

Consolidated financial statements

For the years ended December 31, 2020 and 2019



MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL REPORTING

The preparation and presentation of the consolidated financial statements of la Caisse de dépôt et placement du Québec ("CDPQ") are the responsibility of management. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and incorporated into the CPA Canada Handbook. We ensure that the financial information in the Annual Report is consistent with the information in the consolidated financial statements.

The consolidated financial statements include amounts that are based on management's best estimates and judgment, with due regard for their relative importance. Moreover, when preparing the financial information, management has made decisions regarding the information to be presented as well as estimates and assumptions that affect the information presented. Future results may differ considerably from our current estimates, as changes to financial markets or other events could have an impact on the fair value of the investments.

In our responsibility for the reliability of financial information, we rely on disclosure controls and procedures and internal controls over financial reporting. In particular, these controls include a clear definition of responsibilities, delegation of powers, allocation of duties, ethical standards, employee hiring and training criteria as well as policies, guidelines and procedures designed to ensure that transactions are duly authorized, assets are properly measured and safeguarded, and proper records are maintained.

Moreover, CDPQ's internal audit group audits the internal controls on a regular basis. These controls and audits are designed to provide reasonable assurance regarding the reliability of the accounting records used to prepare the consolidated financial statements and to ensure that assets are not used or disposed of in any unauthorized manner, that liabilities are recorded, and that we meet all the legal requirements to which CDPQ is subject, including the *Act respecting the Caisse de dépôt et placement du Québec*.

Each year, we certify that the design of the internal control over financial information is sufficient and that the design and operation of the financial information disclosure controls and procedures are effective. We report any significant irregularity to the Audit Committee of the Board of Directors of CDPQ, as necessary.

The Auditor General of Québec and Ernst & Young LLP (the "co-auditors") have audited the consolidated financial statements of CDPQ for the years ended December 31, 2020 and 2019 and their report covers the nature and scope of the audit and expresses their opinion. The co-auditors have unrestricted access to the Audit Committee to discuss any matter related to their audit.

The Board of Directors and its committees supervise the manner in which management fulfills its responsibility for the establishment and presentation of financial information, maintenance of appropriate internal controls, compliance with the requirements of laws and regulations, management of and control over the main risks, and evaluation of major transactions. Moreover, it approves the consolidated financial statements and the Annual Report.

The Board of Directors approved the consolidated financial statements for the years ended December 31, 2020 and 2019. It is assisted in its responsibilities by the Audit Committee, of which all members are independent directors. This Committee meets with management and the co-auditors, examines the consolidated financial statements, and recommends the approval thereof to the Board of Directors.



Charles Emond
President and Chief Executive Officer



Mafrika Paul, FCPA, FCA, CBV, ICD.D
Executive Vice-President and Chief Financial and Operations Officer

Montréal, February 23, 2021

INDEPENDENT AUDITORS' REPORT

To the National Assembly

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of la Caisse de dépôt et placement du Québec and its subsidiaries (the Group), which comprise the Consolidated Statements of Financial Position as at December 31, 2020 and 2019 and the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Changes in Net Assets Attributable to Depositors and the Consolidated Statements of Cash Flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019 and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditors' report thereon, in the Annual Report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The 2020 Annual Report is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on the 2020 Annual Report, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

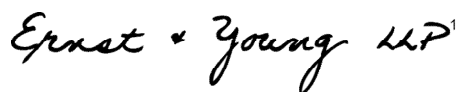
The engagement partner from Ernst & Young LLP on the audit resulting in this independent auditors' report is Michel Bergeron.

Auditor General of Québec,

Ernst & Young LLP¹



Guylaine Leclerc FCPA Auditor, FCA



Ernst & Young LLP¹

Guylaine Leclerc, FCPA auditor, FCA
Canada, Montréal, February 23, 2021

¹ FCPA auditor, FCA, public accountancy permit no. A114960
Canada, Montréal, February 23, 2021

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions of Canadian dollars)

	Note	December 31, 2020	December 31, 2019
ASSETS			
Cash		1,021	994
Amounts receivable from transactions being settled		3,116	6,223
Advances to depositors		281	960
Investment income, accrued and receivable		1,109	1,391
Other assets		588	584
Investments	4	405,978	382,467
Total assets		412,093	392,619
LIABILITIES			
Amounts payable on transactions being settled		3,290	1,537
Other financial liabilities		1,205	1,143
Investment liabilities	4	42,106	49,830
Total liabilities excluding net assets attributable to depositors		46,601	52,510
NET ASSETS ATTRIBUTABLE TO DEPOSITORS		365,492	340,109

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

On behalf of the Board of Directors,



Charles Emond
President and Chief Executive Officer



Alain Côté, ICD.D, FCPA, FCA
Chair of the Audit Committee

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31

(in millions of Canadian dollars)

	Notes	2020	2019
Investment income		9,548	10,838
Investment expense		(653)	(945)
Net investment income	8	8,895	9,893
Operating expenses	9	(609)	(630)
Net income		8,286	9,263
Net gains on financial instruments at fair value	8	16,465	21,883
Investment result before distributions to depositors	8	24,751	31,146
Distributions to depositors		(15,994)	(14,739)
Net income and comprehensive income attributable to depositors		8,757	16,407

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

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO DEPOSITORS

For the years ended December 31
(in millions of Canadian dollars)

	Demand deposits	Term deposits	Distributions payable to depositors	Participation deposits	Net assets attributable to depositors
Balance as at December 31, 2018	712	6	2,506	306,287	309,511
Attributions and distributions					
Net income and comprehensive income attributable to depositors	-	-	-	16,407	16,407
Distributions to depositors	14,284	-	455	-	14,739
Participation deposits					
Issuance of participation deposit units	(18,515)	-	-	18,515	-
Cancellation of participation deposit units	4,473	-	-	(4,473)	-
Net deposits					
Net withdrawals	(548)	-	-	-	(548)
BALANCE AS AT DECEMBER 31, 2019	406	6	2,961	336,736	340,109
Attributions and distributions					
Net income and comprehensive income attributable to depositors	-	-	-	8,757	8,757
Distributions to depositors	16,302	-	(308)	-	15,994
Participation deposits					
Issuance of participation deposit units	(14,969)	-	-	14,969	-
Cancellation of participation deposit units	1,672	-	-	(1,672)	-
Net deposits					
Net change in term deposits	(1)	1	-	-	-
Net contributions	632	-	-	-	632
BALANCE AS AT DECEMBER 31, 2020	4,042	7	2,653	358,790	365,492

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31

(in millions of Canadian dollars)

Note	2020	2019
Cash flows from operating activities		
Net income and comprehensive income attributable to depositors	8,757	16,407
Adjustments for:		
Unrealized net losses on short-term promissory notes, term notes and loans payable	291	258
Foreign exchange gains on short-term promissory notes, term notes and loans payable	(642)	(772)
Distributions to depositors	15,994	14,739
Net changes in operating assets and liabilities		
Amounts receivable from transactions being settled	3,107	(1,636)
Advances to depositors	679	(57)
Investment income, accrued and receivable	282	(39)
Other assets	(4)	(102)
Investments	(22,250)	(40,695)
Amounts payable on transactions being settled	1,753	424
Other financial liabilities	62	(29)
Investment liabilities	(9,268)	5,938
	(1,239)	(5,564)
Cash flows from financing activities		
Net change in short-term promissory notes payable	(2,697)	365
Issuance of short-term promissory notes payable	9,739	9,844
Repayment of short-term promissory notes payable	(9,738)	(7,078)
Net change in loans payable	573	85
Issuance of term notes payable	6,166	5,313
Repayment of term notes payable	(2,148)	(2,330)
Net contributions (net withdrawals)	632	(548)
	2,527	5,651
Net increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	1,288	87
	1,122	1,035
Cash and cash equivalents at the end of the year		
	2,410	1,122
Cash and cash equivalents comprise:		
Cash	1,021	994
Cash equivalents	4	1,389
	2,410	1,122
Supplemental information on cash flows from operating activities		
Interest and dividends received	9,589	10,433
Interest paid	(622)	(855)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts are shown in millions of Canadian dollars, unless otherwise indicated.)

1. CONSTITUTION AND NATURE OF OPERATIONS

La Caisse de dépôt et placement du Québec (“CDPQ”), a legal person established in the public interest within the meaning of the Civil Code of Québec, is governed by the *Act respecting the Caisse de dépôt et placement du Québec* (CQLR, chapter C-2) (the “Act”).

CDPQ is domiciled in Québec, Canada. Its head office is located at 65 Sainte-Anne St., Québec City, Canada and its main office is located at 1000 Place Jean-Paul-Riopelle, Montréal, Canada.

CDPQ’s mission is to receive moneys on deposit as provided by the Act and to manage them with a view to achieving an optimal return on depositors’ capital within the framework of the depositor investment policies while also contributing to Québec’s economic development.

Consolidated financial statements

These consolidated financial statements have been prepared for the purposes of presenting CDPQ’s financial position, financial performance and cash flows. CDPQ’s consolidated financial statements include the accounts of the General Fund, of the individual funds, and of the specialized portfolios as well as the accounts of its subsidiaries that exclusively offer services related to financing, administrative and management activities. In preparing the consolidated financial statements, all intercompany transactions and balances have been eliminated.

The investing activities of the depositors in CDPQ’s various specialized portfolios are concluded through the participation deposit units of individual funds.

General Fund

The General Fund comprises cash and cash equivalent activities for CDPQ’s operational purposes and management of demand deposits, term deposits, and the financing activities.

Individual funds

The individual funds consist mainly of diversified investments in specialized portfolios. Each individual fund is dedicated to a single depositor who invests in the participation deposits of individual funds.

The individual funds of depositors are as follows:

Fund 300:	Base Québec Pension Plan, administered by Retraite Québec
Fund 301:	Government and Public Employees Retirement Plan, administered by Retraite Québec
Fund 302:	Pension Plan of Management Personnel, administered by Retraite Québec
Fund 303:	Pension Plan for Federal Employees Transferred to Employment with the Gouvernement du Québec, administered by Retraite Québec
Fund 305:	Pension Plan of Elected Municipal Officers (PEMO), administered by Retraite Québec
Fund 306:	Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d’urgence – Volet à prestations déterminées, administered by the Comité de retraite
Fund 307:	Fonds d’assurance automobile du Québec, administered by the Société de l’assurance automobile du Québec
Fund 310:	Régime de retraite des chauffeurs d’autobus de la Société de transport de Laval, administered by the Comité de retraite
Fund 311:	Supplemental Pension Plan for Employees of the Québec Construction Industry – General Account, administered by the Commission de la construction du Québec
Fund 312:	Supplemental Pension Plan for Employees of the Québec Construction Industry – Retirees Account, administered by the Commission de la construction du Québec
Fund 313:	Supplemental Pension Plan for Employees of the Québec Construction Industry – Supplementary Account, administered by the Commission de la construction du Québec
Fund 314:	Deposit Insurance Fund, administered by the Autorité des marchés financiers
Fund 315:	Dedicated account, administered by La Financière agricole du Québec
Fund 316:	Retirement Plans Sinking Fund – RREGOP (RPSF-RREGOP), administered by the ministère des Finances, Government of Québec
Fund 317:	Retirement Plans Sinking Fund – PPMP (RPSF-PPMP), administered by the ministère des Finances, Government of Québec
Fund 318:	Retirement Plans Sinking Fund – Others (RPSF-Others), administered by the ministère des Finances, Government of Québec
Fund 326:	Crop Insurance Fund, administered by La Financière agricole du Québec
Fund 328:	Survivor’s Pension Plan, administered by the Secrétariat du Conseil du trésor
Fund 329:	Fonds d’assurance-garantie, administered by la Régie des marchés agricoles et alimentaires du Québec
Fund 330:	Fonds de la santé et de la sécurité du travail, administered by the Commission des normes, de l’équité, de la santé et de la sécurité du travail
Fund 331:	Régime de retraite des employés du Réseau de transport de la Capitale, administered by the Comité de retraite
Fund 332:	Fonds des cautionnements des agents de voyages – cautionnements individuels, administered by the Office de la protection du consommateur
Fund 333:	Compensation Fund for Customers of Travel Agents, administered by the Office de la protection du consommateur

Individual funds (cont.)

