effective October 1, 2024.

m) Jean Marc Lechene was appointed effective October 1, 2024.

n) Marie-Josée Morency held her position until August 18, 2024.

o) Claude Séguin became Chair of the Investment and Major Projects Committee on October 1, 2024.

Hiring of Independent Experts

Board members may retain the services of independent experts at the company's expense in order to obtain advice on matters related to their mandate.

Director Induction and Training Program

When Board members are first appointed, they receive training on their roles and responsibilities, the nature and business context of Hydro-Québec's principal activities, and the company's legal and regulatory context. New directors also receive training providing them with a solid grasp of basic notions of electricity. In addition, they are invited to tour the system control center, cybersecurity monitoring center and energy trading floor. By the end of the induction program, they will have received some 15 hours of training.

Continuing development activities for Board members during the year included training on environmental, social and governance (ESG) criteria, the role of a Board of Directors and Indigenous partnerships. Board members were also given presentations on topics such as the impacts of climate change, the management of major projects, other energy sources, Bill 69 and the modernization of energy-related laws, best practices in procurement and cybersecurity governance.

Regulatory Requirements and Internal Guidelines

For a number of years now, the company has implemented internal guidelines in relation to the various regulatory requirements of the Régie de l'énergie and the U.S. Federal Energy Regulatory Commission (FERC).[a] Below is a brief description of each guideline:

- *Transmission Standards of Conduct:* Designed to ensure the absence of discrimination in power transmission service. They govern employee relations regardless of the organizational structure of the company.
- *Transmission Provider Code of Conduct:* Governs transactions between the Transmission Provider[b] and its affiliates to prevent any financing of the latter, in whole or in part, by transmission customers.
- *Code of Ethics on Conducting Calls for Tenders:* Ensures that the Distributor's[c] tendering process is conducted fairly for all electricity suppliers.
- *Distributor Code of Conduct:* Regulates transactions between the Distributor and the Generator[d] for non-tendered electricity supply to ensure that the Generator does not benefit from any unfair advantage. Also, governs dealings between the Distributor and its affiliates, with the aim of preventing affiliates' business operations from being subsidized, in whole or in part, by electricity service customers.

The application of each of these codes is the subject of an annual accountability report to the Régie de l'énergie.

Internal Control System

Hydro-Québec's Management maintains an internal control system. The financial information component of this system is based on the internationally recognized framework developed by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission, and includes the implementation of an annual control plan. The objective of this component is to provide reasonable assurance that the financial information is relevant and reliable, and that Hydro-Québec's assets are appropriately recorded and safeguarded. The control system includes an integrated business risk management process, and the company has also established a process for governance and assessing the compliance of its operations in various fields such as the fight against corruption. The Audit interne group assesses the primary management, control and governance processes to determine if they are sufficient and appropriate, and issues recommendations for improving their economy, efficiency and effectiveness.

Auditors' Fees and Independence

KPMG LLP, Ernst & Young LLP and the Auditor General of Québec are Hydro-Québec's independent auditors for 2024. The professional fees billed by KPMG LLP and Ernst & Young LLP in 2024 for services other than auditing and certification accounted for 9.7% of the total $4.4 million in fees billed. Hydro-Québec uses various mechanisms to enable the Audit Committee to ensure that independent auditors remain independent, including a process whereby any engagement that could be assigned to them is analyzed beforehand. No professional service engagement may be assigned to the Auditor General of Québec, since that office serves the National Assembly exclusively.

a) Permission to sell electricity at market prices on U.S. wholesale markets was granted by the FERC.

b) Hydro-Québec when conducting electric power transmission activities as defined in the *Act respecting the Régie de l'énergie* (RLRQ, c. R-6.01.).

c) Hydro-Québec when conducting electric power distribution activities as defined in the *Act respecting the Régie de l'énergie* (CQLR, c. R-6.01.).

d) Hydro-Québec when conducting electric power generation activities.

Access to Information, Privacy Protection and Data Ethics

All requests for access to information received by Hydro-Québec are handled in accordance with the *Act respecting access to documents held by public bodies and the protection of personal information* (the "Access Act"). In 2024, Hydro-Québec received 644 requests for access to administrative documents or personal information and processed 648 such requests. Of these, 131 were granted in full, 350 were granted in part and 106 were turned down. The most common reason for denying requests was that the documents contained either confidential personal information or sensitive information that, if shared, could impact the company's finances, public safety or administrative decisions. As for the other 61 requests, they could not be fulfilled either because they were not admissible or applicable, they were withdrawn, they were redirected to other public organization(s) or the company did not have the documents in question. In total, 344 requests for access were processed within 20 days, 169 in 21 to 30 days, and 135 in 31 days or more, for an average processing time of 22 days. In addition, 23 review notices were received from the Commission d'accès à l'information; no requests were the subject of reasonable accommodation measures under the government policy on equal access for persons with disabilities to publicly available documents and services. Decisions on access requests and the report on requests processed in 2024 are available (in French only) on the company's website. Hydro-Québec posts documents and information whose publication is prescribed by the Regulation respecting the distribution of information and the protection of personal information on its website to facilitate access by the population.

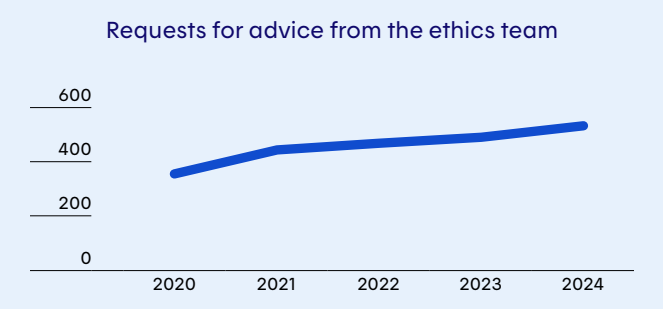
Hydro-Québec continued offering training and awareness-raising initiatives, including advanced training on the topics of access to information and privacy protection. To ensure compliance with the new requirements set out in the *Act to modernize legislative provisions as regards the protection of personal information* and with the guidelines issued by the Commission d'accès à l'information, we made some changes to our pre-existing guidelines.

Ethical Culture at Hydro-Québec

At Hydro-Québec, we want our company culture to reflect our values and those of our stakeholders. Our ethics team is available to support employees and managers with ethical issues and answer their ethical questions. This year, the ethics team received and processed 573 requests.

