

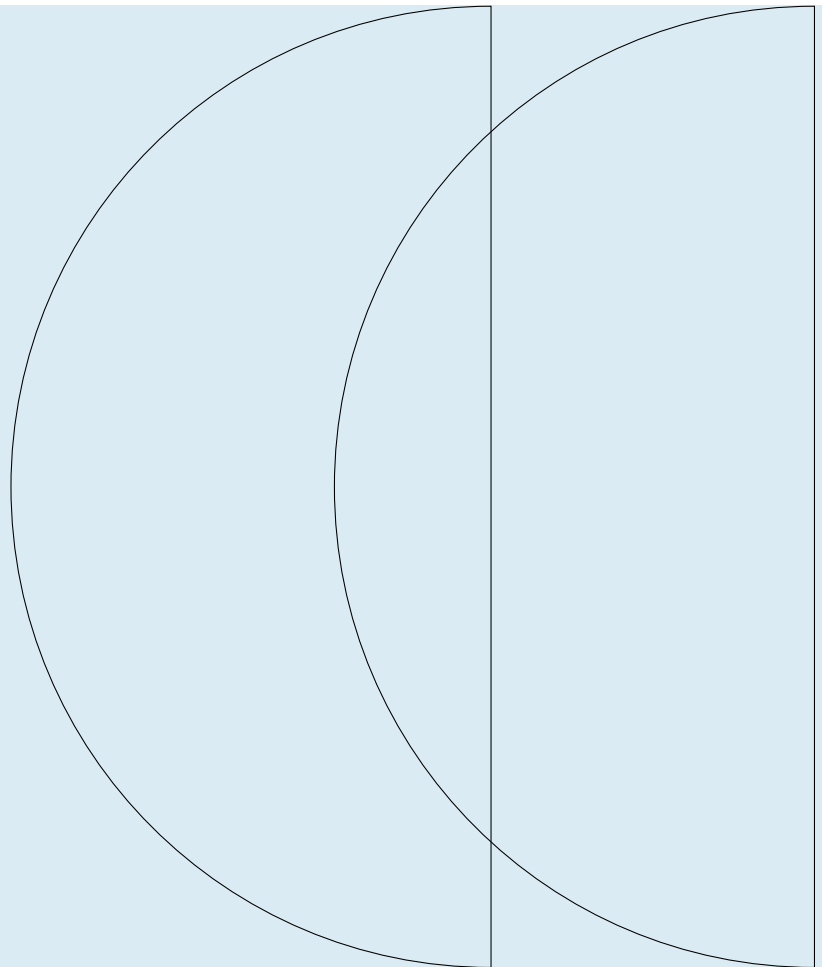


# 2021 Sustainable Investing Report



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Wherever we invest, we  
take concrete measures  
keeping in mind the  
well-being of communities.



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# Message from the President and Chief Executive Officer



Once again this year, I am proud of the work accomplished by our teams. Across all our activities, we have enhanced our sustainable investing ambitions.

Over the past two years, geopolitical, economic, social and climate crises have converged, with an ongoing pandemic in the background. And 2022 begins with senseless images from the war in Ukraine, which has disrupted the world balance.

In this context, I firmly believe that we must remain focused on our long-term objectives: investing our constructive capital to create value for our depositors and in the communities where we invest.

## **AN URGENT NEED TO ACT**

In practical terms, this means that environmental, social and governance (ESG) factors are central to all our decisions. We were one of the first to assert that these are risks that must be considered but also, and above all, that represent investment opportunities. Moreover, these issues rank high

on the agendas of major international meetings, illustrating how important they are. At COP26, the message was clear: the real economy must embark on the road to decarbonization while implementing a fair transition. Because the next decade will be crucial.

We are therefore going even further by innovating and being pragmatic. Last September, we presented our renewed climate ambitions. This includes exiting the oil production sector by the end of 2022, increasing our carbon intensity reduction and low-carbon asset growth targets, and creating a \$10-billion envelope to support the transition of heavy emitters. Our goal: a carbon-neutral portfolio by 2050. The actions we take today will help build a more sustainable tomorrow. This is why our teams continue to work with our portfolio companies and peers to progress on ESG issues across all sectors of the economy.

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## **FOCUS ON PEOPLE**

Because our talent is our most valuable asset, we devote sustained efforts to recruitment and development as well as to the implementation of an inclusive culture where each person can achieve their full potential. There is no doubt in my mind: the composition of our teams is a reflection of our future. The plurality of backgrounds, experiences and perspectives drives us to advance and innovate. It helps us to better understand the world we live in. We continually encourage our partners to integrate these elements into their own practices. We are confident this contributes to the value of companies and communities. These discussions are integral in our daily activities.

## **COMMITMENT ON TAXATION**

As a global investor, we have an important role to play in countering abusive tax planning. As such, we welcomed the historic agreement among more than 130 countries and jurisdictions to establish a minimum tax rate of 15% for multinationals starting in 2023. In the months leading up to this announcement, we adopted a commitment on taxation aligned with this international benchmark. Thus, we continued our rigorous analysis to identify situations that required our intervention and took immediate and convincing action.

## **A DYNAMIC QUÉBEC ECONOMY**

Nothing better illustrates the scope of our sustainable approach than the role we play in Québec's economic development. Our assets reached a high of \$78 billion this year. Our ambition translates into major investments in renewable energy, infrastructure and public transportation. In addition, we continue to support university research on ESG issues. We are also committed to training our local companies and fund managers on how to integrate these factors into their operations to position them favourably locally and internationally.

## **LOOKING TO THE FUTURE**

To meet today's global challenges and implement concrete solutions, we must rely on the collaboration of investors, businesses and governments. I strongly believe that the situations we are facing—the pandemic, climate emergency, digital shift and geopolitical instability—clearly represent major challenges, but also reveal our capacity to innovate and our collective resilience. This is why we will continue to take impactful steps to live up to the trust that millions of Quebecers place in us, with the firm intention of continuing to align performance and progress.



**Charles Emond**

President and Chief Executive Officer

# 2021 Highlights

## We contribute to six United Nations Sustainable Development Goals



## Environment

An ambitious new climate strategy to achieve our net-zero goal by 2050 and strengthen our leadership in climate matters

### The four pillars of our climate strategy

**\$54 B**

in low-carbon assets by 2025

**60%**

decrease in the portfolio's carbon intensity by 2030 compared to 2017

**\$10 B**

transition envelope to decarbonize the heaviest-emitting sectors

**2022**

complete our exit from oil production

### 2021 Results

**\$39 B**

in low-carbon assets

**49%**

reduction in our portfolio's carbon intensity compared to 2017

**79%**

of our portfolio is composed of low-carbon and low-intensity assets

## Social

Renewed support for social priorities to contribute to a fairer society

### Equity, diversity and inclusion

Actions to increase diversity within our teams

**39%**

share of women on our Executive Committee\*

**25%**

share of women in our investment positions\*

### Taxation

An exhaustive review of our assets

**1,600**

investments analyzed in line with best tax practices

\*As at December 31, 2021

## Governance

Sound governance practices to ensure long-term performance

**194**

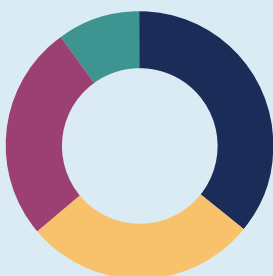
companies with which we held discussions on ESG issues

**57,008**

proposals voted on at 5,762 shareholder meetings

**398**

technology risk analyses



### Main topics discussed with our portfolio companies

- 36% Social
- 28% Governance
- 26% ESG strategy
- 10% Environment

# Deploying constructive capital

We are a global investment group with \$420 billion in net assets invested in all the major markets on behalf of more than 40 Québec public and parapublic pension and insurance plans.

Our mission: to ensure the sustainability of depositors' funds and the retirements of more than six million Quebecers while helping to build a dynamic, competitive and sustainable economy.

## Net assets

# \$420 B

AS AT DECEMBER 31, 2021

## Results over five years

# 8.9%

ANNUALIZED RETURN

## Results over ten years

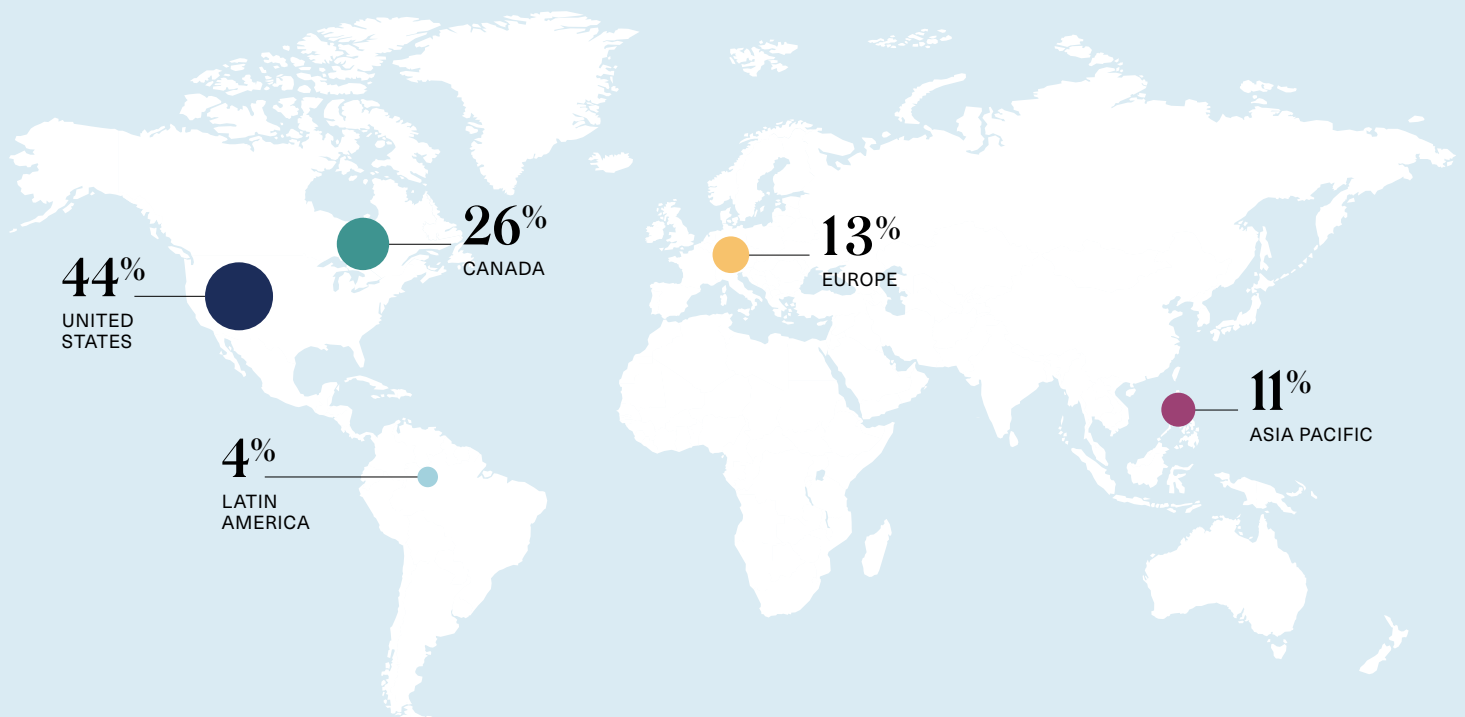
# 9.6%

ANNUALIZED RETURN

FIGURE 1

## A globally diversified portfolio

AS AT DECEMBER 31, 2021





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# Contributing to the vitality of Québec's economy

Through our mission, we have a real impact on the growth of Québec companies while meeting our depositors' needs. We support them in their strategic thinking by putting our expertise and capital at their disposal.

## DEVELOPING OUR COMPANIES

Our extensive network in Québec and around the world, as well as our initiatives to support Québec's entrepreneurial ecosystem, accelerate the development of companies and help position them favourably on the international stage. Our approach also allows us to raise the companies' awareness on issues that are a priority for us, particularly those related to ESG factors.

## A RELATIONSHIP OF TRUST WITH OUR DEPOSITORS

Based on listening, transparency and collaboration, our relationship with our depositors is built upon an understanding of our respective roles and responsibilities. We discuss with them our investment priorities and strategies in the areas of climate change, equity, diversity and inclusion, and governance. We also play an advisory role and support them in building their portfolio according to their needs.

Historic increase  
in total assets in Québec

+\$10 B

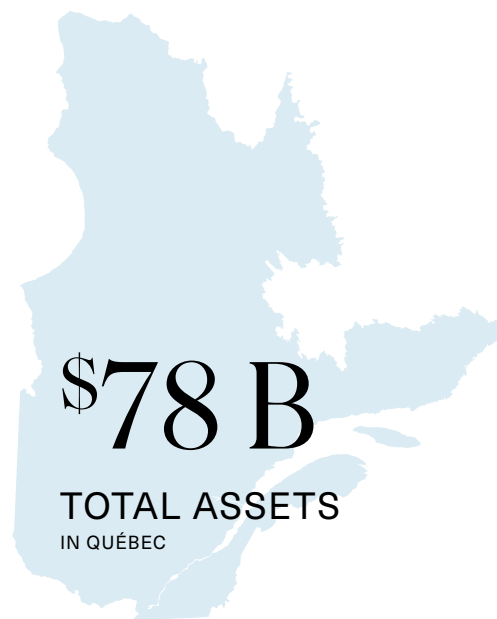
IN ONE YEAR

\$6.5 B

NEW INVESTMENTS  
AND COMMITMENTS IN 2021

## Our goal

Seize promising  
investment opportunities  
to meet our depositors'  
long-term needs.