- Fund 334:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Volet à coût partagé, administered by the Comité de retraite (created on April 1, 2019)
- Fund 335:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2020, administered by the Comité de retraite
- Fund 336:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2030, administered by the Comité de retraite
- Fund 337:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2040, administered by the Comité de retraite
- Fund 338:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2050, administered by the Comité de retraite
- Fund 339:** Fonds d'indemnisation des services financiers, administered by the Autorité des marchés financiers
- Fund 340:** Régimes de retraite de la Ville de Terrebonne, administered by the Comité de retraite conjoint des Régimes de retraite de la Ville de Terrebonne
- Fund 342:** Régime de retraite de l'Université du Québec, administered by the Comité de retraite du Régime de retraite de l'Université du Québec
- Fund 343:** Parental Insurance Fund, administered by the Conseil de gestion de l'assurance parentale (reactivated on May 1, 2019)
- Fund 344:** Réserve, administered by La Financière agricole du Québec
- Fund 347:** Régime de retraite du personnel des CPE et des garderies privées conventionnées du Québec, administered by the Investment Committee
- Fund 351:** Generations Fund, administered by the ministère des Finances, Government of Québec
- Fund 353:** Superannuation Plan for the Members of the Sûreté du Québec – Participants' Fund (SPMSQ-part.), administered by Retraite Québec
- Fund 354:** Superannuation Plan for the Members of the Sûreté du Québec – Employers' Fund (SPMSQ-empl.), administered by the ministère des Finances, Government of Québec
- Fund 361:** Pension Plan of the non-teaching Staff of the Commission des écoles catholiques de Montréal, administered by the Secrétariat du Conseil du trésor
- Fund 362:** Régime de retraite pour certains employés de la Commission scolaire de la Capitale, administered by the Secrétariat du Conseil du trésor
- Fund 363:** Régime de retraite des employés de la Ville de Laval, administered by the Comité de retraite
- Fund 367:** Territorial Information Fund, administered by the ministère des Finances, Government of Québec
- Fund 368:** Strategic Partnerships Fund, administered by the Autorité des marchés financiers
- Fund 369:** Accumulated Sick Leave Fund, administered by the ministère des Finances, Government of Québec
- Fund 371:** Accumulated Sick Leave Fund – ARQ, administered by the Agence du revenu du Québec
- Fund 372:** Fonds commun de placement des régimes de retraite de l'Université Laval, administered by the Comités de retraite
- Fund 373:** Retirement Plan for Active Members of the Centre hospitalier Côte-des-Neiges, administered by Retraite Québec
- Fund 374:** Fiducie globale Ville de Magog, administered by the Comité de retraite mixte
- Fund 376:** Régime de retraite des employées et employés de la Ville de Sherbrooke, administered by the Comité de retraite des employées et employés de la Ville de Sherbrooke
- Fund 378:** Pension Plan of Peace Officers in Correctional Services – Employees' Contribution Fund, administered by Retraite Québec
- Fund 383:** Régime complémentaire de retraite des employés réguliers de la Société de transport de Sherbrooke, administered by the Comité de retraite
- Fund 384:** Régime de retraite des cadres de la Ville de Québec, administered by the Bureau de la retraite
- Fund 385:** Régime de retraite des employés manuels de la Ville de Québec, administered by the Bureau de la retraite
- Fund 386:** Régime de retraite des fonctionnaires de la Ville de Québec, administered by the Bureau de la retraite
- Fund 387:** Régime de retraite du personnel professionnel de la Ville de Québec, administered by the Bureau de la retraite
- Fund 388:** Régime de retraite des policiers et policières de la Ville de Québec, administered by the Bureau de la retraite
- Fund 389:** Régime de retraite des pompiers de la Ville de Québec, administered by the Bureau de la retraite
- Fund 393:** Régime de retraite de la Corporation de l'École Polytechnique, administered by the Comité de retraite
- Fund 395:** Retirement Plan for the Mayors and Councillors of Municipalities, administered by Retraite Québec
- Fund 399:** Additional Québec Pension Plan, administered by Retraite Québec (created on February 1, 2019)

Specialized portfolios

The specialized portfolios consist of common funds in which the individual funds may invest in the form of participation deposits. CDPQ's specialized portfolios are as follows:

- Short Term Investments (740)
- Rates (765)
- Credit (766)
- Long Term Bonds (764)
- Real Return Bonds (762)
- Infrastructure (782)
- Real Estate (710)
- Equity Markets (737)
- Private Equity (780)
- Asset Allocation (771)
- Active Overlay Strategies (773)¹

¹ On January 1, 2020, the Active Overlay Strategies (773) specialized portfolio was wound up. On the same date, the assets and liabilities of this specialized portfolio were transferred at fair value to other specialized portfolios. This winding up had no impact on net assets and net income and comprehensive income attributable to depositors.

2. SIGNIFICANT ACCOUNTING PRINCIPLES

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The accounting policies described below have been applied consistently to all reporting periods presented.

Presentation and measurement basis

CDPQ measures all of its financial instruments, including investments in unconsolidated subsidiaries, joint ventures, associates and structured entities, at fair value through profit or loss (FVTPL). Subsidiaries that solely provide services related to financing, administrative, and management activities are consolidated in accordance with the guidance set out in IFRS 10 – *Consolidated Financial Statements*.

The Consolidated Statements of Financial Position are presented based on liquidity.

Approval of the consolidated financial statements

The Board of Directors approved CDPQ's consolidated financial statements and the publication thereof on February 23, 2021.

Functional and presentation currency

CDPQ's consolidated financial statements are presented in Canadian dollars, which is the functional currency.

Foreign currency translation

Financial assets and liabilities denominated in a foreign currency are translated into Canadian dollars at the exchange rate in effect at the reporting date. Foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the transaction date.

Translation differences on investments and investment liabilities at fair value and on other monetary financial assets and liabilities are presented under "Net gains on financial instruments at fair value" in the Consolidated Statements of Comprehensive Income.

Use of judgments and estimates

In preparing CDPQ's consolidated financial statements in accordance with IFRS, management must make judgments, estimates and assumptions that affect the application of the significant accounting policies described below and the amounts reported in the Consolidated Statements of Financial Position and the Consolidated Statements of Comprehensive Income.

Judgment

Qualification as an investment entity

Judgment is required when qualifying CDPQ as an investment entity. CDPQ meets the three mandatory criteria of the IFRS 10 definition: 1) Obtain funds from one or more depositors; 2) Commit to its depositors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and 3) Measure and evaluate the performance of its investments on a fair value basis.

IFRS 10 also suggests four typical characteristics be considered in assessing whether an entity qualifies as an investment entity: 1) Have more than one investment; 2) Have more than one depositor; 3) Have investors that are not related parties; and 4) Have ownership interests in the form of equity or similar interests. CDPQ does not satisfy the third typical characteristic of an investment entity because CDPQ and the depositors are related. However, CDPQ nonetheless qualifies as an investment entity, as management believes that having depositors related to the investment entity does not compromise CDPQ's mission of investing for returns from capital appreciation, investment income, or both, for its depositors.

Fair value hierarchy of financial instruments

Management must use judgment in determining the significance of each input used when establishing the classification into the fair value hierarchy, as explained in Note 6.

Interests in entities

Management must use judgment in determining whether CDPQ has control, joint control or significant influence over certain entities, and over the holding of interests in structured entities, as described in Note 16. Judgment on the relationship between CDPQ and any entity in which CDPQ holds an interest is exercised upon initial investment and must be reassessed when facts and circumstances indicate that there are one or more changes to the elements of control.

CDPQ holds interests in a structured entity when voting or similar rights are not the dominant factor in deciding who controls the entity.

CDPQ controls a subsidiary, including a structured entity, only if the IFRS 10 criteria are met: 1) It has decision-making authority regarding the entity's relevant activities; 2) It has exposure or rights to variable returns from its involvement with the entity; and 3) It has the ability to use its power to affect the amount of the returns. When management determines decision-making authority, several factors are taken into account, including the existence and effect of actual and potential voting rights held by CDPQ that are exercisable, the holding of instruments that are convertible into voting shares, the existence of contractual agreements through which the relevant activities of the entity can be directed, as well as other circumstances that affect decision-making.

CDPQ has joint control over a joint venture when there is a contractual or implicit arrangement whereby decisions about relevant activities require the unanimous consent of the parties sharing control and when these parties have rights to the net assets of the arrangement.

CDPQ has significant influence over an associate when it has the power to participate in the financial and operating policy decisions of the entity. CDPQ is deemed to have significant influence when it holds 20% or more of the voting rights of an entity but does not have control or joint control.

Estimates and assumptions

The main estimates and assumptions, which are disclosed in Note 6, involve the fair value measurement of investments and investment liabilities classified in Level 3 of the fair value hierarchy. Actual values may differ from the estimated values.

Impact of COVID-19 on judgments, estimates and assumptions

The COVID-19 pandemic declared by the World Health Organization on March 11, 2020 disrupted global economic activity and created high levels of uncertainty and volatility in financial and stock markets during 2020, resulting in an economic slowdown. Governments and central banks reacted with substantial monetary and fiscal interventions in an attempt to stabilize economic conditions.

While the fair value valuation techniques of financial instruments that are not traded in an active market have remained the same, CDPQ has adjusted the unobservable inputs used based on information and data available at the date of these consolidated financial statements in order to provide its best estimate of the impact of the COVID-19 pandemic on the fair value of these financial instruments. Uncertainty regarding the duration, severity and magnitude of the pandemic, the effectiveness of government measures as well as all of the resulting economic consequences could result in a significant adjustment being made to the fair value of these financial instruments and to the net assets attributable to depositors in the coming year. The fair value valuation techniques and unobservable inputs used are presented in Note 6e while a sensitivity analysis is presented in Note 6f. Management continues to monitor the evolution of the COVID-19 pandemic and its impact on CDPQ.

Financial instruments

CDPQ's financial instruments include cash, amounts receivable from transactions being settled, advances to depositors, accrued and receivable investment income, investments, amounts payable on transactions being settled, other financial liabilities, investment liabilities and net assets attributable to depositors.

Classification and measurement

Financial instruments are categorized based on their nature and characteristics. Classification is determined upon initial recognition, which is the date on which CDPQ is subject to the contractual provisions of the instrument. CDPQ's financial assets and liabilities are managed and their performance is evaluated on a fair value basis. Consequently, all of CDPQ's financial assets must be classified at FVTPL while its financial liabilities are designated at FVTPL. Derivative financial instruments and securities sold short must be classified at FVTPL.

Corporate debt commitments are classified at FVTPL when one of the following criteria is met: 1) The commitments are designated as financial liabilities at FVTPL or CDPQ has a practice of selling the loans resulting from its commitments; or 2) The corporate debt commitments can be settled net in cash.

Financial instruments are initially and subsequently recognized at fair value. Changes in the fair value of financial instruments are presented under "Net gains on financial instruments at fair value" in the Consolidated Statements of Comprehensive Income. When the change in the fair value of financial liabilities designated at FVTPL is attributable to changes in CDPQ's own credit risk, it is presented separately in the Consolidated Statements of Comprehensive Income unless doing so creates or enlarges an accounting mismatch, when appropriate. Income and expense are presented under "Net investment income" in the Consolidated Statements of Comprehensive Income.

Financial instruments (cont.)

Fair value measurement

Fair value is defined as the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined for each financial instrument, which could be a stand-alone asset or liability (e.g., a share or bond) or a group of assets and liabilities (e.g., an ownership interest in a subsidiary or associate). Upon initial recognition, the best evidence of the fair value of a financial instrument is the transaction price, which is the fair value of the consideration received or given. Subsequently, the fair value of a financial instrument is classified using the fair value hierarchy described in Note 6.

CDPQ applies appropriate valuation techniques based on a financial instrument's characteristics, the availability of inputs, and the assumptions that would be used by market participants, focusing on maximizing the use of relevant observable inputs while minimizing the use of unobservable inputs. The valuation techniques are applied consistently. Fair value information is provided in Note 6.

Cash

Cash is the cash deposited with recognized financial institutions and bears interest at market rates.

Investments

Investments include cash equivalents, fixed-income securities, variable-income securities, interests in unconsolidated subsidiaries and derivative financial instruments.

Cash equivalents include short-term investments and securities purchased under reverse repurchase agreements. These securities meet the definition of cash equivalents because they are used for cash management purposes, are readily convertible into a known amount of cash, have negligible risk of fair value changes and have initial maturities of three months or less. These financial instruments bear interest at market rates.

Fixed-income securities include short-term investments, securities purchased under reverse repurchase agreements, corporate debt and bonds, which include bond funds. Purchases and sales of fixed-income securities are recorded at the transaction date, except for purchases and sales of corporate debt, which are recorded at the settlement date.

Variable-income securities comprise equities of public companies including exchange traded funds, private companies including investment funds, private investment funds and infrastructure funds, as well as hedge funds. Purchases and sales of equities, hedge funds and investment funds are recorded at the transaction date, whereas purchases and sales of investment funds, private investment funds and infrastructure funds are recorded at the settlement date.

Interests in unconsolidated subsidiaries represent CDPQ's investment in controlled entities that are not consolidated under IFRS 10. CDPQ's investment in these entities may be in the form of equity instruments or debt instruments.

Investment liabilities

Investment liabilities include securities sold under repurchase agreements, securities sold short, short-term promissory notes payable, loans payable, term notes payable and derivative financial instruments.

Securities sold short are commitments made by CDPQ to purchase securities from third parties to cover its positions. CDPQ may short-sell equities and bonds.

Derivative financial instruments

In managing its investments, CDPQ conducts transactions involving various derivative financial instruments for discretionary purposes or to manage the risks associated with exchange rate, interest rate and market fluctuations. Derivative financial instruments whose fair value is favourable are presented under "Investments" in the Consolidated Statements of Financial Position, while those whose fair value is unfavourable are presented under "Investment liabilities" in the Consolidated Statements of Financial Position.

Transactions being settled

Transactions with counterparties for the sale or purchase of securities that have not yet been settled at the reporting date are presented respectively under "Amounts receivable from transactions being settled" and "Amounts payable on transactions being settled" in the Consolidated Statements of Financial Position.

Derecognition of financial assets and liabilities

CDPQ derecognizes financial assets when all of the contractual rights to the assets have expired or when the contractual rights to receive the cash flows from the financial assets have been transferred and when CDPQ has transferred substantially all of the risks and rewards of the financial asset such that it no longer retains control over the asset. If CDPQ considers that it retains substantially all of the risks and rewards of a transferred financial asset, that asset is not derecognized from the Consolidated Statements of Financial Position and, if appropriate, a corresponding financial liability is recorded. Financial assets that have been transferred but not derecognized are disclosed in Note 13. Financial liabilities are derecognized when the related obligation is discharged, cancelled or expired.

Financial instruments (cont.)

Securities purchased under reverse repurchase agreements and sold under repurchase agreements

CDPQ enters into transactions to purchase and sell securities, i.e., short-term investments and bonds, that it agrees to resell to or repurchase from the counterparty at a future date.

The purchased securities are not recognized in the Consolidated Statements of Financial Position because the counterparty retains the risks and rewards of the securities. The cash amounts disbursed are derecognized, and a corresponding asset is recorded in investments under “Securities purchased under reverse repurchase agreements”.

The sold securities are not derecognized from the Consolidated Statements of Financial Position because CDPQ retains the risks and rewards of the securities. The cash amounts received are recognized, and a corresponding liability is recorded in investment liabilities under “Securities sold under repurchase agreements”.

Lending and borrowing of securities

CDPQ conducts securities lending and borrowing transactions involving equities and bonds. These transactions are generally guaranteed by the securities received from the counterparties or pledged by CDPQ, respectively. Loaned securities are not derecognized from, and borrowed securities are not recognized in, the Consolidated Statements of Financial Position because CDPQ or the counterparty, respectively, retains the risks and rewards of the securities. Income and expenses resulting from securities lending and borrowing transactions are presented under “Investment income” and “Investment expense”, respectively, in the Consolidated Statements of Comprehensive Income.

Net assets attributable to depositors

Net assets attributable to depositors consist of demand deposits, term deposits, distributions payable to depositors and participation deposits.

Demand deposits and term deposits

Demand deposits bear interest at a variable rate and are repayable on demand. Term deposits bear interest at a fixed or variable rate and are repayable at maturity. Demand deposits and term deposits represent CDPQ’s indebtedness towards the depositors in accordance with the *Regulation respecting the terms and conditions of deposits, funds and portfolios of the Caisse de dépôt et placement du Québec* (Regulation).