The team is also in charge of regularly updating the *Code of Ethics* for employees and the *Code of Ethics and Rules of Professional Conduct for Directors and Executives of Hydro Québec and Its Subsidiaries* [in French only]. The latter was updated in 2024, following internal consultations, a comparative analysis and the gathering of business intelligence. The new version expands the scope of application of the code to include Hydro-Québec's partly owned subsidiaries.

Other initiatives by the ethics team included training on ethical leadership delivered to all managers.



Combatting Corruption

In June 2021, Hydro-Québec became one of Québec's first organizations to achieve ISO 37001 certification. The powerful international standard confirms our commitment to adopting best practices in bribery risk management. To maintain the certification, Hydro-Québec must:

- Ensure sound governance specific to the fight against corruption
- Assess the risks associated with some of its processes (procurement, managing sensitive information)
- Implement mitigation measures to reduce these risks
- Raise awareness and train employees
- Ensure that employees, stakeholders and citizens have access to a confidential and anonymous reporting mechanism, and provide protection against retaliation in the event of disclosure

Following a call for tenders, EuroCompliance was the firm selected to carry out the annual external audits for the 2024–2026 cycle, and they conducted a recertification audit in spring 2024. The outcome was very positive, as no lack of compliance was found. In addition, the audit highlighted a number of strengths, including the commitment and transparency of senior management and the expertise of the personnel involved.

Language Guidelines

Hydro-Québec continued its efforts to comply with the new obligations in the *Charter of the French Language* (CQLR c. C-11, the *Charter*) based on the *Act respecting French, the official and common language of Québec* (2022, c. 14). Our initiatives included discussions on best practices with the Ministère de la Langue française and other organizations, and the implementation of processes to ensure that use of the French language at Hydro-Québec is exemplary. We determined the situations in which a language other than French is used, based on which we will draft the directive required by the *Charter*, documenting the exceptions applicable to Hydro-Québec. We also produced documents and tools to promote exemplary use of the French language among employees.

Compensation of Officers

Compensation of Hydro-Québec Officers for the Year Ended December 31, 2024

Names and positions of the most highly compensated officers (in alphabetical order)	Base compensation paid	Incentive pay related to 2023[a]	Pension plan contributions paid by the employer	Other benefits paid or granted	Total compensation for the year
Maxime Aucoin Executive Vice President – Strategy and Finances	$591,923	$36,877	$104,156	$693,616[b]	$1,426,572
Claudine Bouchard Executive Vice President and Chief Operating and Infrastructure Officer	$589,948	$147,868	$154,556	$40,990	$933,362
Jean-Hugues Lafleur Executive Vice President and Chief Financial Officer	$486,072	$149,039	$107,956	$47,412	$790,479
Dave Rhéaume Executive Vice President – Commercial Activities and Chief Customer Officer	$467,308	$128,295	$83,056	$37,996	$716,655
Michael Sabia President and Chief Executive Officer	$663,577	$132,270	$0[c]	$43,669	$839,516

a) Hydro-Québec does not offer a long-term profit-sharing plan. The amounts paid in 2024 represent the incentive pay for the year 2023.

b) An allowance of $625,000 was paid to Maxime Aucoin in 2024. This amount is equivalent to the portion of the 2023 bonus not paid by his previous employer, the Caisse de dépôt et placement du Québec, which had been established based on his responsibilities and performance. This information was publicly disclosed on June 25, 2024, in response to access to information requests.

c) As compensation for non-participation in the pension plans, the President and Chief Executive Officer may receive, no later than 90 days after the scheduled end of their term, a lump sum amount equivalent to 33 1/3% of the base salary paid for each of the five 12-month periods of the term, provided that the performance evaluation by the Board of Directors meets or exceeds expectations for at least four of the five years of the term. For the first year of the term (August 2023 to July 2024), the evaluation criterion was met.

Annual Incentive Pay

Under Hydro-Québec's incentive compensation policy, non-unionized employees may receive an annual performance bonus. In the case of officers, it is based on corporate objectives that are predetermined and approved annually and is conditional upon the attainment of the financial performance threshold approved by the Board of Directors. The main factors determining the amount of the annual incentive pay are the degree to which corporate objectives were met and the officer's annual salary, prorated to the period during which the officer held that position during the year.

The maximum incentive pay for officers other than the President and Chief Executive Officer is 30% of their annual base salary. For the President and Chief Executive Officer, the maximum is 50%. The financial performance threshold for 2023—net income of at least $2.601 million—was attained.

Pension Plan Contributions Paid by Hydro-Québec

Hydro-Québec Pension Plan (HQPP, funded plan):

This basic plan is a contributory defined-benefit pension plan. Retirement pension is calculated on the basis of average salary for the best five years and is partially indexed. The credit is 2.25% of average salary per contribution year and 66.67% of the maximum incentive compensation is recognized as pensionable earnings, up to a maximum of 20% of salary.

Supplementary Benefits Program (unfunded plan):

The additional benefits aim to offset the HQPP tax limits (ceiling lifted on permitted maximum amount). The current service cost is borne entirely by Hydro-Québec and benefit payment terms are the same as for the HQPP.

For the HQPP, the amounts disclosed are the contributions that should have been paid by Hydro-Québec without taking into account the contribution reductions based on the Plan's financial situation. The amounts disclosed are equal to 11.35% of pensionable earnings under the Plan. For the Supplementary Benefits Program, the amounts disclosed represent the current service cost calculated by Hydro-Québec's external actuary, based on the following:

- Same assumptions as those used for the HQPP's actuarial valuation on a funding basis as at December 31, 2023.
- Current service cost calculated on the basis of the earnings rates in effect in 2024.

