2023 Sustainable Investing Report

VIEW THE REPORT

Message from the President and Chief Executive Officer

BUILDING AND MAINTAINING OUR LEADERSHIP IN SUSTAINABLE INVESTING

The world is transforming. We've been observing it for several years now, from the adoption of artificial intelligence to geopolitical tensions and from economic upheavals to extreme weather events. Everything is changing at a breathtaking pace.

Is it possible to maintain a long-term view when the short term keeps us second-guessing? Absolutely. Especially for an investor like CDPQ, which is responsible for the retirement of over six million Quebecers.

Sustainable investing is and will continue to be debated on the international stage. All the while, investors are competing more than ever for transition assets, and they are strengthening their governance as well as diversity and inclusion practices. At CDPQ, we remain steadfast in our conviction that sustainability goes hand in hand with long-term returns. And I am proud to see how far we've come and everything our organization has achieved.

Fully playing our role

Evolving our approach

Fully playing our role

FULLY PLAYING OUR ROLE

In 2017, when we announced our first climate targets, we were one of the first funds to adopt a pragmatic, ambitious approach that met an urgent global need. In 2021, we raised these targets. Two years later, we're very close to reaching them, faster than expected owing to the proactive work of our teams on the ground.

These efforts also allowed us to announce new initiatives and to be one of the first institutional investors to completely exit oil production with the sale of our last stake in this sector. Because we believe it's simply counterproductive to help increase the supply of this form of energy.

At the same time, we're committed to supporting the transition, including in high-emitting sectors that are meeting the energy supply needs of communities around the world. We have a $10-billion envelope to invest in companies in these industries when they have a clear transition plan and specific targets to achieve. This is essential if we truly want to transition the economy.

At the same time, we continue to invest in low-carbon or low-intensity assets that are well positioned for the future. Taken together, they represent more than $330 billion—or close to 80%—of our total portfolio.

Beyond the environment, we have made progress in a number of areas, such as our strong commitment on international taxation, in line with the recommendations of the Organisation for Economic Co-operation and Development (OECD) and which, incidentally, earned us the first IJGlobal ESG Award for Governance in 2021, a major recognition in our industry. This commitment enables us to make better investment decisions, monitor companies whose tax practices fall short of our expectations, and continue to promote best practices at our portfolio companies. We want to ensure that they adopt the most responsible behaviour in their respective communities.

Evolving our approach

EVOLVING OUR APPROACH

Sustainability criteria are crucial as a tool for measuring companies' long-term performance and risks. We should take full advantage of them.

Now, once a target has been reached, there's only one good option: to raise it even higher. Further evolve our approach. Determine what we can do differently, and even better. Where we can have an impact. Social issues, in particular, are one of our top priorities.

Constructive capital, which aims to combine performance and progress, is our investment philosophy. So it's important to look at our portfolio from every angle. Do our portfolio companies have positive, neutral or even negative impacts? One of our roles is to work with them on identifying the best ways to integrate ESG factors. This involves taking the full measure of what we can do, and leveraging that to improve our total portfolio's sustainability.

COMMITTED TEAMS

Our leadership in sustainable investing is recognized internationally. For example, we were ranked first in the world among pension funds in Global SWF's 2023 GSR Scoreboard, which assesses the governance, sustainability and resilience practices of 200 pension funds worldwide.

This leadership on the world stage is due to the work of our people; their diverse talents and expertise propel us forward. I would like to thank them for their work—which is very demanding but well worth the effort.

More importantly, I want to emphasize that our convictions have indeed paid off in recent years, and I'm confident this will continue in the long term, for our depositors and future generations.

Charles Emond
President and Chief Executive Officer

Creating value in a world in transition

Sustainable finance is essential to investing. Not only must we manage the complexity of risks, but we must seize the best opportunities to deploy our constructive capital in Québec and around the world, thereby generating optimal sustainable returns.

We consult and engage with our portfolio companies, external managers, peers and other stakeholders to facilitate action. This approach leads to better-performing companies that can meet investor expectations while enhancing their competitive stance. These companies create value for our portfolio, as well as for the communities where they do business.

In 2023, our sustainable investing practices made use of the following levers:

- Affirming our leadership through our business decisions
- Generating and preserving value
- Optimizing our processes to maximize efficiency

We draw on the expertise of all our teams as well as in our network. It is their combined experience and knowledge that drives our ability to create forward-looking projects and promising connections.

Affirming our leadership

Generating and preserving value

Activating our levers of influence

Optimizing our processes

AFFIRMING OUR LEADERSHIP THROUGH OUR BUSINESS DECISIONS

More than ever, our leadership position in sustainable investing is determined by the actions we take.

This year, our teams have focused on:

- Developing tools that help us better define the impacts of our investments and align the business models of our portfolio companies with the transition
- Engaging in proactive discussions with our portfolio companies on targeted topics related to sustainability to enhance their strategies and action plans

Generating and preserving value

Activating our levers of influence

Optimizing our processes

GENERATING AND PRESERVING VALUE

CDPQ invests to ensure an optimal return for its depositors, notably by using its levers of influence in sustainable investing (Figure 1).

This year, we strengthened our engagement with all our companies. In the specific case of our private companies, we supported them in strengthening the sustainability of their business practices. Among other things, we do this by offering them tools, resources and best practices—see the Sanfer case study.

We have also analyzed the potential macroeconomic impact of an extreme weather event in a country where we have assets. The results of this analysis revealed the vulnerability or resilience of various asset classes, enabling us to propose mitigation and adaptation measures to the companies that risk being affected—see Appendix 4.

Lastly, we are tracking the decarbonization curves of our portfolio companies to accelerate the transition underway in their operations, in addition to expanding the scope of our commitments by working on biodiversity—see the section Our biodiversity activities.

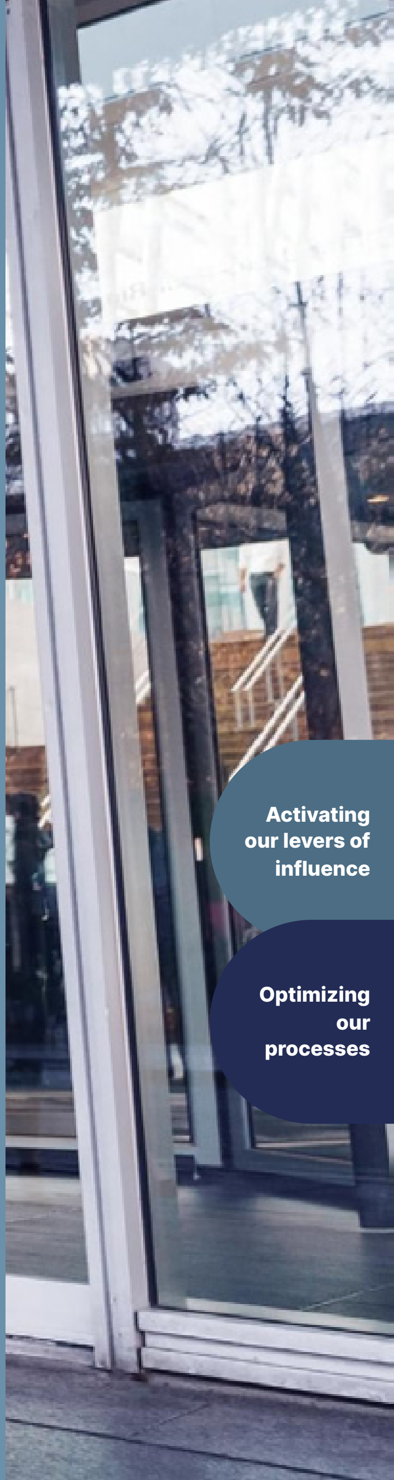


FIGURE 1

Our six sustainable investing levers of influence

1 **STRATEGY**
Deployment of strategies, policies and initiatives to affirm our ambition in sustainability

2 **LEADERSHIP**
Participation in initiatives and working groups in Québec and abroad alongside our peers in the financial ecosystem

3 **ESG INTEGRATION**
Assessment of ESG performance integrated into the investment analysis and decision-making process

4 **SUPPORT**
Advisory role for our teams, nominee directors, portfolio companies, external managers and operating partners to improve the integration of ESG issues

5 **DIALOGUE AND ENGAGEMENT**
Ongoing dialogue with our portfolio companies and external managers to promote ESG best practices and create and protect value

6 **SHAREHOLDER VOTING**
Exercise of our right to vote as a shareholder in accordance with our sustainability convictions and priorities

OPTIMIZING OUR PROCESSES FOR MAXIMUM EFFICIENCY

We are continuously improving our internal processes. This year, we deployed new tools that have enabled us to innovate, become more efficient and accelerate the development of our sustainable investing culture.

AGIR

Our teams have developed a new application for managing our ESG data: AGIR. The purpose of this tool is to centralize and facilitate access to ESG information on our portfolio companies. In 2023, we integrated two business processes in it: ESG analysis and the management of our investment exclusions as defined in our Policy – Sustainable Investing.

ESG RATING METHODOLOGY

The ESG rating methodology on which the AGIR application is based was updated in 2023. Developed in-house, it was inspired by the Sustainability Accounting Standards Board (SASB) grid and is aligned with new standards issued by the International Sustainability Standards Board (ISSB). The methodology improves the way in which we take account of material ESG issues by establishing sectoral risk levels. It also allows us to rate all issuers across different asset classes in a harmonized manner, and facilitates analysis of their practices through an ESG assessment structure inspired by the Task Force on Climate-related Financial Disclosures (TCFD) framework.

ESG GRID

Our teams have worked to improve our methodology for rating external managers. It involves a grid used to assess their maturity according to various ESG factors, including climate as well as diversity, equity and inclusion (DEI). Tools have also been created to optimize the transfer of knowledge to our investment teams. This fosters efforts to promote best practices and demonstrates our conviction to help our external managers improve their approaches.

REFERENCE TOOLS

We have developed a number of reference documents for our portfolio companies and external managers to help them integrate ESG factors into their business strategies. This includes the following documents:

- *Integrating ESG Factors to Create a Sustainable Business Strategy*, which presents the four strategic pillars of ESG integration: governance, strategy, risk and opportunity management, as well as indicators and targets
- *Diversity, Equity and Inclusion: Value Creation Drivers*, which explains the importance of developing a DEI strategy and provides tools for implementing it

Message from the Global Head of Sustainability

More than ever, the choices we make as investors are crucial, both for the planet and the communities where we do business. At CDPQ, our teams of experts are guided by our conviction that the path we started down several years ago is the right one. It is possible to maximize returns for our depositors while seeking a better alignment of capital with sustainable development. Our approach is pragmatic, and our efforts are aimed at contributing to a more sustainable future. As the results in this report show, our approach is paying off.

Today's challenges are tremendous levers for value creation. This is why we have an optimistic approach, both here in Québec and internationally. We support our portfolio companies on a day-to-day basis to ensure that they implement solid transition plans and view this journey as a promising business opportunity. We believe that this is the path that leads to achieving our shared goals.

We see the financial ecosystem playing an essential role in advancing sustainability issues. This is why, once again this year, innovative partnerships have been central to our success. A case in point is our collaboration on major global initiatives. Together, we are moving forward on mobilizing private capital around concrete solutions to accelerate the transition. At major international forums and high-level gatherings such as the G20 and COP28, CDPQ's leadership on these themes shines through.

To continue on this path, we can rely on our diversified teams, which continue to propose innovative solutions for meeting the challenges that lay ahead. Their wide-ranging expertise, openness to others and in-depth knowledge of the markets make me proud to be at their side, and give me confidence for the future.

Marc-André Blanchard
Executive Vice-President and Head of CDPQ Global and Global Head of Sustainability

2023 Highlights

SUSTAINABLE DEVELOPMENT GOALS

We contribute to six United Nations Sustainable Development Goals

ENVIRONMENT

An active portfolio to accelerate the transition.

$53 B
in low-carbon assets

$5 B
in transition assets

$82 B
in SBTi-compliant or near-compliant assets

$330 B
in assets with a low-carbon footprint

SOCIAL

We work to build strong communities.

46%

of our employees are women

199

pre-investment opinions on tax practices

26%

of our employees in Québec identify as a member of one of the following three groups:

- Visible minorities
- Ethnic minorities
- Indigenous peoples

57%

of our actively managed public companies count at least 30% women on their Boards of Directors

GOVERNANCE

We leverage solid governance practices.