Distributions payable to depositors

Under the Regulation, distributions payable to depositors represent the net income or net loss arising from the specialized portfolios as well as the net realized gains or losses upon cancellation of the participation units of specialized portfolios held by the individual funds that are recorded at the end of the month and are paid into the demand deposit accounts of depositors at the beginning of the following month. Distributions may also be made through the issuance of participation deposit units of individual funds.

Participation deposits

Participation deposits are expressed in participation units for each individual fund. Each participation unit gives the holder an interest in the individual fund’s net assets. The per-unit value of the net assets is determined by dividing the individual fund’s net assets by the number of outstanding units. Depositors can purchase or cancel participation deposit units at that value at the beginning of each month. The difference between the proceeds of cancellation and the carrying value at issuance is recovered in the depositor’s demand deposit account. In addition, holders of participation deposit units are entitled to receive distributions. Participation deposit units are financial instruments defined as depositor’s equity in the Regulation and are subordinate to all other categories of financial liabilities.

Net income

Dividend and interest income and expense

Dividend income is recognized when CDPQ obtains the right to the dividend, generally on the ex-dividend date. Distributions from funds are recognized as income on the settlement date. Dividend expense from equities sold short is recorded when the shareholders obtain the right to the dividend. Dividend income and expense are presented under “Investment income” and “Investment expense”, respectively, in the Consolidated Statements of Comprehensive Income.

Interest income and expense are recognized as amounts are earned or incurred using the prescribed coupon rate method. Interest income and expense are presented under “Investment income” and “Investment expense”, respectively, in the Consolidated Statements of Comprehensive Income.

External management fees

External management fees are amounts paid to external financial institutions, mainly institutional fund managers active in international stock markets, for the management of securities owned by CDPQ. The base fees and performance-related fees of external managers are presented under “Investment expense” and “Net gains on financial instruments at fair value”, respectively, in the Consolidated Statements of Comprehensive Income.

Income tax

Under federal and provincial income tax legislation, CDPQ is exempt from income tax in Canada. In certain foreign jurisdictions, investment income and capital gains may be subject to tax. Withholding taxes and income tax expense are presented under “Net investment income” and “Net gains on financial instruments at fair value”, respectively, in the Consolidated Statements of Comprehensive Income.

Operating expenses

Operating expenses consist of all the expenses incurred to manage and administer CDPQ’s investments and are presented separately in the Consolidated Statements of Comprehensive Income.

Net gains on financial instruments at fair value

Gains and losses realized on investments and investment liabilities represent the difference between settlement value and value at initial recognition. Gains and losses realized on derivative financial instruments represent payments and receipts. Unrealized gains and losses on financial instruments include net changes in fair value for the year as well as the reversal of prior-year unrealized gains and losses that were realized during the year. Realized and unrealized gains and losses are presented under “Net gains on financial instruments at fair value” in the Consolidated Statements of Comprehensive Income.

Transaction costs directly attributable to the acquisition, sale and issuance of a financial instrument are presented under “Net gains on financial instruments at fair value” in the Consolidated Statements of Comprehensive Income. Transaction costs include commissions, stock exchange fees as well as professional and legal fees related to investing and financing activities.

Distributions to depositors

Under the Regulation, distributions to depositors consist of the annual net income or loss from the specialized portfolios as well as the net gains or losses realized on the cancellation of participation units of the specialized portfolios held by the individual funds. Distributions to depositors are recorded as finance costs and presented separately in the Consolidated Statements of Comprehensive Income.

3. NEW IFRS STANDARDS

No issued or amended standard not yet effective as of the date of these financial statements is expected to have an impact on the consolidated financial statements.

4. INVESTMENTS AND INVESTMENT LIABILITIES

a) Investments

The following table shows the fair values of the investments. The geographic allocation is determined according to the country of the issuer's principal place of business. The geographic allocation of interests in unconsolidated subsidiaries is determined according to the country of the underlying investments, while the allocation of derivative financial instruments is determined according to the currency in which the instrument will be settled.

	December 31, 2020			December 31, 2019		
	Canada	Foreign	Fair value	Canada	Foreign	Fair value
Investments						
Cash equivalents						
Short-term investments	200	-	200	27	-	27
Securities purchased under reverse repurchase agreements	1,189	-	1,189	101	-	101
Total cash equivalents	1,389	-	1,389	128	-	128
Fixed-income securities						
Short-term investments	395	39	434	64	74	138
Securities purchased under reverse repurchase agreements	4,557	1,026	5,583	12	3,524	3,536
Corporate debt	979	1,380	2,359	742	1,273	2,015
Bonds						
Governments	41,917	19,411	61,328	41,969	22,042	64,011
Government corporations and other public administrations	6,604	591	7,195	6,425	574	6,999
Corporate sector	11,826	7,104	18,930	11,970	6,094	18,064
Bond funds	-	1,401	1,401	-	1,603	1,603
Total fixed-income securities	66,278	30,952	97,230	61,182	35,184	96,366
Variable-income securities						
Equities						
Public companies	30,746	88,623	119,369	30,322	86,863	117,185
Private companies	3,305	20,127	23,432	3,317	16,001	19,318
Hedge funds	-	428	428	-	1,321	1,321
Total variable-income securities	34,051	109,178	143,229	33,639	104,185	137,824
Interests in unconsolidated subsidiaries						
Investments in real estate holdings	13,380	31,780	45,160	17,975	31,019	48,994
Investments in real estate debt	15,261	2,232	17,493	14,290	1,197	15,487
Private equity investments ¹	7,680	32,819	40,499	4,872	27,045	31,917
Infrastructure investments ¹	5,417	20,164	25,581	3,737	19,167	22,904
Investments in fixed-income securities	4,902	19,234	24,136	4,809	14,592	19,401
Investments in hedge funds	-	3,886	3,886	77	4,345	4,422
Stock market investments	2,869	1,614	4,483	1,039	2,230	3,269
Total interests in unconsolidated subsidiaries	49,509	111,729	161,238	46,799	99,595	146,394
Derivative financial instruments (Note 5)	1	2,891	2,892	10	1,745	1,755
Total investments	151,228	254,750	405,978	141,758	240,709	382,467

¹ Due to a change in the geographic allocation methodology for underlying investments, amounts of \$927 million and \$63 million were reclassified from "Foreign" to "Canada" in respect of private equity and infrastructure investments, respectively, under interests in unconsolidated subsidiaries as at December 31, 2019.

Equities in growth markets

CDPQ has Qualified Foreign Institutional Investor status and obtained an investment quota to access the Chinese capital markets. Although CDPQ has a long-term investment strategy, it must meet the conditions set by the regulatory authorities in the event of a repatriation of invested capital. As at December 31, 2020, the fair value of securities invested in China amounted to \$3,425 million (\$2,187 million as at December 31, 2019).

b) Investment liabilities

The following table shows the fair values of investment liabilities. The geographic allocation of non-derivative financial liabilities is determined using the country of the issuer's principal place of business, while the allocation of derivative financial instruments is determined according to the currency in which the instrument will be settled.

	December 31, 2020			December 31, 2019		
	Canada	Foreign	Fair value	Canada	Foreign	Fair value
Investment liabilities						
Non-derivative financial liabilities						
Securities sold under repurchase agreements	11,261	3,455	14,716	15,131	8,396	23,527
Securities sold short						
Equities	103	26	129	104	15	119
Bonds	1,610	1,022	2,632	172	3,496	3,668
Short-term promissory notes payable	5,983	-	5,983	8,794	-	8,794
Loans payable	514	428	942	149	219	368
Term notes payable	16,113	-	16,113	12,332	-	12,332
Total non-derivative financial liabilities	35,584	4,931	40,515	36,682	12,126	48,808
Derivative financial instruments (Note 5)	3	1,588	1,591	27	995	1,022
Total investment liabilities	35,587	6,519	42,106	36,709	13,121	49,830

5. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are financial contracts whose value fluctuates according to an underlying item, which require very little or no initial investment and are settled at a future date. The underlying item may be of a financial nature (interest rate, foreign currency or stock market security or index) or may be a commodity (precious metal, produce or oil). Certain derivative financial instruments are settled through clearing houses. CDPQ uses, among others, the derivative financial instruments described below.

Forward contracts are commitments for the purchase or sale of an underlying item, the quantity and price of which are determined in the contract and according to the maturity stated therein. Forward contracts have customized terms and conditions negotiated directly between the parties on the over-the-counter market. Futures contracts have terms and conditions determined by an exchange market.

Options are contracts traded on over-the-counter or exchange markets and that give the purchaser the right, but not the obligation, to buy or sell a given amount of an underlying security, index or commodity at a strike price stipulated in advance, either at a determined future date or at any time before a specified maturity date.

Swaps are derivatives traded on over-the-counter markets whereby two parties agree to exchange a series of cash flows according to predetermined conditions that include a notional amount, payment dates and a term to maturity.

Warrants are contracts traded on over-the-counter or exchange markets that enable the purchase of an underlying item, the price of which is determined in the contract, which includes a predetermined maturity date.

The notional amount is the amount to which a rate or price is applied to determine the amounts of cash flows to be exchanged periodically.

Derivative financial instruments (cont.)

The following table shows the fair values and the notional amounts of the derivative financial instruments held by CDPQ:

	December 31, 2020			December 31, 2019		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	liabilities		Assets	liabilities	
Exchange markets						
Interest rate derivatives						
Futures contracts	-	-	56,619	-	-	69,325
Equity derivatives						
Futures contracts	-	-	23,823	-	-	19,204
Warrants	1	-	53	6	-	51
Commodity derivatives						
Futures contracts	-	-	844	2	3	777
Total exchange markets	1	-	81,339	8	3	89,357
Over-the-counter markets						
Interest rate derivatives						
Swaps	250	-	2,128	177	-	5,974
Swaps settled through a clearing house	-	-	46,698	-	-	80,525
Forward contracts	-	-	-	10	10	1,459
Options	31	32	18,191	174	214	41,329
Currency derivatives						
Swaps	141	130	8,768	62	53	5,492
Forward contracts	1,868	879	97,149	894	413	80,848
Options	48	151	25,707	151	36	24,191
Credit default derivatives						
Swaps settled through a clearing house	-	-	45,485	-	-	31,043
Options	12	-	6,406	3	-	4,742
Equity derivatives						
Swaps	156	166	8,127	112	144	9,697
Forward contracts	160	-	1,091	-	-	-
Options	225	212	21,333	164	149	22,918
Commodity derivatives						
Options	-	21	1,867	-	-	-
Total over-the-counter markets	2,891	1,591	282,950	1,747	1,019	308,218
Total derivative financial instruments	2,892	1,591	364,289	1,755	1,022	397,575

6. FAIR VALUE MEASUREMENT

a) Policy, directive, protocols and procedures related to fair value measurement

CDPQ's valuation procedures are governed by the Investment Valuation Policy, which is approved by the Board of Directors. This general policy is further supported by the valuation directive applicable to private investments and the valuation protocols that stipulate the valuation process and methodology for each type of investment held by CDPQ. The general policy and the directive also establish the governance framework for the valuation and reporting process. Application of the policy is the responsibility of the Valuation Committee, which reports to the Executive Committee, supported by a valuation team. The Valuation Committee approves compliance with the policy and the fair values on a semi-annual basis. Subsequently, the Valuation Committee recommends the fair values to the Audit Committee. For valuations of private investments, consisting of private equity and infrastructure investments as well as specialized financing, the policy provides for an external review, over a period of three years, of substantially all the fair value of these investments. External reviews include valuations by independent valuers, observations of comparable transactions in the market, or valuations by a partner.

The policy also includes directives to be followed when using prices from external sources such as broker quotes and net asset values provided by external administrators of the funds or general partners.

When fair value is determined by external valuers or third parties, the Valuation Committee, supported by the valuation team, verifies the qualifications, experience and independence of these parties. It also reviews the valuation techniques, the significant inputs used in calculating fair value, and the results and conclusions to ensure that they are in compliance with recognized valuation standards.

In addition, to ensure the reasonableness of the fair value determined, CDPQ conducts backtesting, compares the established fair value with values of comparable transactions, including the values of comparable public companies, and uses the services of external valuers.

b) Fair value valuation techniques

The following paragraphs describe the main valuation techniques used to measure CDPQ's financial instruments.

Short-term investments, securities purchased under reverse repurchase agreements, securities sold under repurchase agreements, short-term promissory notes payable, loans payable and term notes payable

The fair value of these financial assets and liabilities is determined using a discounted cash flow technique that primarily uses observable inputs such as the interest rate curves and credit spreads that make up the discount rates.

Corporate debt

The fair value of the corporate debt is determined using a discounted cash flow technique that uses observable and unobservable inputs such as the interest rate curves and credit spreads. During the year ended December 31, 2020, CDPQ refined its methodology for calculating credit spreads by reducing the impact of certain observable inputs to better reflect valuations in the private debt market. CDPQ may also use prices published by brokers in active markets for identical or similar instruments.

Bonds

The fair value of bonds is determined using prices published in active markets for identical or similar instruments. The fair value of bonds that have no published prices is determined using either a discounted cash flow technique or broker quotes. Discounted cash flow valuations use observable and unobservable inputs such as the interest rate curves and credit spreads that make up the discount rates.

Equities

Public companies

The fair value of equities of public companies including exchange traded funds is determined based on closing prices observed on major stock exchanges, which represent the active market.

The fair value of an ownership interest in a subsidiary or associate whose securities are listed is determined using a business valuation technique based on observable and unobservable inputs.

Private companies

The fair value of equities of private equity investment companies is primarily determined according to the market approach, which includes techniques based on comparable company multiples and comparable transaction multiples. CDPQ identifies comparable companies based on their industry, size, financial position and strategy and selects an appropriate multiple for each comparable company identified. This technique uses observable and unobservable inputs such as earnings before interest, taxes, depreciation and amortization (EBITDA) multiples and other multiples.

The fair value of equities of private infrastructure investment companies is primarily determined using a discounted cash flow technique and corroborated by the market approach. This technique uses observable and unobservable inputs such as discount rates that take into account the risk associated with the investment as well as future cash flows.

CDPQ may also use information about recent comparable transactions carried out in the market for valuations of private equity and infrastructure investments.

Fair value valuation techniques (cont.)