\$60 B

IN THE QUÉBEC PRIVATE SECTOR

# Our approach

Investing sustainably means going further to create value while generating a positive impact for the communities where we invest.

Our ambition in sustainable investing spans all our activities and our global portfolio with the goal of contributing to a healthier economy in the long term. We support portfolio companies in creating lasting value by focusing on promising business opportunities that deliver growth and performance. This is how our constructive capital is most meaningful.

To deploy our strategy, we have identified levers that allow us to act at all levels (Figure 2).

## Our conviction

Sustainable investment is a key orientation that generates value for the entire organization.

FIGURE 2

OUR SIX SUSTAINABLE INVESTING LEVERS OF INFLUENCE



# 1. Strategic projects

## SUSTAINABLE INVESTMENT GOALS

Determined to increase the scope of its actions, CDPQ has deepened its approach to sustainable investing in 2021 at the strategic and operational levels. Our goal is not only to anticipate ESG risks, but also to identify investment opportunities while creating value for our depositors. ESG factors are fully integrated into our management of the various asset classes and the culture of our investment teams.

## UPDATING OUR SUSTAINABLE INVESTING STRATEGY

In 2021, we revised and enhanced our [sustainable investing policy](#) to:

- Lay out our objectives, convictions and priorities on this matter
- Describe the general principles that frame our action levers
- Communicate our expectations of our portfolio companies and our external managers
- Inform our decisions and ensure effective positioning of our portfolios.



Photo credit: C. Fleury/Alstom

## Green bond issuance

In May 2021, CDPQ launched its new green bond program with an initial issue of US\$1 billion. In line with our climate change commitments, we have developed a [framework](#) that follows best practices and the [International Capital Market Association \(ICMA\) Green Bond Principles](#).

Proceeds from the issuances will be allocated to a selection of sustainable investments, such as renewable energy, green transportation and energy efficiency. In addition, a working group was formed to oversee the selection and evaluation of eligible projects. We will also be publishing a report on the impact of the bonds issued.

## 2. Leadership

### INTERNATIONAL SUSTAINABILITY STANDARDS BOARD (ISSB)

In 2021, the [International Financial Reporting Standards Foundation](#) (IFRS) began a major consultation process to create the ISSB, a new organization that aims to develop a global framework and disclosure standards for ESG matters. Along with partners, CDPQ participated in the call for bidders to determine the host cities for one of the organization's offices. Thanks to their diligent work, Montréal was selected. This nomination is a testament to local ESG expertise and economic vitality. The implementation of an international framework will facilitate the integration of ESG factors into decisions and contribute to the growth of more sustainable companies.

### SUSTAINABLE MARKETS INITIATIVE (SMI)

This year, CDPQ joined the [Sustainable Markets Initiative](#), a coalition of the international finance community that aims to accelerate the transition to a more sustainable economy. We lead two task forces: the Asset Managers and Asset Owners Task Force and the Sustainable Markets Initiative and the Multilateral Development Banks Task Force.

### STATEMENT BY THE QUEBEC FINANCIAL CENTRE FOR SUSTAINABLE FINANCE

In 2021, CDPQ signed this [statement](#), an initiative by Finance Montréal, alongside some twenty peers from Québec's finance industry. In this document, the signatories, who collectively manage more than \$900 billion in assets, set out a strong conviction in the need to consider ESG matters in investment decisions. Each has committed to taking tangible action to promote sustainable investment. Our efforts on this front involve structuring an ESG integration development offering for our portfolio companies and fund managers in Québec.

### EXPERTISE LEADERSHIP IN QUÉBEC AND CANADA

Our expertise is often sought to support sustainable economic development at the local, provincial and federal levels. We participate in several committees, including the [Montreal Climate Partnership](#), the Québec [Climate Change Advisory Council](#), the [Sustainable Finance Action Council](#) and the [Net-Zero Advisory Body](#) in Canada.

## 3. Guidance

In 2021, all of our investment teams formally integrated sustainable investing into their 2022 strategic planning. Accordingly, each portfolio identified specific initiatives related to its activities in the pursuit of our climate and diversity targets.

This process helps our portfolios perform optimally and allows us to:

- Better seize opportunities in promising sectors of the transition to a sustainable economy
- Create post-investment value by educating our portfolio companies and external managers on ESG issues

## 4. ESG integration

ESG issues are a central concern for a growing number of stakeholders and can have a significant impact on a company’s long-term growth. That’s why ESG factors are taken into account for all of our investments (Figure 5), regardless of their asset class. In 2021, we conducted 505 ESG analyses that evaluate the risks, opportunities and specificities of a given sector, as well as their materiality.

In post-investment management, we conduct spot checks of ESG factors by asset class. A reporting system is also in place to ensure continuous monitoring and rapid intervention in the event of a significant ESG downgrade.

## 5. Advice and engagement

CDPQ regularly engages with its portfolio companies to encourage them to set sustainability goals and adopt transparent and rigorous disclosure. These discussions allow us to better understand their realities, and to ensure that our respective approaches are aligned. This year, we initiated 248 discussions with 194 companies (Chart 3). We also established a dialogue on ESG factors with 51 external fund managers.

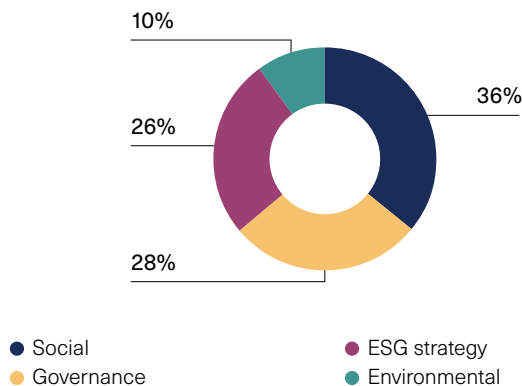
### INVESTMENT FUNDS AND EXTERNAL MANAGEMENT

CDPQ uses external asset managers to access expertise that complements our own. Before partnering with them, we follow a rigorous selection process, including a review of their sustainable investing priorities. We then evaluate their ESG practices on an ongoing basis to monitor their progress in this area.

In 2021, we surveyed more than 100 of our external managers to paint a picture of the equity, diversity and inclusion (EDI) practices within their organizations, as well as how they integrate them into their investment activities.

CHART 3

MAIN TOPICS DISCUSSED WITH OUR PORTFOLIO COMPANIES



## 6. Shareholder vote

In 2021, during our proxy voting season, we voted on 57,008 proposals at 5,762 shareholder meetings held across all of our equity market holdings. We paid particular attention to several themes (Chart 4), including:

- The appointment of members of the Board of Directors
- Climate change disclosure
- Executive compensation in a context marked by growing inequality
- Social issues, including disclosure of information related to EDI
- Corporate transparency in lobbying

CHART 4

TOPICS OF SHAREHOLDER PROPOSALS

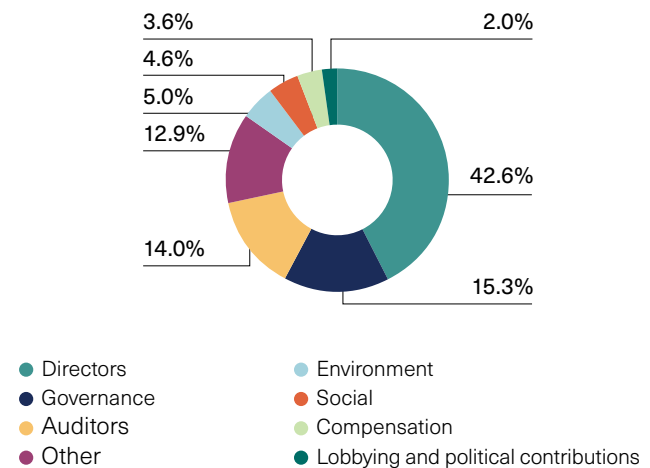


FIGURE 5

EXAMPLES OF ESG FACTORS ANALYZED WHEN APPLYING OUR SIX LEVERS OF INFLUENCE



### ENVIRONMENT

- › Climate change
- › Energy and emissions management
- › Air quality management
- › Water management
- › Toxic and hazardous materials management
- › Life cycle
- › Biodiversity



### SOCIAL

- › Human capital management
- › Equity, diversity and inclusion (EDI)
- › Health and safety
- › Supply chain oversight
- › Labour standards and human rights
- › Community relations and social acceptability
- › International taxation
- › Privacy protection



### GOVERNANCE

- › Composition and effectiveness of the Board of Directors
- › Executive officer compensation
- › Ethics and business practices
- › Cybersecurity risk management

## Our governance in sustainable investing

The Board of Directors approves and senior management guides the sustainable investing strategy and related policies.

The Sustainable Investing team is responsible for developing and operationalizing this strategy, including by:

- Defining the climate targets for both the organization and our portfolios
- Conducting ESG analyses for each transaction in active management
- Working closely with the Risk Management and Depositor Relationships teams on ESG risks
- Guiding investment teams in making decisions

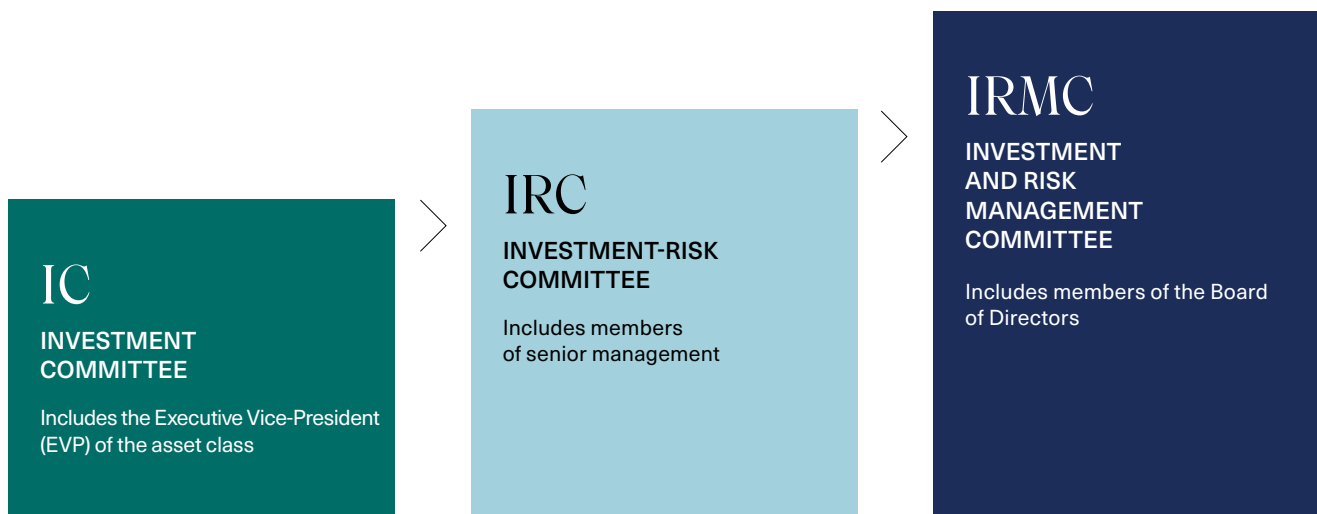
Within given thresholds, the various committees are responsible for analyzing investment opportunities proposed by the investment teams. They authorize or reject any proposal brought to their attention (Figure 6).

The Executive Committee also ensures annual reporting to the Board of Directors, in line with the sectoral strategic plans, risk mapping and climate strategy.

At all stages of the cycle, ESG factors are considered—before an investment opportunity is approved as well as post-investment through value creation plans.

FIGURE 6

CDPQ'S INVESTMENT COMMITTEES



# Enhancing our climate ambitions

In 2021, CDPQ significantly increased its climate goals. The organization also demonstrated leadership and continued to take action to rally the greatest number of investors around this global issue.







Many milestones have been reached since we rolled out our first climate strategy in 2017. The targets we set at the time have been greatly exceeded. Even so, there is still a lot of work to achieve a net-zero portfolio by 2050 and thereby contribute to the decarbonization of the real economy. We are convinced that we must take concrete actions—on several fronts—and use our capital constructively to accelerate the transition and limit the impacts of climate change.

That's why we unveiled our new [climate strategy](#) in 2021. It is based on pillars that will allow us to continue the work begun in 2017, while consolidating our leadership in low-carbon investments.

**Our goal**

Go further and faster with the goal of achieving a net-zero portfolio by 2050.

## The four pillars of our climate strategy

\$54 B

in low-carbon assets by 2025

60%

reduction in carbon intensity in our portfolios by 2030 compared to 2017

\$10 B

transition envelope to decarbonize the heaviest-emitting sectors

2022

complete our exit from oil production

# 1. Implementing our new strategy

Our investment process takes climate change into account across all asset classes (Figure 7).

## 1. Risk management

In accordance with the requirements of the [Task Force on Climate-related Financial Disclosure](#) (TCFD), we track climate risks (physical and transition) throughout our investment process. We take the goals of the Paris Agreement, as well as a series of scenarios including Scope 1, 2, and 3 emissions into consideration (for more details, see [Appendix 5 on page 57](#)).

## 2. Carbon budgets

In order to achieve our carbon intensity reduction target, we have created carbon budgets for each portfolio since 2017. All portfolio managers must incorporate them into their decision-making.

## 3. Engagement and development

We encourage our portfolio companies to adopt robust climate strategies and targets. We also support shareholder proposals demanding more transparency and alignment with the goals of the Paris Agreement.

## 4. Monitoring TCFD disclosure practices

We encourage our portfolio companies to align their disclosure with TCFD criteria. This exercise allows them to anticipate potential climate risks and opportunities while facilitating access to better and more transparent information.