10

Québec companies supported in their implementation of sustainable business practices

308

discussions to raise awareness on ESG factors among our portfolio companies and external managers

37,536

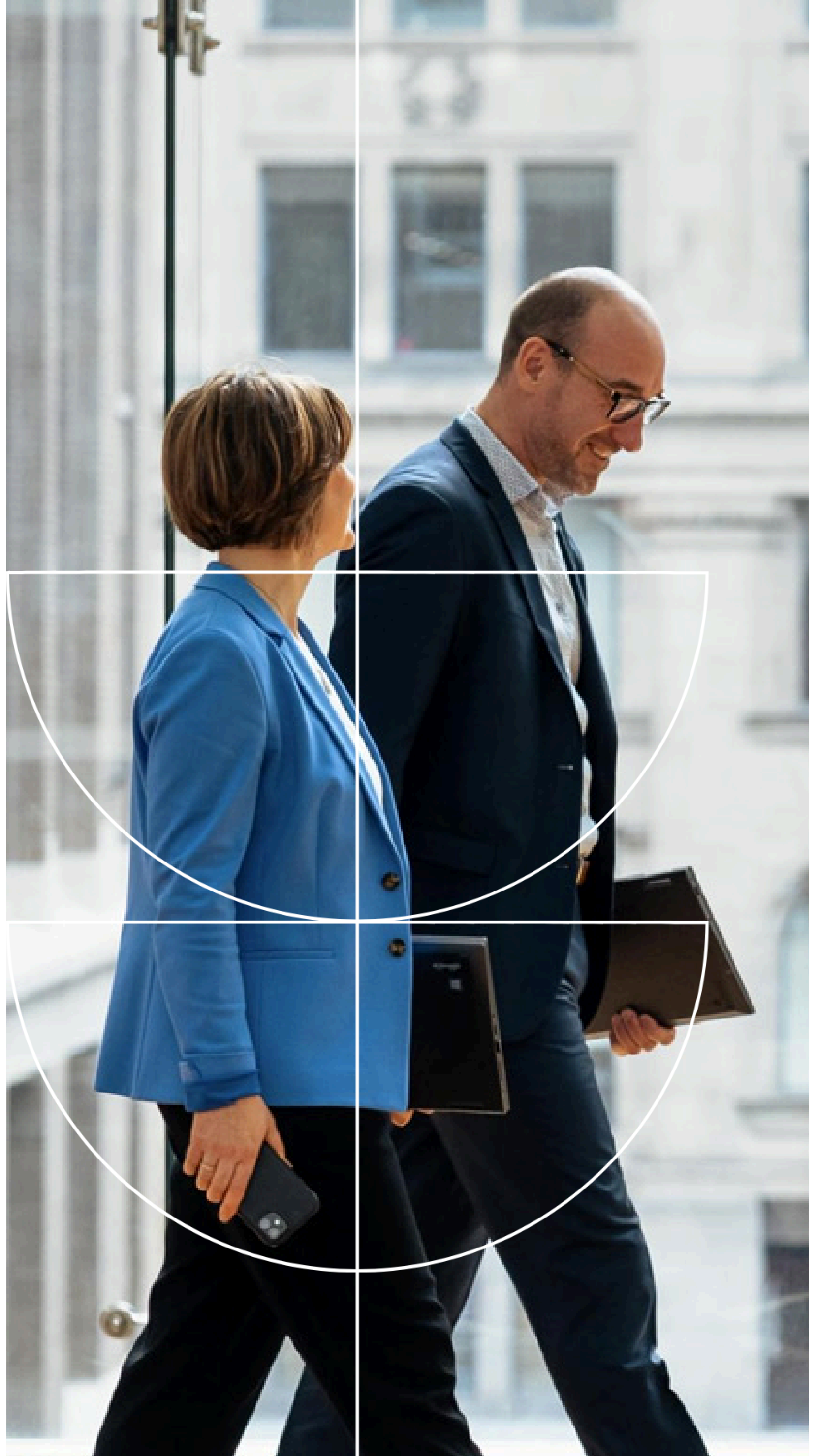
resolutions voted on at

3,635

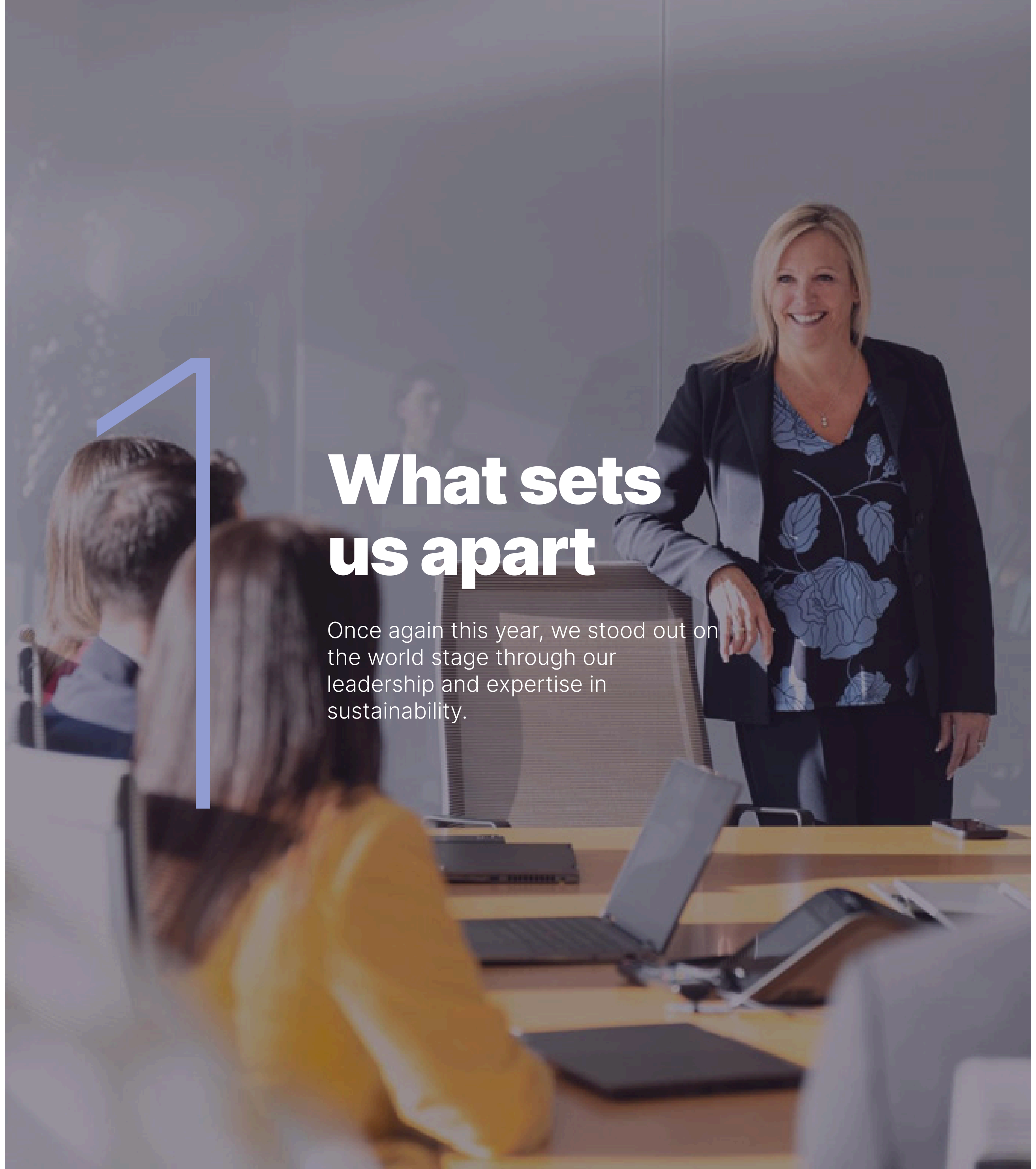
shareholder meetings held by our portfolio companies

278

technology risk analyses



We exercise our influence through the actions we take.



1 What sets us apart

Once again this year, we stood out on the world stage through our leadership and expertise in sustainability.

GSR 2023 Scoreboard

We ranked at the top of the list of pension funds included in Global SWF's 2023 GSR Scoreboard, considered an international benchmark, which assesses the governance, sustainability and resilience practices of 200 sovereign wealth and pension funds worldwide. This recognition reflects the quality of our teams' work as well as the organization's leadership on advancing sustainability issues in Québec and internationally.

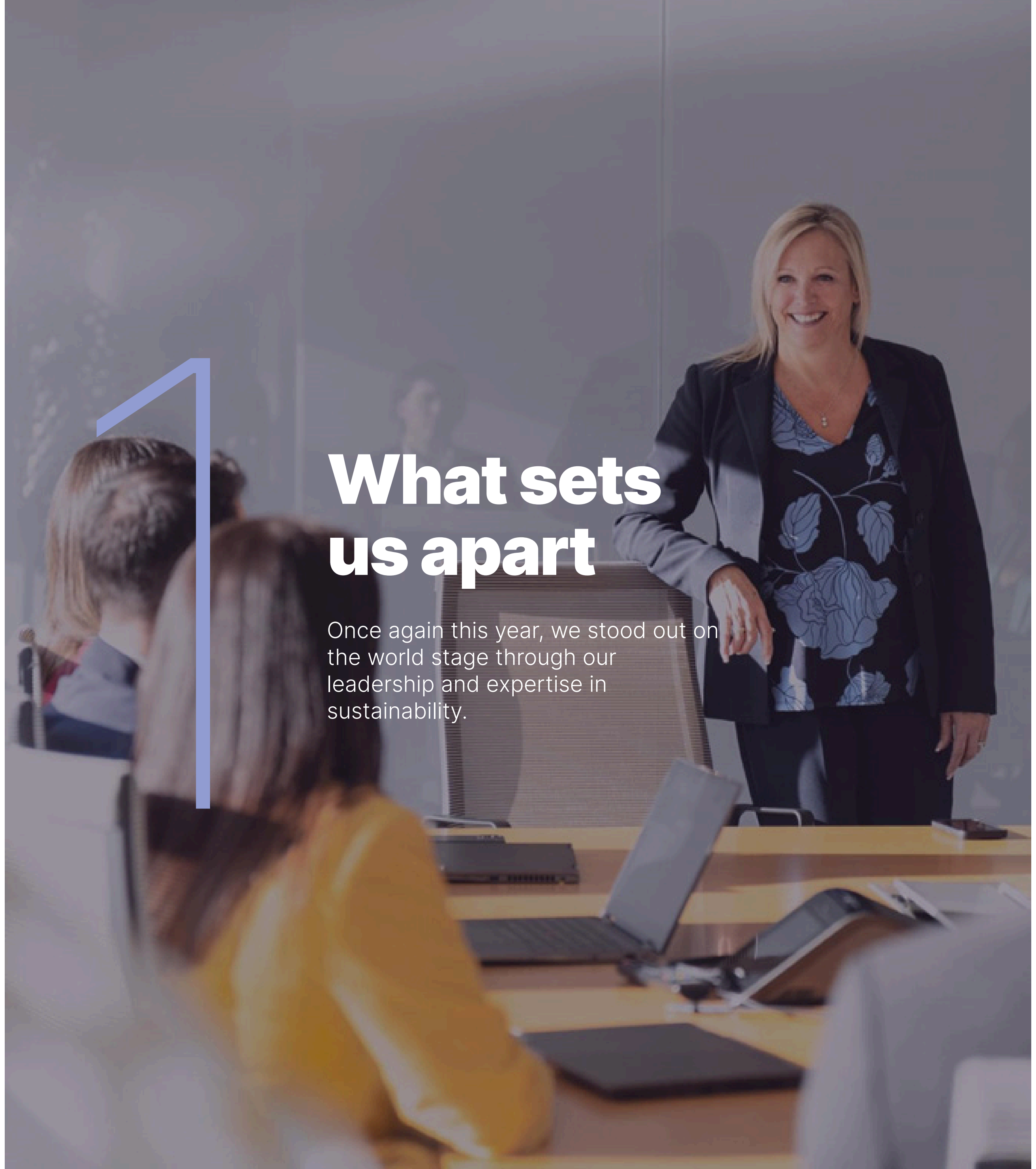
Great Place to Work

Terra Carta Seal

IPE Real Assets & Infrastructure Global Investor Awards

IPE Real Estate Global Awards

Institutional Connect Awards



1 What sets us apart

Once again this year, we stood out on the world stage through our leadership and expertise in sustainability.