Other Benefits Paid or Granted

The sums reported as other benefits paid or granted are generally the taxable amounts associated with the following benefits provided to officers by Hydro-Québec:

- Annual automobile allowance (for executive vice presidents: $18,432 for a gas-powered vehicle or $23,052 for a plug-in electric vehicle; for vice presidents: $12,156 for a gas-powered vehicle or $15,180 for a plug-in electric vehicle).
- Automobile usage expenses for executive vice presidents or vice presidents, or for the President and Chief Executive Officer if no company car is used (parking, access to an electric charging station at the workplace, kilometrage allowance for business needs).
- Company car for the President and Chief Executive Officer (the value of this benefit, which is equal to the amortization of the cost of the vehicle plus maintenance and charging costs, is included in the amount reported as other benefits paid or granted and is not a taxable benefit).
- Group insurance plan premiums – life, health, travel and disability insurance. The premium paid by Hydro-Québec for long-term disability insurance, included in the amount reported as other benefits paid or granted, is not a taxable benefit for the officer. In addition, the monetary value of salary continuation in the event of short-term disability cannot be determined.
- Gratuity account allowing for the reimbursement of expenses related to financial, tax or estate planning, sports clubs and professional dues up to $10,000 per year for the President and Chief Executive Officer, $5,000 per year for executive vice presidents or senior vice presidents and up to $4,000 per year for vice presidents.
- Access to an annual health assessment.

Compensation of Officers of Entities in Which Hydro-Québec Holds at Least a 90% Stake, for the Year Ended December 31, 2023

The officers listed in the table below for entities in which Hydro-Québec holds at least a 90% stake are also Hydro-Québec officers. The total compensation components shown are the benefits paid or granted by Hydro-Québec, for their role both as Hydro-Québec officers and as officers of the entities in which Hydro-Québec holds at least a 90% stake.

Names and positions of the five most highly compensated officers (in alphabetical order)	Name of the entity in which Hydro-Québec holds at least a 90% stake	Base compensation paid	Incentive pay related to 2023[a]	Pension plan contributions paid by the employer	Other benefits paid or granted	Total compensation for the year
Claudine Bouchard[b] President and Chief Executive Officer	Société d'énergie de la Baie James	$589,948	$147,868	$154,556	$40,990	**$933,362**
Jeff Desruisseaux[c] President and Chief Executive Officer	Cléo Innovations inc.	$151,535	$59,483	$9,942	$324,262[d]	**$545,222**
Mathieu Johnson[b] President	Gestion HQI inc., Marketing d'énergie HQ inc. et Hydro-Québec International inc.	$367,120	$81,123	$60,256	$175,282	**$683,781**
Jean-Hugues Lafleur[b] President	Groupe Financier HQ inc. et Hydro-Québec IndusTech inc.	$486,072	$149,039	$107,956	$47,412	**$790,479**
François Ramsay[b] Vice President – Legal Affairs and Compliance	Marketing d'énergie HQ inc.	$322,607	$77,472	$65,656	$36,133	**$501,868**

a) Neither Hydro-Quebec nor any entity in which it holds at least a 90% stake provide a long-term profit-sharing plan.

b) The compensation divulged is that paid by Hydro-Québec. No compensation is paid by the entity in which Hydro-Québec holds at least a 90% stake.

c) Jeff Desruisseaux served as President and Chief Executive Officer of Cléo Innovations inc. until it was sold on August 2, 2024.

d) A severance package of $263,750 was paid to Jeff Desruisseaux.

Details regarding incentive pay, pension plan contribution and other benefits paid or granted to officers who are also employed by Hydro-Québec are presented on pages 77 and 78.

Occupation and Vitality of Territories

As a government corporation, Hydro-Québec supports the Québec government's efforts to ensure the occupancy and vitality of territories. The following are the company's main measures in this regard, in compliance with the *Act to ensure the occupancy and vitality of territories* (CQLR, c. O-13).

Measures to ensure the occupancy and vitality of territories	Indicator
Continue efforts in the field of transportation electrification Hydro-Québec is actively expanding the Electric Circuit, the largest public charging network in Québec, which currently includes more than 5,000 charging stations for electric vehicles (EVs). The rollout of the Electric Circuit to all of Québec's regions is guided by a plan based on strict criteria. The goal is to increase the use of EVs by offering drivers high-quality service through a network that covers the entire province. In 2018, to cater its offer to market needs, the Electric Circuit undertook to add 1,600 fast-charge stations to its fleet by 2027. In addition, under the *2030 Plan for a Green Economy* launched by the Québec government in November 2020, Hydro-Québec has committed to installing 2,500 fast-charge stations and 4,500 standard stations by 2030. The Electric Circuit will consequently be central to the strategy to accelerate transportation electrification. With the number of EV drivers growing every year, the expansion of the Electric Circuit will facilitate EV travel and contribute to stimulating tourism and economic activity in all of the province's regions. Transportation electrification is a promising green sector in which Hydro-Québec intends to play a leading role.	At present, the Electric Circuit has over 5,000 public charging stations across Québec, including nearly 1,200 fast-charge stations.
Support the greenhouse industry in Québec In December 2020, the Régie de l'énergie approved Hydro-Québec's request to expand the measures offered since 2013 to greenhouse growers. As a result, the Additional Electricity rate option for photosynthetic lighting now also applies to space heating to raise crops and is available to all producers whose maximum power demand exceeded 50 MW in the last 12 months. This measure will help support the development of the greenhouse industry in a number of regions, while also increasing Québec's food self-sufficiency.	No indicator
Roll out an information program on the integration of Hydro-Québec's facilities into the host environment and the coordination of planning To optimize the integration of its facilities throughout the province, Hydro-Québec set out to provide training on its operations and land management practices. From 2016 to 2020, this training was offered to the land-use planners of regional county municipalities (MRCs) and of the cities and agglomerations that perform some of the functions of MRCs. As at December 31, 2020, more than 20 training sessions had taken place in-person or remotely.	The company reached out to all of Québec's MRCs and invited their land-use planners to at least one of the training sessions offered since 2016. Altogether, 90 MRCs, or 89% of all MRCs in Québec, registered for at least one training session. This action was completed in 2020.
Offer free guided tours of some facilities Hydro-Québec helps promote tourism in different parts of the province by showcasing its built and technological heritage in Québec's various regions and offering free tours of some of its generating stations, dams, visitor centres and interpretive trails. These offerings are a unique opportunity to educate the public on the company's main objectives and on scientific notions related to energy literacy.	A total of 95,454 people visited our facilities in 2024.
Convert off-grid systems Hydro-Québec aims to gradually convert its off-grid systems to cleaner, less costly energy sources. The company is also committed to working with local communities on promising initiatives while ensuring that it meets its financial and environmental goals. The specific features of each system and the needs of each community will be considered to help select a technological solution that ensures system reliability and is also optimal from the social, environmental and economic standpoints.	No indicator
Participate in the Lac-Mégantic microgrid Québec's first islandable microgrid, inaugurated in July 2021, features a range of components, such as solar panels for local energy generation, energy storage units and tools to manage buildings' energy use to best meet the needs of the population and the power system. It is the only technology showcase of its kind in Québec. The new fire station, equipped with storage batteries and solar generation was inaugurated in 2023. 2024 marked the unveiling of the Le Chevalier building, in which we are testing a unique combination of technologies to better meet the needs of lower-income customers. We are also continuing trials to optimize the management and use of the energy generated and stored in the batteries and in all the buildings connected to the microgrid.	No indicator