Funds

The fair value of bond funds, hedge funds, investment funds and private investment and infrastructure funds is determined using the net assets provided by the administrator or by the general partner, unless there is an indication that the fair value differs from the net asset value provided. CDPQ ensures that the valuation techniques used by the fund's administrator or general partner to determine net asset values are in compliance with IFRS. Furthermore, the net asset value is adjusted to reflect certain factors such as purchases and sales of fund units between the date of the most recent financial statements provided by the fund and the valuation date, the quoted price of the underlyings when there are securities of publicly listed corporations, or when there are other indications requiring judgment to be made.

Interests in unconsolidated subsidiaries

The fair value of CDPQ's interests in various unconsolidated subsidiaries is determined using an enterprise valuation technique.

Investments in real estate holdings

The fair value resulting from the enterprise value technique is determined using a commonly used method, i.e., the comparable company multiples method, which is supported by observable and unobservable inputs such as the price-to-book value ratio. This value is determined annually by an independent external firm. Enterprise value reflects, among other things, the fair value of the assets and liabilities held directly by these subsidiaries, which include investment property, other real estate investments, which mainly include real estate funds and ownership interests held in companies, liabilities associated with investment property, as well as the fair value resulting from the quality of the portfolio and the integrated management of the platform of these subsidiaries.

The fair value of investment property, which is measured according to the highest and best use, is determined and certified semi-annually by external, recognized and independent chartered real estate appraisers. Valuations are carried out in compliance with the valuation standards in effect in each market. CDPQ selects the fair value it deems most representative within the ranges provided by the external valuers. The valuation techniques used are based primarily on two recognized methodologies, namely, the discounted cash flow technique and the capitalization of revenue technique. These techniques use observable and unobservable inputs such as lease terms and conditions, operating expenses, residual value and rates of return, discount rates and capitalization rates. Values observed for comparable transactions are used to determine the representative fair value range and support the fair value determined. Certain external valuation reports as at December 31, 2020 include a material measurement uncertainty clause in accordance with international valuation standards due to the market disruptions caused by the COVID-19 pandemic, which resulted in a reduction in transactional evidence and market returns. While this clause does not invalidate the valuations, it does imply that there is much more uncertainty than in normal market conditions.

The fair value of other real estate investments is determined based on characteristics specific to these assets, whose value is based on net assets which may be provided by an administrator or available in a published financial statement. The net asset value is adjusted to reflect external factors or when there are other indications requiring judgment to be exercised.

The fair value of financial liabilities associated with investment property is determined based on the discounted cash flow technique. This technique uses observable and unobservable inputs such as the interest rates and credit spreads that make up the discount rates.

Investments in real estate debt

The fair value of CDPQ's interests in real estate debt subsidiaries is determined using an enterprise valuation technique. Enterprise value reflects the fair value of the assets held directly by these subsidiaries, which primarily include commercial mortgages.

The fair value of commercial mortgages is determined using the discounted cash flow technique and are divided into risk categories, according to the loan-to-value ratio, and for which an appropriate discount rate is determined. Commercial mortgage valuations are reviewed annually by an independent external firm.

Private equity, infrastructure, fixed-income securities, hedge funds, and stock markets

Enterprise value reflects the fair value of assets held directly by these subsidiaries, which include bonds, corporate debt, equities of private companies, equities of public companies as well as funds whose valuation techniques are described above.

CDPQ may also use information about recent transactions carried out in the market for valuations of these financial assets.

Securities sold short

The fair value of bonds and equities that are sold short is determined using the fair value of the security that is sold short. The techniques for valuing these securities have been described above.

Derivative financial instruments

The fair value of derivative financial instruments is determined according to the type of instrument. The fair value of derivative financial instruments traded on exchange markets and on over-the-counter markets that are settled through a clearing house is determined, respectively, using the prices on the major stock exchanges representing the active market and clearing house prices. The fair value of the other derivative financial instruments traded on over-the-counter markets is determined using recognized and commonly used valuation techniques such as the discounted cash flow technique or other financial models. These techniques require the development and use of assumptions that take into account observable and unobservable inputs such as the interest rate curves and credit spreads that make up the discount rates as well as foreign exchange rate curves, prices of the underlying, and volatility.

Fair value valuation techniques (cont.)

Net assets attributable to depositors

Demand deposits

The fair value of demand deposits is determined based on their nominal value, as they are repayable at any time at the option of the issuer without penalty.

Term deposits and distributions payable to depositors

The fair value of term deposits and distributions payable to depositors is determined using the discounted cash flow technique. This valuation technique mainly uses observable inputs such as the interest rate curves and credit spreads that make up the discount rates.

Participation deposits

The fair value of depositor participation deposits stems from a valuation of all the financial assets and liabilities held by CDPQ.

c) Fair value hierarchy

CDPQ's financial instruments at FVTPL are classified according to the below-described fair value hierarchy, based on the lowest level of significant input used in measuring fair value.

Level 1: The fair value calculation of the financial instrument is based on observable prices (unadjusted) in active markets that the entity can access at the measurement date for identical assets or liabilities.

Level 2: The fair value of the financial instrument is calculated using valuation techniques for which the significant inputs are observable, either directly or indirectly.

Level 3: The fair value of the financial instrument is calculated using valuation techniques for which the significant inputs are unobservable. This level includes financial instruments whose valuation is based on prices observed for similar financial instruments, substantially adjusted to reflect the characteristics specific to the financial instrument being measured and available market data.

Fair value hierarchy (cont.)

Classification into the fair value hierarchy levels is determined upon initial measurement of the financial instrument and is reviewed on each subsequent measurement date. Transfers between levels of the fair value hierarchy are measured at fair value at the beginning of each fiscal year.

The fair value hierarchy levels of financial instruments are determined at the reporting date and are influenced by the market factors prevailing on that date. Consequently, the classifications by level can vary significantly from one year to the next.

The following tables show an allocation of the fair value of financial instruments into the three levels of the fair value hierarchy:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts receivable from transactions being settled	-	3,116	-	3,116
Advances to depositors	-	281	-	281
Investment income, accrued and receivable	-	1,109	-	1,109
Investments				
Cash equivalents	-	1,389	-	1,389
Short-term investments	-	434	-	434
Securities purchased under reverse repurchase agreements	-	5,583	-	5,583
Corporate debt	-	-	2,359	2,359
Bonds	63,825	24,804	225	88,854
Equities				
Public companies	118,759	610	-	119,369
Private companies	-	6,715	16,717	23,432
Hedge funds	-	395	33	428
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	-	9,755	35,405	45,160
Investments in real estate debt	-	13,768	3,725	17,493
Private equity investments	-	-	40,499	40,499
Infrastructure investments	-	-	25,581	25,581
Investments in fixed-income securities	-	5,122	19,014	24,136
Investments in hedge funds	-	3,886	-	3,886
Stock market investments	-	2,869	1,614	4,483
Derivative financial instruments	1	2,891	-	2,892
	182,585	82,727	145,172	410,484
Financial liabilities excluding net assets attributable to depositors				
Amounts payable on transactions being settled	-	3,290	-	3,290
Other financial liabilities	-	1,205	-	1,205
Investment liabilities				
Securities sold under repurchase agreements	-	14,716	-	14,716
Securities sold short	2,761	-	-	2,761
Short-term promissory notes payable	-	5,983	-	5,983
Loans payable	-	942	-	942
Term notes payable	-	16,113	-	16,113
Derivative financial instruments	-	1,591	-	1,591
	2,761	43,840	-	46,601
Net assets attributable to depositors				
Demand deposits	-	4,042	-	4,042
Term deposits	-	7	-	7
Distributions payable to depositors	-	2,653	-	2,653
Participation deposits	-	358,790	-	358,790
	-	365,492	-	365,492

Fair value hierarchy (cont.)

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts receivable from transactions being settled	-	6,223	-	6,223
Advances to depositors	-	960	-	960
Investment income, accrued and receivable	-	1,391	-	1,391
Investments				
Cash equivalents	-	128	-	128
Short-term investments	-	138	-	138
Securities purchased under reverse repurchase agreements	-	3,536	-	3,536
Corporate debt	-	-	2,015	2,015
Bonds	63,550	26,409	718	90,677
Equities				
Public companies	115,487	616	1,082	117,185
Private companies	-	2,722	16,596	19,318
Hedge funds	-	1,078	243	1,321
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	-	9,304	39,690	48,994
Investments in real estate debt	-	12,386	3,101	15,487
Private equity investments	-	-	31,917	31,917
Infrastructure investments	-	-	22,904	22,904
Investments in fixed-income securities	-	3,273	16,128	19,401
Investments in hedge funds	-	4,422	-	4,422
Stock market investments	-	1,039	2,230	3,269
Derivative financial instruments	8	1,747	-	1,755
	179,045	75,372	136,624	391,041
Financial liabilities excluding net assets attributable to depositors				
Amounts payable on transactions being settled	-	1,537	-	1,537
Other financial liabilities	-	1,143	-	1,143
Investment liabilities				
Securities sold under repurchase agreements	-	23,527	-	23,527
Securities sold short	1,167	2,614	6	3,787
Short-term promissory notes payable	-	8,794	-	8,794
Loans payable	-	368	-	368
Term notes payable	-	12,332	-	12,332
Derivative financial instruments	3	1,007	12	1,022
	1,170	51,322	18	52,510
Net assets attributable to depositors				
Demand deposits	-	406	-	406
Term deposits	-	6	-	6
Distributions payable to depositors	-	2,961	-	2,961
Participation deposits	-	336,736	-	336,736
	-	340,109	-	340,109

Transfers between levels of the fair value hierarchy

As at December 31, 2020, due to changes in the availability of observable inputs given changing market conditions, financial instruments with a value of \$989 million were transferred from Level 1 to Level 2, and of \$771 million from Level 2 to Level 1. Moreover, due to a loss of significant influence in an associate whose securities are quoted, financial instruments valued at \$916 million were transferred from Level 3 to Level 1.

As at December 31, 2019, due to changes in the availability of observable inputs given changing market conditions, financial instruments with a value of \$1,398 million were transferred from Level 1 to Level 2, of \$949 million from Level 2 to Level 1, of \$4,747 million from Level 2 to Level 3, and of \$528 million from Level 3 to Level 2.

d) Level 3: Reconciliation between opening and closing balances

For financial instruments classified in Level 3 of the hierarchy, reconciliations between the opening and closing balances as at December 31, 2020 and 2019 are as follows:

								2020
	Opening balance (assets / liabilities)	Gains (losses) recognized in comprehensive income ²	Purchases	Sales	Settlements	Transfers	Closing balance (assets / liabilities)	Unrealized gains (losses) on financial instruments held at year-end ^{2 and 3}
Corporate debt	2,015	174	284	-	(114)	-	2,359	73
Bonds	718	(8)	479	(957)	(7)	-	225	(1)
Equities	17,921	(72)	1,338	(1,521)	-	(916)	16,750	74
Interests in unconsolidated subsidiaries	115,970	(1,511)	14,279	(2,900)	-	-	125,838	(1,205)
Derivative financial instruments ¹	(12)	(1)	-	-	13	-	-	-
Securities sold short	(6)	6	-	-	-	-	-	-

								2019
	Opening balance (assets / liabilities)	Gains (losses) recognized in comprehensive income ²	Purchases	Sales	Settlements	Transfers	Closing balance (assets / liabilities)	Unrealized gains (losses) on financial instruments held at year-end ^{2 and 3}
Corporate debt	2,073	13	454	(227)	(298)	-	2,015	24
Bonds	722	37	113	(106)	(11)	(37)	718	48
Equities	16,260	656	3,043	(1,711)	-	(327)	17,921	1,117
Interests in unconsolidated subsidiaries	97,473	(649)	18,976	(4,413)	-	4,583	115,970	342
Derivative financial instruments ¹	(20)	(2)	-	-	10	-	(12)	(2)
Securities sold short	(8)	2	-	-	-	-	(6)	-

¹ The assets and liabilities related to derivative financial instruments are presented on a net basis.

² Presented under "Net gains on financial instruments at fair value" in the Consolidated Statements of Comprehensive Income.

³ Includes the change in fair value resulting from measuring financial instruments denominated in their original currency and excludes the amounts of gains (losses) resulting from translating financial instruments denominated in foreign currencies. Due to a change in presentation, an unrealized foreign exchange loss of \$1,513 million was removed from "Unrealized gains (losses) on financial instruments held at year-end" for the year ended December 31, 2019, given that this amount was already included in "Gains (losses) recognized in comprehensive income". This change in presentation did not have an impact on net income and comprehensive income attributable to depositors.

e) Level 3: Fair value measurement based on reasonably possible alternative assumptions

In certain cases, the assumptions used in the valuation techniques are based on unobservable inputs or observable inputs adjusted significantly to reflect the characteristics specific to the financial instrument being measured. While CDPQ considers its fair value measurements to be appropriate, the use of reasonably possible alternative assumptions could result in different fair values. For a given measurement date, it is possible that other market participants could measure a same financial instrument at a different fair value, with the valuation techniques and inputs used by these market participants still meeting the definition of fair value. The fact that different fair value measurements exist reflects the judgment, estimates and assumptions applied as well as the uncertainty involved in determining the fair value of these financial instruments.

Level 3: Fair value measurement based on reasonably possible alternative assumptions (cont.)

The following tables show quantitative information on the primary valuation techniques and unobservable inputs for the financial instruments classified in Level 3 of the fair value hierarchy that are subject to the sensitivity analysis in Note 6f as well as those that are excluded from the analysis:

	December 31, 2020			
	Fair value	Valuation techniques	Unobservable inputs	Range (weighted average)
Included in the sensitivity analysis				
Corporate debt	2,303	Discounted cash flows	Credit spreads	0.6% to 3.4% (1.9%)
			Discount rates	5.5% to 11.0% (8.1%)
Equities				
Private equity investments	4,953	Comparable company multiples	EBITDA multiples	7.8 to 16.0 (11.8)
Infrastructure investments	5,145	Discounted cash flows	Discount rates	6.5% to 13.3% (9.9%)
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	35,405	Discounted cash flows	Discount rates	4.1% to 13.8% (6.5%)
			Credit spreads	0.0% to 6.8% (2.0%)
		Capitalization of revenue	Capitalization rate	2.1% to 10.7% (5.3%)
		Net real estate assets	Discounts to net asset value	0.0% to 14.4% (4.0%)
Private equity investments	12,471	Comparable company multiples	EBITDA multiples	6.3 to 15.6 (11.9)
Infrastructure investments	19,027	Discounted cash flows	Discount rates	6.0% to 14.0% (9.1%)
Investments in fixed-income securities	14,066	Discounted cash flows	Discount rates	7.0%
			Credit spreads	1.1% to 8.8% (4.5%)
	93,370			
Excluded from the sensitivity analysis				
Financial instruments ¹	51,802	Recent transactions ²	n.a.	n.a.
		Broker quotes ³	n.a.	n.a.
		Net assets ³	n.a.	n.a.
Net financial instruments classified in Level 3	145,172			

n.a.: not applicable

¹ The fair value of financial instruments presented in this item includes corporate debt, bonds, equities and interests in unconsolidated subsidiaries.