GSR 2023 Scoreboard

Great Place to Work

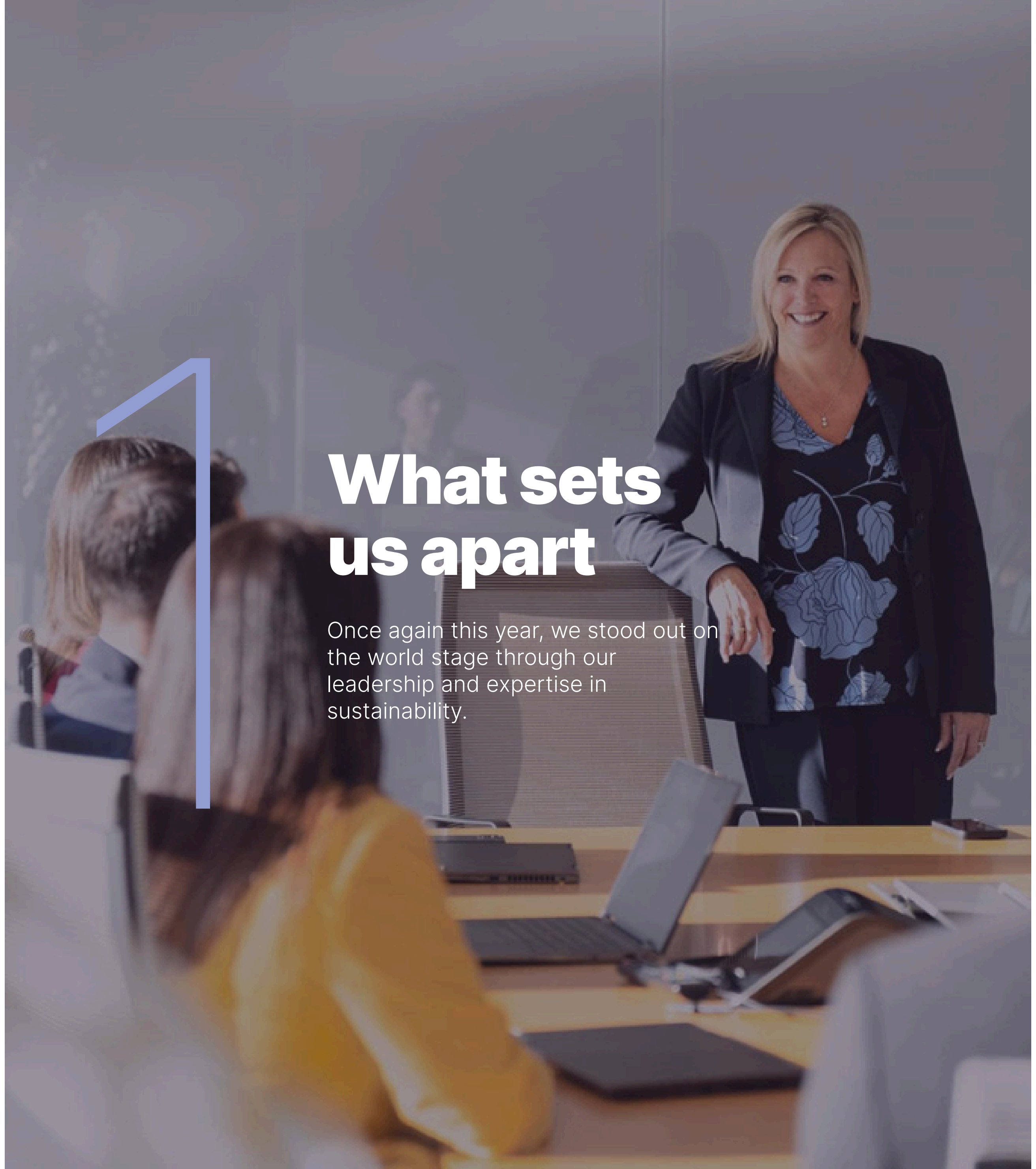
Our Paris office was certified by Great Place to Work, a global benchmark that recognizes the best workplaces. Our London office received this recognition for a third consecutive year. CDPQ's Singapore office ranked among the top 20 Best Places to Work in Asia Pacific according to Best Places to Work, while that of Ivanhoé Cambridge, our real estate arm, took first place among the top 4 Best Places to Work in Singapore. These distinctions demonstrate the strength of our organizational culture and the quality of our working environment.

Terra Carta Seal

IPE Real Assets & Infrastructure Global Investor Awards

IPE Real Estate Global Awards

Institutional Connect Awards



1 What sets us apart

Once again this year, we stood out on the world stage through our leadership and expertise in sustainability.

GSR 2023 Scoreboard

Great Place to Work

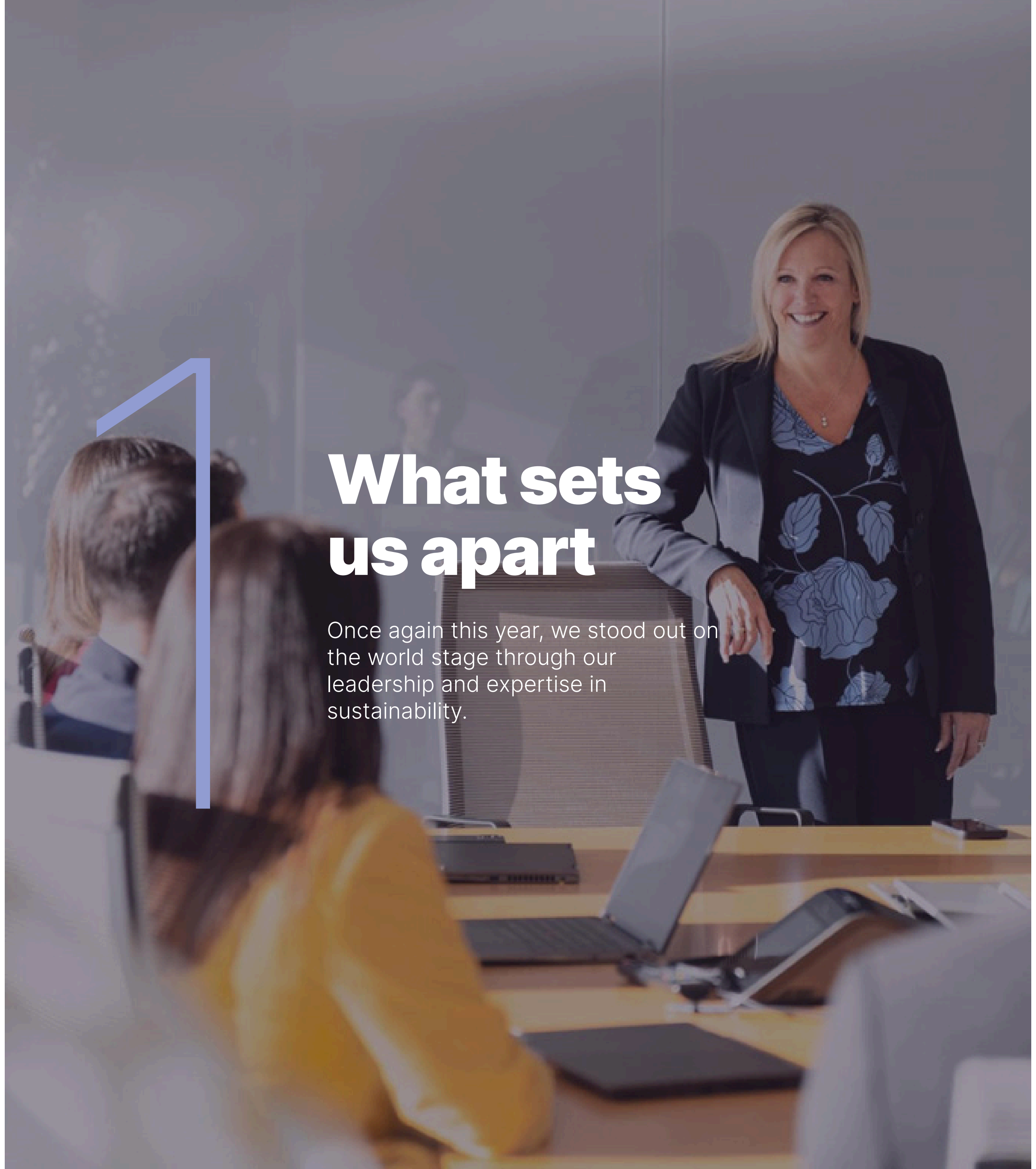
Terra Carta Seal

CDPQ obtained the 2023 Terra Carta Seal from the Sustainable Markets Initiative (SMI). This honour is awarded to organizations that are actively contributing to create a climate and nature-positive future. We are the first Canadian pension fund to receive this seal, which attests to our efforts to achieve a net-zero portfolio by 2050.

IPE Real Assets & Infrastructure Global Investor Awards

IPE Real Estate Global Awards

Institutional Connect Awards



What sets us apart

Once again this year, we stood out on the world stage through our leadership and expertise in sustainability.

GSR 2023 Scoreboard

Great Place to Work

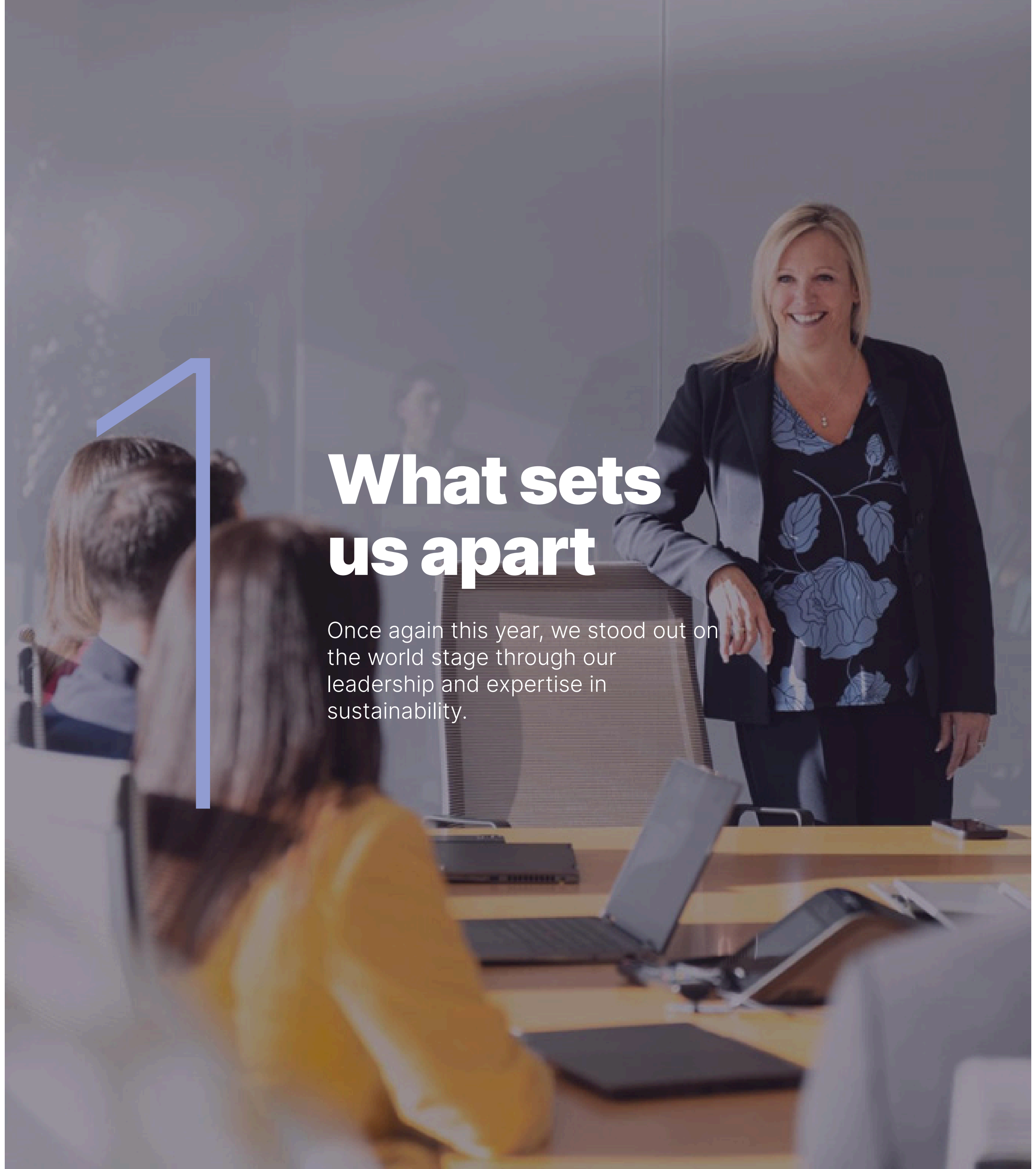
Terra Carta Seal

IPE Real Assets & Infrastructure Global Investor Awards

CDPQ won the Direct Strategy and Transport awards at the IPE Real Assets & Infrastructure Global Investor Awards, which recognize the achievements of pension funds and other institutional infrastructure investors. We stood out for our commitment to generating stable, predictable long-term returns while addressing crucial societal challenges such as climate change and sustainable mobility.