Respecting Public Land Use Plans

Lands in the domain of the State cover over 90% of Québec. For each of its projects, Hydro-Québec carries out an environmental assessment that meets the various legal requirements. Projects that involve public land are assessed in consideration of the public land use plan for the regions in question. In 2024, Hydro-Québec submitted four impact statements in accordance with Section 31-1 of the *Environment Quality Act*. Two of these statements are for substation projects, namely, Hochelaga substation (Montréal region) and Jean-Jacques Archambault substation (Lanaudière region); the third is for a project to upgrade the electrical system between Saraguay and Rockfield substations (Montréal region); and the fourth is for a 315-kV line project to connect the Des Neiges wind farm (Capitale-Nationale region).

Disclosure of Wrongdoings

To preserve trust in Hydro-Québec and maintain integrity and ethics at a high standard, Hydro-Québec's Board of Directors and Management implemented an integrated reporting procedure. Reports can be made by phone (1,866 384-4783) or through a secure online form (in French only) that guarantees full confidentiality for all communications, as well as anonymity if required.

In 2024, we received 17 reports that qualified as wrongdoing, distributed as follows:

2024 report	
Cases covered by Section 25 of the *Act to facilitate the disclosure of wrongdoings relating to public bodies*	Number
1 Disclosures received by the designated officer	22
2 Cases in which processing or examination of the disclosure was ended under subparagraph 3 of Section 22	0
3 Well-founded disclosures (concluded in 2024)	2
4 Disclosures broken down by category of wrongdoing set out in Section 4:	
• a contravention of a Québec law, of a federal law applicable in Québec or of a regulation made under such a law	10
• a serious breach of the standards of ethics and professional conduct	7
• a misuse of funds or property belonging to a public body, including the funds or property it manages or holds for others	1
• gross mismanagement within a public body, including an abuse of authority	3
• any act or omission that seriously compromises or may seriously compromise a person's health or safety or the environment	1
• directing or counselling a person to commit any of the wrong doings described above	0
5 Information forwarded under the first paragraph of Section 23	1

Act Respecting Workforce Management and Control Within Government Departments, Public Sector Bodies and Networks and State-Owned Enterprises

On December 5, 2014, the Québec government adopted the *Act respecting workforce management and control within government departments, public sector bodies and networks and state-owned enterprises*. The purpose of this Act is to strengthen workforce management and control mechanisms within public bodies, in particular through workforce planning and measures to control staffing and service contracts.

In accordance with the Act, Hydro-Québec adopted a directive establishing the situations in which the authorization of its Chief Executive Officer is not required for the signing of service contracts during the application period of the Act. The directive was submitted to the Conseil du Trésor and has been in effect since December 1, 2017. For the period from April 1, 2023, to March 31, 2024, the President and Chief Executive Officer of Hydro-Québec authorized 89 contracts falling within the scope of the Act, for a total of $263,978,199.

The table opposite shows Hydro-Québec's total workforce, in paid hours, for the reference period.

Paid hours	
Management	4,050,710
Professionals	15,706,601
Clerical staff, technicians and similar	9,217,338
Peace officers	31,205
Labourers, maintenance and service personnel	13,665,953
Students and interns	168,665
Total	42,840,471

Report on Hydro-Québec's Efficiency and Performance

Background

Under the *Hydro-Québec Act,* the company must conduct an assessment in which it compares itself against other companies in the power industry and reports on the outcome every three years. The table below shows the results of the fifth assessment performed by the company since 2012. The reference period varies according to data availability for each indicator. In some cases, indicators were not compared for lack of common benchmarking metrics, but a good portion of the data was nevertheless examined by recognized independent organizations.

Results of the 2024 Assessment

In 2022, Hydro-Québec posted the best financial performance of its history, in a context marked by cold winter temperatures and a sharp rise in energy prices on export markets. The company exceeded the overall financial target set for the 2022–2024 period, despite the low runoff conditions in 2023 and 2024, which significantly reduced electricity sales outside Québec, with a resulting decrease in net income.

As we continue to roll out our *Action Plan 2035*, we are seeing an improvement in some of the indicators for service quality—including the data for number of outages (normalized system average)—despite the occurrence of several exceptional weather events (derecho, ice storm, forest fires, tornado, heavy rain). In terms of workplace health and safety, results have improved, but efforts must continue, particularly in areas such as diversity, inclusion and reputation, where indicators are showing a slight decline compared to our previous assessment.

Indicators covered in three-year benchmarking

Cost indicators	Hydro-Québec's results / Average results			Comments
	2021	2022	2023	
Transmission substations (US$/MVA) *(Benchmarked by First Quartile Consulting)*	1,397 / 695	1,748 / 599	1,873 / 514	The vastness of the transmission system means more equipment compared to the reference group and thus higher-than-average operational and maintenance expenditure. The rise in expenditure in recent years is explained by an increase in servicing and maintenance activities and by expenses related to digital technologies to improve service quality and reliability.
Transmission lines (US$/circuit-mile) *(Benchmarked by First Quartile Consulting)*	2,366 / 8,857	2,606 / 9,056	3,821 / 12,575	In view of the relatively high percentage of high-voltage lines in the transmission system, a given load can be transmitted using a smaller number of components per circuit-mile compared to the reference group. The increase in servicing and maintenance activities and expenses related to digital technologies with a view to improve service quality and reliability explains the rise in expenditure in recent years.
Distribution system (US$/customer account) *(Benchmarked by First Quartile Consulting)*[a]	79 / 107	NA / 121	112 / 131	Maintenance and vegetation control activites intensified in recent years, which has contributed to improving service quality. Nevertheless, the company's costs remain below those of the reference group. Note: This indicator is calibrated every two years.
Customer operations (US$/customer account) *(Benchmarked by First Quartile Consulting)*[a]	NA / 40	38 / 48	NA / 49	Our marketing efforts led to increased subscriptions to online billing and to the Customer Space. In addition, the number of downloads of our mobile app is on the rise and the average time spent on the app is gradually increasing. These achievements helped us decrease certain costs, including mass mailing. Note: This indicator is calibrated every two years.
Average cost of generation (C¢/kWh) *(Certain cost components benchmarked by the Electric Utility Cost Group)*	1.9 / NA	2.0 / NA	2.4 / NA	The average cost of generation increased in 2023, mainly because Hydro-Québec sold less electricity on markets outside Québec, due to natural water inflows that were much lower than normal. The cost components are therefore concentrated on a smaller sales volume.

a) This indicator is calibrated every two years.