² When fair value is determined based on recent transaction information, this value is the most representative indication of fair value. Consequently, CDPQ did not conduct a sensitivity analysis.

³ When fair value is determined using broker quotes or net asset value, this value is the only reasonable indication of fair value. Consequently, CDPQ is unable to conduct a sensitivity analysis.

Level 3: Fair value measurement based on reasonably possible alternative assumptions (cont.)

December 31, 2019

	Fair value	Valuation techniques	Unobservable inputs	Range (weighted average)
Included in the sensitivity analysis				
Corporate debt	1,713	Discounted cash flows	Credit spreads	0.4% to 2.4% (1.5%)
			Discount rates	6.0% to 9.3% (6.9%)
Equities				
Private equity investments	6,833	Comparable company multiples	EBITDA multiples	8.7 to 16.0 (11.7)
Infrastructure investments	5,311	Discounted cash flows	Discount rates	6.0% to 9.8% (8.7%)
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	39,690	Comparable company multiples	Price-to-book value ratios	1.05
		Discounted cash flows	Discount rates	4.0% to 13.5% (6.4%)
			Credit spreads	0.0% to 9.8% (1.6%)
		Capitalization of revenue	Capitalization rate	2.7% to 10.5% (5.3%)
		Net real estate assets	Discounts to net asset value	0.0% to 8.0% (2.3%)
Private equity investments	12,001	Comparable company multiples	EBITDA multiples	9.0 to 17.0 (12.4)
Infrastructure investments	16,983	Discounted cash flows	Discount rates	6.0% to 13.8% (9.2%)
Investments in fixed-income securities	9,894	Discounted cash flows	Discount rates	6.9%
			Credit spreads	1.1% to 8.5% (3.6%)
	92,425			
Excluded from the sensitivity analysis				
Financial instruments ¹	44,181	Recent transactions ²	n.a.	n.a.
		Broker quotes ³	n.a.	n.a.
		Net assets ³	n.a.	n.a.
Net financial instruments classified in Level 3	136,606			

n.a.: not applicable

¹ The fair value of financial instruments presented in this item includes corporate debt, bonds, equities, interests in unconsolidated subsidiaries, derivative financial instruments and securities sold short.

² When fair value is determined based on recent transaction information, this value is the most representative indication of fair value. Consequently, CDPQ did not conduct a sensitivity analysis.

³ When fair value is determined using broker quotes or net asset value, this value is the only reasonable indication of fair value. Consequently, CDPQ is unable to conduct a sensitivity analysis.

f) Sensitivity analysis of fair value

The following analysis shows the sensitivity of fair value measurements to reasonably possible alternative assumptions for the significant unobservable inputs shown in the preceding tables of Note 6e. CDPQ identified reasonably possible alternative assumptions using its judgment and knowledge of the markets. Although CDPQ took all available information into account to provide its best estimate of the magnitude of the potential impact of the COVID-19 pandemic on these financial instruments, the following ranges are based on alternative assumptions, which may change significantly and could therefore be greater than those indicated below.

The following table shows the increases and decreases in fair value that would result from these alternative assumptions for the financial instruments classified in Level 3 of the fair value hierarchy that are subject to a sensitivity analysis:

	December 31, 2020		December 31, 2019	
	Increase	Decrease	Increase	Decrease
Sensitivity of fair value	6,324	(6,099)	6,263	(5,609)

As at December 31, 2020, the fair value sensitivity analysis above shows an increase in fair value of \$2,551 million (\$2,754 million as at December 31, 2019) and a decrease in fair value of \$2,325 million (\$2,392 million as at December 31, 2019) attributable to investments in real estate holdings.

There is a correlation between unobservable inputs and the determination of fair value. Therefore, an increase (decrease) in discount rates, credit spreads, capitalization rates and discounts to net asset value would result in a decrease (increase) in fair value. Furthermore, an increase (decrease) in EBITDA multiples and price-to-book value ratios would result in an increase (decrease) in fair value. There is no predictable correlation between unobservable inputs.

7. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset and a financial liability must be offset in the Consolidated Statements of Financial Position when CDPQ has a legally enforceable right of set-off and intends either to settle on a net basis or to realize the financial asset and settle the financial liability simultaneously with the counterparty. CDPQ has a legally enforceable right of set-off when this right is exercisable in the normal course of business and in the event of default, insolvency or bankruptcy.

Amounts receivable from and amounts payable on transactions being settled, securities purchased under reverse repurchase agreements, securities sold under repurchase agreements and derivative financial instruments traded on over-the-counter markets in accordance with agreements of the International Swaps and Derivatives Association (ISDA) are subject to master netting agreements that do not meet the criteria for offsetting in the Consolidated Statements of Financial Position as they give a right of set-off that is enforceable only in the event of default, insolvency or bankruptcy.

Securities purchased under reverse repurchase agreements and securities sold under repurchase agreements settled through a clearing house satisfy the offsetting criteria. Derivative financial instruments traded on exchange markets as well as those settled by clearing houses through brokers also satisfy offsetting criteria.

The following tables show information about financial assets and liabilities that are offset and not offset in the Consolidated Statements of Financial Position and that are subject to master netting agreements or similar arrangements:

	December 31, 2020					
	Gross amounts recognized	Amounts offset	Net amounts presented in the Consolidated Statements of Financial Position ¹	Amounts subject to master netting agreements	Collateral received/ pledged ²	Net amounts
Financial assets						
Amounts receivable from transactions being settled	3,116	-	3,116	(1,164)	-	1,952
Securities purchased under reverse repurchase agreements ³	16,119	(9,346)	6,773	(5,471)	(1,302)	-
Derivative financial instruments ³	2,903	-	2,903	(1,308)	(1,003)	592
	22,138	(9,346)	12,792	(7,943)	(2,305)	2,544
Financial liabilities						
Amounts payable on transactions being settled	3,290	-	3,290	(1,164)	-	2,126
Securities sold under repurchase agreements ³	24,072	(9,346)	14,726	(5,471)	(9,255)	-
Derivative financial instruments ³	1,596	-	1,596	(1,308)	(176)	112
	28,958	(9,346)	19,612	(7,943)	(9,431)	2,238

¹ Net amounts presented in the Consolidated Statements of Financial Position or in Notes 4a and 4b.

² The financial collateral received or pledged cannot include a net amount per counterparty less than zero. The total amounts of financial collateral received or pledged are disclosed in Notes 13 and 14.

³ The amounts presented in this item include amounts receivable and payable presented, respectively, under "Investment income, accrued and receivable" and "Other financial liabilities".

Offsetting financial assets and financial liabilities (cont.)

December 31, 2019

	Gross amounts recognized	Amounts offset	Net amounts presented in the Consolidated Statements of Financial Position ¹	Amounts subject to master netting agreements	Collateral received/ pledged ²	Net amounts
Financial assets						
Amounts receivable from transactions being settled	6,223	-	6,223	(602)	-	5,621
Securities purchased under reverse repurchase agreements ³	8,502	(4,865)	3,637	(3,622)	(13)	2
Derivative financial instruments ³	1,777	(5)	1,772	(930)	(475)	367
	16,502	(4,870)	11,632	(5,154)	(488)	5,990
Financial liabilities						
Amounts payable on transactions being settled	1,537	-	1,537	(602)	-	935
Securities sold under repurchase agreements ³	28,414	(4,865)	23,549	(3,622)	(19,866)	61
Derivative financial instruments ³	1,062	(5)	1,057	(930)	(108)	19
	31,013	(4,870)	26,143	(5,154)	(19,974)	1,015

¹ Net amounts presented in the Consolidated Statements of Financial Position or in Notes 4a and 4b.

² The financial collateral received or pledged cannot include a net amount per counterparty less than zero. The total amounts of financial collateral received or pledged are disclosed in Notes 13 and 14.

³ The amounts presented in this item include amounts receivable and payable presented, respectively, under "Investment income, accrued and receivable" and "Other financial liabilities".

8. INVESTMENT RESULT BEFORE DISTRIBUTIONS TO DEPOSITORS

The following table shows the net investment income, net gains (losses) on financial instruments at FVTPL as well as operating expenses:

	2020			2019		
	Net investment income	Net gains (losses)	Total	Net investment income	Net gains (losses)	Total
Cash management activities	14	2	16	40	(7)	33
Investing activities						
Short-term investments	-	2	2	1	(7)	(6)
Securities purchased under reverse repurchase agreements	58	106	164	100	(204)	(104)
Corporate debt	105	174	279	95	13	108
Bonds	2,438	5,024	7,462	2,658	3,555	6,213
Equities	3,573	10,454	14,027	4,273	18,336	22,609
Interests in unconsolidated subsidiaries	3,352	(406)	2,946	3,661	(620)	3,041
Net derivative financial instruments	-	2,052	2,052	-	699	699
Other	8	(28)	(20)	10	(61)	(51)
	9,548	17,380	26,928	10,838	21,704	32,542
Investment liability activities						
Securities sold under repurchase agreements	(154)	(492)	(646)	(372)	328	(44)
Securities sold short	(36)	(340)	(376)	(58)	(296)	(354)
Financing activities						
Short-term promissory notes payable	-	(6)	(6)	-	164	164
Loans payable	(2)	(23)	(25)	(5)	7	2
Term notes payable	(387)	236	(151)	(441)	249	(192)
Other						
External management fees	(74)	(74)	(148)	(69)	(58)	(127)
Transaction costs	-	(216)	(216)	-	(215)	(215)
	(653)	(915)	(1,568)	(945)	179	(766)
	8,895	16,465	25,360	9,893	21,883	31,776
Operating expenses (Note 9)			(609)			(630)
Investment result before distributions to depositors			24,751			31,146

9. OPERATING EXPENSES

The following table shows the operating expenses:

	2020	2019
Salaries and employee benefits	391	405
Information technology and professional services	68	68
Maintenance, equipment and amortization	64	57
Data services and subscriptions	29	24
Rent	19	19
Other expenses	19	38
	590	611
Safekeeping of securities	19	19
	609	630

10. SEGMENT INFORMATION

CDPQ enables its depositors to allocate their funds to specialized portfolios that hold securities of the same type. These portfolios represent operating segments that have been grouped into three separate segments according to management approach, economic characteristics, and performance targets:

- **Fixed Income:** This segment's objective is to reduce the overall risk level of CDPQ's portfolio and match its depositors' assets and liabilities while providing a significant source of liquidity. This segment consists of the Rates, Credit, Short Term Investments, Long Term Bonds, and Real Return Bonds specialized portfolios.
- **Real Assets:** This segment's objective is to expose CDPQ to markets for which investment income is indexed to inflation and to partially hedge the inflation risk associated with the liabilities of several depositors. This segment consists of the Real Estate and Infrastructure specialized portfolios.
- **Equities:** This segment's objective is to increase the depositors' long-term target returns. This segment consists of the Equity Markets and Private Equity specialized portfolios.

The following table shows the allocation of net assets attributable to depositors according to each of CDPQ's segment:

	December 31, 2020	December 31, 2019
Fixed Income	110,237	102,890
Real Assets	67,176	67,481
Equities	182,257	167,117
Other ¹	5,822	2,621
Net assets attributable to depositors	365,492	340,109

The following table shows the allocation of the investment result before distributions to depositors for each of CDPQ's segment:

	2020	2019
Fixed Income	8,742	8,165
Real Assets	(4,951)	560
Equities	20,049	22,169
Other ¹	911	252
Investment result before distributions to depositors	24,751	31,146

¹ The Other item includes the Active Overlay Strategies (wound up on January 1, 2020) and Asset Allocation specialized portfolios, cash activities, and the customized operations of individual funds, which consist of direct holdings of derivative financial instruments by the individual funds for the customized management of the desired exposure by each depositor.

11. RISK IDENTIFICATION AND MANAGEMENT

Risk management policies, directives and procedures related to investment activities

CDPQ is responsible for managing deposits in accordance with service agreements and depositor investment policies, the investment policies for specialized portfolios and the integrated risk management policy. To do so, it has implemented various policies, directives and procedures to oversee the management of the risks relating to its operations.

The integrated risk management policy is adopted by CDPQ's Board of Directors. The purpose of this policy is to promote a rigorous risk management culture and practices that help CDPQ carry out its mission on behalf of its depositors. The integrated risk management policy defines market risk, concentration risk, credit risk, counterparty risk associated with derivative financial instruments, and financing-liquidity risk.

Specifically, this policy aims to:

- Establish the guiding principles that support CDPQ's integrated risk management framework and promote a sound risk management culture at all levels of the organization
- Set out the risk management model and governance structure
- Define the roles and responsibilities of stakeholders
- Establish oversight of the main risks to which CDPQ is exposed

CDPQ's governance and risk management are based on the following twelve guiding principles:

- A risk tolerance framework
- The roles of the Board of Directors and senior executives
- A client-centric approach that focuses on the needs of depositors
- A long-term investment strategy
- Liquidity and financing management
- In-depth knowledge of assets and markets
- Independent functions and stakeholder accountability
- Collaboration for comprehensive risk management
- Operational excellence
- Use of derivative financial instruments and counterparty risk management
- Oversight of new investment activities and new financial instruments
- A responsible investment framework

The levels of control and parties responsible for risk management governance are as follows:

1. Investment groups have the primary responsibility for managing the risks related to their operations.
2. Independent teams and internal committees are responsible for supporting investment group employees and setting appropriate control mechanisms.
3. The Board of Directors and its committees ensure a management framework is adopted, and the Internal Audit group ensures execution and compliance with the established risk management framework.