IPE Real Estate Global Awards

Institutional Connect Awards



1

What sets us apart

Once again this year, we stood out on the world stage through our leadership and expertise in sustainability.

GSR 2023 Scoreboard

Great Place to Work

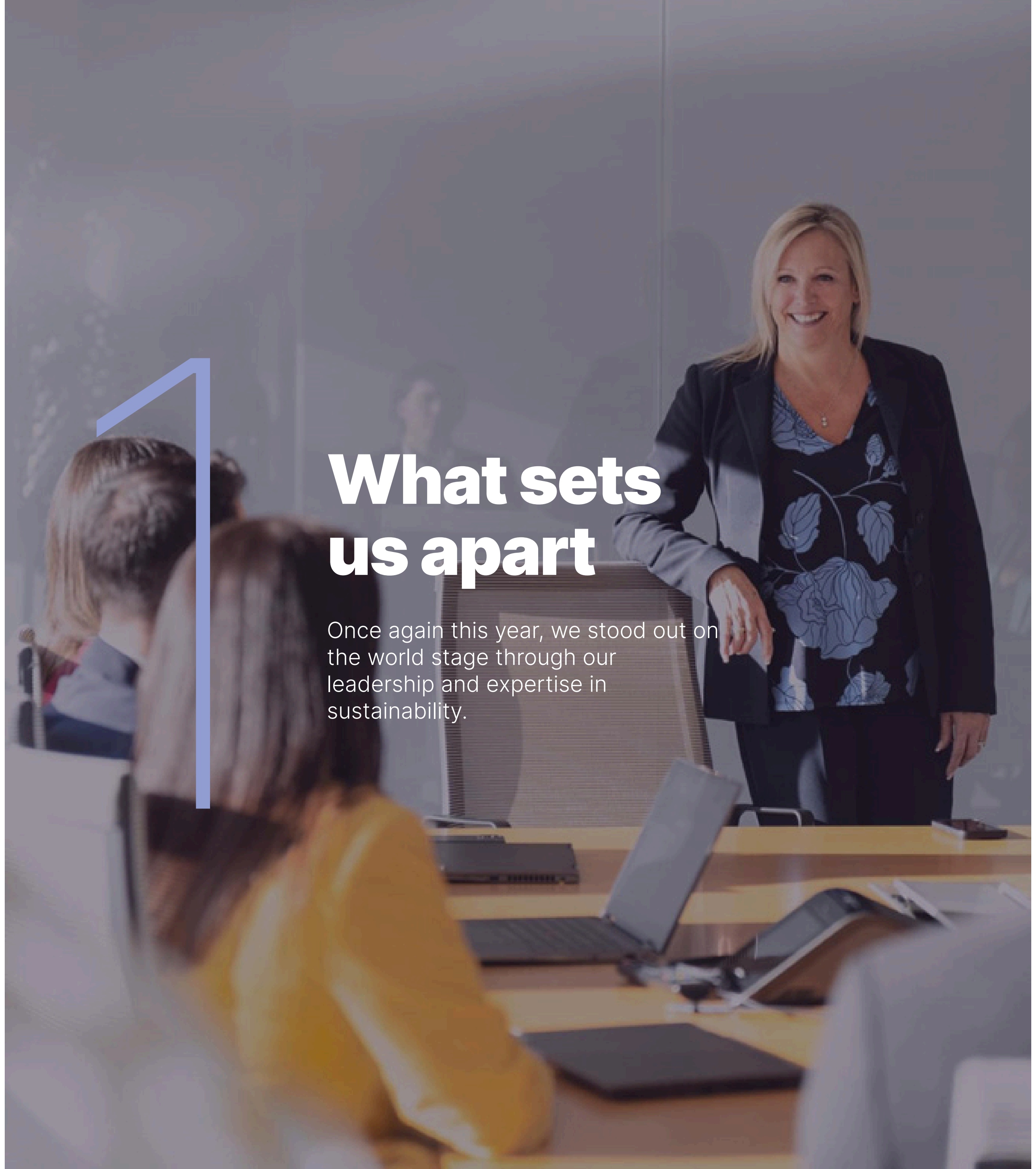
Terra Carta Seal

IPE Real Assets & Infrastructure Global Investor Awards

IPE Real Estate Global Awards

Ivanhoé Cambridge won nine awards at the IPE Real Estate Global Awards 2023, including Global Real Estate Investor of the Year and, for the second consecutive year, the ESG Award, both of which were in the Platinum category, confirming the organization’s commitment and leadership in sustainable investing.

Institutional Connect Awards



1

What sets us apart

Once again this year, we stood out on the world stage through our leadership and expertise in sustainability.

GSR 2023 Scoreboard

Great Place to Work

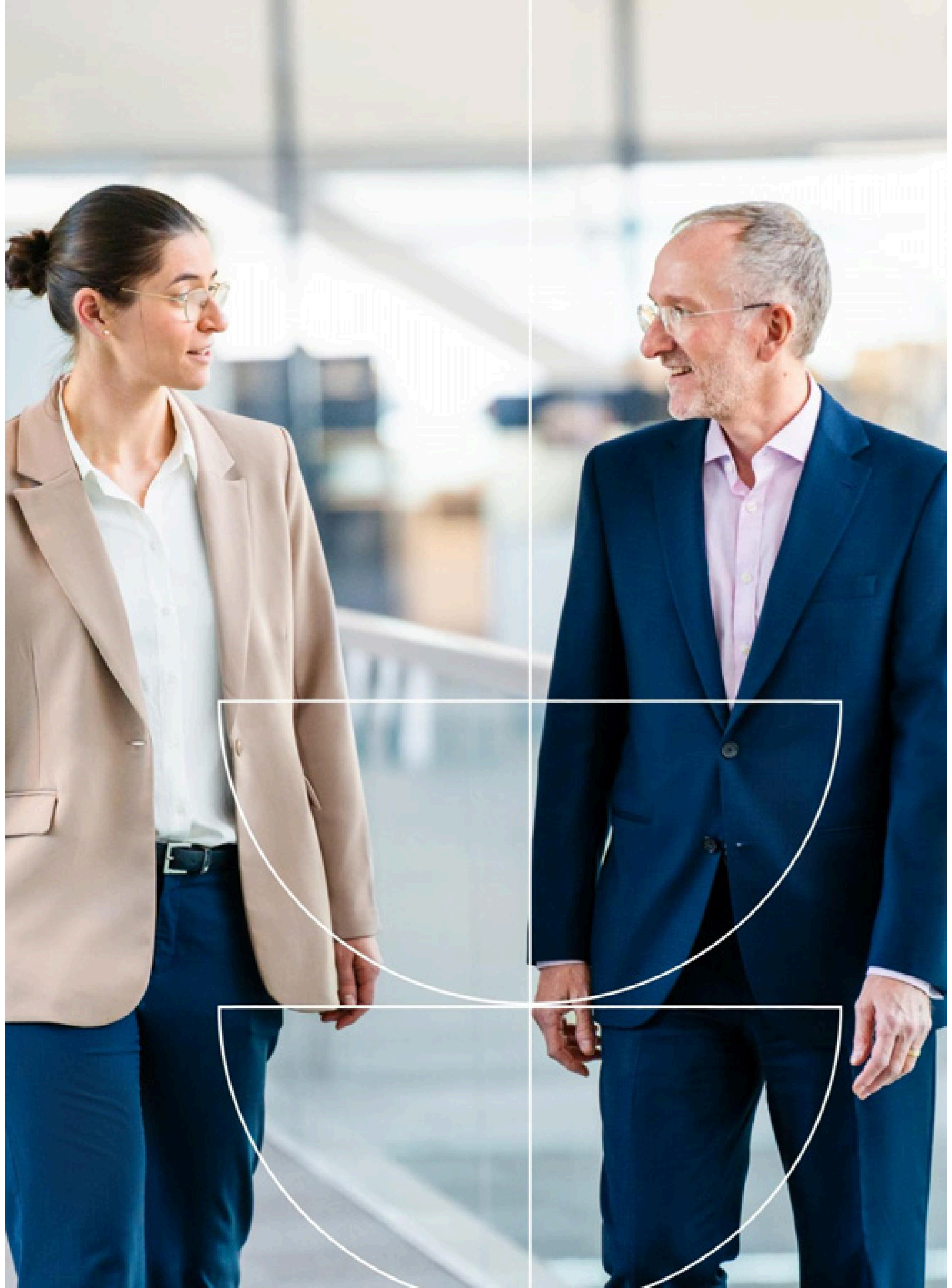
Terra Carta Seal

IPE Real Assets & Infrastructure Global Investor Awards

IPE Real Estate Global Awards

Institutional Connect Awards

Ivanhoé Cambridge received the Climate Change Champion and the Diversity, Equity and Inclusion Awards at the ceremony for the Institutional Connect Awards 2023. This was the first edition of awards celebrating members of the Canadian institutional investment industry.



2

Our mobilization initiatives

CDPQ actively contributes to the evolution of sustainable finance. Through the strength of our tangible commitments, recognized leadership and multi-stakeholder partnerships, we propose sustainable solutions to accelerate the transition. We support multiple initiatives and participate in several working groups to advance the sector.

MOBILIZING PRIVATE CAPITAL TO ACCELERATE THE TRANSITION

Financing needs for the projects required for the transition are immense. Private capital must be mobilized to execute such projects since public actors cannot do it on their own. Institutional investors like CDPQ can spur innovative partnerships between diverse sources of capital to adopt solutions for sustainable growth.

This year we collaborated on several initiatives to advance this strategy, including:

- The launch of a private capital mobilization consortium with the U.S. Treasury and the Investor Leadership Network (ILN), an initiative co-chaired by CDPQ, Natixis Investment Managers and Ninety One, to accelerate investment in sustainable infrastructure in emerging economies.
- Creation of a new strategic partnership between the U.S. Trade and Development Agency (USTDA) and the ILN focused on developing a pipeline of commercially viable projects in emerging markets, an initiative co-chaired by CDPQ and Ninety One.
- Adoption of a 2023–2025 work plan by the Global Investors for Sustainable Development (GISD) dedicated to advancing blended finance and removing the regulatory barriers that are impeding capital flows to sustainable investments, particularly in emerging economies. CDPQ co-chairs the Task Force on Scaling Capital Mobilization, whose objective will be to communicate private sector perspectives at COP29 in 2024.
- Participation in discussions to advance decarbonization in the aviation sector alongside the SMI, and chairing SMI's Blended Finance Task Force.
- Launch of a call to action, under CDPQ's leadership, to intensify the mobilization of private capital to fight climate change, supported by 10 organizations representing some of the largest institutions in the finance sector.

PROMOTING UNIFORM DISCLOSURE STANDARDS

Transparent corporate disclosure is a priority for investors like CDPQ. It enables us to make investment decisions based on uniform and comparable criteria. The ISSB, whose mandate is to establish financial reporting standards on sustainability, published its inaugural standards in June 2023. They will help consolidate existing disclosure frameworks, including SASB standards and the TCFD framework. We have demonstrated our support for these new standards through several initiatives:

- Issuance of a joint statement alongside Canada's 10 other leading pension plan investment managers in support of adopting these new disclosure standards. We also encourage our portfolio companies to adopt them.
- At COP28, joining close to 400 other organizations associated with International Financial Reporting Standards (IFRS) to promote the use of the ISSB's global climate change disclosure framework.
- Joint signing, alongside 24 Québec financial institutions, of an open letter calling to go forward with widespread adoption of the ISSB standards as a global benchmark for sustainability reporting.
- Organization of a round table with our Canadian peers to share best practices on integrating ISSB standards.
- Active participation in various ISSB public consultations to help define their next priorities.
- Participation in the Canadian Chapter of the CFO Leadership Network, which brings together organizations seeking to embed the management of environmental and social issues into business processes and strategies.
- Speaking engagements at close to 10 public events to explain the new requirements and encourage their adoption.

SUPPORTING THE INTEGRATION OF DEI IN CORPORATE GOVERNANCE

We took part in a public consultation organized by the Canadian Securities Administrators (CSA), in collaboration with the Autorité des marchés financiers (AMF), concerning an amendment to the Regulation respecting Disclosure of Corporate Governance Practices. This project aims to tighten the framework for DEI disclosure practices, such as representation on the Board and in senior management for five designated groups: women, Indigenous peoples, visible minorities, persons with disabilities and members of the LGBTQIA2S+ community.