Indicators covered in three-year benchmarking (continued)

Indicators related to Hydro-Québec's strategic objectives	Hydro-Québec's results / Average results			Comments
	2022	2023	2024	
Reputation index (overall score out of 10)[a] *(Benchmarked by SOM)*	7.43 / 6.19	7.38 / 6.11	7.28 / 6.08	Hydro-Québec measures its overall reputation on the basis of three criteria: overall assessment of the company, admiration and sense of pride. Over the 2022–2024 period, the company maintained its first-place ranking, among the seven companies assessed.
Frequency of work-related accidents involving lost time and/or death (per 200,000 hours worked)[b] *(Benchmarked by the Canadian Electricity Association)*	0.95 / 0.64	1.17 / 0.64	0.90 / NA	The difference between Hydro-Québec's results and those of the reference group can be attributed to various factors such as the broader range of the company's operations, given that it is a vertically integrated utility. In addition, the company's status as a public-sector organization, along with the particularities of the workers' compensation regime in Québec, may have an impact on the number of incidents declared and the rate of claims. Hydro-Québec is pursuing the company-wide initiatives it has implemented to improve its occupational health and safety performance and that of its suppliers of goods and services.
Sustainable employee engagement index (%)[c]	87 / 89	86 / 90	NA	In a context of major changes, including the company's evolution to One Hydro, the return to in-office work after the COVID-19 pandemic and significant changes in senior management, the engagement index remained high, as per the 2023 survey. No engagement survey was carried out in 2024.

a) 2022 data verified by GHD and 2023 data, by the Bureau de Normalisation du Québec (BNQ).

b) Data verified by the BNQ.

c) 2022 data verified by GHD and 2023 by the BNQ.

Indicators not covered in three-year benchmarking

Indicators related to Hydro-Québec's strategic objectives	Results / Targets			Comments
	2022	2023	2024	
Energy savings resulting from our energy efficiency initiatives (net GWh)[d]	824 / NA	795 / NA	1,107 / NA	The increase of over 30% in energy savings compared to 2023 is the result of initiatives such as: • The introduction of a large-scale financial support program for residential customers. • The addition of key measures that ensure a very high performance for the program tailored to business customers. • A 60% increase in the financial support offered to farm customers, especially through the introduction of new customized measures. • The implementation of key initiatives to support the rollout of the *Action Plan 2035*.
Net income ($M)[e]	4,557 / 3,400[f]	3,288 / 3,500[f]	2,663 / 2,200 to 2,700[g]	Over the period from 2022 to 2024, Hydro-Québec recorded net income that generally exceeded the targets set. In fact, in 2022, the company posted the best financial performance of its history. The following years, 2023 and 2024, were marked by low runoff, which required proactive and prudent management of energy reserves, leading to a significant reduction in electricity sales on markets outside Québec.
Contribution to Québec's gross domestic product (GDP) ($B)[h]	25 / NA	24 / NA	24.5 / 23.4	Despite a drop in net income, the company's contribution to Québec's GDP rose in 2024, compared to 2023, thanks to an increase in investments.

d) 2022 data verified by GHD and 2023 data, by the BNQ.

e) Financial statements audited by KPMG, Ernst & Young and the Auditor General of Québec.

f) Strategic Plan 2022–2026 target.

g) Annual Report 2023 target.

h) 2023 data reviewed within the scope of Ernst & Young's limited assurance services.

Indicators not covered in three-year benchmarking (continued)

Indicators related to Hydro-Québec's strategic objectives	Results / Targets			Comments
	2022	2023	2024	
Customer experience index[a]	8.4 (combined customer satisfaction index) / NA	8.3 (combined customer satisfaction index) / NA	8.4 (customer experience index)	In 2024, we modified our surveying approach to target customers who had had a recent interaction with us through our different communication channels. The results continue to reflect Hydro-Québec's constant efforts to adequately measure customer satisfaction.
Certification level under the Partnership Accreditation in Indigenous Relations (PAIR) program run by the Canadian Council for Indigenous Business	Silver / NA	Silver / NA	Gold / NA	The Gold certification obtained in 2024 recognizes Hydro-Québec's efforts in terms of: • Relations with Indigenous communities • Economic benefits • Training and employment for Indigenous workers The progress made to date shows that the company is a good business partner and is committed to promoting the prosperity of Indigenous communities. It is also committed to offer an open and inclusive work environment for its Indigenous employees.
Equity, diversity and inclusion (% of new hires from diverse backgrounds)[a]	45.5 / 46	43.6 / 47	41.4 / 48	This indicator aims to increase the representation within the company of the groups targeted by the *Act respecting equal access to employment*. As part of our efforts to discover new talents and widen the range of professional profiles in the company, we implemented a hiring program for new immigrants, offered internships specifically to students with disabilities and to youth from First Nation and Inuit communities. The drop in this indicator is attributable to the evolution of business needs, which led to changes in the nature and location of the positions to be filled. We regularly check the objectivity of our processes and offer sensitivity training about unconscious biases.

a) 2022 data verified by GHD and 2023 data, by the BNQ.

Sustainable Development Plan 2024–2028: Progress Summary

The *Sustainable Development Plan 2024–2028* is the result of extensive consultation with internal and, in some cases, external stakeholders along with an in-depth review of best practices.

It goes without saying that the commitments outlined in the pages that follow support the energy transition. Corresponding to nine distinct themes, they will allow us to concretely integrate sustainability into the full range of our operations and, more broadly, contribute to decarbonizing Québec. These commitments and actions also echo the priorities of the *Action Plan 2035*.