## 5. Rigorous reporting

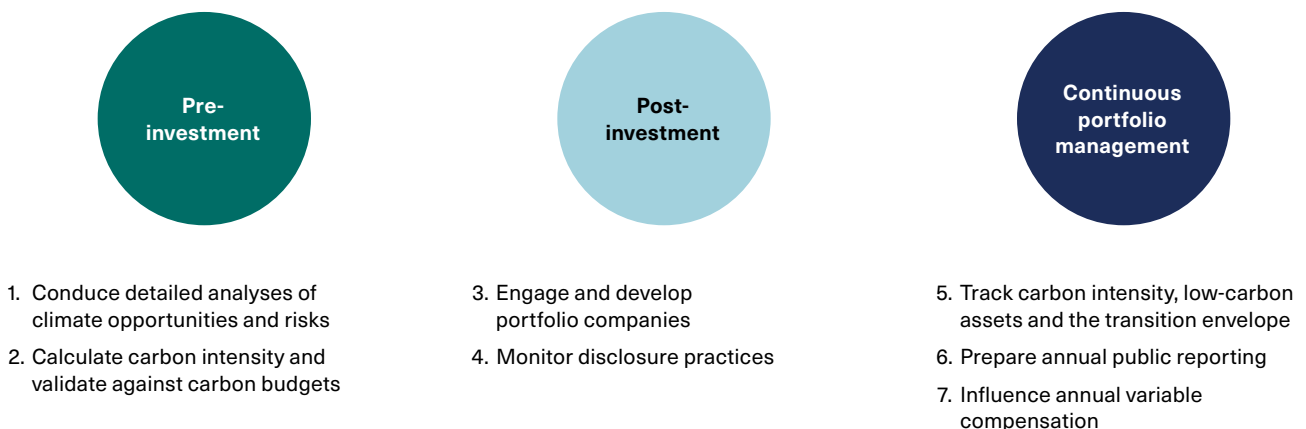
In 2021, a carbon certificate was added to our extra-financial data, demonstrating the rigour we apply to calculating our portfolios' emissions. Thus, climate and financial data benefit from similar, regular and rigorous controls, including an external review.

## 6. Variable compensation tied to climate targets

In 2018, CDPQ sent a strong message by directly tying employees' variable compensation to the achievement of climate targets. We are one of the first global institutional investors to adopt such a measure.

FIGURE 7

### FACTORING CLIMATE CHANGE INTO OUR INVESTMENT PROCESS



## 2. Our low-carbon investments

In recent years, CDPQ has positioned itself as a global leader in sustainable investing. Three sectors were particularly targeted: real estate, mobility and renewable energy.

We aim to hold \$54 billion in low-carbon assets by 2025 to actively contribute to a more sustainable economy.

We will continue to invest in areas where we have a strong presence, but we are also looking for new opportunities, such as:

- Green hydrogen
- Energy storage (e.g. batteries)
- Energy efficiency

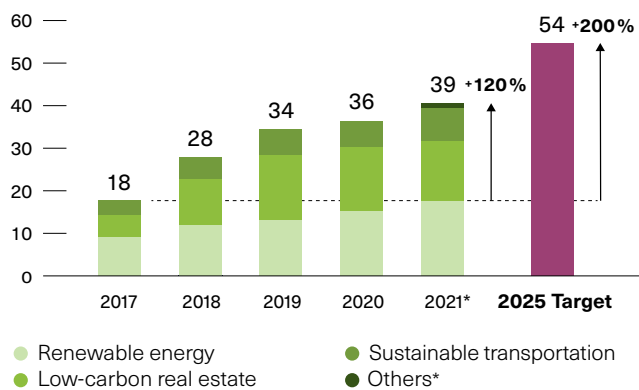
To identify our low-carbon assets, we use the Climate Bonds Initiative (CBI) [taxonomy](#). It uses specific criteria to target the assets and projects needed to achieve a low-carbon economy.

Since 2021, the CBI's taxonomy, which is updated regularly, covers more sectors including:

- Sustainable water management
- Forest land management and conservation
- Management of protected agricultural lands

CHART 8

### LOW-CARBON INVESTMENTS (in billions of dollars)



\* Includes the new sectors from CBI's taxonomy.

**3x**  
more low-carbon  
investments by 2025  
compared to 2017

## Low-carbon investments in our global portfolio

**\$18 B**

2017 STARTING POINT

**\$39 B**

2021 VALUE

**\$54 B**

2025 TARGET

During the year, the value of our low-carbon investments increased by \$3 billion to \$39 billion as at December 31, 2021 (Chart 8, p. 17), more than doubling the value of our investments from 2017 (+120%).

The value of low-carbon assets in Québec represents nearly \$11 billion. We intend to continue contributing to the growth of these promising sectors for the Québec economy as well as our commitment to investment opportunities that meet our climate criteria.

**+\$21 B**  
low-carbon assets  
in 4 years



### Sustainable land management

Newly formed within the Infrastructure portfolio, the Sustainable Land Management team aims to deploy up to \$2 billion by 2025 for the acquisition of forest and agricultural land on several continents. Our investments in this sector are made over the long term, in compliance with rigorous ESG criteria and the highest standards of sustainable development.

In 2021, the team made its first acquisition: over 307 km<sup>2</sup> (76,000 acres) of forest land that produces high-quality pine in the U.S. state of Georgia. This transaction also led to the establishment of a strategic partnership with The Westervelt Company, a recognized forestry operator.



In 2021, CDPQ added several investments and reinvestments to its low-carbon portfolio. Here are a few examples:

**1. Sunrun**

- Residential solar leader in the U.S.
- Serves over 550,000 customers across 22 states in the U.S.

**2. Ermewa**

- European specialist in freight car and tank container leasing
- Contributes to the transformation and decarbonization of the goods transportation sector

**3. Invenergy Renewables LLC**

- North American leader in renewable energy production
- Capacity of over 25 GW in wind, solar and storage projects

**4. Innergex Renewable Energy**

- Operates installations across Canada, the U.S., France, and Chile
- Installed capacity of 3.8 GW of renewable energy



1



2



3



4



## Climate Innovation Fund

CDPQ created the Climate Innovation Fund (CIF), previously the platform for Innovation in Sustainable Investing (ISI), in 2020. This \$500 million envelope is dedicated to two innovating sectors: energy transition and sustainable agri-food.

Three partnership agreements were signed with [S2G Ventures](#), [Energize Ventures](#) and [BP Ventures](#) and five transactions were completed under this framework during 2021.

### S2G Ventures

#### Sentera

- Designs digital tools to analyze the various elements that can affect the agri-food sector

#### Benson Hill

- Develops technology that harnesses the natural genetic diversity of plants to create healthy, accessible and sustainable food

## Energize Ventures

#### Jupiter

- Produces analyses for risk assessment and management of physical climate impacts

### BP Ventures

#### Fulcrum

- Transforms municipal waste into a low-carbon, low-cost oil substitute

#### BTR Energy

- Builds a software infrastructure that enables electric vehicles to interact with electricity markets



## Supporting sustainable mobility

Sustainable mobility represents both a key solution to the climate challenge and a long-term opportunity for CDPQ to increase its low-carbon investments.

In particular, this type of asset promotes the decarbonization of the transportation sector, one of the largest emitters of greenhouse gases (GHGs). It improves the public transportation offer and has a direct impact on the transition to a greener economy. Sustainable mobility is thus perfectly in line with our purpose: aligning performance and progress.



### 3. Our carbon intensity per dollar invested

CDPQ calculates the emissions of its portfolio in carbon intensity per dollar invested. This is the most appropriate measurement for an investor. It allows us to compare the carbon impact of various assets across sectors according to a methodology recognized by the [UN-convened Net-Zero Asset Owner Alliance](#).

Since we have exceeded our 2020 target, we have set a new, more ambitious intermediate target aligned with the goals of the Paris Agreement to achieve a net-zero portfolio by 2050.

Today, we are aiming for a 60% decrease in the portfolio's carbon intensity by 2030 in comparison to 2017.

**2x**  
less carbon emitted  
today than in 2017  
for each dollar invested

To reach this new target, we will use the various levers available to us to decarbonize our portfolio:

- Continue investing in low-carbon assets
- Encourage our portfolio companies to reduce their emissions
- Work with all our stakeholders to accelerate the decarbonization of the real economy



#### Case Study - AES Indiana

In 2014, CDPQ made its first investment in AES Indiana, which provides electricity to more than 500,000 residential, commercial and industrial customers in Indiana, U.S. Since then, CDPQ has been actively involved in the process of decarbonizing operations. In particular, it has provided strategic support for the coal-to-natural gas transition program. Between 2014 and 2021, the company's share of coal used to generate electricity decreased from 80% to 43%. In 2023, AES Indiana will close another coal-fired plant, reducing the proportion to 28%, with the goal of being net zero by 2050.

## Total portfolio carbon intensity



In 2021, the carbon intensity of our total portfolio decreased 49% from our 2017 starting point. It was 41 tCO<sub>2</sub>e/M\$ as at December 31, 2021, compared to 79 tCO<sub>2</sub>e/M\$ on the same date in 2017 (Chart 9).

This exceptional 11% decrease from last year notably stems from a growing market and by our accelerated exit from oil production. That said, the change in our portfolio's carbon intensity as we achieve our 60% reduction target by 2030 will not necessarily be linear. It could be influenced by various factors, including changing asset values and investment opportunities in sectors beneficial for the transition.

Our portfolio includes not only low-carbon assets and renewable electricity (10%) but also a number of investments (69%) in low-intensity sectors such as finance, health care and consumer goods. Thus, 79% of our assets are considered low-carbon and low-intensity, and represents only 20% of our portfolio's total carbon footprint (Chart 10).

In 2021, 79% of CDPQ's portfolio was composed of low-carbon and low-intensity assets.

In addition, of all our assets under management, nearly \$35 billion represents companies that have set a science-based decarbonization target and received [Science Based Target Initiative](#) (SBTi) certification. These companies are already very well positioned in the energy transition and their efforts to reduce emissions will contribute to the decarbonization of our portfolio.

CHART 9

THE PORTFOLIO'S CARBON INTENSITY  
(in tCO<sub>2</sub>e/M\$)

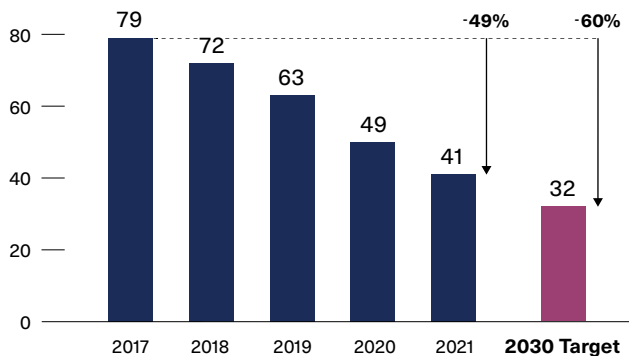
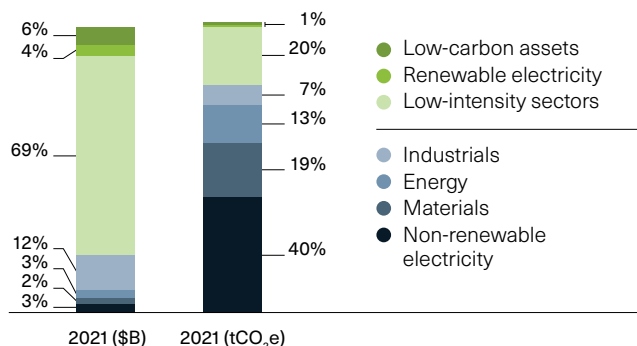


CHART 10

PORTFOLIO COMPOSITION:  
DOLLARS AND CARBON FOOTPRINT





## 4. Our actions to accelerate the transition

The magnitude of the climate challenge requires us to innovate and to address the highest-emitting industries in a constructive way.

We are creating a \$10 billion transition envelope to decarbonize the heaviest emitters.

This envelope will reduce GHGs in the real economy by targeting sectors essential to the transition:

- Production of raw materials (steel, copper, lithium, structural plastics)
- Transportation (vehicle fleets, fossil fuel alternatives)
- Agriculture (fertilizers, methane emissions)
- Electricity sector (production, transmission, distribution).

The selected companies must meet several specific criteria:

- Be a new investment for CDPQ
- Hold a robust decarbonization plan aligned with the Paris Agreement goals or a net-zero target
- Obtain independent expert certification for this plan

These companies will have to produce annual reporting on their decarbonizing trajectory that is rigorous and transparent.



### Case Study - Apraava Energy

CDPQ is already working on decarbonizing the heaviest emitters in its portfolio. Since 2018, we have held a stake in Apraava Energy, an Indian electricity provider. Between 2017 and 2019, the company followed our recommendations and made a major shift in its operations, reducing its coal-fired power generation by 21% and its gas-fired power generation by 100%. It also increased its wind power production by 6% and its solar power production by 255%. Going forward, the company is committed to investing only in low-carbon areas.

## 5. Our plan for fossil fuels

### OIL

We believe that the risk/return outlook for oil producers and their climate impact are not aligned with our long-term objectives. That's why we will stop contributing to the growth of global oil supply.

By the end of 2022, we intend to complete our exit from oil production.

These assets will be sold in an orderly fashion with the goal of protecting returns for our depositors and building a more sustainable portfolio. Our capital will continue to be available to energy companies that wish to develop transition projects based on clean technologies.

### COAL

We closely monitor our coal exposure and require our portfolio companies in the electricity generation sector to undertake a real transition of their business models such as: [Aprava Energy](#) and [AES Indiana](#). Since 2020, as a member of the Net-Zero Asset Owner Alliance, CDPQ has made a strong commitment regarding coal:

- No more funding for new thermal coal projects
- Progressive elimination of most of our assets fuelled by thermal coal in industrialized countries by 2030
- Largely completed global elimination by 2040

In 2021, we also joined the [Powering Past Coal Alliance](#) (PPCA), a multi-stakeholder organization working together to accelerate the transition from coal to renewable energy.