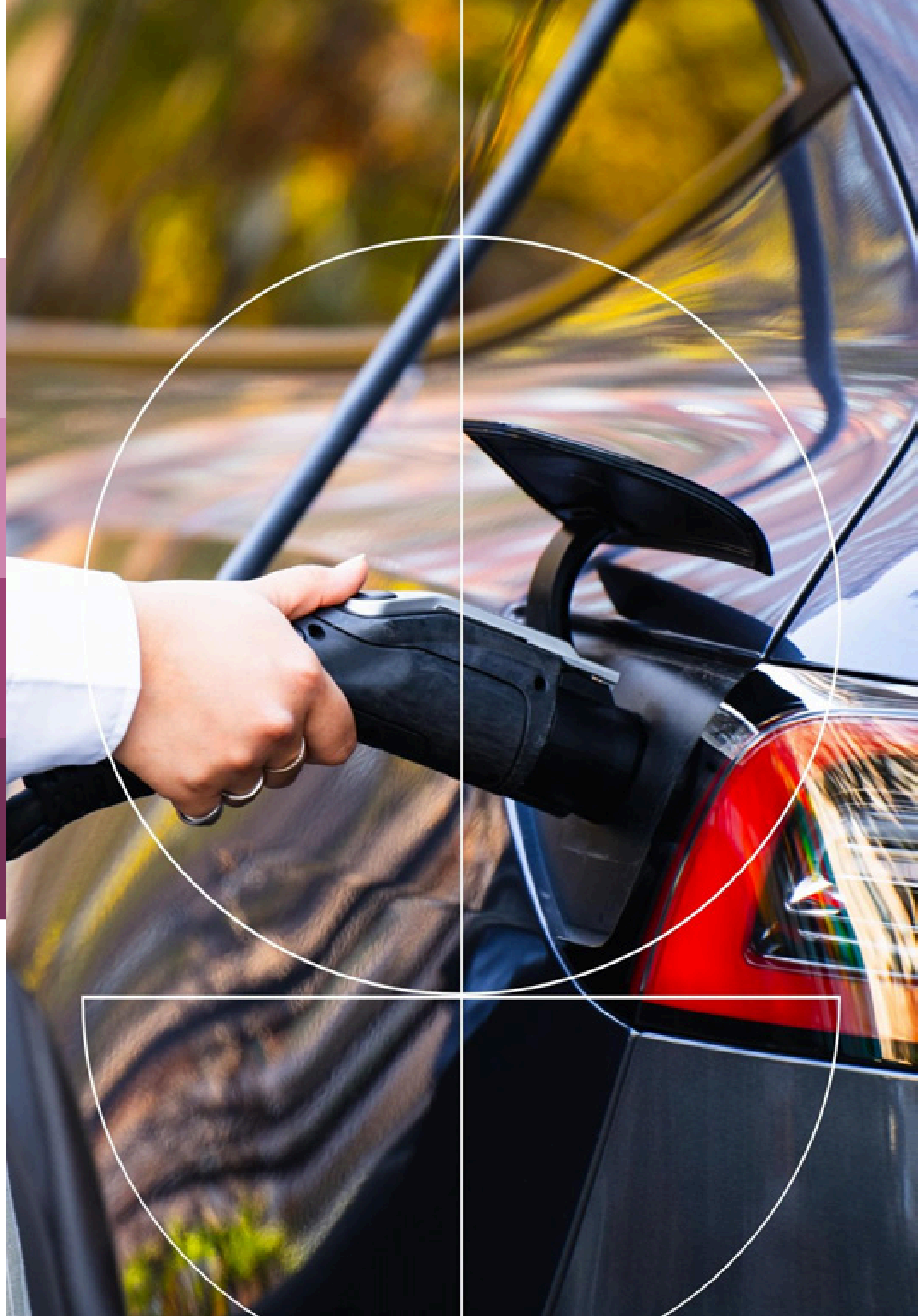
ADVISING ON SUSTAINABLE FINANCE

Our teams' varied expertise is frequently called upon to support sustainable economic development. We participate in a number of local, provincial and federal advisory committees, including the steering committee of the Partenariat Climat Montréal, the advisory committee on climate change and the Sustainable Finance Action Council.

In addition, Charles Emond, our President and CEO, co-chairs the advisory committee of the Université de Montréal's Michael D. Penner Institute on ESG. Launched in 2023, this multidisciplinary program supports in-depth research on environmental, social and governance issues.

INVESTI FUND

We supported Finance Montréal and Innocap in the creation of Investi Fund, an investment fund dedicated to ESG and sustainable finance in Québec, which aims to raise $1 billion in commitments over two years. Launched in May 2023, this initiative seeks to identify and grow the most innovative sustainable investment strategies and propel Québec-based asset management firms specializing in ESG and sustainable finance. The goal is to better equip these firms and encourage taking ESG factors into account throughout the Québec financial ecosystem.



AFFIRMING OUR CLIMATE LEADERSHIP

We take part in major climate leadership initiatives. This represents an opportunity for us to improve our own practices as well as those of our portfolio companies and the finance sector.

We continue to be involved in the United Nations-Convened Net-Zero Asset Owner Alliance (NZAOA). In 2023, Charles Emond was re-elected to the steering committee by his peers. Members of our teams also sit on various working groups. The NZAOA has published several documents that support the development of sustainable finance and investing. They address topics such as transparency and accountability in climate engagement, mobilizing private capital for the transition and decarbonizing portfolios. The NZAOA also published the third edition of its Target-Setting Protocol for climate targets based on the latest scientific advances. It also released its third report detailing members' progress toward their targets of net zero by 2050.

In 2023, Mr. Emond also joined the steering committee of the Glasgow Financial Alliance for Net Zero (GFANZ), a group of over 675 of the world's largest financial institutions committed to achieving net-zero portfolios. CDPQ also co-chaired the new working group on transition financing and the transition of the real economy. Its mandate is to support the work of the Industrial Transition Accelerator, which aims to develop decarbonization roadmaps for the highest-emitting industries, such as steel, cement, aviation and maritime shipping, by 2025.

International outreach

INTERNATIONAL OUTREACH

To promote sustainable investment best practices and build relationships with partners whose values are aligned with CDPQ's, we attend the most important international meetings. We are involved in key conversations that foster taking action.

B20 Forum

CDPQ took part in high-level meetings as part of the B20, an official forum organized on the sidelines of the G20 in New Delhi to promote dialogue between the business community and international leaders. We co-chaired the Task Force on Energy, Climate Change and Resource Efficiency. The task force published a series of recommendations, several of which were included and adopted in official G20 statements. They cover a sustainable and just transition, as well as access to private capital to finance decarbonization.

Climate Week NYC

United Nations Conference of the Parties on Climate Change (COP28)

INTERNATIONAL OUTREACH

To promote sustainable investment best practices and build relationships with partners whose values are aligned with CDPQ's, we attend the most important international meetings. We are involved in key conversations that foster taking action.

B20 Forum

Climate Week NYC

CDPQ took part in Climate Week NYC, an event that brought together members of the financial community, policymakers and civil society representatives from around the world. We were able to exchange views on climate change challenges and how to address them through disclosure frameworks and shared commitments. These discussions seek to foster the transition to a more sustainable economy.

United Nations Conference of the Parties on Climate Change (COP28)

INTERNATIONAL OUTREACH

To promote sustainable investment best practices and build relationships with partners whose values are aligned with CDPQ's, we attend the most important international meetings. We are involved in key conversations that foster taking action.

B20 Forum

Climate Week NYC

United Nations Conference of the Parties on Climate Change (COP28)

CDPQ took part in COP28, which was held in Dubai and attended by over 85,000 people from government, the private sector and civil society. Our attendance at this international meeting helped us strengthen collaborations with peers and consolidate our leadership in advancing sustainable finance. We organized several meetings with our portfolio companies to discuss concrete solutions for accelerating the transition.

Our colleagues shared their expertise and promoted CDPQ's leadership in the fight against climate change as part of around 30 public speaking events, and they participated in some 50 meetings with partners, businesses and government representatives from around the world.

3

Our commitment to the community

Our role extends well beyond our investment activities. We also support the communities where we do business through direct actions. Our philanthropic activity is focused on four priority sectors:

- Communities
- Health
- Fight against climate change
- Academics

Over the past year, we supported close to 200 organizations. Here are just a few examples:

Numérique au féminin

We support Numérique au féminin, which organizes events to promote the role of women in the digital industry. With our support, the movement creates opportunities in Québec City and Montréal to connect and engage the community through indicators that measure the place held by women in the industry.

Fonds Michel-Nadeau

Fonds d'action québécois en développement durable (FAQDD)

Old Brewery Mission

Over the past year, we supported close to 200 organizations. Here are just a few examples:

Numérique au féminin

Fonds Michel-Nadeau

In collaboration with the Institute for Governance of Private and Public Organizations (IGOPP), CDPQ created the Fonds Michel-Nadeau in 2023. Its objective is to support 5 to 10 Québec non-profit organizations (NPOs) each year to strengthen their governance capabilities with the help of IGOPP specialists.

Fonds d’action québécois en développement durable (FAQDD)

Old Brewery Mission

Over the past year, we supported close to 200 organizations. Here are just a few examples:

Numérique au féminin

Fonds Michel-Nadeau

Fonds d'action québécois en développement durable (FAQDD)

We support the FAQDD to accelerate the adoption of sustainable development practices within CDPQ-supported NPOs in all regions of Québec. Since the beginning of the partnership, the FAQDD has formed four cohorts to match NPOs with specialists who can help them implement eco-responsible practices. To date, the program has supported 26 NPOs, including 5 in 2023.

Old Brewery Mission

Over the past year, we supported close to 200 organizations. Here are just a few examples:

Numérique au féminin

Fonds Michel-Nadeau

Fonds d’action québécois en développement durable (FAQDD)

Old Brewery Mission

We support Old Brewery Mission, an organization working with homeless people in Montréal. Kim Thomassin, our Executive Vice-President and Head of Québec, is Honorary Co-Chair of the organization’s major fundraising campaign. The funds collected directly help the organization meet the growing needs of vulnerable populations and expand its support services.

MARILOU LEMMENS (Ascot Corner, 1976)
ET RICHARD IBGHY (Montréal, 1964)
Les travailleurs, 2016
Photo: Richard-Max Tremblay

ART COLLECTION

Since 2003, CDPQ has been investing in art to enrich its diverse collection. The CDPQ collection currently comprises 383 works of art. Some 20 new acquisitions are made each year through the work of a committee that ensures the quality of the works and the inclusion of established and emerging Québec artists. It also ensures a fair representation of Québec society, in particular through diverse mediums, approaches and artists.

To celebrate the 20th anniversary of the collection, a selection of emblematic works was exhibited for a month on the Parquet of Édifice Jacques-Parizeau. Several hundred visitors took guided tours of the exhibition.

Initiatives and partnerships

CDPQ and its subsidiaries collaborate on several actions and are members of many groups that are advancing sustainable investing practices.