Some examples:

- Major investment in strengthening grid reliability and climate change resilience will cut the number and duration of power outages, thereby improving service quality.
- Promoting more responsible electricity use among our customers while boosting our output of renewable energy will contribute significantly to Québec's decarbonization.
- Infrastructure projects that align with sustainable development principles—particularly with regard to biodiversity, the long-term operability of our facilities, working with local communities and partnering with Indigenous communities—will improve living conditions across Québec and secure a sustainable energy supply for generations to come.
- Hiring more people from diverse backgrounds, including Indigenous communities, while continually improving our workplace health and safety practices will help us build a safer, healthier and more inclusive organization.

For each commitment in the *Sustainable Development Plan 2024–2028*, we contribute to one or more of the 17 Sustainable Development Goals put forth by the United Nations Development Programme, the United Nation's lead agency on international development.

The table below gives the results for 2024. We also specify the subgoal from the *Government Sustainable Development Strategy 2023–2028* (GSDS) corresponding to each action item in the Plan. The Plan is scheduled to be updated in the first quarter of 2025.

More information on our sustainability actions and performance can be found online.

GSDS subgoal	Action	Indicator	Starting measurement (year/period)	Target 2024	Result 2024 / Comments
Responsible procurement					
5.4.1 Increase the share of sustainable procurement.	Increase the share of our sustainable procurement.	% of contracts incorporating new sustainability components	New indicator	10	**24.6** / We have integrated into this percentage the monitoring of human rights risk mitigation measures for the occupational health and safety questionnaire as an eligibility criterion (passing grade of 70% required) in six purchasing categories.
	Increase the business opportunities made available to social economy enterprises.	Number of social economy enterprises with a contract or active order for the current year	49 (2023)	55	**82**[a] / We made sustained efforts to encourage external stakeholders and our employees to buy from social economy enterprises. We updated the status of the enterprises registered in our supplier database.
Biodiversity					
2.1.1 Enhance and ensure the long-term survival of Québec's protected areas.	Determine the conservation potential of our properties so as to help attain government biodiversity conservation objectives.	Cumulative number of hectares targeted for conservation	New indicator	Adopt a method for establishing conserv-ation potential	**Underway** / The method for establishing the conservation potential of Hydro-Québec's properties is based on three documents produced in 2024. The guide for determining the ecological value of Hydro-Québec's properties was used to assign an ecological value to each of the company's 5,567 lots. The other two documents are currently draft versions under consultation. The first describes the decision-making mechanism for identifying opportunities to conserve or protect certain properties, and the second explains how to create a recognized conservation measure, including steps to follow and groups to consult.

a) Data verified by the BNQ.

GSDS subgoal	Action	Indicator	Starting measurement (year/period)	Target 2024	Result 2024 / Comments
2.1.2 Improve the state of Québec's plant and wildlife species.	Incorporate improvement or restoration measures aimed at promoting biodiversity in our projects.	% of projects subject to Section 31 of the *Environmental Quality Act* (EQA) that integrate these measures	New indicator	100	**75** / In 2024, Hydro-Québec carried out and filed four environmental impact statements for as many major projects, three of which integrate an additional biodiversity protection measure. The integration of these measures to the projects already launched proved more complex. One such measure will be integrated to a fourth major project in 2025.
Sustainable Indigenous communities and other communities					
3.2.2 Support entrepreneurship among women, Indigenous people and people from diverse backgrounds.	Obtain Gold-level certification in the Partnership Accreditation in Indigenous Relations (PAIR) program run by the Canadian Council for Indigenous Business	Certification level	Silver level (2023)	Gold Level	**Gold level** / The Gold certification obtained in 2024 recognizes Hydro-Québec's efforts in terms of: • Relations with Indigenous communities • Economic benefits • Training and employment for Indigenous workers The progress made to date shows that the company is a good business partner and is committed to promoting the prosperity of Indigenous communities. Hydro Québec is also committed to offering a workplace that is open and inclusive toward its Indigenous employees.
	Support Indigenous women entrepreneurs.	Cumulative financial contribution ($M)	1 (2023)	2	**2**[a] / In 2024, Hydro-Québec made a $1 million contribution to the First Nations of Québec and Labrador Economic Development Commission (FNQLEDC), as set out in the agreement signed by the parties. The payment consisted of two cheques of $500,000, one in June and the other in November. This contribution brings the total cumulative contribution to the FNQLEDC to $2 million, as planned.
4.1.1 Help municipalities take sustainable action in their jurisdictions.	Work with municipalities to implement projects that foster biodiversity in our transmission rights-of-way.	Cumulative number of hectares developed	10.2 (2023)	40	**22.1**[a] / The annual targets were set based on the number of hectares we believed were developed in 2023: 19.68 ha. This number was provided by our three municipal partners. When calculating the number of hectares developed in 2024, Hydro-Québec recalculated the number of hectares covered by the projects carried out in 2023. Unfortunately, the total was 10.2 ha and not 19.68 ha for 2023. In 2025, we will be promoting this initiative to get even more interest from our municipal partners.

a) Data verified by the BNQ.