### Natural gas

Fossil fuels account for more than 80% of the world's energy balance and natural gas is still a necessary energy source. It is used as an alternative to oil and coal in several regions. In some cases and for some industrial processes, it is currently the only viable option. Thus, for the time being, we will maintain our positions in this sector.

## 6. Structuring initiatives

This year, we have continued our actions through several international initiatives.

### CANADIAN INVESTOR STATEMENT ON CLIMATE CHANGE

In this [statement](#), initiated by the Responsible Investment Association (RIA), CDPQ and other Canadian investors commit to achieving net-zero emissions by 2050 and to encouraging their portfolio companies to set targets for emission reduction.

### 2021 CDP SCIENCE-BASED TARGETS CAMPAIGN

CDPQ participated in the Carbon Disclosure Project (CDP) [campaign](#) to raise awareness on the need for global carbon emissions to reach net zero by 2050. Since the campaign's launch in September 2021, 79 companies have joined the initiative and set targets.

### THE 26th UNITED NATIONS CLIMATE CHANGE CONFERENCE (COP26)

COP26 was held in Glasgow in 2021. As a global leader in the fight against climate change, CDPQ was invited to participate in the event. In particular, we took part in the *Financing a Resilient Net Zero* panel. At the event, the goals and innovative approach of CDPQ's 2021 climate strategy were recognized and praised by the organizations present.



### Case Study - Berkshire Hathaway

In 2021, at Berkshire Hathaway's annual meeting, CDPQ, along with CalPERS and Federated Hermes, submitted a shareholder proposal for the company to implement an annual climate change risk and opportunity management report. This proposal was intended to establish a dialogue with Berkshire Hathaway on the climate issue and transition. Even though it was not approved, we are satisfied with the result: our message was heard and had a significant impact.

# Major international initiatives

## Investor Leadership Network (ILN)

As part of the G7, CDPQ cofounded this network of 13 global institutional investors in 2018. Our organization plays a leadership role in the organization, including co-leading the CEO Council and the CIO Roundtable, and actively participating in various executive and advisory committees.

### INCREASE THE IMPACT OF OUR EFFORTS BY PROVIDING SOLUTIONS TO GLOBAL ISSUES

#### Sustainable infrastructure

ILN co-developed the Sustainable Infrastructure Fellowship Program offered online by the Schulich School of Business at York University. In 2021, 26 senior officials responsible for infrastructure planning in frontier and growth markets completed this program. The training aims to develop an understanding of sustainable infrastructure investment programs and projects. Since its launch in 2019, 39 participants have benefited from the program.

#### Mixed financing

ILN has published a report called [Investing in Emerging and Frontier Economies: How Blended Finance can make the most of public funding](#) in conjunction with the Rockefeller Foundation. The goal is to meet the growing need for sustainable investments in frontier and emerging markets. The document puts forward tangible measures to reduce risk and create promising cross-sector partnerships among the various stakeholders involved in mixed financing.

#### Equity, diversity and inclusion in investment

A new ILN initiative focuses on the theme of inclusive finance. A first report called [Creating a more inclusive economy: Practical insights from global institutional investors](#) was published. It provides a review of ILN members' best practices in EDI and outlines the challenges and opportunities they face as employers and asset managers. To inform its thinking and work, ILN also engaged industry stakeholders in an initial strategy meeting to discuss the measurement of inclusion. The Value Reporting Foundation, the World Economic Forum, the Institutional Limited Partners Association (ILPA), the Responsible Investment Association (RIA), the Standards Board for Alternative Investments (SBAI), the World Benchmarking Alliance (WBA), the 30% Club, and the UN Principles for Responsible Investment (PRI), among others, took part in the discussion.

#### Climate change

As part of COP26, ILN unveiled a new practical tool for investors. [Climate Change: Physical Risk Toolkit](#) presents four tangible steps to help investors strengthen resilience in their portfolios. A [database](#) has also been developed to gather the best available resources in one place to support investors in their research on the physical risks and financial impacts of climate change.

## United Nations-Convened Net-Zero Asset Owner Alliance

CDPQ is a founding member of the Net-Zero Asset Owner Alliance, an initiative launched by the UN. Created in 2019, the Alliance now includes more than 70 institutional investors. Their common goal: to successfully transition to a net-zero portfolio by 2050, with a focus on decarbonizing the real economy and aligning with the goals of the Paris Agreement.

### INVESTORS COMMITTED TO THE TRANSITION

In 2021, the Net-Zero Asset Owner Alliance published several reports to help institutional investors and influence companies in their decarbonization process.

#### Carbon pricing

Carbon pricing is one of the tools with a real impact on GHGs. The [Discussion paper on governmental carbon pricing](#) proposes a series of recommendations to improve the effectiveness of pricing systems.

#### Role of negative emissions in the transition

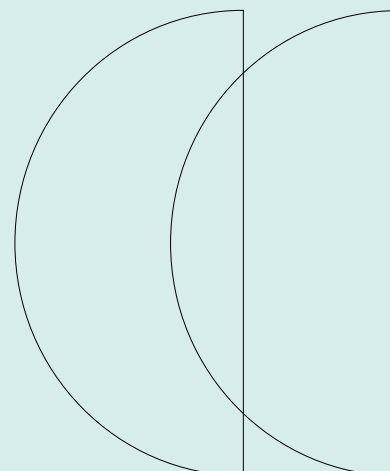
The Alliance details its position on negative emissions, i.e. processes that capture GHGs already in the atmosphere, in its report [The Net in Net Zero: the role of negative emissions in achieving climate alignment for asset owners](#). The paper explains how efforts must be focused first on reducing GHG emissions, while detailing measures that must also be implemented to capture already-emitted GHGs to meet the targets of the Paris Agreement.

#### Blended finance, part of the solution

In its November 2021 discussion paper ([Scaling Blended Finance](#)), the Alliance explains the ins and outs of blended finance and how it could be one of the preferred solutions to address the climate crisis, primarily in economies where investments are riskier.

#### Glasgow Financial Alliance for Net Zero (GFANZ)

In April 2021, Mark Carney, UN Special Envoy on Climate Action and Finance, launched [GFANZ](#), a structuring initiative to decarbonize the entire financial sector. CDPQ, through the Alliance, has joined this group of over 450 financial institutions. Its objective is to bring together all the major players in the financial sector and accelerate the transition, in particular by encouraging more financial organizations to make net-zero commitments.



# Contributing to a fairer society

As inequality increases around the world, social issues remain at the forefront. This is why our actions and those of our portfolio companies must help create stronger communities for the benefit of the greatest number of people.



At CDPQ, we take concrete actions to create an inclusive work environment based on respect, trust, consideration, listening and openness to differences in order to promote the development of our team members. They are essential ingredients in our sustainable performance.

We also maintain a frank and direct dialogue with our portfolio companies and external managers on social issues with the aim of building a fairer society. We are leveraging our influence and asserting our leadership in Québec and around the world by rallying behind numerous initiatives that advance inclusion, particularly among investors.

Our commitment to a more sustainable society is also reflected in the rigorous management of our investments in terms of taxation. We want to contribute to building the optimal conditions for fair taxation serving strong communities.

**Our conviction**

Encourage adoption of a structured approach within our organization and across the industry to make progress on social priorities at all levels.

**Four pillars of our social commitment**

1.

Implement initiatives that foster inclusion and the professional development of all our talent

2.

Exercise strong leadership among our portfolio companies and external managers

3.

Promote equity, diversity and inclusion to positively influence the industry and our partners

4.

Countering abusive tax planning

# 1. Our initiatives promote the inclusion and development of our people

We are increasing our efforts to improve the attraction, retention and development of women and people of different backgrounds, cultures, generations and experiences. To achieve this, we are focusing on four strategic priorities:

- Take equity, diversity and inclusion (EDI) into consideration starting with recruitment
- Create an inclusive culture where each person's contribution counts
- Retain and develop our talent
- Measure and communicate our impact as an employer

In 2021, we adopted a new [Workplace Equity, Diversity and Inclusion Policy](#) to guide our actions and initiatives. It explains, among other things, our recruitment priorities. Moreover, our [Action Plan for Persons with Disabilities](#) has been enhanced to outline measures to reduce barriers to inclusion.

We have conducted an information campaign for our teams on these initiatives and organized training sessions on EDI-related questions.

These measures contribute to raising awareness among our managers and sharing best practices in a spirit of continuous improvement.

Development activities were also offered to our teams. For example, this year:

- Nearly 150 people have been mentored in-house
- 24 participants completed the [A Effect](#) challenge aimed at empowering women's development
- 6 people have completed the [Connected Leaders Academy](#) training

We develop an inclusive culture through:

- Co-development workshops and forums
- Thematic tools and checklists
- Support at all stages of the talent management cycle





## Aligning performance and progress

46%

SHARE OF WOMEN ON OUR BOARD OF DIRECTORS\*

39%

SHARE OF WOMEN ON OUR EXECUTIVE COMMITTEE\*

25%

SHARE OF WOMEN IN OUR INVESTMENT POSITIONS\*

24%

SHARE OF OUR EMPLOYEES IN QUÉBEC WHO IDENTIFY AS A MEMBER OF ONE OF THE FOLLOWING GROUPS: VISIBLE MINORITY, ETHNIC MINORITY OR INDIGENOUS PEOPLES\*

\*As at December 31, 2021

We firmly believe that EDI contributes to our business objectives and to the development of our people. We also believe this is crucial to building strong and sustainable societies. By the end of 2022, we will be well on our way to reaching our target of 25% of employees from an ethnocultural community or identifying as Indigenous among our teams in Québec.



### Leveraging diverse and inclusive teams also means:

- Broadening perspective on business opportunities
- Increasing decision quality
- Benefiting from a global vision on risks
- Strengthening people's commitment
- Attracting the best talent

## 2. Our leadership among our portfolio companies and external managers

An EDI-based culture creates value for communities and economies. That’s why we actively encourage our portfolio companies and partners to increase the representation and inclusion of women and ethnocultural minorities at all levels.

### COMMUNICATING OUR EXPECTATIONS

Through our [Policy Governing the Exercise of Voting Rights of Public Companies](#), we make our expectations clear to our portfolio companies, which include:

- A minimum of 30% female representation on Boards of Directors for public companies
- Transparent disclosure of their EDI practices in compliance with applicable regulations in the geographies where they operate.

### REACHING OUR 30% TARGET

In 2021, 45% of actively managed public companies had at least 30% women on their Boards, compared to 41% in 2020 (Chart 11). Our shareholder engagement plan has enabled us to:

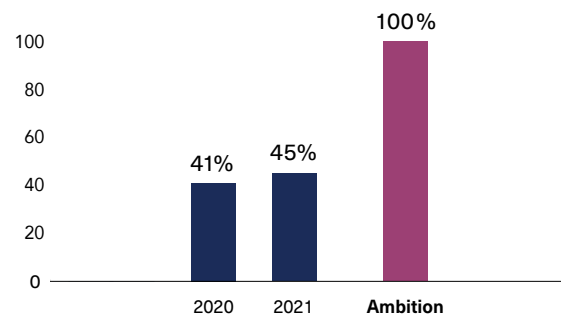
- Prioritize companies to raise awareness
- Discuss EDI with the management and/or Board of Directors of 73 companies, as well as with 37 external managers
- Develop customized tools to train our teams on the EDI issues and best practices to promote
- Maintain a frank and open dialogue with businesses and move things forward

### Our goal

Advance EDI within our portfolio companies by leveraging our influence.

CHART 11

PUBLIC COMPANIES IN ACTIVE MANAGEMENT WITH AT LEAST 30% WOMEN ON THEIR BOARD OF DIRECTORS



### OUR NOMINEE DIRECTORS

We ensure that we appoint nominee directors with diverse backgrounds who bring various perspectives to the Boards on which we serve. This diversity contributes directly to the effectiveness of the governance of our companies and the quality of their decisions.

We continuously monitor the diversity of nominee directors. In 2021, we achieved 29% female representation. For the same period, CDPQ appointed 108 new nominee directors out of our 329 seats. Of these, 43 went to women, representing 40% of the total appointments.

### Our goal

Achieve 30% female representation in our nominee directors by 2023.



### Case study - Azimut Exploration

CDPQ has initiated a dialogue with this Québec-based mining company on several ESG-related topics and in particular on diversity, which remains a challenge for the industry. We reminded them of our target of 30% women on their Boards and discussed their actions and strategies to achieve this. As a result of these discussions, a second woman was appointed to the company's seven-member Board of Directors, increasing the share of women from 17% to 29%.

### 3. Our influence on the industry and our partners

We work with our peers to advance EDI, including through our involvement in the Investor Leadership Network ([see pages 26–27](#)).

#### INSTITUTIONAL LIMITED PARTNERS ASSOCIATION (ILPA)

CDPQ joined the Diversity in Action initiative of the [ILPA](#), a group of international asset managers. In so doing, we committed to taking several concrete actions, including collecting and monitoring EDI-related data from our external managers.

#### STANDARDS BOARD FOR ALTERNATIVE INVESTMENTS (SBAI)

CDPQ took part in a task force of the [SBAI](#), a global alliance of asset managers dedicated to promoting responsible

practices. We participated in several round tables and helped develop practical tools for promoting EDI in organizations. CDPQ obtained EDGE Certification, which placed EDI at the heart of our organizational priorities, and was cited as a best leadership practice in their report [Principles of Culture and Diversity Strategies](#).