ALL ENVIRONMENT SOCIAL GOVERNANCE

Name	Mission	Targeted region	Sector
30% Club	Organization that targets having 30% or more women and a greater presence of other underrepresented groups on the Boards of Directors and management teams of companies listed on the S&P/TSX Composite Index	Canada	S
Afrodescendant Leadership Alliance (ALA)	Initiative that helps emerging Black leaders develop their networking and business leadership skills	Québec	S
Asia Investor Group on Climate Change (AIGCC)	Group of Asian investors working to create awareness on climate change among financial players	Asia	E
Association of Quebec Women in Finance (AFFQ)	Networking initiative dedicated to the professional advancement of women in finance	Québec	S
Responsible Investment Association (RIA)	Association that contributes to the growth and development of responsible investment	Canada	ESG
Canadian Investor Statement on Diversity & Inclusion	Statement by Canadian investors on diversity and inclusion	Canada	S
Cambridge Universal Ownership Initiative (CUOI)	Coalition of investors dedicated to the rigorous study of targeted systemic risks, including biodiversity and antimicrobial resistance	Global	E
Canadian Coalition for Good Governance (CCGG)	Coalition of Canadian investors that seeks to encourage corporate governance best practices	Canada	G
Carbon Disclosure Project (CDP)	Initiative on environmental disclosure	Global	E

Name	Mission	Targeted region	Sector
CDP Science-Based Targets Campaign	Coalition that seeks to encourage companies to set targets for reducing greenhouse gas (GHG) emissions	Global	E
Carbon Risk Real Estate Monitor (CRREM)	International methodology project to systematize the analysis of risks associated with the decarbonization of commercial real estate	Global	E
Catalyst	Organization that helps create inclusive workplaces for women	Global	S
Ceres	Organization promoting sustainable finance	Global	E
EDGE+ Certification	Certification that measures DEI in the workplace	Global	S
CFO Leadership Network – Accounting for Sustainability (A4S) Initiative	Group of chief financial officers from international organizations involved in sustainable finance	Global	ESG
Chambre de commerce LGBT du Québec	Organization that represents and supports the LGBTQIA2S+ business community in order to foster success among its members and encourage their recognition in different socio-economic groups and by governments	Québec	S
Climate Action 100+	Campaign to raise awareness among large corporate GHG emitters	Global	E
Climate Bonds Initiative (CBI)	Organization that develops standards and raises awareness on the importance of green bonds	Global	E
Collège des administrateurs de sociétés (CAS)	Francophone institution dedicated to training Board members	Québec	G
Comité consultatif sur les changements climatiques	Committee whose mission is to advise the Québec minister responsible for the fight against climate change on climate change adaptation and reducing GHG emissions	Québec	E
Commercial Real Estate Women (CREW) Network	International network dedicated to promoting and supporting women in commercial real estate	Global	S
Sustainable Finance Action Council (SFAC)	Federal government advisory committee on sustainable finance issues	Canada	ESG
Conseil patronal de l’environnement du Québec(CPEQ)	Organization that represents the business sector on questions related to the environment and sustainable development	Québec	E

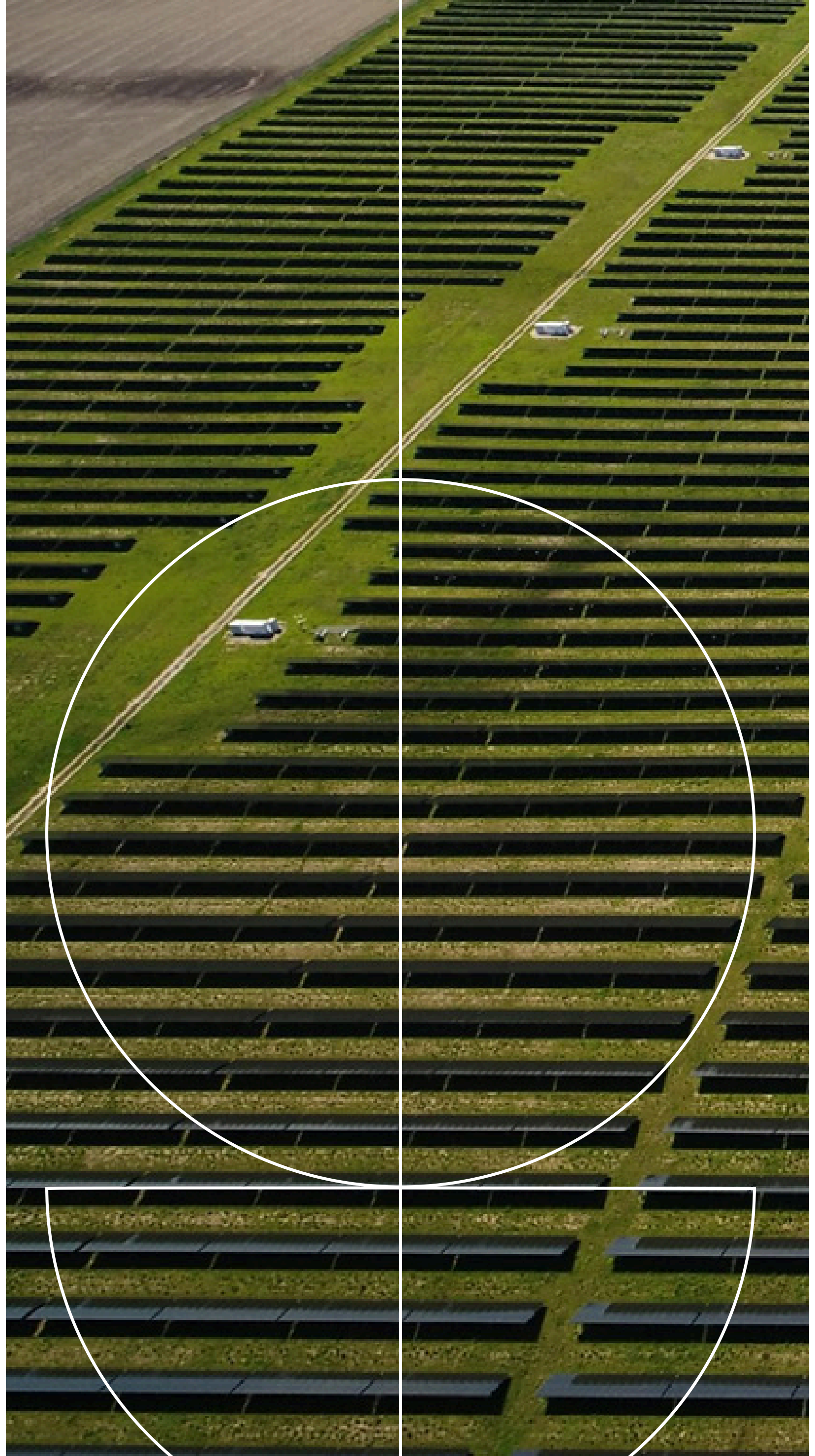
Name	Mission	Targeted region	Sector
Écotech Québec	Organization that maximizes opportunities to develop and deploy clean technologies	Québec	E
European Association for Investors in Non-Listed Real Estate Vehicles (INREV)	Professional association for the non-listed real estate industry, dedicated to sharing ESG knowledge, practices and resources	Europe	ESG
Farm Animal Investment Risk and Return (FAIRR)	Investor network working on ESG issues in the food sector	Global	ESG
Fédération des entreprises immobilières (FEI)	Multi-stakeholder federation of France's commercial real estate industry that seeks to advance sustainable development and develop the environmental taxonomy	Europe	E
Pride at Work in Canada	Organization that empowers employers to build workplaces that celebrate all employees	Canada	S
Finance Montréal	Organization dedicated to developing the financial sector	Québec	ESG
Statement by the Québec Financial Centre for Sustainable Finance	Charter of commitments by stakeholders in the Québec financial sector, initiated by Finance Montréal, in favour of finance based on responsible principles	Québec	ESG
Financial Services Information Sharing and Analysis Center (FS-ISAC)	Organization dedicated to advancing cybersecurity and resilience in the global financial system	Global	G
Focusing Capital on the Long Term (FCLTGlobal)	Organization that conducts research and develops tools to encourage long-term investments	Canada	ESG
Glasgow Financial Alliance for Net Zero (GFANZ)	Coalition of leading financial institutions that aims to accelerate the transition to a net-zero global economy by 2050	Global	E
Global Investor Commission on Mining 2030	Collaborative investor-led initiative that seeks to define a vision for a socially and environmentally responsible mining sector by 2030	Global	ESG
Global Investors for Sustainable Development (GISD) Alliance	Organization committed to increasing long-term financing and investment in sustainable development in line with UN goals	Global	ESG
Global Real Estate Sustainability Benchmark (GRESB)	Organization that assesses the ESG performance of real estate and infrastructure assets	Global	ESG

Name	Mission	Targeted region	Sector
BlackNorth Initiative	Initiative to end systemic racism against the Black community and visible minorities	Canada	S
United Nations Environment Programme – Finance Initiative (UNEP FI)	UN program to catalyze action in the financial community on environmental issues	Global	E
Institute of Corporate Directors (ICD)	Organization that encourages excellence on Boards of Directors to strengthen corporate governance	Canada	G
Michael D. Penner Institute on ESG	Multidisciplinary program to support in-depth research on ESG issues	Québec	ESG
Institute for governance of private and public organizations (IGOPP)	Research and training institute that aims to improve public and private organization governance	Québec	G
Institutional Investors Roundtable (IIR)	Collaborative network of pension funds and sovereign wealth funds	Global	ESG
Institutional Limited Partners Association (ILPA)	Group of international asset managers committed to working together to improve industry practices, particularly on ESG and DEI issues	Global	ESG
Diversity in Action Initiative	Initiative aimed at advancing DEI in private equity	Global	S
ESG Data Convergence Initiative	Initiative to foster convergence on ESG measures in private markets	Global	ESG
International Corporate Governance Network (ICGN)	Group of investors that promotes sound governance principles	Global	G
Natural Capital Committee	Committee focused on governance of the natural environment, ecology and biodiversity	Global	E
International Sustainability Standards Board (ISSB) – IFRS Foundation	Organization that is developing a global framework and disclosure standards for ESG factors	Global	ESG
The A Effect	Initiative that seeks to drive female ambition	Québec	S
Women in Governance	Organization that supports women's leadership and career advancement	Canada	S
The Prosperity Project	Organization created to stop COVID-19 from setting back women	Canada	S
Les Cheffes de file	CDPQ initiative to propel the growth of women-owned businesses	Québec	S

Name	Mission	Targeted region	Sector
National Association of Industrial and Office Properties (NAIOP) Toronto Chapter	Association representing professionals in the North American commercial real estate development industry dedicated to improving DEI in the industry	Canada	S
Nature Action 100	Collaborative initiative that supports investors in engaging companies in the fight against biodiversity loss	Global	E
Net-Zero Data Public Utility (NZDPU)	Initiative to provide a trusted, central source of company-level climate data that is transparent and openly accessible to all	Global	E
Numérique au Féminin	Initiative to promote gender diversity in digital professions	Québec	S
Observatoire de l'immobilier durable	Association that aims to accelerate the ecological transition of the real estate sector in Europe and internationally	Global	ESG
Out Investors	Organization that seeks to make the direct investment sector more welcoming to LGBTQIA2S+ people	Global	S
Montréal Climate Partnership	Coalition of Montréal organizations committed to fighting climate change	Québec	E
Pension Real Estate Association (PREA)	Association for institutional real estate investors dedicated to serving and educating its members about real estate investing	Global	S
Powering Past Coal Alliance (PPCA)	Coalition of governments and businesses working to end the use of coal	Global	E
Principles for Responsible Investment (PRI)	Organization responsible for the UN's sustainable finance principles	Global	ESG
Financial sector statement on biodiversity for COP15	Commitment of international financial institutions to support biodiversity conservation and restoration through their investments	Global	E
PRI Advance	Collaborative initiative for institutional investors seeking to advance human rights through sustainable finance	Global	S
Propulsion Québec	A group committed to supporting Québec's traditional transportation sector in its transition to decarbonization	Québec	E
Real Property Association of Canada (REALPAC)	National association of the commercial real estate industry in Canada dedicated, among other things, to influencing its stakeholders on the importance of ESG factors	Canada	ESG

Name	Mission	Targeted region	Sector
Rep Matters	Organization dedicated to inspiring black entrepreneurs and serves as a bridge to the communities they serve	Québec	S
Investor Leadership Network (ILN)	International coalition of investors involved in sustainable finance	Global	ESG
Joint Engagement Letter on Diversity	Engagement by the members of the ILN toward DEI	Global	S
Réseau des femmes d'affaires du Québec (RFAQ)	Organization that promotes the growth of women-owned businesses through coaching and mentoring to help them access new markets	Québec	S
Sustainability Accounting Standards Board (SASB)	International standards for companies to disclose their sustainability information	Global	ESG
Say on Climate	Initiative to promote consultative voting on corporate climate plans	Global	E
Science Based Targets initiative (SBTi)	Initiative for private-sector climate action through the development of science-based GHG emission reduction targets	Global	E
Standards Board for Alternative Investments (SBAI)	Organization to improve responsible practices, partnerships and knowledge on alternative investments	Global	ESG
Sustainable Markets Initiative (SMI)	Coalition of financial players involved in the fight against climate change and in protecting biodiversity	Global	E
Terra Carta	Initiative to provide companies with a roadmap to 2030 to build an ambitious and sustainable future	Global	E
Task Force on Climate-related Financial Disclosures (TCFD)	Task force that supports companies in their climate change disclosure strategies	Global	E
Taskforce on Nature-related Financial Disclosures Forum (TNFD Forum)	Consultative group collaborating on disclosure and management of nature-related risks	Global	E
Tobacco-Free Finance Pledge	Coalition to encourage the financial community to withdraw from the tobacco industry	Global	ESG
UN-convened Net-Zero Asset Owner Alliance (NZAOA)	Coalition of investors committed to a net-zero economy	Global	E

Name	Mission	Targeted region	Sector
Urban Land Institute (ULI)	Network of real estate and land use experts that study the built environment and its impact on communities	Global	G
WELL Equity Seal	Seal that demonstrates the commitment to creating places where everyone feels welcome, seen and heard—our Montréal office, Édifice Jacques-Parizeau—received this seal in 2023	Global	S



An active portfolio to accelerate the transition.