GSDS subgoal	Action	Indicator	Starting measurement (year/period)	Target 2024	Result 2024 / Comments
Responsible energy use					
1.1.3 Support the development of green industries and clean technologies.	Achieve the 21-TWh (terawatthour) energy savings target by 2035 through our energy efficiency programs.	Cumulative number of gross TWh saved	0.84 (2023)	1.77 (+0.93)	**2.01 (+1.17)** / The target was exceeded primarily thanks to: • The introduction of a large-scale financial support program for residential customers. • The addition of successful, high-impact measures to the program tailored to business customers. • A 60% increase in the financial support offered to agricultural customers, especially through the introduction of new customized measures.
1.3.2 Facilitate responsible and local consumption options.	Free up 3,500 MW of electricity that can be shaved or shifted by 2035 through our demand response offers.	Number of megawatts (MW) shifted or shaved	2,041 (2023–2024)	2,152	**2,371**[a] / The result for winter 2024–2025 exceeded the target for the reference period thanks to strategic marketing and promotion initiatives that increased the number of residential and business customers signed up for a demand response option.
Decarbonization					
4.2.2 Reduce the energy intensity of transporting people and goods.	Increase electricity supply to help reduce the energy intensity of transporting people and goods.	Number of fast-charge stations in Québec for light- and heavy-duty vehicles	897 (2023)	1,120	**1,110**[a] / The result is 10 stations short of the target. In 2024, 75 additional connectors were installed, but could not be commissioned due to the lengthy lead times for electrical connections.
5.6.1 Improve sustainability of buildings and infrastructures.	Reduce direct (scope 1) GHG emissions.	% reduction of tonnes of CO_2 equivalent	362,820 (average of the 2015–2020 period)	-5	**Not available** / The final number will be published on our sustainability webpage.
5.8.1 Reduce GHG emissions from government vehicle fleets (light- and heavy-duty models).	Gradually convert our fleet of gas-powered vehicles to low- or zero-emission models.	Percentage of vehicle fleet electrified	39 (2023)	47	**46**[a] / The vehicle fleet electrification target was very nearly reached. Efforts to attain the target of 50% will continue in 2025.
Circular economy					
1.1.2 Accelerate the development of the circular economy.	Implement a plan that sets out our corporate guidelines with regard to the circular economy.	% of progress on the plan	0 (2023)	0	**0** / In 2024, to guide the implementation of the *Action Plan*, we developed a strategy to accelerate the transition to a circular economy. The vision, action areas and goals set out in the strategy form the basis of the initiatives that we will carry out in 2025. In addition, Hydro-Québec worked with the Centre d'études et de recherches intersectorielles en économie circulaire (CERIEC). Our projects were used as case studies to help the CERIEC develop tools that will help construction project owners implement more circularity.

a) Data verified by the BNQ.

GSDS subgoal	Action	Indicator	Starting measurement (year/period)	Target 2024	Result 2024 / Comments
5.6.2 Increase sustainable management of construction and renovation sites.	Implement a circular economy plan for waste materials, including waste generated from construction, refurbishment and renovation sites.	Cumulative new circular initiatives, including those for waste materials from construction, refurbishment and renovation sites	0 (2023)	0	**0** / We explored various ways to reduce the environmental footprint of our jobsites. We selected sites for implementing circular economy initiatives to reduce the use of new resources and reclaim residual material. In line with these motivations, we modified the clauses of our calls for tenders and signed agreements on the packaging of materials. These projects are underway and will continue in 2025. They are documented and can be assessed in future reporting.
Responsible governance					
5.1.1 Assess the sustainability of government actions.	Assess the sustainability of our projects that are subject to Section 31 of the Environment Quality Act.	% of major projects assessed	0 (2023)	100	**100** / We assessed the sustainability of our four projects that are subject to Section 31 of the EQA. In 2025, we aim to find ways to conduct the assessments earlier in the project cycle to maximize benefits.
5.3.4 Increase the percentage of standardized programs that include sustainability criteria.	Integrate sustainability criteria into our donation and sponsorship evaluation and selection processes.	% of donation/ sponsorship recipients that meet sustainability criteria	New indicator	15	**44**[a] / In 2024, we rolled out a new system for processing requests for donations and sponsorships. Thanks to this system, which includes a form with specific questions, we can efficiently determine which organizations meet the sustainability criteria and have therefore exceeded the target set. Among the 605 organizations that received financial support from Hydro-Québec, 266 declared that they have an environmental mission or initiatives.
Sustainable and resilient infrastructures					
5.6.1 Improve sustainability of buildings and infrastructures.	Integrate climate change adaptation into our targeted processes.	Number of processes	36 (2023)	44	**NA /** Indicator under review.
5.7.1 Improve management of government-generated waste materials.	Renew our BOMA BEST certificates as per version 4.0 of the applicable standards.	% of renewals meeting 4.0 requirements	0 (2023)	22	**0** / The renewals planned were initiated but the certification process changed, resulting in longer lead times. The process will be complete in early 2025.
Human resources					
NA	Improve workplace safety by adopting measures to reduce accident risks.	Frequency of work-related accidents involving lost time and/or death, per 200,000 hours worked at Hydro-Québec	1.17 (2023)	1.12	**0.90**[a] / In 2024, Hydro-Québec greatly reduced the frequency of work-related accidents involving lost time thanks to a number of initiatives aimed at improving occupational health and safety, including measures such as improving risk management processes, ongoing training on safe practices and the implementation of new technologies to monitor operations and prevent incidents.

a) Data verified by the BNQ.

GSDS subgoal	Action	Indicator	Starting measurement (year/period)	Target 2024	Result 2024 / Comments
5.8.2 Increase the modal share of active, collective and alternative transportation over single-occupancy vehicle use by government employees.	Increase the share of active, collective or alternative transportation used as compared to single-occupancy vehicle use.	% of modes of transport other than single-occupancy vehicle travel	NA	50	**50** / Due to the difference between the method used by Hydro-Québec in its 2023 survey and the one used by the provincial government in its 2024 survey, we decided to adjust our target based on the latter. In addition, we deployed our sustainable mobility program gain in 2024, with initiatives such as bicycle mechanics workshops at our main administrative centres, the promotion of company rebates for Bixi and àVélo, our guaranteed return-to-home service for employees who carpool and a lunch-and-learn on bike travel. We also reviewed the criteria for parking lot set-up to integrate more sustainable mobility. Finally, Hydro-Québec was the winner of the *Défi sans auto solo* prize.

OUR GENERATING, TRANSMISSION AND DISTRIBUTION FACILITIES

Generation

Installed capacity in Québec — 37,407 MW

62 hydroelectric generating stations — 36,854 MW

Robert-Bourassa	5,616	Sainte-Marguerite-3	882	Péribonka	385	Manic-1	184
La Grande-4	2,779	Laforge-1	878	Laforge-2	319	Shawinigan-3	184
La Grande-3	2,417	Bersimis-2	845	Trenche	302	Rapides-des-Îles	176
La Grande-2-A	2,106	Outardes-4	785	La Tuque	287	Sarcelle	150
Beauharnois	1,864	Bernard-Landry	768	Romaine-1	270	Chelsea	144
Manic-5	1,596	Carillon	756	Beaumont	270	Première-Chute	124
La Grande-1	1,436	Romaine-2	640	Romaine-4	245	La Gabelle	124
René-Lévesque	1,326	Toulnustouc	526	McCormick	235	Les Cèdres	113
Jean-Lesage	1,229	Outardes-2	523	Rocher-de-Grand-Mère	230	Rapides-des-Quinze	109
Bersimis-1	1,178	Eastmain-1	480	Rapide-Blanc	217	Others (17 generating stations rated less than 100 MW)	786
Manic-5-PA	1,064	Brisay	469	Paugan	216		
Outardes-3	1,026	Romaine-3	395	Shawinigan-2	200		