#### EQUITY 25<sup>3</sup>

Our [Equity 25<sup>3</sup>](#) fund targets diversity as a development driver for SMEs and technology companies with a triple 25% objective in terms of EDI. In 2021, this initiative received the [Company for Peace award](#) from the YMCAs of Québec.



#### Case study - Wizeline

This San Francisco-based technology company has diversity and inclusion deeply embedded in its DNA, its business goals and the role it wants to play in the communities where it operates. As at December 31, 2021, CDPQ had appointed three women to the Board of Directors, thereby attaining 43% female representation.

## Our impact in the community

At CDPQ, we support communities through targeted philanthropic endeavours and creating partnerships designed to benefit them. We believe that this relevant and sustainable support is one more way to make our capital constructive.

### 1. Marie-Vincent Foundation

Our contribution helps facilitate access to this service for as many people as possible as well as supporting the Marie-Vincent Interuniversity Research Chair, which develops knowledge and expertise on sexual violence.

### 2. New Pathways Foundation

We support the Social Innovation Laboratory, an initiative to test different social transformation methods to better meet the needs and aspirations of First Nations youth in Québec.

### 3. Little Brothers

We contribute to the success and growth of *Au bout du fil*, a phone support line. This free service is available across the province and creates relationships between isolated elderly people and volunteers, who receive training on how to support them.

### 4. YMCAs of Québec Foundation

Our support seeks to develop regional points of service to expand *YMCA Alternative Suspension*, a program for students who are temporarily suspended from school.



1



3 4



## 4. Countering abusive tax planning

In 2021, the Organisation for Economic Co-operation and Development (OECD) announced the conclusion of a landmark convention between more than 130 countries and jurisdictions. The goal is to implement a 15% global minimum effective tax rate on multinationals, starting in 2023. This agreement will help maintain the financial balance of public institutions and the funding of social programs tailored to the needs of communities. CDPQ welcomes this decision, which strengthens the fight against abusive tax planning.

CDPQ is opposed to any form of tax evasion. We believe that we need to establish optimal conditions for promoting fair taxation in support of strong communities. In 2021, we renewed [our international taxation commitment](#) and developed internal tools to fulfill it.

Like the OECD, we believe that the country where the company is incorporated is not an end in itself to determine the existence of a aggressive tax planning. This is why we analyze each investment opportunity paying special attention to the consolidated tax rate applicable and for which the rate of 15% constitutes one of the reference points.

### **Our conviction**

Companies should pay their fair share of income tax to maintain a fiscal balance that will allow governments to fund the programs required for collective well-being.

### **FOLLOW-UP ON THE 2020 REVIEW OF OUR PUBLICLY LISTED COMPANIES HELD IN ACTIVE MANAGEMENT**

As a result of the analysis carried out in 2020, eight companies were placed on our list of companies being monitored. One of them has however been the subject of a divestment following a decision by our investment teams.

Thus, during 2021, we have initiated discussions with seven of these companies. Our goal was to better understand their tax strategies, risk profiles and long-term sustainable effective tax rates and to raise awareness about the importance of the tax issue for CDPQ.

Following our discussions with these seven companies, we concluded that:

- Four of them could be taken off the list because there were no indication of abusive tax planning
- Two companies remained under monitoring, as their rates below 15% were explained by specific events—we therefore continued to closely monitor changes in their tax situation
- One of them did not meet our criteria, and we have decided to undertake an orderly divestment



### **An exhaustive review of our assets**

In 2021, an extensive tax analysis covering almost all of CDPQ assets was carried out by our teams.

More than 1,600 investment files were reviewed to validate that they comply with a minimum consolidated tax rate of 15%, no matter the jurisdiction. Among them, less than 1% required further examination. During the year 2022, we will carry out analyses as well as follow-ups with these companies to ensure that they comply with the best tax practices.

# Fostering the adoption of sound governance practices

The number and scope of the changes and crises that companies are currently facing is severely testing many organizations. In order to operate effectively in a constantly changing world, it is essential to be agile and flexible, to innovate and to take ESG factors into account. Faced with the complexity of these challenges, organizations must also be able to count on a strong culture that will ensure stability.





Sound governance promotes success and allows companies to meet the growing demands of their teams, clients, suppliers and other stakeholders.

Boards of Directors have a duty of oversight that requires, among other things:

- An understanding of environmental and social issues and their impact on the company's risk profile, competitiveness and resilience
- Close monitoring of ESG factors during the strategic planning and risk management processes
- A clear commitment to the importance of the ESG factors that are material to their organization, with strong support from senior management

In 2021, we analyzed a series of key elements among our portfolio companies, such as:

- The composition of the Board of Directors
- The shareholding structure
- Executive compensation
- Monitoring of ESG factors by the Board of Directors
- Technology risk management

### **Our conviction**

A sound governance structure facilitates decision-making and promotes the interests of both the company and its stakeholders.

## Three pillars of our commitment

1.

Ensure robust governance of our organization

2.

Encourage our portfolio companies to adopt governance best practices

3.

Protect our assets against technological risks

# 1. Ensure a robust governance process

In all its activities, CDPQ applies robust [governance rules](#), in accordance with its principles of integrity and responsibility. By establishing best practices within our organization, we encourage our portfolio companies to do the same.

CDPQ is governed by three bodies: the Board of Directors, the Executive Committee and the management teams of our subsidiaries (Figure 12). They include managers with demonstrated experience who rigorously define strategies and action plans in order to execute our mandate: to generate sustainable returns for our depositors while contributing to Québec's economic development. Read the Report of the Board of Directors in our latest [annual report](#) for more information.

## MAKE ESG A CORE THEME

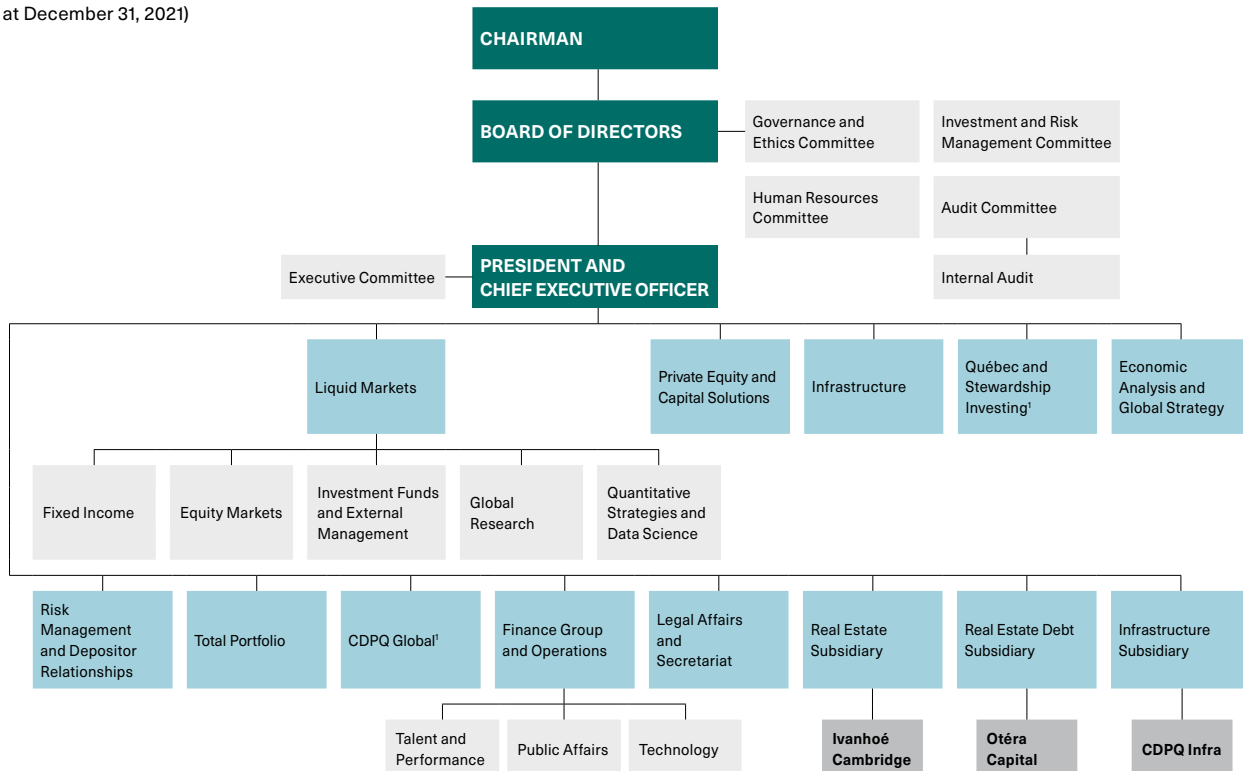
Through its governance structure, CDPQ ensures that our sustainable investment principles and various aspects of ESG are actively incorporated into portfolio management.

This ongoing collaboration enables:

- Taking ESG considerations into account in all investment decisions
- Establishing a dialogue with the executives or members of the Boards of portfolio companies
- Ensuring that the portfolios are well positioned for the transition to a sustainable economy

FIGURE 12

ORGANIZATIONAL STRUCTURE  
(as at December 31, 2021)



1. Since January 2022, the Stewardship Investing team is included in CDPQ Global.

## 2. Encourage our portfolio companies to adopt governance best practices

Our teams review the governance mechanisms of our portfolio companies, both pre- and post-investment, as part of their ESG analyses. We closely examine their Boards of Directors, including the experience, expertise, diversity and independence of members.

### OUR LEVERS OF INFLUENCE

#### Shareholder vote

Our shareholder vote provides considerable leverage in governance matters, and we use it at shareholder meetings in accordance with the principles described in our [Policy Governing the Exercise of Voting Rights of Public Companies](#).

#### Commitment

In order to arrive at a shared vision of the issues and strategies to adopt, we keep an open dialogue with our portfolio companies. We take advantage of our meetings with their Boards and executives to make the case for our priorities.

#### Support

Our advisory role on governance issues allows us to make recommendations to management teams, including on the composition of their Boards of Directors and the management of risks, such as cybersecurity risk.



### Case study - H<sub>2</sub>O Innovation

In 2021, a water treatment company asked us for advice on their ESG report. The company followed our recommendations and added some of our suggestions to its report, including disclosure of their accident rate and their adoption of targets to reduce GHG emissions by 2025, with a net-zero objective set for 2040.

### EXECUTIVE COMPENSATION

The year 2021 was marked by the pandemic and a labour market undergoing considerable change: layoffs, voluntary departures, deployment of emergency wage subsidies, etc. In this environment, CDPQ paid greater attention to the companies' executive compensation. At shareholder meetings, this was a key subject on which we needed to voice our opinions.

We encourage Boards of Directors to exercise restraint when setting such compensation, while also paying attention to the company's competitive position. We recommend implementing a compensation plan based on both a variable component linked to the company's results and on achieving short-, medium- and long-term objectives, in accordance with the highest governance standards.

### OUR LEADERSHIP IN GOVERNANCE

In addition to encouraging our companies to adopt sound governance measures, we work closely with our partners to promote these best practices across their industries.



[Canadian Coalition for Good Governance \(CCGG\)](#)



[International Corporate Governance Network \(ICGN\)](#)



### Case study - Advisory vote on executive compensation

In the last proxy voting season, one company consulted its shareholders on the compensation structure for its executives (Say on Pay), which included offering special retention bonuses to three executives, including the Chief Executive Officer, whose compensation doubled from the previous year. The majority of shareholders, including CDPQ, voted against the structure. After the result of the vote was announced, the company stated it would take into consideration the concerns of its shareholders when making future decision on executive compensation.

### 3. Protect our companies from technology risks

Technology plays a central role in an organization's overall activities. The pandemic accelerated the digital shift already underway in companies and communities. This greater connectivity is causing an increase in technology risks.

#### **TECHNOLOGY RISK MANAGEMENT**

##### **Risk identification**

Technology risk assessments are an integral part of all our investment decisions, and we monitor our total portfolio. We also support our investment teams in order to enhance their understanding of these issues, and we produce sector analyses so that they can better target potential technology risks.

##### **Disruption risks**

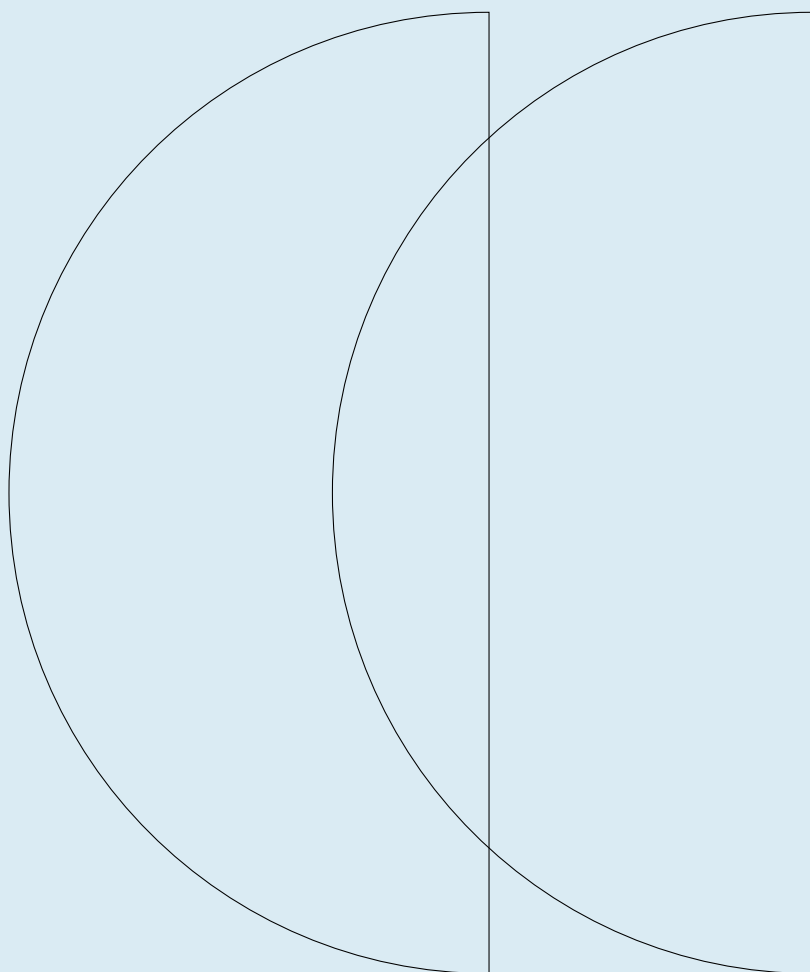
We measure the impacts of disruptive technologies on companies, both from an external market perspective and in terms of the business model. This assessment demonstrates their level of resilience in their industry as well as their digital maturity, given the new technologies.