We invest in sustainable solutions to encourage all players in the economy to reduce GHG emissions. This is how we ensure a fair and orderly transition in the highest-emitting industries.

Since the implementation of our first climate strategy in 2017, we have taken decisive action, including completing our exit from oil production and coal mining; we no longer want to contribute to the supply of these two types of energy, which are not energies of the future.

To preserve the long-term value of our assets, we have positioned them advantageously by limiting their exposure to climate and transition risks.

$53 B
in low-carbon assets

$5 B
in transition assets

$82 B
in SBTi-compliant or near-compliant assets

$330 B
in assets with a low-carbon footprint

1

Our low-carbon assets

Investing in green assets directly reduces the impact of climate change, so we continuously seek to increase the value of these assets in our portfolio. This includes investments in real estate, renewable energy and transportation, as well as in emerging sectors such as energy storage and efficiency, and green hydrogen.

Low-carbon assets

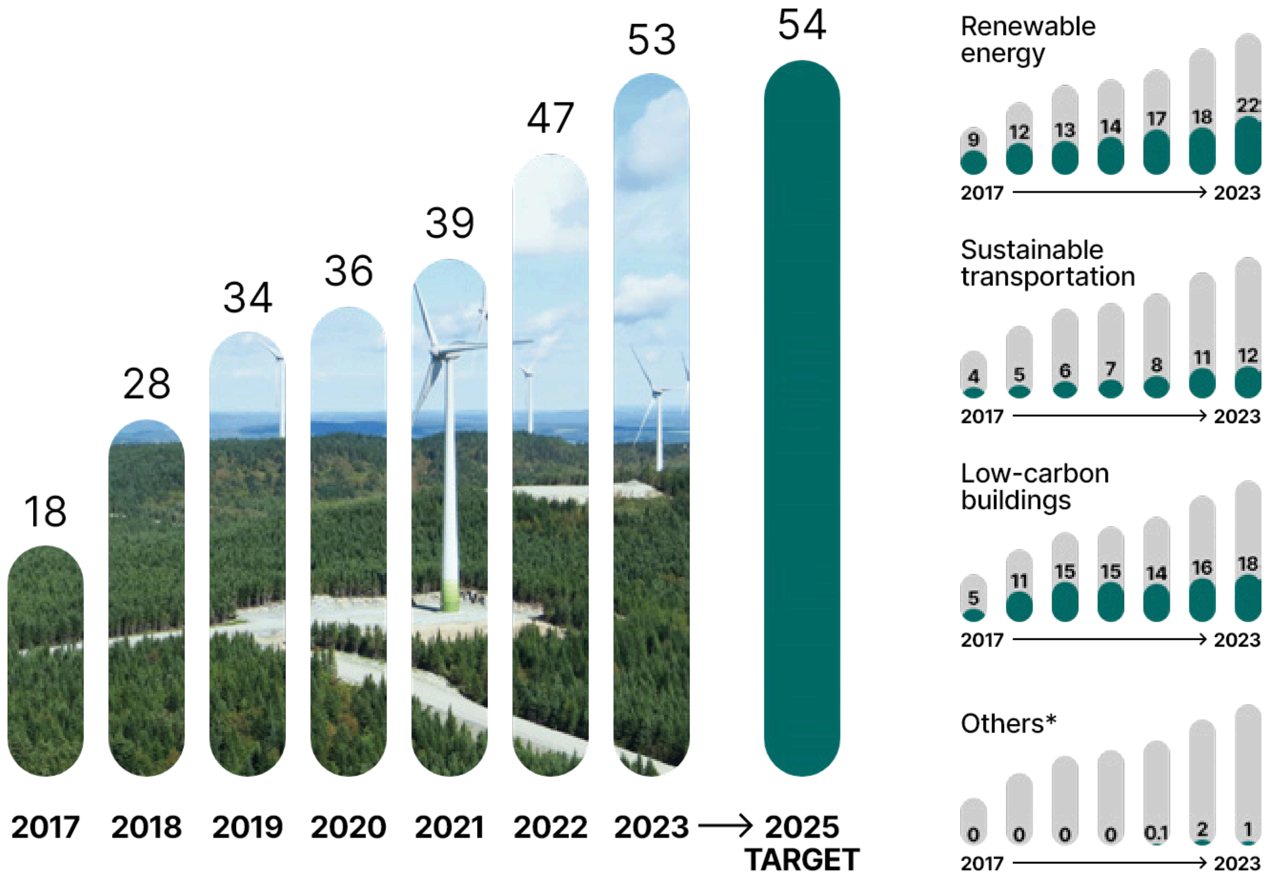
Low-carbon assets comply with the most rigorous standards worldwide, based on the taxonomy of the Climate Bonds Initiative (CBI) (Chart 2).

$53 B in low-carbon assets as at December 31, 2023

Of these assets, a total of $15 billion is in Québec. They include wind farms, an electric vehicle charging network and several buildings with numerous energy efficiency certifications.

CHART 2

CDPQ is on track to meet its target of $54 billion in low-carbon assets by 2025 (in $B)



*Includes the new sectors from CBI's taxonomy.

New assets
SBTi assets
Sustainable initiatives

Low-carbon assets

New assets

In 2023, a number of low-carbon assets were added to our portfolio worldwide.

VERENE ENERGIA

- Acquisition of a strategic 695-km power transmission network in Brazil
- Transmission of significant renewable energy output for consumption in the south and southeast of the country

INVENERGY RENEWABLES

- Acquisition of a portfolio of 14 projects representing nearly 1.4 GW of renewable energy
- Investment to support an accelerated energy transition in 11 U.S. states

TEXAS TOWER

- 47-storey rental office tower in Houston, Texas
- A property that has achieved LEED, WELL, SmartScore and WiredScore Platinum certifications—the pinnacle of sustainability, health and technology

CIBC SQUARE – 81 BAY STREET

- 49-storey office tower in Toronto's financial district
- One of the most connected and attractive work environments in the world, with LEED, WELL and SmartScore Platinum certifications

SBTi assets

Sustainable initiatives

Low-carbon assets

New assets

SBTi assets

A growing number of our portfolio companies are actively engaged in the transition. They meet the standards of the Science Based Targets initiative (SBTi), which ensures that assets are aligned with the Paris Agreement. Obtaining this certification can take up to two years.

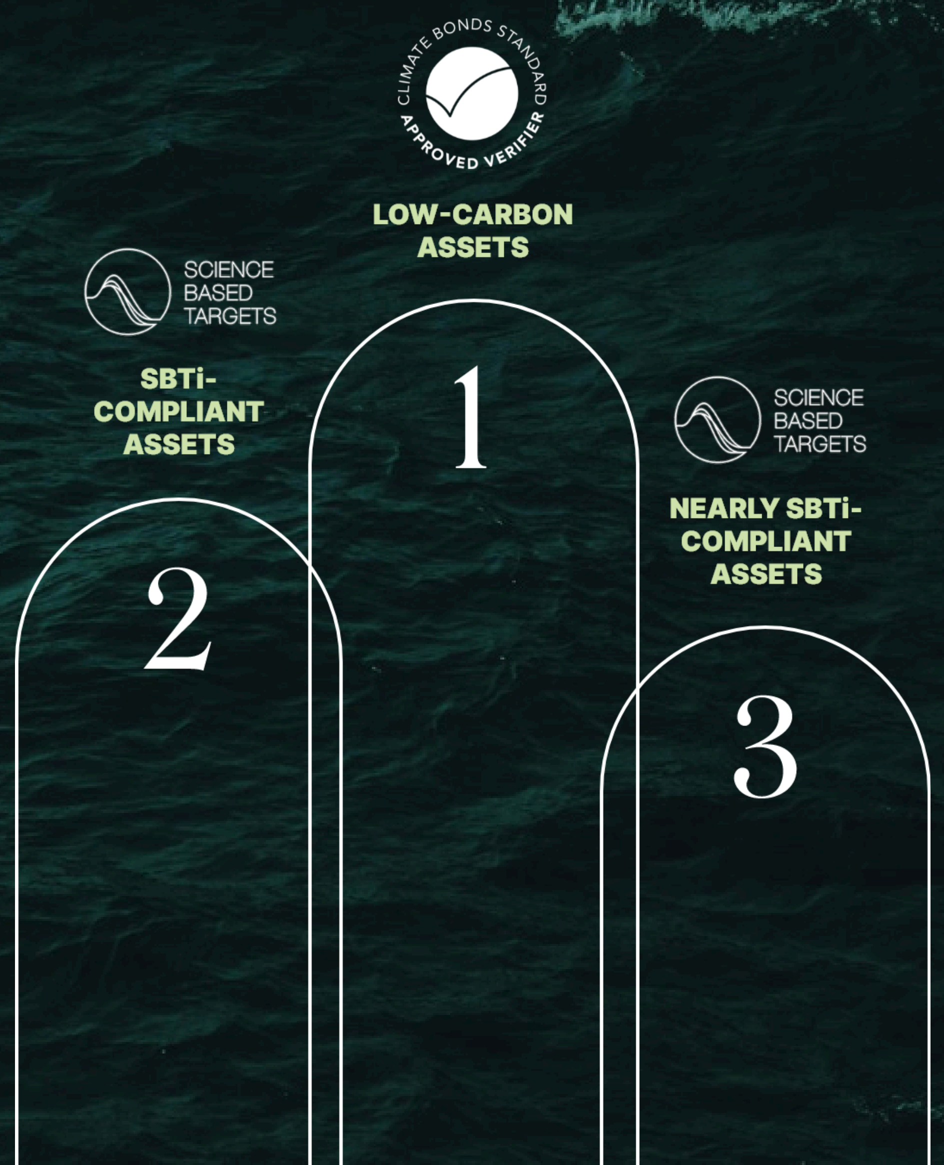
Our portfolio has $50 billion in SBTi-compliant assets and another $32 billion in the process of becoming compliant. When this is added to our low-carbon assets ($53 billion), we have $135 billion aligned with the Paris Agreement.

$135 B in assets aligned with the Paris Agreement

As a result, we have three levels of assets involved in the fight against climate change: low-carbon assets, SBTi-compliant assets and assets in the process of becoming compliant (Figure 3).

FIGURE 3

Our portfolio has three levels of assets involved in fighting against climate change



Sustainable initiatives

OUR SUSTAINABLE BONDS

In July 2023, Ivanhoé Cambridge became the first real estate investor to issue a senior unsecured sustainable bond in Canada, in the amount of $300 million. The bond will be used to finance or refinance projects that qualify under its new Sustainable Financing Framework. Eligible ecological or social projects are defined according to their association with one or more categories, including green buildings, renewable energy, energy efficiency and sustainable water and wastewater management. This issuance brings the value of Ivanhoé Cambridge's sustainable financing program to $19 billion since its launch in 2019.