The integrated risk management policy sets out risk limits and authorization levels for CDPQ as a whole as well as limits applicable to cross-functional activities. In addition, CDPQ develops and periodically reviews the specialized portfolio investment policies that are designed to oversee the work of the specialized portfolio managers. A separate investment policy sets out investment strategy, management style, eligible investments, target returns, benchmark index, and concentration and risk limits.

Furthermore, each investment group must adopt an investment strategy. Strategic investment planning (SIP) seeks to strengthen the decision-making process by achieving a better matching of return to risk when choosing investments. SIP sets future directions, strengthens the collaboration and information sharing processes required to make strategic investment decisions and ensures a better alignment between the directions and strategies. The SIP process is conducted continuously and includes the following steps: 1) Diagnostic and strategic directions; 2) Strategic plans; 3) Review and approval and 4) Execution and accountability. Investment plans are communicated to the Executive Committee and presented to the Investment-Risk Committee (IRC) and Board of Directors for approval.

CDPQ is exposed to various financial risks. Detailed information regarding these risks is disclosed in the following sections.

Market risk

Market risk is the risk of financial loss arising from fluctuations in the fair value of financial instruments. Volatility in financial instrument prices stems from changes in market risk factors, in particular interest rates, credit spreads, exchange rates, share prices and commodity prices. CDPQ uses derivative financial instruments to manage market risks.

CDPQ manages all market risks according to an integrated approach for all specialized portfolios. The main factors contributing to risks, such as industry sector, geographic region and issuer, are taken into account. CDPQ's market risks are managed and calculated according to factors that can influence the fair value of investments and investment liabilities.

CDPQ measures its market risk using Value-at-Risk (VaR), which is based on a statistical estimate of the volatility of the fair value of each position and of correlations between market risk factors. VaR is a statistical estimate of the potential financial loss that could be incurred by CDPQ's actual portfolio, based on a predetermined confidence level and a given exposure period. The market VaR is estimated with a 95% confidence level over an exposure period of one year. Moreover, due to the methodology, the effects on the portfolio of the unfavourable events seen over a one-month horizon are repeated several times during the year. To summarize, VaR indicates the level of loss that the actual portfolio of CDPQ could exceed in only 5% of cases over the forthcoming year. CDPQ estimates VaR for each instrument held in its specialized portfolios and aggregates the information for CDPQ's actual portfolio.

The historical-simulation method is used to measure VaR. This method is based mainly on the assumption that the future will be similar to the past. It requires that historical data series on all the risk factors needed to estimate the returns on financial instruments be available. In the absence of historical data, alternative methods are used.

The calculation results obtained by applying this methodology do not make it possible to estimate the amount of loss, based on a specific event, that would be incurred by CDPQ's portfolio if this event re-occurred. For example, if future conditions and market risk factors were substantially different from past economic conditions, actual losses could differ substantially from estimated losses. Moreover, these estimates at a given date do not take into account all possible losses resulting from exceptional market events or losses that could arise over and above the 95% confidence level. Consequently, in light of these limitations, CDPQ's actual portfolio losses could exceed the estimates.

Effective January 1, 2020, CDPQ revised its observation history of the risk factors used to calculate the VaR. A risk factor observation history over a period from 2006 to the reporting date is now being used to assess the volatility of returns and the correlation between the performance of financial instruments rather than a fixed number of 3,000 days. Moreover, the information used to calculate the VaR of private equity investments was refined to better reflect the debt level of some companies. The comparative VaR as at December 31, 2019 was recalculated to reflect these changes.

Two risk measures are calculated and analyzed:

- The absolute risk of the actual portfolio represents the total risk associated with the categories of financial instruments that make up CDPQ's actual portfolio.
- The absolute risk of the benchmark portfolio targeted by depositors represents the total risk of the benchmark indexes associated with the categories of financial instruments that make up CDPQ's benchmark portfolio.

The absolute risks of CDPQ's actual and benchmark portfolios are measured regularly and used to calculate the absolute risk ratio, which is subject to certain limitations. The absolute risk ratio is obtained by dividing the absolute risk of the actual portfolio by the absolute risk of the benchmark portfolio.

The absolute risk of CDPQ's actual and benchmark portfolio, including the risk associated with the underlying investments of unconsolidated subsidiaries whose risk is managed by CDPQ, as a percentage of net assets, according to a 95% confidence level and a history of observation over a period from 2006 to the reporting date, as well as the absolute risk ratio, are as follows:

	December 31, 2020			December 31, 2019		
	Absolute risk of the actual portfolio	Absolute risk of the benchmark portfolio	Absolute risk ratio	Absolute risk of the actual portfolio	Absolute risk of the benchmark portfolio	Absolute risk ratio
Value at risk	14.0%	13.6%	1.03	13.0%	13.1%	0.99

Moreover, when managing market risk, CDPQ uses stress tests that allow it to evaluate the consequences of specific circumstances on the returns of CDPQ's actual portfolio based on historical, hypothetical or risk factor sensitivity scenarios. Using various types of scenarios, stress tests measure the gains or losses in value of a financial instrument following a change in one or more often-related risk factors, such as share prices, interest rates, rate spreads, exchange rates, commodity prices and market volatility. The hypothetical scenarios are also continuously enriched to integrate new issues, such as the impact of the COVID-19 pandemic on the global economy.

Market risk (cont.)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. This risk is integrated into the VaR measurement.

CDPQ uses a dynamic management approach for the main currencies of developed countries. Dynamic management is used to protect certain specialized portfolios when the Canadian dollar appears to be significantly undervalued or overvalued compared to its equilibrium value according to the valuation models. Dynamic hedging should therefore be less frequent, but the duration of the hedge, being unforeseeable, may vary widely and last for a few weeks to several months. Certain specialized portfolios may therefore be partially hedged against foreign exchange risk.

To strategically manage currency risk, CDPQ uses currency derivatives to manage its exposure to the main currencies of developed countries according to hedging targets. For other currencies, a discretionary hedge may be implemented to manage the foreign currency exposures of the specialized portfolios or of certain investments. Moreover, currency risk can be managed by way of natural hedging activities, including the financing of investments in the same currency.

The net exposure to foreign currencies takes into account the effects of currency derivatives, natural hedging and the underlying investments in currencies of unconsolidated subsidiaries whose currency risk is managed by CDPQ. CDPQ's net exposure to foreign currencies, as a percentage of net assets including purchases and cancellations of participation units of the specialized portfolios completed at the beginning of each month, is as follows:

	December 31, 2020	December 31, 2019
Canadian dollar	53%	50%
U.S. dollar	23%	21%
Euro	4%	7%
Pound sterling	4%	4%
Brazilian real	2%	2%
Chinese yuan	2%	2%
Indian rupee	2%	2%
Mexican peso	2%	2%
Other	8%	10%
	100%	100%

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This risk is integrated into the VaR measurement.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors that affect all similar financial instruments traded on the market. This risk is integrated into the VaR measurement.

Concentration risk

CDPQ analyzes overall concentration risk for the entire group of specialized portfolios it manages. The integrated risk management policy sets out exposure limits according to category of financial instrument and according to issuer for growth markets and for certain countries. Moreover, the investment policies of the specialized portfolios set out specific limits for each issuer, industry sector, and geographic region.

The concentration limit by issuer is 3% of CDPQ's total assets, with the exception of securities issued by the Canadian or U.S. governments or by their agencies and that feature an explicit guarantee or those issued by a Canadian province or territory of Canada or a ministry or agency thereof or by sovereign issuers rated AAA, which are not included in the concentration limit. Concentration by issuer is monitored monthly or upon initiation of a transaction requiring approval of the IRC or the Board of Directors, as appropriate.

The following table shows the main geographic concentrations as a percentage of total net exposure, established according to the country of the issuers' principal place of business, after the effects of certain derivative financial instruments and including the underlying investments in unconsolidated subsidiaries whose concentration risk is managed by CDPQ:

	December 31, 2020	December 31, 2019
United States	35%	33%
Canada	32%	34%
Europe	14%	14%
Growth markets	14%	14%
Other	5%	5%
	100%	100%

The following table shows the principal industry sector concentrations as a percentage of total net exposure, established according to the industry sector in which the issuers operate, after the effects of certain derivative financial instruments and including the underlying investments in unconsolidated subsidiaries whose concentration risk is managed by CDPQ:

	December 31, 2020	December 31, 2019
Industry sector		
Real estate	14%	17%
Industrials	11%	11%
Financials	10%	10%
Information technology	7%	6%
Consumer discretionary	6%	5%
Utilities	5%	5%
Health care	5%	5%
Consumer staples	4%	4%
Real estate debt	4%	4%
Communication services	4%	4%
Energy	3%	4%
Materials	2%	2%
Other	2%	3%
Government sector		
Government of the United States	9%	7%
Government of Canada	7%	6%
Government of Québec	3%	3%
Government corporations and other public administrations in Québec	2%	2%
Other	2%	2%
	100%	100%

Credit risk

Credit risk is the possibility of incurring a loss in value should a borrower, endorser, or guarantor experience a deterioration in financial position, fail to meet an obligation to repay a loan or fail to meet any other financial commitment.

Maximum credit risk exposure is measured based on the fair value of financial instruments without taking into account guarantees or other credit enhancements. For the other items, the maximum exposure to credit risk is the total amount guaranteed or committed.

The following table shows the maximum exposure to credit risk:

	December 31, 2020	December 31, 2019
Cash	1,021	994
Amounts receivable from transactions being settled	3,116	6,223
Advances to depositors	281	960
Investment income, accrued and receivable	1,109	1,391
Investments		
Cash equivalents	1,389	128
Fixed-income securities	97,230	96,366
Interests in unconsolidated subsidiaries in the form of debt instruments	30,525	28,189
Derivative financial instruments	2,892	1,755
	137,563	136,006
Other items		
Financial guarantees (<i>Note 18</i>)	1,976	616
	139,539	136,622

CDPQ enters into master netting agreements (*Note 7*), receives guarantees (*Note 14*) and may also use derivative financial instruments such as credit default swaps to reduce its total credit risk exposure.

In addition, to manage credit risk, CDPQ closely monitors changes in the credit cycle of issuers and uses a credit VaR to calculate the potential financial loss related to possible changes in the credit quality of issuers of fixed-income securities.

Concentration of credit risk

A credit risk concentration analysis measures the fair value of all financial instruments related to a same issuer. The investment policy of the specialized portfolios sets out concentration limits according to credit rating. The credit risk analysis considers the probability of default and the recovery rate on debt securities held by CDPQ and monitors changes in the credit quality of issuers.

The following table shows the credit risk concentration according to the credit ratings of issuers of fixed-income securities and certain derivative financial instruments used to manage credit risk, as a percentage of the total exposure to credit concentration risk:

	December 31, 2020	December 31, 2019
Credit rating		
AAA – AA	61%	64%
A	5%	5%
BBB	13%	11%
BB or lower	17%	16%
No credit rating	4%	4%
	100%	100%

The credit ratings of securities issued or guaranteed by governments are obtained from recognized credit rating agencies. For corporate sector securities, credit ratings are determined using an internal rating process that monitors changes in the credit cycle annually when the necessary information is available. Otherwise, CDPQ uses recognized credit rating agencies.

Credit risk (cont.)

Counterparty risk related to derivative financial instruments

Certain over-the-counter financial instruments give rise to counterparty risk because they are negotiated by contract without being traded or settled through a clearing house. Counterparty risk related to derivative financial instruments is the credit risk created by current or potential exposures arising from derivative financial instrument transactions where the counterparty becomes unable to honour the terms of the contracts.

To limit its exposure to the counterparty risk arising from transactions involving over-the-counter derivative financial instruments, CDPQ carries out transactions with financial institutions in accordance with management's criteria regarding the quality of the issuer. Moreover, CDPQ enters into legal agreements based on ISDA standards under which it benefits from the compensating effects between at-risk amounts and the collateral exchanged in order to limit its net exposure to this risk.

This risk is measured by counterparty, pursuant to the applicable legal agreement, from which it is possible to calculate the net exposure created by all of the over-the-counter derivative financial instruments and collateral exchanged. Actual exposure to counterparty risk is measured on a daily basis, whereas potential exposure to counterparty risk is measured on a monthly basis.

As at December 31, 2020 and 2019, the legal agreements and the collateral received helped reduce exposure to the counterparty risk of over-the-counter derivative financial instruments. The maximum exposure to this risk was \$385 million (\$317 million as at December 31, 2019).

Liquidity risk

Liquidity risk is the possibility of CDPQ not always being able to honour its financial liability commitments without having to obtain funds at abnormally high prices or having to sell assets through forced liquidation. It is also the risk of CDPQ not being able to quickly sell investments without having a significant unfavourable effect on the price of the investment in question.

Liquidity is managed across all of CDPQ's cash activities. Compliance with the established rules is analyzed on a monthly basis, and the liquidity status is determined daily. Managers are responsible for evaluating the liquidity of the markets in which CDPQ obtains financing for its operations.

To ensure that sources of liquidity and potential liquidity requirements are properly aligned, CDPQ has a number of sources of liquidity in addition to its cash and cash equivalents, including receipt of investment income, the sale of bonds, sales under repurchase agreements, and liquid money market securities. In addition, CDPQ may issue short-term promissory notes and term notes payable as well as a committed credit facility totalling US\$4 billion to meet its contractual commitments and financial obligations. As at December 31, 2020, CDPQ had close to \$50 billion in liquidity in the form of government bonds and money market securities (\$46 billion as at December 31, 2019).

Furthermore, to manage liquidity risk, CDPQ conducts simulations of scenarios over different horizons and examines events that could lead to a liquidity crisis. CDPQ rigorously and frequently monitors its potential liquidity needs and proactively ensures permanent access to stable and resilient sources of liquidity. CDPQ has a sufficient liquidity reserve to meet the needs and uncertainties caused by the COVID-19 pandemic.

An analysis of undiscounted contractual cash flows of financial liabilities, shown in the table below, is a component of liquidity and financing management. However, this by-maturity allocation is not necessarily representative of the manner in which CDPQ manages its liquidity risk and financing requirements.

Liquidity risk (cont.)