##### **Cybersecurity risks**

Our cybersecurity analyses are supported by a rigorous questionnaire and interviews with the security officers at our portfolio companies. This allows us to assign a cybersecurity rating to companies and supports decision-making by our teams. We also provide our portfolio companies with the support they need to improve their cybersecurity practices, both to prevent cybersecurity incidents and in response to them.

In 2021, our teams performed 398 technology risk analyses, including 172 related to transactions.

# Appendices



## OUR INITIATIVES AND PARTNERSHIPS

CDPQ collaborates on several actions and is a member of many groups that are advancing sustainable investing practices.

Name	Mission	Targeted region
<b>SUSTAINABLE INVESTING</b>		
<a href="#">Responsible Investment Association (RIA)</a>	Contributes to the growth and support of responsible investment in Canada	Canada
<a href="#">CFO Leadership Network - Accounting for Sustainability (A4S) Initiative</a>	Group of chief financial officers from international organizations involved in sustainable finance	Global
<a href="#">Public consultations of the IFRS Foundation</a>	International consultations on creating global ESG standards	Global
<a href="#">Statement by the Quebec Financial Centre for a Sustainable Finance</a>	Statement by Québec financial players involved in sustainable finance and integrating ESG factors	Québec
<a href="#">Écotech Québec</a>	Organization that maximizes opportunities to develop and deploy clean technologies	Québec
<a href="#">Finance Montréal</a>	Organization dedicated to developing Québec's financial sector	Québec
<a href="#">Global Investors for Sustainable Development Alliance (GISD)</a>	Organization committed to increasing long-term financing and investments in sustainable development	Global
<a href="#">Maple 8</a>	Group of Canadian pension funds in favour of sustainable finance	Canada
<a href="#">Principles for Responsible Investment (PRI)</a>	International organization responsible for the U.N.'s sustainable finance principles	Global
<a href="#">Investor Leadership Network (ILN)</a>	International coalition of investors involved in sustainable finance	Global
<a href="#">SASB Standards</a>	International standards for companies to disclose their sustainability information	Global
<a href="#">Standards Board for Alternative Investments (SBAI)</a>	International standard-setting body for alternative investments	Global
<a href="#">Tobacco-Free Finance Pledge</a>	International coalition to encourage the financial community to withdraw from the tobacco industry	Global

## OUR INITIATIVES AND PARTNERSHIPS

Name	Mission	Targeted region
<b>E &gt; ENVIRONMENT</b>		
<a href="#">Asia Investor Group on Climate Change (AIGCC)</a>	Group of Asian investors working to create awareness of climate change among financial players	Asia
<a href="#">Carbon Disclosure Project (CDP)</a>	International initiative on environmental disclosure	Global
<a href="#">CDP Science-Based Targets Campaign 2021</a>	Coalition that seeks to encourage companies to set targets for reducing GHG emissions	Global
<a href="#">CERES</a>	International organization promoting sustainable finance	Global
<a href="#">Climate Action 100+</a>	Campaign to raise awareness among large corporate emitters	Global
<a href="#">Climate Bonds Initiative (CBI)</a>	International organization developing standards and raising awareness on the importance of green bonds	Global
<a href="#">Comité consultatif sur les changements climatiques</a>	Expert committee that advises the Ministère de l'Environnement et de la Lutte contre les changements climatiques on orientations, programs, policies and strategies in the fight against climate change	Québec
<a href="#">Sustainable Finance Action Council</a>	Federal government advisory committee on sustainable finance issues	Canada
<a href="#">Quebec Business Council on the Environment (CPEQ)</a>	Umbrella organization that represents the Québec business sector on questions related to the environment and sustainable development	Québec
<a href="#">Glasgow Financial Alliance for Net Zero (GFANZ)</a>	Coalition of leading financial institutions that aims to accelerate the transition to a net-zero global economy by 2050.	Global
<a href="#">Net-Zero Advisory Body</a>	Group of experts advising the Minister of Environment and Climate Change on the most likely paths by which Canada can achieve its net-zero objective by 2050	Canada
<a href="#">Montreal Climate Partnership</a>	Coalition of Montréal organizations for the climate	Québec
<a href="#">Powering Past Coal Alliance (PPCA)</a>	Coalition of governments and businesses working to end the use of coal	Global
<a href="#">Say on Climate</a>	Initiative to promote consultative voting on corporate climate plans	Global
<a href="#">Sustainable Markets Initiative (SMI)</a>	International coalition of financial players involved in the fight against climate change and in protecting biodiversity	Global
<a href="#">UN-convened Net-Zero Asset Owner Alliance</a>	International coalition of investors transitioning to net zero	Global
<a href="#">United Nations Environment Programme Finance Initiative (UNEP FI)</a>	United Nations program to unite the financial sector in the fight against climate change	Global



## OUR INITIATIVES AND PARTNERSHIPS

Name	Mission	Targeted region
<b>S › SOCIAL</b>		
<a href="#">30% Club</a>	Organization that targets 30% female representation on Boards of Directors and management teams of companies listed on the S&P/TSX Composite Index	Global
<a href="#">Catalyst</a>	Global not-for-profit organization that helps create inclusive workplaces for women	Global
<a href="#">EDGE Certification</a>	Certification that measures equity, diversity and inclusion in the workplace	Global
<a href="#">Canadian Investor Statement on Diversity &amp; Inclusion - RIA</a>	Statement by Canadian investors on diversity and inclusion	Canada
<a href="#">Diversity in Action Initiative (ILPA)</a>	Initiative aimed at advancing equity, diversity and inclusion in private equity	Global
<a href="#">Pride at Work Canada</a>	Organization that empowers employers to build workplaces that celebrate all employees	Canada
<a href="#">ILN - Joint Engagement Letter</a>	Engagement by the members of the ILN toward equity, diversity and inclusion	Global
<a href="#">Women in Governance</a>	Not-for-profit organization whose mission is to support women in their leadership development and career advancement	Canada
<a href="#">The A Effect</a>	Initiative that seeks to drive female ambition	Québec
<a href="#">Legal Leaders for Diversity and Inclusion</a>	Organization that promotes diversity in the legal community	Canada
<a href="#">BlackNorth Initiative</a>	Initiative committed to ending systemic racism against Black Canadians and visible minorities	Canada
<a href="#">The Prosperity Project</a>	Organization created to stop COVID-19 from setting back women	Canada
<b>G › GOVERNANCE</b>		
<a href="#">Asian Corporate Governance Association (ACGA)</a>	Organization dedicated to implementing sound corporate governance practices in Asia	Asia
<a href="#">Canadian Coalition for Good Governance (CCGG)</a>	Coalition of Canadian investors that seeks to encourage best corporate governance practices	Canada
<a href="#">Council for Cyber and Business Security of the Conference Board of Canada</a>	Canadian group for dialogue on cybersecurity risks	Canada
<a href="#">Institute of Corporate Directors (ICD)</a>	Organization that seeks to promote excellence in directorship to strengthen corporate governance	Canada
<a href="#">International Corporate Governance Network (ICGN)</a>	Group of investors that promotes good governance internationally	Global
<a href="#">Pension Investment Association of Canada (PIAC)</a>	Forum for Canadian pension plans to share information and knowledge	Canada

## OUR ESG INDICATORS

CDPQ discloses the results of its actions related to ESG factors through various documents: the Sustainable Investing Report (SIR), the Sustainable Development Report (SDR) and the Annual Report (AR).

Indicator	Target or actions	2021 disclosure	2021 source	2020 disclosure
<b>E • ENVIRONNEMENT</b>				
1. Value of low-carbon investments, in billions of dollars	\$54 billion in low-carbon assets by 2025	\$39 billion	SIR Section E SDR Orientation 1	\$36 billion
2. Portfolio's carbon intensity in tCO <sub>2</sub> e/M\$ invested and as a %	60% reduction by 2030 from 79 tCO <sub>2</sub> e/M\$ invested in 2017	<ul style="list-style-type: none"> <li>• 41 tCO<sub>2</sub>e/M\$ invested</li> <li>• 49% reduction from 2017</li> </ul>	SIR Section E SDR Orientation 1	<ul style="list-style-type: none"> <li>• 49 tCO<sub>2</sub>e/M\$ invested</li> <li>• 38% reduction from 2017</li> </ul>
3. GHG reduction target aligned with the objectives of the Paris Agreement limiting warming to 1.5 °C	2030 target for intensity reduction aligned with the Paris Agreement	<ul style="list-style-type: none"> <li>• 60% reduction in carbon intensity by 2030</li> <li>• Net-zero portfolio by 2050</li> </ul>	SIR Section E SDR Orientation 1	<ul style="list-style-type: none"> <li>• 25% reduction in 2020 in the portfolio's carbon intensity from the 2017 level</li> <li>• Net-zero portfolio by 2050</li> </ul>
4. Commitments with portfolio companies to encourage them to set targets aligned with the 1.5 °C objective	Member of the Climate Action 100+ initiative and commitment to our portfolio companies	10% of our discussions with portfolio companies dealt with climate change and 26% with ESG matters	SIR Section E	21% of our discussions with portfolio companies dealt with climate change
5. Level of financing in climate investments	<ul style="list-style-type: none"> <li>• \$10 billion transition envelope</li> <li>• \$54 billion in low-carbon assets</li> </ul>	<ul style="list-style-type: none"> <li>• Projects in transition envelope selected on the basis of SBTi criteria and/ the CBI transition taxonomy</li> <li>• Low-carbon assets selected on the basis of the CBI's taxonomy</li> </ul>	SIR Section E	\$36 billion in low-carbon assets
6. Fossil fuel targets in line with the science	<ul style="list-style-type: none"> <li>• Exit from oil production by the end of 2022</li> <li>• Largely completed exit from thermal coal production by 2040</li> </ul>	Exit from oil production by the end of 2022	SIR Section E <a href="#">Climate strategy</a>	Largely completed elimination of thermal coal from the portfolio by 2040
7. Collaboration with our peers and experts to develop relevant knowledge and tools for the transition	Participation in several international groups and initiatives	<ul style="list-style-type: none"> <li>• Investor Leadership Network (ILN)</li> <li>• Net-Zero Asset Owner Alliance</li> <li>• Canadian Investor Statement on Climate Change</li> <li>• Climate Action 100+</li> </ul>	SIR Section E SDR Orientation 1	<ul style="list-style-type: none"> <li>• CDPQ is a member of:</li> <li>• The Québec Colloquium on Responsible Investment's organizing committee</li> <li>• The Principles for Responsible Investment's (PRI) – Francophonie Network Advisory Committee</li> </ul>

## OUR ESG INDICATORS

Indicator	Target or actions	2021 disclosure	2021 source	2020 disclosure
<b>E &gt; ENVIRONNEMENT (CONTINUED)</b>				
8. Promotion of our sustainable development commitments and targets to our employees	Employee communications plan	Development of a communications plan and frequent communications with employees on various topics	SDR Orientation 1	N/A
9. Move toward zero waste in our buildings by reclaiming residual materials	Achieve a reclamation rate of at least 63% in buildings owned and managed by Ivanhoé Cambridge	61%	SDR Orientation 3	61%
10. Move toward zero waste in our buildings by redistributing computer equipment	Redistribute or recycle 100% of our outdated computer equipment	All IT equipment identified as outdated was given to non-profit organizations	SDR Orientation 3	All IT equipment identified as outdated was given to non-profit organizations
11. Apply best practices in environmental management of buildings	Ensure that 100% of the buildings owned and managed by Ivanhoé Cambridge have an environmental or well-being certification	100% of the buildings owned and managed by Ivanhoé Cambridge in 2021 had environmental or well-being certification	SDR Orientation 3	100%
12. Raise employee awareness on the environmental impacts of using technology	Develop a plan to raise awareness on the use of technology and its impact on the environment	Publication of two articles to raise awareness on recycling computer equipment and making optimal use of digital storage	SDR Orientation 3	N/A