24 thermal generating stations — 543 MW

Bécancour (gas turbine)	411	Others (23 diesel plants on off-grid systems)	132

2 photovoltaic generating stations — 10 MW

Gabrielle-Bodis	8	Robert-A.-Boyd	2

Other sources of supply — Power purchase agreements — 11,007 MW

Churchill Falls generating station [Churchill Falls (Labrador) Corporation Limited][a]	5,428
44 wind farms operated by independent power producers[b]	3,933
55 hydroelectric generating stations operated by independent power producers[b]	712
13 biomass and 4 biogas cogeneration plants operated by independent power producers[c]	409
Other	525

a) Under the 1969 contract, Hydro-Québec has access to almost all the output until 2041. A new non-binding agreement in principle concluded in 2024 provides for the replacement of this contract by a new agreement that will remain in effect until 2075.

b) Hydro-Québec purchases all the output.

c) Hydro-Québec purchases almost all the output.

Installed capacity in the United States — 619 MW

13 hydroelectric generating stations operated by Great River Hydro, a wholly owned subsidiary of Hydro-Québec	589
2 hydroelectric generating stations jointly owned with Innergex énergie renouvelable inc.	30

Transmission

Voltage	Lines (km)	Substations (number)
765 and 735 kV	12,581[a]	41
450 kV DC	1,218	2
315 kV	5,521	88
230 kV	3,252[b]	54
161 kV	2,091	43
120 kV	7,075	227
69 kV or less	3,162	84
Total	**34,900**	**539**

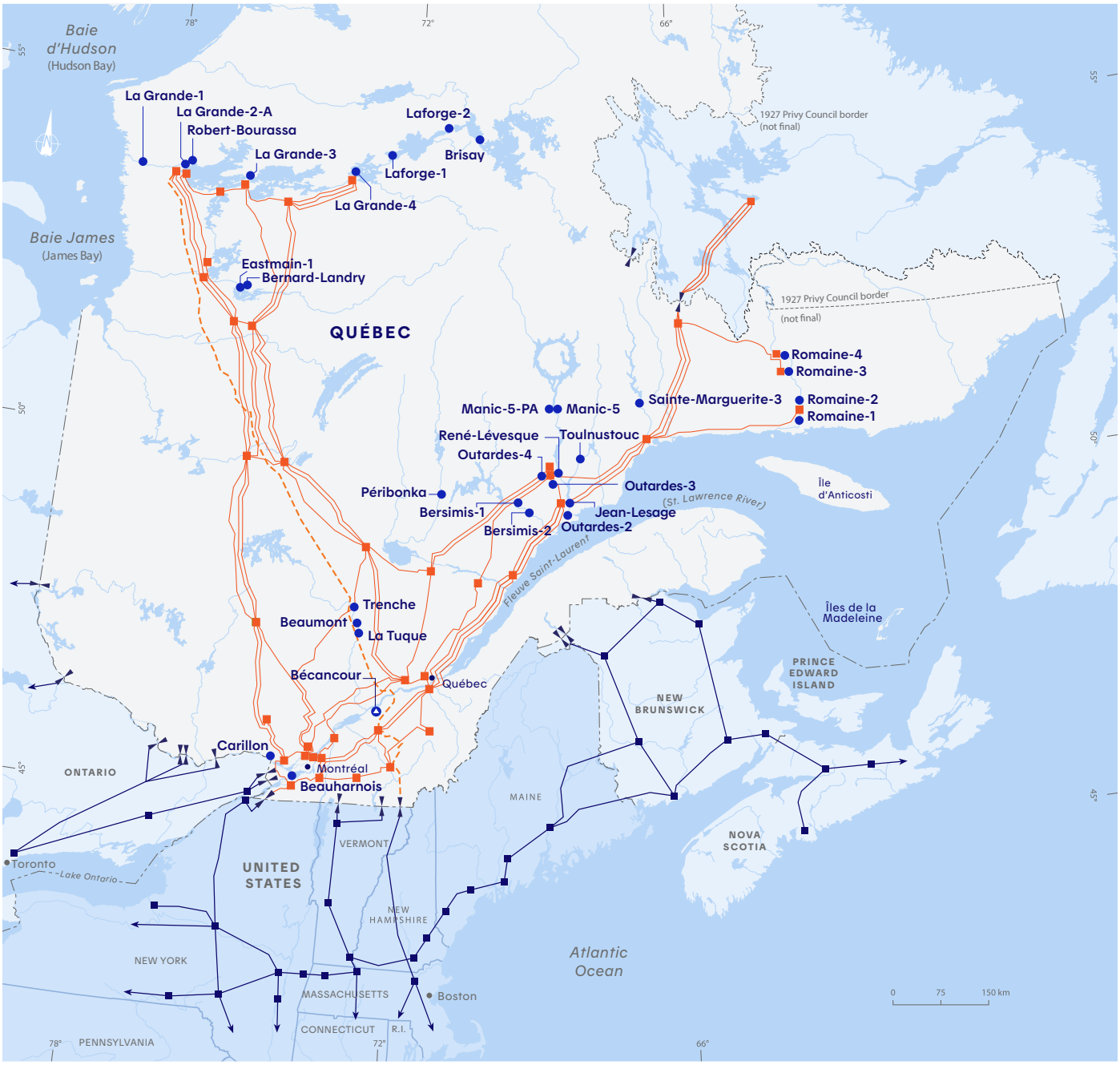
a) Including 469 km of 735-kV lines operated at 315 kV.

b) Including 33 km of 230-kV lines operated at 120 kV.

Distribution

Medium voltage	Lines (km)
34 kV	829
25 kV	115,549
12 kV	4,296
4 kV or less	209
Total	120,883
Low voltage	108,400
Total	**229,283**

Our Major Facilities



Hydro-Québec operates the most extensive transmission system in North America. It includes 34,900 km of power lines at varying voltages.

Generating stations rated 245 MW or more	
Hydro	Thermal
Other facilities	
735-kV substation	735-kV line
Interconnection	450-kV direct-current line
Neighbouring system (simplified)	

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