The following tables show the maturities of the undiscounted contractual cash flows of non-derivative financial liabilities, derivative financial instruments and other items:

	December 31, 2020				
	On demand	Less than 1 year	1 year to 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Amounts payable on transactions being settled	-	(3,290)	-	-	(3,290)
Other financial liabilities	-	(749)	(84)	(451)	(1,284)
Investment liabilities					
Securities sold under repurchase agreements	-	(14,721)	-	-	(14,721)
Securities sold short	-	(2,761)	-	-	(2,761)
Short-term promissory notes payable	-	(5,985)	-	-	(5,985)
Loans payable	-	(942)	-	-	(942)
Term notes payable	-	(2,867)	(11,633)	(2,549)	(17,049)
Net assets attributable to depositors					
Demand and term deposits	(4,042)	(7)	-	-	(4,049)
Distributions payable to depositors	-	(2,653)	-	-	(2,653)
	(4,042)	(33,975)	(11,717)	(3,000)	(52,734)
Derivative financial instruments					
Derivative instruments with net settlement	-	(18)	107	147	236
Derivative instruments with gross settlement					
Contractual cash flows receivable	-	120,747	5,625	771	127,143
Contractual cash flows payable	-	(119,727)	(5,649)	(807)	(126,183)
	-	1,002	83	111	1,196
Other items					
Commitments (Note 18)	-	(21,021)	(75)	(426)	(21,522)
Financial guarantees (Note 18)	-	(1,446)	(440)	(90)	(1,976)
	-	(22,467)	(515)	(516)	(23,498)
	(4,042)	(55,440)	(12,149)	(3,405)	(75,036)

Liquidity risk (cont.)

December 31, 2019

	On demand	Less than 1 year	1 year to 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Amounts payable on transactions being settled	-	(1,537)	-	-	(1,537)
Other financial liabilities	-	(677)	(59)	(465)	(1,201)
Investment liabilities					
Securities sold under repurchase agreements	-	(23,577)	-	-	(23,577)
Securities sold short	-	(3,787)	-	-	(3,787)
Short-term promissory notes payable	-	(8,822)	-	-	(8,822)
Loans payable	-	(368)	-	-	(368)
Term notes payable	-	(2,487)	(8,648)	(2,955)	(14,090)
Net assets attributable to depositors					
Demand and term deposits	(406)	(6)	-	-	(412)
Distributions payable to depositors	-	(2,961)	-	-	(2,961)
	(406)	(44,222)	(8,707)	(3,420)	(56,755)
Derivative financial instruments					
Derivative instruments with net settlement	-	(57)	62	109	114
Derivative instruments with gross settlement					
Contractual cash flows receivable	-	102,277	4,143	1,342	107,762
Contractual cash flows payable	-	(101,694)	(4,102)	(1,491)	(107,287)
	-	526	103	(40)	589
Other items					
Commitments (Note 18)	(9)	(19,713)	(74)	(411)	(20,207)
Financial guarantees (Note 18)	-	(106)	(305)	(205)	(616)
	(9)	(19,819)	(379)	(616)	(20,823)
	(415)	(63,515)	(8,983)	(4,076)	(76,989)

Moreover, concerning net assets attributable to depositors, the Regulation states that CDPQ may set monthly limits for cancelling participation units, i.e., a depositor is limited to a maximum reimbursement of all their participation units in all of CDPQ's specialized portfolios of \$50 million. Any participation units that are not cancelled given the maximum amount permitted is carried forward to the first day of the subsequent month and are cancelled as soon as the limit permits. The purpose of the limits is to ensure optimal management of CDPQ's overall liquidity. Moreover, substantially all depositors are required to invest with CDPQ in accordance with the Act or the respective applicable legislation.

Liquidity risk (cont.)

Financing-liquidity risk

The following tables show the main terms and conditions and interest rates of the investment liabilities related to CDPQ's financing activities:

December 31, 2020				
	Currency	Nominal value ¹	Maturity	Interest rate
Loans payable	USD	428	Less than one year	0.54%
	CAD	514	Less than one year	0.56%
		942		
Short-term promissory notes payable	CAD	707	Less than one year	0.20%
	USD	5,279	Less than one year	0.30%
		5,986		
Term notes payable	USD	2,548	June 2021	2.13%
	USD	2,548	March 2022	2.75%
	USD	2,548	April 2023	1.00%
	USD	2,548	July 2024	3.15%
	USD	3,185	June 2025	0.88%
	USD	1,593	November 2039	5.60%
		14,970		

December 31, 2019				
	Currency	Nominal value ¹	Maturity	Interest rate
Loans payable	USD	368	Less than one year	2.28%
		368		
Short-term promissory notes payable	CAD	1,000	Less than one year	1.77%
	USD	7,823	Less than one year	1.90%
		8,823		
Term notes payable	EUR	1,092	June 2020	3.50%
	CAD	1,000	July 2020	4.60%
	USD	2,594	June 2021	2.13%
	USD	2,594	March 2022	2.75%
	USD	2,594	July 2024	3.15%
	USD	1,621	November 2039	5.60%
		11,495		

¹ The amounts shown are translated into Canadian dollars and represent amounts to be repaid at maturity.

Short-term promissory notes payable are issued at fixed rates, with maturities not exceeding 12 months, guaranteed by CDPQ's assets. The nominal value for all outstanding short-term promissory notes may never exceed CA\$3 billion and US\$10 billion in accordance with the limit prescribed in the short-term promissory notes issuance information document.

Term notes payable are repayable at maturity and guaranteed by CDPQ's assets. Certain interest-bearing fixed-rate term notes have an optional prepayment clause at the option of the issuer.

Furthermore, during the year ended December 31, 2020, CDPQ renewed its credit facility arranged with a banking syndicate for a total amount of approximately CA\$5 billion, which is renewable annually for a term of two years. The credit facility bears interest at a variable rate and is entirely secured, unconditionally and irrevocably, by CDPQ. As at December 31, 2020 and 2019, no amount had been drawn on this credit facility.

12. CAPITAL MANAGEMENT

CDPQ defines its capital as net assets attributable to depositors. CDPQ's capital may fluctuate according to depositor demands for cancellations and issuances of participation deposit units and for deposits and withdrawals of demand and term deposits. CDPQ's capital management objective is to invest contributions and deposits in the best interests of the depositors in accordance with the Act in order to achieve an optimal return while respecting the depositor investment policies.

CDPQ is not subject to external capital requirements.

Furthermore, CDPQ's objective is to maintain its AAA credit rating to ensure access to capital markets at the best cost through its CDP Financial Inc. subsidiary. Consequently, the Board of Directors has limited the amount of notes that CDPQ may issue on capital markets to 10% of its net assets attributable to depositors, to which is added the fair value of outstanding notes (adjusted net assets).

13. FINANCIAL ASSETS TRANSFERRED BUT NOT DERECOGNIZED

CDPQ enters into securities lending and borrowing transactions as well as securities repurchase agreements whereby it transfers financial assets to counterparties. The transferred securities do not meet derecognition criteria since CDPQ retains most of the risks such as credit risk, interest rate risk, currency risk, and price risk, as well as most of the related rewards such as cash flows.

The following table shows the fair values of the financial assets transferred but not derecognized from the Consolidated Statements of Financial Position as well as the fair values of the associated liabilities:

	December 31, 2020	December 31, 2019
Financial assets transferred but not derecognized		
Bonds	36,388	33,897
Equities	7,476	10,359
	43,864	44,256
Associated financial liabilities		
Loans payable ¹	942	368
Securities sold under repurchase agreements ²	24,072	28,414
	25,014	28,782

¹ The amount presented corresponds to cash received as collateral on securities lending transactions and derivative financial instruments transactions.

² The net amount is disclosed in Notes 4 and 7.

14. GUARANTEES

Financial assets pledged as collateral

In the normal course of business, CDPQ pledges financial assets as collateral for transactions involving securities borrowings, securities sold under repurchase agreements and derivative financial instruments. The counterparties are authorized, by way of legal contract or market practices, to either sell or repledge these securities as collateral. On certain conditions, CDPQ may have to pledge additional collateral if the pledged securities lose value.

The following table shows the fair value of collateral pledged by CDPQ according to transaction type:

	December 31, 2020	December 31, 2019
Securities borrowing	98	99
Securities sold under repurchase agreements	24,539	28,535
Exchange-traded derivative financial instruments	1,384	1,037
Over-the-counter derivative financial instruments	1,112	994
	27,133	30,665

Financial assets received as collateral

CDPQ receives financial assets as collateral for transactions involving securities lending, securities purchased under reverse repurchase agreements and derivative financial instruments. If the fair value of the collateral received decreases, CDPQ may, in certain cases, request additional collateral. CDPQ is authorized to sell or repledge as collateral certain securities in the absence of default by the counterparty. However, no security received as collateral was sold or repledged as collateral for the years ended December 31, 2020 and 2019.

The following table shows the fair value of collateral received by CDPQ according to transaction type:

	December 31, 2020	December 31, 2019
Securities lending	20,091	16,312
Securities purchased under reverse repurchase agreements	16,217	8,483
Over-the-counter derivative financial instruments	1,050	487
	37,358	25,282

15. RELATED PARTY DISCLOSURES

Related party transactions

CDPQ's primary related parties include unconsolidated subsidiaries, joint ventures, associates, and CDPQ's key management personnel.

CDPQ enters into various transactions with related parties. These transactions are concluded under the same conditions as those prevailing in the market with unrelated parties and are measured at fair value. Given the very nature of CDPQ's activities as an investment entity, it may make investments in several investment categories, including investments in unconsolidated subsidiaries, joint ventures and associates.

Compensation of key management personnel

CDPQ's key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly. These persons are the members of the Board of Directors, the President and Chief Executive Officer, and key members of the Executive Committee.

The following table shows the compensation of CDPQ's key management personnel:

	2020	2019
Salaries and other short-term employee benefits	10	14
Post-employment benefits	1	1
Other long-term employee benefits	4	5
	15	20

Other related parties

CDPQ is governed by the Act, and the Government of Québec appoints the Board of Director members, at least two-thirds of whom must be independent. The Government of Québec also approves the appointment of the President and Chief Executive Officer. Consequently, CDPQ has availed itself of the exemption set out in IAS 24 – *Related Party Disclosures* regarding the disclosure of transactions with a related government and with any entities related to the related government. The transactions carried out with the Government of Québec and its related entities are investment activities involving bonds issued by or guaranteed by the government and are carried out under normal market conditions through external brokers. These bonds are included in the "Governments" and "Government corporations and other public administrations" bond categories of Note 4a. In addition, CDPQ discloses information on the Government sector category in the "Government of Québec" and "Government corporations and other public administrations in Québec" items of Note 11. Furthermore, the Government of Québec and its related entities have entered into agreements related to a public infrastructure project in Québec being carried out through CDPQ Infra Inc, a subsidiary of CDPQ. These agreements were signed in the subsidiary's normal course of business.

16. INTERESTS IN OTHER ENTITIES

Subsidiaries

Consolidated subsidiary

CDP Financial Inc is a wholly owned subsidiary that issues debt securities in order to finance CDPQ's investments at an optimal financing cost.

Unconsolidated subsidiaries

The subsidiaries presented in this category are entities controlled by CDPQ either directly or indirectly through subsidiaries in accordance with the criteria in IFRS 10.

Intermediate subsidiaries

As part of certain investment activities, CDPQ may use intermediate subsidiaries whose sole purpose is to hold investments for CDPQ. They are therefore not included in the information shown in the following tables, while the main underlying ownership interests in subsidiaries, joint ventures, associates and non-controlled structured entities are shown.

Subsidiaries (cont.)

The following table shows the ownership interests held in the main consolidated and unconsolidated subsidiaries as at December 31, 2020 as well as the comparative ownership interests as at December 31, 2019:

		December 31, 2020	December 31, 2019
	Principal place of business	Ownership interest	Ownership interest
Consolidated subsidiary			
CDP Financial Inc	Canada	100.0%	100.0%
Unconsolidated subsidiaries			
Real estate debt			
Otéra Capital Inc ¹	Canada	97.5%	97.5%
Energy			
Azure Power Global Ltd ²	India ⁷	50.5%	49.7%
CDPQ Renovables Iberia, S.L.	Spain	100.0%	-
Southern Star Acquisition Corporation	United States	79.9%	79.9%
Tenedora de Energía Renovable Sol y Viento S.A.P.I. de C.V. ³	Mexico	67.1%	67.1%
Trencap LP (Énergir) ⁴	Canada	64.7%	64.7%
Hedge funds			
CTA ALP Fund, LP	United States	-	100.0%
CTA WLH Fund, LP	United Kingdom ⁸	100.0%	100.0%
EMN ANF Fund, LP	United States	-	100.0%
EMN CDM Fund, LP	United States	100.0%	100.0%
EMN CNM Fund, LP	United States	100.0%	100.0%
EMN ENP Fund, LP	United States	-	100.0%
GMAC ASO Fund Inc	Singapore ⁹	100.0%	100.0%
Ionic Pamli Global Credit Strategies Fund	United States ⁹	-	100.0%
MS LPR Fund LP	United States	100.0%	-
Debt funds			
Franklin Templeton Emerging Market Debt Opportunities Fund	Canada	100.0%	-
Global Credit Opportunities (Canada) LP	Canada	100.0%	100.0%
Private investment funds			
Apollo Hercules Partners LP	United States ⁹	97.6%	97.6%
EC Partners LP	Singapore	100.0%	100.0%
GSO Churchill Partners LP	United States ⁹	98.0%	98.0%
KKR-CDP Partners LP	United States ⁹	90.1%	90.1%
Real estate - Ivanhoé Cambridge Group			
Careit Canada DCR GP	Canada	95.5%	94.7%
Careit Canada GP	Canada	95.5%	94.7%
IC Australia Trust	Australia	95.5%	94.7%
IC Investments US GP	Canada	95.5%	94.7%
IC Multi Equities LP	Canada	95.5%	94.7%
Ivanhoé Cambridge Inc	Canada	95.5%	94.7%
SITQ E.U. LP	United States	95.4%	94.6%
Industrials			
CDPQ Infra Inc	Canada	100.0%	100.0%
Einn Volant Aircraft Leasing Holdings Ltd	Ireland ¹⁰	90.5%	90.5%
Patina Rail LLP ⁵	United Kingdom	75.0%	75.0%
Spinner US AcquireCo Inc (Student Transportation of America)	United States	79.9%	79.9%
Services			
Datamars SA ⁶	Switzerland	64.8%	64.8%
Utilities			
Plenary Americas Holdings Ltd (Plenary Group Canada)	Canada	100.0%	-

¹ Otéra Capital Inc held 78.5% of MCAP Commercial LP as at December 31, 2020 (78.4% as at December 31, 2019).