## OUR ESG INDICATORS

Indicator	Target or actions	2021 disclosure	2021 source	2020 disclosure
<b>S › SOCIAL</b>				
13. Share of women on the Board of Directors	30% share of women on the Board of Directors	46%	SIR Section S SDR Orientation 2	43%
14. Share of women on the Executive Committee	30% share of women on the Executive Committee	39%	SIR Section S SDR Orientation 2	31%
15. Share of women in investment positions	Grow the share of women in our investment teams	25%	SIR Section S	22%
16. Percentage of public companies in active management in our portfolio with at least 30% women on their Boards of Directors	100%	45%	SIR Section S SDR Orientation 2	41%
17. Percentage of CDPQ's nominee directors positions held by women	30% share of women in CDPQ's nominee directors position by 2023	29%	SIR Section S SDR Orientation 2	22%
18. Share of our employees in Québec who identify as a member of one of the following three groups: visible minorities, ethnic minorities or Indigenous peoples	25% of employees in Québec who identify as a member of one of the following three groups: visible minorities, ethnic minorities or Indigenous peoples by the end of 2022	24%	SIR Section S	23%
19. Commitment to diversity, inclusion and the absence of discrimination	<ul style="list-style-type: none"> <li>• Policy to increase workplace equity, diversity and inclusion adopted</li> <li>• Annual Action Plan for Persons with Disabilities</li> <li>• Statement on equal access to employment</li> </ul>	<ul style="list-style-type: none"> <li>• Workplace Equity, Diversity and Inclusion Policy adopted in April 2021</li> <li>• Annual Action Plan for Persons with Disabilities 2021–2022 adopted in April 2021</li> </ul>	<a href="#">Workplace Equity, Diversity and Inclusion Policy</a> <a href="#">Action Plan for Persons with Disabilities 2021-2022</a> <a href="#">CDPQ statement on equal access to employment</a>	Statement on equal access to employment adopted in 2010
20. Presence of channels through which employees can raise issues	<ul style="list-style-type: none"> <li>• Fraud and Corruption Prevention and Detection Policy</li> <li>• Hotline for employees to report a breach of ethics or a law being broken</li> </ul>	Current policy adopted in October 2020	<a href="#">Policy –Fraud and Corruption Prevention and Detection</a>	Current policy adopted in October 2020

## OUR ESG INDICATORS

Indicator	Target or actions	2021 disclosure	2021 source	2020 disclosure
<b>S &gt; SOCIAL (CONTINUED)</b>				
21. Public commitment to the health and safety of workers	Support for overall employee occupational health and safety	CDPQ communicated frequently with its employees about its health and wellness programs	SDR Orientation 3	In 2020, several articles promoting CDPQ's sustainable development initiatives and commitments were published on the intranet
22. Public commitment to respect personal data and a general policy on personal data	Information Management and Security Policy	Current policy adopted in 2015	<a href="#">Information Management and Security Policy</a>	Current policy adopted in 2015
23. Presence of a comprehensive approach to taxation and disclosure of income taxes paid in each country	Commitment to exercise leadership in international taxation and disclosure of income taxes paid per country	Commitment on international taxation and disclosure of income taxes paid by country published in 2020	<a href="#">International taxation commitment</a> AR SIR Section S	Commitment on international taxation and disclosure of income taxes paid by country published in 2020
24. Existence of policy against corruption and bribery and analysis of the related risks	Fraud and Corruption Prevention and Detection Policy in place	Current policy adopted in October 2020	<a href="#">Policy – Fraud and Corruption Prevention and Detection</a>	Current policy adopted in October 2020
25. Commitment related to corporate professional ethics directives	Code of Ethics and Professional Conduct for Officers and Employees and Code of Ethics and Professional Conduct for Directors in force	Code of Ethics and Professional Conduct for Officers and Employees reviewed every three years and was last reviewed in 2019	<a href="#">Code of Ethics and Professional Conduct for Officers and Employees</a>	Code of Ethics and Professional Conduct for Officers and Employees reviewed every three years and was last reviewed in 2019
26. Measures implemented to promote ethical behaviour in the organization	<ul style="list-style-type: none"> <li>• Ethics training for employees</li> <li>• Annual commitment by employees to respect the organization's ethical standards</li> <li>• Two mandatory training sessions for new employees, one of which dealt specifically with preventing and detecting corruption</li> <li>• One-to-one meeting with each incoming manager to discuss various aspects of the Code</li> </ul>	All employees agreed to respect the Code of Ethics and Professional Conduct	AR Compliance section <a href="#">Code of Ethics and Professional Conduct for Officers and Employees</a>	All employees agreed to respect the Code of Ethics and Professional Conduct
27. Disclosure of the number and type of training programs provided to employees	The Faculty, an expertise centre available to employees that develops and offers relevant training	604 people took part in these training programs	SDR Orientation 3	N/A

## OUR ESG INDICATORS

Indicator	Target or actions	2021 disclosure	2021 source	2020 disclosure
<b>S &gt; SOCIAL (CONTINUED)</b>				
28. Disclosure of the measures taken to attract and retain talent	Human Resources Committee works to attract and retain talent	Workplace Equity, Diversity and Inclusion Policy that sets out talent recruitment and retention priorities	SIR Section S <a href="#">Workplace Equity, Diversity and Inclusion Policy</a>	Mentoring program renewed, identification of key skills for the future and implementation of the related development levers
29. Existence of information on coaching employees and current mentoring program	Mentoring program	Nearly 150 people participated in the mentoring program	SIR Section S	N/A
30. Support for charitable organizations	Contributions to charitable organizations	We supported close to 110 organizations	SDR Orientation 3	We supported over 120 organizations
31. Adoption of an integrated artwork policy	Approval by CDPQ's Board of Directors of an integrated artwork policy	The integrated artwork policy was approved by the Board of Directors in the first quarter of 2022	SDR Orientation 3	N/A
32. Implementation and promotion of a master plan for the REM public art program	Unveiling of the UniR public art program	<a href="#">Public announcement of the UniR program</a>	SDR Orientation 3	N/A
33. Support for employees' professional development and career management	Strategy in place to attract, retain and develop employees	Development activities were offered to our teams this year	SIR Section S	N/A
34. Communication of human rights expectations for our personnel	Statement released on equal access to employment	Inclusive culture, free from any discrimination, and formal adherence to the principles of diversity and equal access to employment	<a href="#">CDPQ statement on equal access to employment</a>	CDPQ statement on equal access to employment adopted in 2010
35. Presence of verifications and internal audits of diversity indicators	EDGE Certification, a globally recognized corporate certification standard for gender equality in the workplace	In 2021, CDPQ started the process to renew its EDGE Certification	SIR Section S	In 2020, CDPQ obtained EDGE Certification

## OUR ESG INDICATORS

Indicator	Target or actions	2021 disclosure	2021 source	2020 disclosure
<b>G • GOVERNANCE</b>				
36. Number of votes on proposals	Participate in votes on proposals	57,008 votes	SIR Our Approach section SDR Orientation 1	58,032 votes
37. Number of shareholder meetings at which we voted	Vote at the shareholder meetings of our portfolio companies	5,762 meetings	SIR Our Approach section SDR Orientation 1	5,566 meetings
38. Number of discussions held with companies on ESG factors	Discussions with our portfolio companies on various ESG issues	248 discussions	SIR Our Approach section SDR Orientation 1	143 discussions
39. Number of companies with which there were discussions of ESG factors	Discussions with our portfolio companies on various ESG issues	194 companies	SIR Our Approach section SDR Orientation 1	112 companies
40. Executive compensation system linked to achieving ESG targets	Employee variable compensation conditional to achieving climate targets	Since 2018, CDPQ has directly linked employee variable compensation to the achievement of climate targets	AR SIR Section E	Since 2018, CDPQ has directly linked employee variable compensation to the achievement of climate targets
41. Number of ESG analyses performed	All potential transactions in active management are subject to an ESG analysis	505 analyses	SIR Our Approach section SDR Orientation 1	355 analyses
42. Technology risk assessments of our portfolio companies	Technology risk assessments are incorporated into all our investment decisions, and we monitor our total portfolio	398 technology risk analyses, including close to 172 analyses of transactions	SIR Section G SDR Orientation 3	N/A
43. Presence of a lobbying policy	Policy Governing the Exercise of Voting Rights of Public Companies	Our policy on the principles governing the exercise of voting rights of public companies includes a section on lobbying	<a href="#">Policy Governing the Exercise of Voting Rights of Public Companies</a>	A new policy governing the exercise of voting rights of public companies was adopted in October 2020
44. Presence of clear policies on the commitment made with portfolio companies on ESG issues	Policy on Stewardship Investing that includes a framework for engagement with portfolio companies	Policy on Stewardship Investing updated in 2021	<a href="#">Policy – Stewardship Investing</a>	Policy on Responsible Investment in place

## CALCULATION OF THE INTENSITY OF CDPQ'S PORTFOLIO

### Calculation

$$\text{Total CDPQ portfolio intensity} = \frac{\Sigma \text{ emissions attributed to CDPQ (tCO}_2\text{e)}}{\text{CDPQ portfolio within the calculation perimeter (millions of CAD)}}$$

$$\text{Emissions attributed to CDPQ} = \text{Emissions of the asset (tCO}_2\text{e)} \times \frac{\text{LT capital supplied by CDPQ (millions of CAD)}}{\text{Total LT capital of the asset (millions of CAD)}}$$

**LT Capital:** Long-term capital used by a company to finance its production assets (fair market value of equity + long-term debt).

**Emissions:** Direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions converted into equivalent tons of CO<sub>2</sub> as defined by the GHG protocol.

### Calculation perimeter:

Includes net<sup>1</sup> \$389 billion as at December 31, 2021 of investments, including those of non-consolidated subsidiaries, in the form of shares, corporate and Crown corporation debt, securities held through market indexes or exchange traded funds (ETFs), externally managed investments, securities lending and borrowing.

Excludes net<sup>2</sup> \$120 billion as at December 31, 2021 of government bonds, cash, warrants, derivative financial instruments, and securities purchased under resale agreements.

**Investments are held within the following specialized portfolios:** Equity Markets, Fixed Income, Private Equity, Infrastructure, Real Estate, certain Investments in shares (including short positions) held in Asset Allocation.

### Data sources

#### A) Direct holdings

The Trucost database is CDPQ's preferred source of emissions data for individual issuers. Combined with LT capital data from the Compustat and Bloomberg database, this forms the foundation of our calculations of individual issuers intensity and average sector intensity<sup>3</sup>.

Our approach is as follows:

CDPQ methodology	<p>In order of priority:</p> <ol style="list-style-type: none"> <li>1. Direct intensity calculated for the issuer</li> <li>2. Direct intensity calculated for the parent of the issuer</li> <li>3. Average sector intensity</li> </ol> <p><i>Please note that in certain instances, CDPQ uses judgement to override the intensity assigned through the typical methodology if more accurate or relevant data is available. For example, the intensity disclosed by the issuer, the intensity of comparable issuers with same GHG profile, the average intensity of a sector that more accurately represents the issuer, or the intensity estimated using another reliable source.</i></p>
Ivanhoé Cambridge methodology	<p>In order of priority:</p> <ol style="list-style-type: none"> <li>1. Direct intensity calculated for the property by Ivanhoé Cambridge</li> <li>2. Average intensity of Ivanhoé Cambridge's portfolio</li> </ol>

#### B) Indirect holdings

Where data is available, the intensity of funds is calculated according to the typical methodology applicable to direct holdings. Where data is not available, CDPQ uses the intensity of the fund disclosed by the manager or the average intensity of the sector or asset class appropriate to the nature of the fund.

1. CDPQ gross asset value, net of short positions.
2. CDPQ gross asset value, net of short positions.
3. CDPQ uses the most recently available emissions data from Trucost. For data quality purposes, CDPQ sets an internal threshold to determine when the most recent emissions data in the Trucost database is considered too outdated to use in our calculations of individual issuers intensity and average sector intensity. Where available, CDPQ uses LT capital data as at December 31, 2021. Where LT capital data is not available as at December 31, 2021, CDPQ uses the most recently available data.



## INDEPENDENT PRACTITIONER'S ASSURANCE REPORT

To the Management of the Caisse de dépôt et placement du Québec

### Scope

We have been engaged by the Caisse de dépôt et placement du Québec ("CDPQ") to perform a 'limited assurance engagement,' as defined by the Canadian Standard on Assurance Engagements, hereafter referred to as the engagement, over the carbon intensity of CDPQ's portfolio of 41 tCO<sub>2</sub>e/M\$ (the "Subject Matter") for the year ended December 31, 2021, as reported on page 22, 48 and 60 of CDPQ's 2021 Stewardship Investing Report (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of the engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

### Criteria applied by CDPQ

In preparing the Subject Matter, CDPQ applied internally developed criteria described in Appendix 3 of the Report (the "Criteria"). The Criteria were specifically designed for the preparation of the Report. As a result, the Subject Matter may not be suitable for another purpose.

### CDPQ's responsibilities

CDPQ's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with the Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error.

### EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Canadian Standard on Assurance Engagements ("CSAE") 3410, *Assurance Engagements on Greenhouse Gas Statements* ("CSAE 3410"). This standard requires that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

### Our independence and quality control

We have complied with the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

EY also applies *Canadian Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

The carbon intensity quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of greenhouse gas emissions. Additionally, emissions procedures are subject to estimation (or measurement) uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.

A limited assurance engagement consists of making inquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other appropriate procedures.

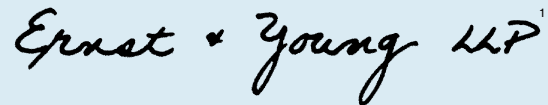
Our procedures included:

- Conducting interviews with relevant personnel to obtain an understanding of the reporting processes and internal controls;
- Inquiries of relevant personnel who are responsible for the Subject Matter including, where relevant, observing and inspecting systems and processes for data aggregation and reporting in accordance with the Criteria;
- Assessing the accuracy of data, through analytical procedures and limited reperformance of calculations, where applicable; and
- Reviewing presentation and disclosure of the Subject Matter in the Report.

We also performed such other procedures as we considered necessary in the circumstances.

**Conclusion**

Based on our procedures and the evidence obtained, nothing has come to our attention that causes us to believe that the Subject Matter for the year ended December 31, 2021 is not prepared, in all material respects, in accordance with the Criteria.

A handwritten signature in black ink that reads "Ernst & Young LLP" with a small superscript "1" above the "P". The signature is written in a cursive, professional style.

April 8, 2022  
Montréal, Canada

<sup>1</sup>FCPA auditor, FCA, public accountancy permit no. A114960

## TASK FORCE ON CLIMATE-RELATED DISCLOSURES (TCFD) REPORT

We follow the TCFD's recommendations on financial disclosure related to climate issues and present our progress annually.

### Governance

#### 1. Board oversight of climate-related risks and opportunities

- Since 2017, our [Policy – Stewardship Investing](#) requires that we include climate change considerations and ESG risks in our investment analysis and approval process. This policy is approved by the Board of Directors.
- The targets of our [climate strategy](#) are reported to the Board of Directors in a biannual presentation.
- In 2018, the Human Resources Committee of the Board of Directors took a strong step by linking employees' variable compensation directly to the achievement of climate targets. We are one of the first global institutional investors to adopt such a measure.

#### 2. Describe management's role in assessing and managing climate-related risks and opportunities

- The climate attributes (risks and opportunities) of investments are discussed in specific sections of investment approval and reporting documents, and are subject to the same governance as other investment criteria (for more information, see [page 16](#)).
- Working in collaboration with the strategy and investment teams, the Sustainable Investing team closely monitors the annual climate targets of our specialized portfolios. These analyses are submitted to the various committees on which CDPQ executives sit, including the Investment-Risk Committee (IRC).
- In 2021, a transition risk analysis of the portfolio was carried out by the Sustainable Investing team in collaboration with Risk Management and then presented to the IRC.

### Strategy and risk management

#### 3. Describe the climate-related risks and opportunities identified over the short, medium and long term

- Our teams analyze the different types of **physical climate risks** over the short, medium and long term. These risks are taken into account for investments located in areas vulnerable to weather events or dependent on the climate in the long term (e.g. a hydroelectric dam or wind turbine).
- In 2020, we entered into a partnership to co-develop the *Climanomics* tool in order to better understand, measure and report, in financial terms, on the physical risks related to climate change for our portfolio.

- The tool was deployed internally in 2021, mainly for the Infrastructure and Real Estate portfolios. In 2022 we will be extending its use to all asset classes (for more information, see Section 5. Management of physical risks).
- Our teams also analyze **transition risks** related to climate change. They are subject to both qualitative and quantitative analysis, and are of several types:
  - Regulatory or political action (carbon pricing or subsidies)
  - Technological innovations
  - Market risks (changes in demand for certain products)
  - Lawsuits
  - Reputation risks
- These risks are assessed for each new investment opportunity by analyzing the company's business model and its exposure to transition risk factors over various time horizons. The analysis is then refined based on the materiality of the risk.
- In 2021, an analysis was conducted on the entire portfolio, assessing the impacts of transition risks on our portfolio companies (for more information, see Section 6. Management of transition risks).
  - Short term: relatively low and specific risks in certain jurisdictions and companies, analyzed on a case-by-case basis.
  - Medium term (<5 years): risks of a technological, regulatory or market-related nature or pertaining to carbon pricing, potentially affecting the competitiveness of carbon-intensive companies.
  - Long term (>5 years): risks associated with high carbon intensity sectors for which lower carbon substitutes or disruptive technologies exist.
- There are many climate opportunities (for more information, see Section 9. Seize opportunities). In order for opportunities to be considered, the investment teams are made aware of them and incorporate them into their annual strategic planning exercise. We therefore continuously seek investment opportunities, both directly and through external partnerships.

#### 4. Describe and assess the impact of climate-related risks and opportunities on operations, strategy and financial planning and how they factor into investment portfolios and strategies

- Climate risks are assessed by the investment committees in the pre-investment and post-investment stages.
- These risks are addressed in specific sections of the investment approval and reporting documents and are subject to the same governance as other risks.
- The degree of analysis depends on the materiality of the risk.
- The risks assessed include physical and transition risks and take into account the company's industry positioning, management of ESG issues and transition strategy.
- Scenarios are used, when necessary, to analyze the impact of the energy transition or long-term climate changes on key performance metrics.
- Portfolios are reviewed periodically to monitor climate risks and analyze the mitigation measures implemented by companies.
- Our [climate strategy](#) targets are such that climate opportunities form an integral part of CDPQ's investment strategy.
- We have also introduced specific guidance to oversee energy value chain investments. This guidance clarifies the role of all value chain components in the energy transition.
- In 2021, we committed to making an orderly exit from oil production by the end of 2022.
- We also continued our actions with the [Net-Zero Asset Owner Alliance](#), which we cofounded in 2019, to support decarbonizing the real economy (for more information, see [page 27](#)).

#### 5. Management of physical risks

- In 2020, we co-developed the *Climanomics* tool in partnership with two Canadian peers in order to better understand, measure and report, in financial terms, the physical risks related to climate change for our portfolio.
- With this tool, we can refine our analyses based on various climate scenarios and time horizons. The tool was deployed internally in 2021, mainly for the Infrastructure and Real Estate portfolios.
- In 2022, we will extend its use to all asset classes once it has been calibrated to take into consideration their specific characteristics. We also want to perform some risk analyses on our total portfolio to potentially measure risk by geographic area, industry, asset class, etc.
- The results of these analyses will allow us to assess the physical risks before making an investment, but also to enter into a dialogue with the portfolio companies exposed to these risks, so that mitigation plans will be in place.

- If certain matters cannot be managed by *Climanomics*, we commission international expert firms to carry out in-depth risk reviews of the material physical risks on the targeted assets and their value chains.
- The [Investor Leadership Network](#) published a [guide](#) in 2021 to raise awareness among portfolio managers of the importance of incorporating physical risks into investment decision-making and of adopting best practices.

#### 6. Management of transition risks

- We have developed qualitative tools to improve the way that transition risks are factored into our analyses. These scalable tools are aimed at guiding decision-making according to regulatory, technological and socioeconomic developments around the world. They will also allow teams to ask the right questions when analyzing investment opportunities.
- In 2021, CDPQ conducted a review of nearly 75% of its investment portfolio in active management across all sectors and asset classes.
- CDPQ analyzed the transition risks based on a framework adapted to suit the companies' business models, by developing scenarios based on realistic assumptions concerning the impacts of the energy transition. We assess these impacts according to four focus areas:
  1. Demand for the product
  2. How it has changed over time
  3. The impact of the industrial decarbonization of products and manufacturing processes
  4. New needs arising from the emergence of industries of strategic value for the future
- Three time horizons were considered: short term (< 5 years), medium term (5 to 12 years) and long term (>12 years).
- The level of exposure was rated on a 6-step scale, ranging from *very favourable* to *critical*.
- In the short term, the portfolio has low exposure to transition risk, with 5% of the portfolio considered *to be monitored* and on which further analysis will be performed, while 8% of the portfolio is favourably exposed to transition risk. The remaining 87% is not significantly exposed to transition risk.
- In the medium and long term (over 5 years), the percentage of assets with negative exposure to transition risk increases. However, over such a horizon, we expect that portfolio companies will have initiated risk mitigation measures and that we have the ability to reposition the portfolio to limit our exposure.

- CDPQ is also actively reducing transition risk in its portfolio. We are working with certain companies operating in heavy emitting sectors to determine how to decarbonize their operations and make greater use of cleaner energies. We have set ambitious targets for low-carbon investments. Lastly, we will fully exit the oil production sector by the end of 2022, eliminating from our portfolio certain assets with short-term exposure to transition risk.
- We are continuing these efforts in 2022, with an emphasis on strategic investment planning, raising awareness in our teams and holding discussions with our portfolio companies.

## 7. Long-term ambitions

- As a member of the [Net-Zero Asset Owner Alliance](#), we have committed to working together on defining best practices, influencing our portfolio companies and further driving the financing of existing climate solutions in order to meet our target of decarbonizing the real economy (for more information, see [page 27](#)).
- In 2021, we reviewed our climate targets and published a [new strategy](#), including a target of reducing the carbon intensity of our portfolio by 60% by 2030.

## 8. Engage with portfolio companies to improve their climate-related practices and disclosures

- Through our shareholder vote, we support shareholder proposals aimed at promoting better disclosure of climate-related risks and opportunities, in accordance with TCFD recommendations.
- Moreover, we speak with corporate executives to better understand their climate change strategies and encourage them to adopt best practices. In some cases, CDPQ pools its efforts with peers to maximize its influence on companies.
- As part of various initiatives, including [Climate Action 100+](#), we work with other investors to influence the practices of the heaviest emitters and raise awareness among investors and companies on best practices for addressing climate issues.

## 9. Seize opportunities

- There are many climate opportunities.
- CDPQ adopted an ambitious target for low-carbon investments (\$54 billion by 2025) that is aligned with the Climate Bonds Initiative [taxonomy](#), and is attentive to any opportunity in areas promoting the transition to a more sustainable economy (for more information, see [page 17](#)).
- In 2020 we created the Climate Innovation Fund (CIF), previous called the Innovation in Sustainable Investing (ISI) platform. This \$500-million platform is dedicated to two areas of innovation: the energy transition and sustainable agri-food (for more information, see [page 20](#)).
- The Sustainable Land Management mandate, formed within the Infrastructure portfolio, plans to deploy up to \$2 billion by 2025 by acquiring forest and agricultural land on several continents. Our investments in this sector will be long-term and meet rigorous ESG criteria and the highest standards in sustainable development. They will help diversify our low-carbon investments (for more information, see [page 18](#)).
- In 2021, CDPQ created a \$10 billion transition envelope for decarbonizing the heaviest emitters. It targets sectors essential to the transition and will be used to reduce GHGs in the real economy (for more information, see [page 23](#)).

## 10. Develop new investment guidelines

- We analyze, as part of our investment process, the role that each component of the energy value chain plays in the transition.
- Since 2020, as a member of the Net-Zero Asset Owner Alliance, CDPQ has made a strong [commitment](#) with respect to coal:
  - No more funding for new thermal coal projects
  - Progressive elimination of most of our assets fuelled by thermal coal in industrialized countries by 2030
  - Largely completed global elimination by 2040
- Furthermore, we will also be excluding investments in thermal coal mines.
- In 2021, we also joined the [Powering Past Coal Alliance](#) (PPCA), an organization consisting of national and subnational governments, businesses and organizations working to advance the transition from coal to renewable energies.
- Through our new [climate strategy](#), we have also committed to exiting oil production by the end of 2022. This exercise targets:
  - All our direct investments in internal management, debt and equity
  - Any new external management agreement
  - Work to engage our current external managers

## Metrics and targets

### 11. Disclose the metrics used to assess and track climate-related risks and opportunities, according to portfolio and strategy, and changes in metrics

- Our main metrics are the carbon intensity (tCO<sub>2</sub>e/M\$) of a company or portfolio and the volume of low-carbon investments (in billions of dollars), based on the criteria of the [Climate Bonds Initiative](#).
- CDPQ believes they are credible, rigorous and easy-to-understand measures that have been derived through a transparent methodology and are useful to decision-making.
- In 2018, CDPQ put in place an IT system that connects its internal databases to the databases of external climate data suppliers in order to estimate, in real time, the carbon intensity of our various portfolios and measure changes.
- In 2022, CDPQ will adjust its IT systems to be able to monitor and measure the impact of the companies that will be added to the transition envelope. The financial exposure and carbon emissions of these companies will be rigorously monitored to ensure that they meet the required criteria and follow their transition paths.
- CDPQ also took part in the work led by the [Net-Zero Asset Owner Alliance](#) to explore quantitative solutions for forward-looking climate metrics. More specifically, the Alliance discussed measures to align corporate business models with various global warming scenarios. Following CDPQ's in-depth review of these methodologies, we noted that the results may not be representative of reality and will be of limited use in managing a portfolio's risks. Among their weaknesses, we highlighted that the models are dependent on the quality of historical data and are unable to incorporate forward-looking qualitative variables, such as a company's transition strategy. We therefore continue to focus on internal analysis, but are closely monitoring developments in this market.
- The companies selected for and included in the transition envelope must meet several specific criteria, meaning the transition principles of the [Climate Bonds Initiative](#).
- In 2022, CDPQ will conduct an analysis of the gaps between its methodology for calculating the carbon footprint and the methodology recommended by the [Partnership for Carbon Accounting Financials](#) (PCAF). Based on the conclusions of this analysis, CDPQ may adjust its methodology for better alignment with best practices.

### 12. Disclose carbon intensity of the portfolio (Scopes 1 and 2) and the associated risks

- In 2021, the carbon intensity of CDPQ's portfolio was 41 tCO<sub>2</sub>e/M\$, down 38 tCO<sub>2</sub>e/M\$ from 2017 (for more information, see [page 22](#)).
- CDPQ also set a new target of a 60% reduction in carbon intensity by 2030 compared to the 2017 level, as part of its new [climate strategy](#).

### 13. Disclose carbon intensity based on portfolios and strategies, along with relevant data and the methodology used

- We disclose the carbon intensity of our total portfolio annually and provide information on the contributions made by various sectors to our overall carbon footprint, in addition to their weights in CDPQ's total portfolio, in billions of dollars.
- The methodology used to measure our intensity is available in [Appendix 3](#). The carbon intensity has been assured by CDPQ's external auditors (see [Appendix 4](#)).

### 14. Describe targets used to manage climate-related risks and opportunities and performance against targets

- Our carbon intensity reduction targets are broken down by portfolio based on asset class, time horizon and investment universe.
- In 2021, we reduced the carbon intensity of our total portfolio by 49% compared to 2017 and increased our low-carbon investments by 120% compared to 2017, for a total of \$39 billion.

The 2021 Sustainable Investing Report is available at [www.cdpq.com](http://www.cdpq.com).

*Le Rapport d'investissement durable 2021 est aussi accessible en français au [www.cdpq.com](http://www.cdpq.com).*

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