² Presented in the 'Associates' category as at December 31, 2019.

³ Voting rights amount to 60.0%.

⁴ Trencap LP holds 61.1% of Noverco Inc, which holds 100.0% of Énergir Inc and 100.0% of Valener Inc, which together hold 100.0% of Énergir LP.

⁵ Patina Rail LLP holds 40.0% of Eurostar International Limited.

⁶ Voting rights amount to 55.0%.

⁷ Constituted in Mauritius.

⁸ Constituted in the United States.

⁹ Constituted in the Cayman Islands in accordance with the structure of the limited partner.

¹⁰ Constituted in Bermuda.

Joint ventures

The following table shows the ownership interests held in the main joint ventures as at December 31, 2020 as well as the comparative ownership interests as at December 31, 2019:

		December 31, 2020	December 31, 2019
	Principal place of business	Ownership interest	Ownership interest
Energy			
Invenergy Renewables Holdings LLC ^{1 and 2}	United States	64.4%	65.0%
Transportadora Associada de Gas SA ^{1 and 2}	Brazil	35.0%	31.5%
Financials			
USI Advantage Corp ²	United States	26.4%	26.0%
Industrials			
Delachaux SA ²	France	43.0%	43.0%
DP World Australie B.V. ²	Australia ³	45.0%	45.0%
DP World Canada Investment Inc ²	Canada	45.0%	45.0%
DP World Caucedo (Caucedo Investments Inc, Caucedo Services Inc) ²	Dominican Republic ⁴	45.0%	45.0%
DP World Holding UK Limited (UK) ²	Chile ⁵	44.6%	45.0%
Materials			
Canam Group Inc	Canada	33.3%	-
Information technology			
Kiwi Holdco Cayco, Ltd (FNZ) ²	United Kingdom ⁶	72.0%	72.0%

¹ Presented in the 'Associates' category as at December 31, 2019.

² Voting rights amount to 50.0%.

³ Constituted in the Netherlands.

⁴ Constituted in the British Virgin Islands.

⁵ Constituted in the United Kingdom.

⁶ Constituted in the Cayman Islands.

Associates

The following table shows the ownership interests held in the main associates as at December 31, 2020 as well as the comparative ownership interests as at December 31, 2019:

		December 31, 2020	December 31, 2019
	Principal place of business	Ownership interest	Ownership interest
Consumer discretionary			
Cogeco Communications USA Inc	United States	21.0%	21.0%
SGU Holdings LP	United States ⁹	46.7%	46.7%
Consumer non-cyclicals			
Moran Foods LLC ¹	United States	28.8%	-
Energy			
Corex Resources Ltd	Canada	49.5%	49.5%
Fluxys SA	Belgium	20.0%	20.0%
IPALCO Enterprises, Inc	United States	30.0%	30.0%
London Array Ltd, London Array Unincorporated JV	United Kingdom	25.0%	25.0%
NSW Electricity Networks Assets Holding Trust,			
NSW Electricity Networks Operations Holding Trust (TransGrid)	Australia	22.5%	22.5%
SUEZ Water Technologies and Solutions S.A.	France	30.0%	30.0%
Techem GmbH	Germany	24.5%	24.5%
Financials			
Avison Young (Canada) Inc	Canada	33.3%	33.3%
First Lion Holdings Inc	Canada	25.7%	22.3%
Greenstone Ltd	Australia	30.0%	30.0%
Hilco Trading LLC	United States	27.3%	27.3%
Howden Group Holding Limited (formerly Hyperion Insurance Group Ltd)	United Kingdom	29.1%	29.6%
Inigo Limited ²	United Kingdom	24.0%	-
Industrials			
Airport Holding Kft	Hungary	21.2%	21.2%
Alix Partners LLP	United States	21.0%	21.0%
Allied Universal Holdco LLC	United States	35.3%	41.5%
Alvest International Equity SAS ³	France	39.9%	39.9%
Barrette Outdoor Living ³	United States	34.0%	-
Clarios Power Solutions Holdings LP	United States ⁹	30.0%	30.0%
Eddyfi NDT Inc ³	Canada	34.7%	-
Fives Group ⁴	France	30.4%	30.4%
Groupe Keolis SAS	France	30.0%	30.0%
Groupe Solmax Inc	Canada	30.0%	30.0%
Knowlton Development Corporation Inc ⁵	Canada	24.7%	35.8%
Lightspeed POS Inc ⁶	Canada	20.4%	20.4%
NRT Group Holdings Unit Trust, NRT Group Holdings Pty Ltd (Sydney Metro)	Australia	24.9%	24.9%
Organización de Proyectos de Infraestructura, S.A.P.I de C.V. (OPI),			
OPCEM, S.A.P.I. de C.V. (OPCEM)	Mexico	45.5%	45.5%
PlusGrade Parent LP ⁷	Canada	39.9%	39.9%
QPH Hold Trust, QPH Hold Co PTY Limited (Port of Brisbane)	Australia	26.7%	26.7%
Zevia LLC ²	United States	36.4%	-
Health care			
ANZ Hospital Topco	Australia	21.3%	21.3%
Invekra, S.A.P.I. de C.V.	Mexico	22.7%	22.7%
Utilities			
CLP India Pvt Ltd	India	40.0%	40.0%
Real estate services			
Groupe Foncia	France	29.1%	29.1%
Information technology			
Nuvei Corporation ⁸	Canada	16.3%	28.0%
Telecommunications			
Vertical Bridge Reit LLC	United States	34.7%	30.0%
Rail transport			
Bombardier Transportation (Investment) UK Limited	Germany ¹⁰	34.1%	30.0%

¹ Voting rights amount to 40.0%.

² Voting rights amount to 25.0%.

³ Voting rights amount to 28.6%.

⁴ Voting rights amount to 20.3%.

⁵ Voting rights amount to 27.8%.

⁶ As at December 31, 2020, CDPQ no longer exercises a significant influence and voting rights amount to 12.5% (22.9% as at December 31, 2019).

⁷ Voting rights amount to 37.5%.

⁸ Voting rights amount to 22.1% as at December 31, 2020 (22.9% as at December 31, 2019).

⁹ Constituted in Canada.

¹⁰ Constituted in the United Kingdom.

Non-controlled structured entities

CDPQ holds interests in non-controlled structured entities, the majority of which represent private investment funds or limited partnerships. The interests held by CDPQ do not give it power over the relevant activities of these entities, as control is established by contractual agreement in favour, generally, of a general partner or administrator. The maximum exposure to loss attributable to the various interests held in the main non-controlled structured entities is limited to the fair value of the investment held by CDPQ, i.e., \$34,003 million in 240 companies as at December 31, 2020 (\$28,181 million in 216 companies as at December 31, 2019).

17. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following tables show changes in liabilities arising from financing activities, including non-cash changes:

	Non-cash changes				December 31, 2020
	December 31, 2019	Cash flows from financing activities	Changes in foreign exchange	Changes in fair value	
Short-term promissory notes payable	8,794	(2,696)	(93)	(22)	5,983
Loans payable	368	573	1	-	942
Term notes payable	12,332	4,018	(550)	313	16,113
	21,494	1,895	(642)	291	23,038

	Non-cash changes				December 31, 2019
	December 31, 2018	Cash flows from financing activities	Changes in foreign exchange	Changes in fair value	
Short-term promissory notes payable	5,921	3,131	(272)	14	8,794
Loans payable	290	85	(7)	-	368
Term notes payable	9,598	2,983	(493)	244	12,332
	15,809	6,199	(772)	258	21,494

18. COMMITMENTS AND FINANCIAL GUARANTEES

Given the nature of its activities, CDPQ enters into various investment purchase commitments that will be settled in the coming fiscal years in accordance with the terms and conditions in the related agreements.

For CDPQ, financial guarantees consist of providing guarantees, to financial institutions and corporations, on derivative financial instrument transactions, repayment of loans taken by companies in which it has an economic interest, and certain letters of credit of its subsidiaries. As part of certain investment transactions, CDPQ may also provide financial guarantees or issue letters of credit to third parties. The maturities of the commitments and financial guarantees are disclosed in Note 11.

Commitments and financial guarantees are detailed as follows:

	December 31, 2020	December 31, 2019
Investment purchase commitments	21,002	19,702
Commitments under leases	520	505
Financial guarantees	1,976	616
	23,498	20,823

Litigation

In the normal course of business, CDPQ may be subject to legal actions. Although CDPQ cannot predict the outcomes of any ongoing legal proceedings as at December 31, 2020, it has no reason to believe that the settlement of any one of these proceedings could have a material impact on its financial position.

19. SUPPLEMENTARY INFORMATION

The following statements present the financial information of the specialized portfolios:

STATEMENT OF FINANCIAL POSITION	SHORT TERM INVESTMENTS (740)		RATES (765)		CREDIT (766)	
	2020	2019	2020	2019	2020	2019
Total assets	1,580	1,566	49,135	61,244	103,172	96,714
Total liabilities excluding net assets attributable to holders of participation units	1	685	18,856	30,053	29,418	30,784
NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS	1,579	881	30,279	31,191	73,754	65,930

STATEMENT OF COMPREHENSIVE INCOME	2020	2019	2020	2019	2020	2019
Net income	15	15	530	666	2,711	2,355
Net gains (losses) on financial instruments at fair value	-	-	1,751	790	3,272	3,879
Investment result before recoveries from (distributions to) holders of participation units	15	15	2,281	1,456	5,983	6,234
Recoveries (distributions)	(15)	(15)	(530)	(666)	(2,711)	(2,355)
Net income and comprehensive income attributable to holders of participation units	-	-	1,751	790	3,272	3,879

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS	2020	2019	2020	2019	2020	2019
Balance at beginning of the year	881	866	31,191	32,784	65,930	55,675
Net change in participation units for the year	698	15	(2,663)	(2,383)	4,552	6,376
Net income and comprehensive income attributable to holders of participation units	-	-	1,751	790	3,272	3,879
BALANCE AT END OF THE YEAR	1,579	881	30,279	31,191	73,754	65,930

STATEMENT OF FINANCIAL POSITION	LONG TERM BONDS (764)		REAL RETURN BONDS (762)		INFRASTRUCTURE (782)	
	2020	2019	2020	2019	2020	2019
Total assets	4,104	3,572	972	1,282	34,120	30,613
Total liabilities excluding net assets attributable to holders of participation units	760	508	236	2	2,798	3,238
NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS	3,344	3,064	736	1,280	31,322	27,375

STATEMENT OF COMPREHENSIVE INCOME	2020	2019	2020	2019	2020	2019
Net income	87	96	21	26	1,084	964
Net gains (losses) on financial instruments at fair value	254	266	101	72	355	724
Investment result before recoveries from (distributions to) holders of participation units	341	362	122	98	1,439	1,688
Recoveries (distributions)	(87)	(96)	(21)	(26)	(1,084)	(964)
Net income and comprehensive income attributable to holders of participation units	254	266	101	72	355	724

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS	2020	2019	2020	2019	2020	2019
Balance at beginning of the year	3,064	2,845	1,280	1,195	27,375	22,550
Net change in participation units for the year	26	(47)	(645)	13	3,592	4,101
Net income and comprehensive income attributable to holders of participation units	254	266	101	72	355	724
BALANCE AT END OF THE YEAR	3,344	3,064	736	1,280	31,322	27,375

Supplementary information (cont.)

	REAL ESTATE (710)		EQUITY MARKETS (737)		PRIVATE EQUITY (780)	
STATEMENT OF FINANCIAL POSITION	2020	2019	2020	2019	2020	2019
Total assets	44,821	48,651	122,528	118,393	64,569	52,018
Total liabilities excluding net assets attributable to holders of participation units	9,342	8,952	4,832	1,706	485	2,885
NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS	35,479	39,699	117,696	116,687	64,084	49,133

STATEMENT OF COMPREHENSIVE INCOME	2020	2019	2020	2019	2020	2019
Net income	144	19	2,429	2,633	1,169	2,297
Net gains (losses) on financial instruments at fair value	(6,534)	(1,147)	6,812	15,053	9,639	2,186
Investment result before recoveries from (distributions to) holders of participation units	(6,390)	(1,128)	9,241	17,686	10,808	4,483
Recoveries (distributions)	(144)	(19)	(2,429)	(2,633)	(1,169)	(2,297)
Net income and comprehensive income attributable to holders of participation units	(6,534)	(1,147)	6,812	15,053	9,639	2,186

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS	2020	2019	2020	2019	2020	2019
Balance at beginning of the year	39,699	38,226	116,687	108,015	49,133	42,142
Net change in participation units for the year	2,314	2,620	(5,803)	(6,381)	5,312	4,805
Net income and comprehensive income attributable to holders of participation units	(6,534)	(1,147)	6,812	15,053	9,639	2,186
BALANCE AT END OF THE YEAR	35,479	39,699	117,696	116,687	64,084	49,133

	ASSET ALLOCATION (771)		ACTIVE OVERLAY STRATEGIES (773) ¹	
STATEMENT OF FINANCIAL POSITION	2020	2019	2020	2019
Total assets	5,094	2,725	-	6,058
Total liabilities excluding net assets attributable to holders of participation units	3,482	1,087	-	5,381
NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS	1,612	1,638	-	677

STATEMENT OF COMPREHENSIVE INCOME	2020	2019	2020	2019
Net income	(1)	5	-	(33)
Net gains (losses) on financial instruments at fair value	(476)	(255)	-	239
Investment result before recoveries from (distributions to) holders of participation units	(477)	(250)	-	206
Recoveries (distributions)	1	(5)	-	33
Net income and comprehensive income attributable to holders of participation units	(476)	(255)	-	239

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS	2020	2019	2020	2019
Balance at beginning of the year	1,638	1,624	677	529
Net change in participation units for the year	450	269	(677)	(91)
Net income and comprehensive income attributable to holders of participation units	(476)	(255)	-	239
BALANCE AT END OF THE YEAR	1,612	1,638	-	677

¹ On January 1, 2020, the Active Overlay Strategies (773) specialized portfolio was wound up. On the same date, the assets and liabilities of this specialized portfolio were transferred at fair value to other specialized portfolios. This winding up had no impact on net assets and net income and comprehensive income attributable to depositors.