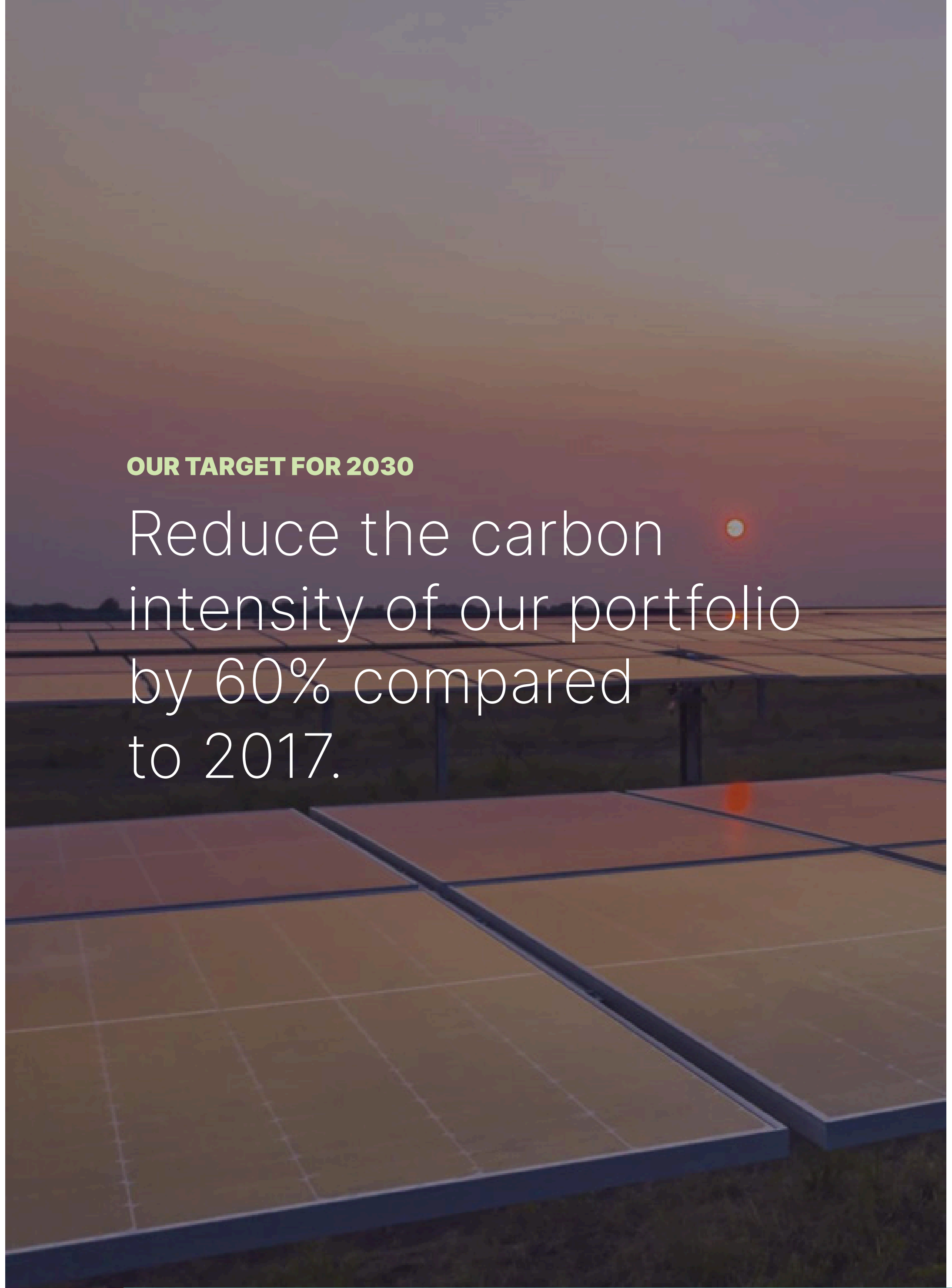
OUR FIRST GREEN LOAN

In 2023, Otéra Capital granted its first green loan to Carttera's Portland Commons, a new high-performance office building under construction in downtown Toronto. Designed to meet rigorous environmental criteria and focused on the well-being of communities, Portland Commons is targeting environmental standards such as LEED and WELL, and to be certified net-zero.

OUR SUSTAINABLE VALUATION OF REAL ESTATE ASSETS

The real estate sector must integrate the transition's impacts into the financial valuation of buildings. To that end, Ivanhoé Cambridge has developed an internal indicator called the green internal rate of return (Green IRR), which provides a more comprehensive assessment of the financial benefits associated with projects to reduce the carbon emissions of properties. It identifies assets that are financially sensitive to climate risks and could benefit from a decarbonization plan. This is an important tool for limiting property obsolescence, thereby meeting the growing expectations of investors, tenants and users for more sustainable buildings—see the video (in French only).

CDPQ



OUR TARGET FOR 2030

Reduce the carbon intensity of our portfolio by 60% compared to 2017.

2

Our carbon intensity

Since 2017, we have been measuring the carbon intensity of our portfolio using an NZAOA-approved methodology. This includes the vast majority of our emissions, i.e. Scope 3, Category 15, as defined by the Greenhouse Gas Protocol.

To calculate our intensity, we only use the Scope 1 and 2 emissions of our portfolio companies. For now, data on their Scope 3 emissions are either unavailable or not sufficiently reliable to be included in our calculations—see Appendix 2, Table 16.

Carbon intensity

Carbon footprint

Carbon intensity

The investment teams of each asset class must stay within their own carbon budgets. Our total portfolio's carbon intensity has therefore continuously decreased since 2017. As at December 31, 2023, it was 32.2 $tCO_2e/M\$$ compared to 79.4 $tCO_2e/M\$$ on the same date in 2017 (Chart 4).

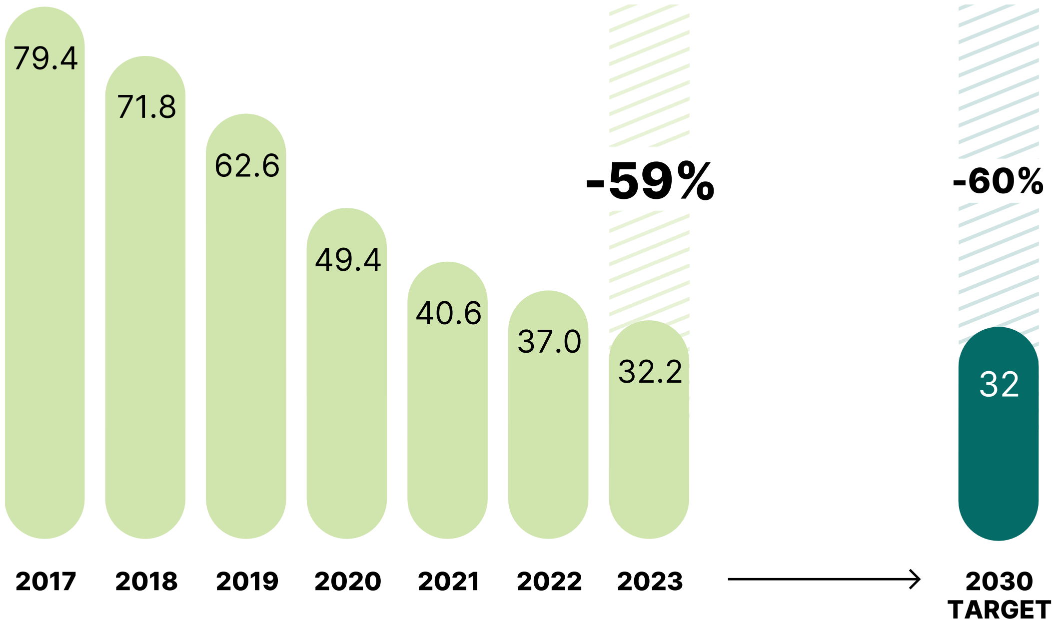
In 2023, the carbon intensity of our portfolio decreased by 59% from our 2017 starting point.

This decrease is directly attributable to our sustainable investments and the decarbonization efforts of our portfolio companies. It is also associated with a sharp drop in the portfolio's absolute footprint—see Appendix 2, Chart 14.

We are very close to achieving our 2030 target. However, the change in our portfolio's carbon intensity will not necessarily be linear over the next few years. It could be influenced by various factors, including asset values and investment opportunities in transition sectors.

CHART 4

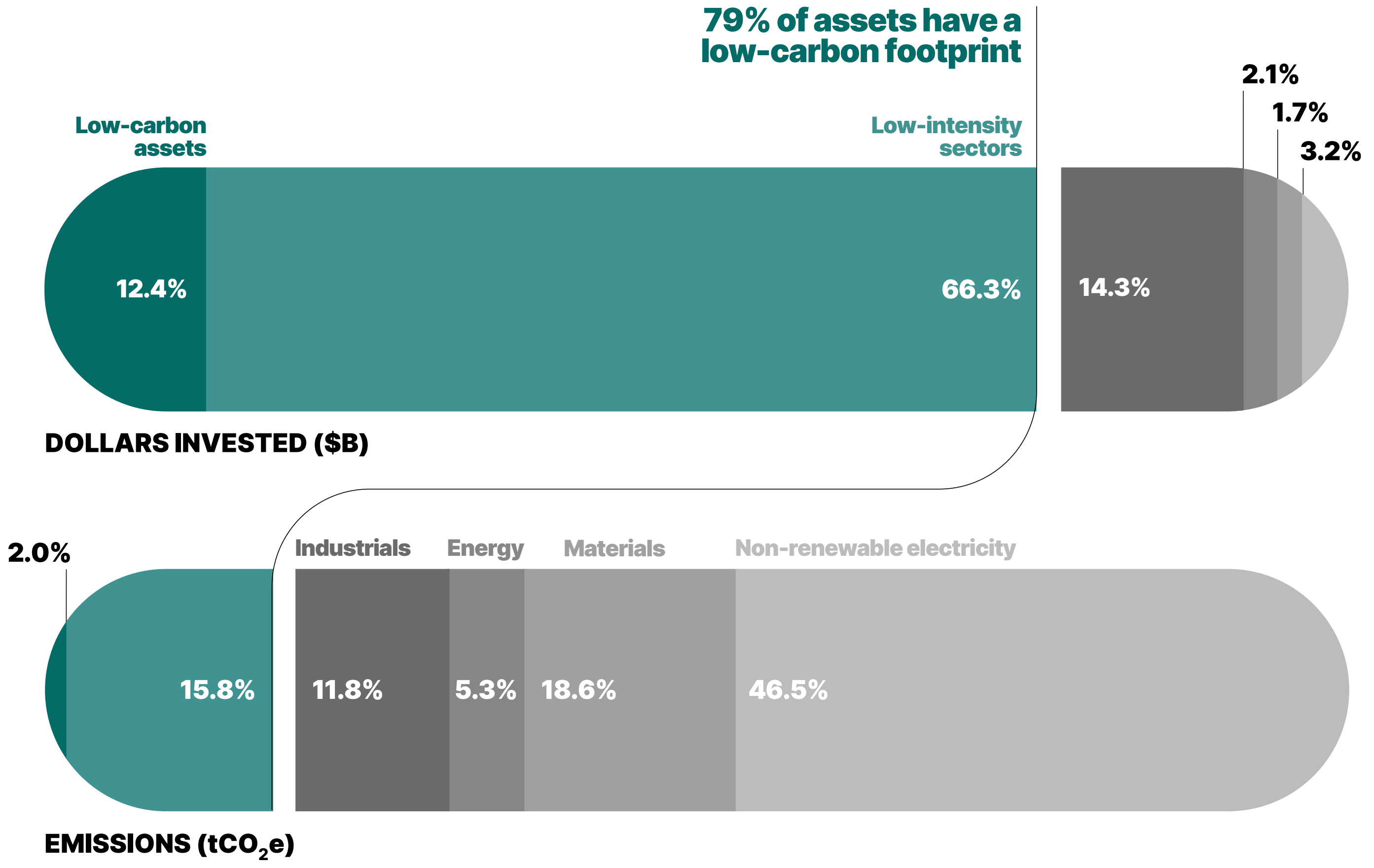
CDPQ records a sustained decrease in its portfolio's carbon intensity (in $tCO_2e/M\$$) since 2017



Carbon footprint

CHART 5

The perimeter for calculating the carbon footprint in dollars invested and in CO_2 emissions



The calculation perimeter of the carbon footprint ($422 billion) comprises investments in sectors with widely ranging GHG emissions.

Nearly 79% of the portfolio is in low-carbon assets or assets in low-intensity sectors.

This represents over $330 billion of assets with a low-carbon footprint.

The remaining 21% are assets in sectors essential to the transition, such as energy production, industry—particularly transportation and construction—and materials (Chart 5, grey area, top band).

This portion represents 82% of our total footprint (Chart 5, grey area, bottom band). In order to reduce this footprint, we engage these major emitters around improving their production processes and reducing their emissions.

3

Our transition assets

For the last several years, we have been supporting companies in heavy emitting sectors in their decarbonization strategies. The targeted sectors are:

- Agriculture
- Electricity production
- Transportation
- Materials

We believe that these sectors are essential to the economy, but they need to begin optimizing their processes now in order to limit their contribution to global emissions, in particular through alignment with the Paris Agreement.

OUR COMMITMENT

A $10-billion envelope to decarbonize the highest-emitting sectors

Accelerating the transition

Transition plan

ACCELERATING THE TRANSITION

We made our first investments in the energy transition in 2015. Our deployment of capital was conditional to the transformation of these companies, which needed to transition from highly carbon-intensive energy consumption to more sustainable solutions, such as renewable energy. With our support, they have made their mark as some of the first in their regions to develop ambitious SBTi-certified decarbonization plans. These are concrete examples of our deployment of constructive capital in transition assets.

We now hold $5 billion in transition assets.

We have since invested in many companies that have transition plans that meet the specific criteria defined by the CBI or SBTi. Here are two examples:

GUNN AGRI PARTNERS

CDPQ entered into a strategic partnership with the Clean Energy Finance Corporation (CEFC), an Australian government-owned green bank. This partnership has led to the creation of a platform to invest $178 million over three years to acquire agricultural land in Australia. The acquired land will be managed by Gunn Agri Partners, which will employ sustainable and regenerative farming practices.

AGL ENERGY

We financed Australian energy company AGL Energy, which serves close to 4.3 million customers. We are supporting the completion of its transition plan, which targets replacing coal-fired electricity with renewable energy generation by June 2035, up to a decade earlier than previously announced.

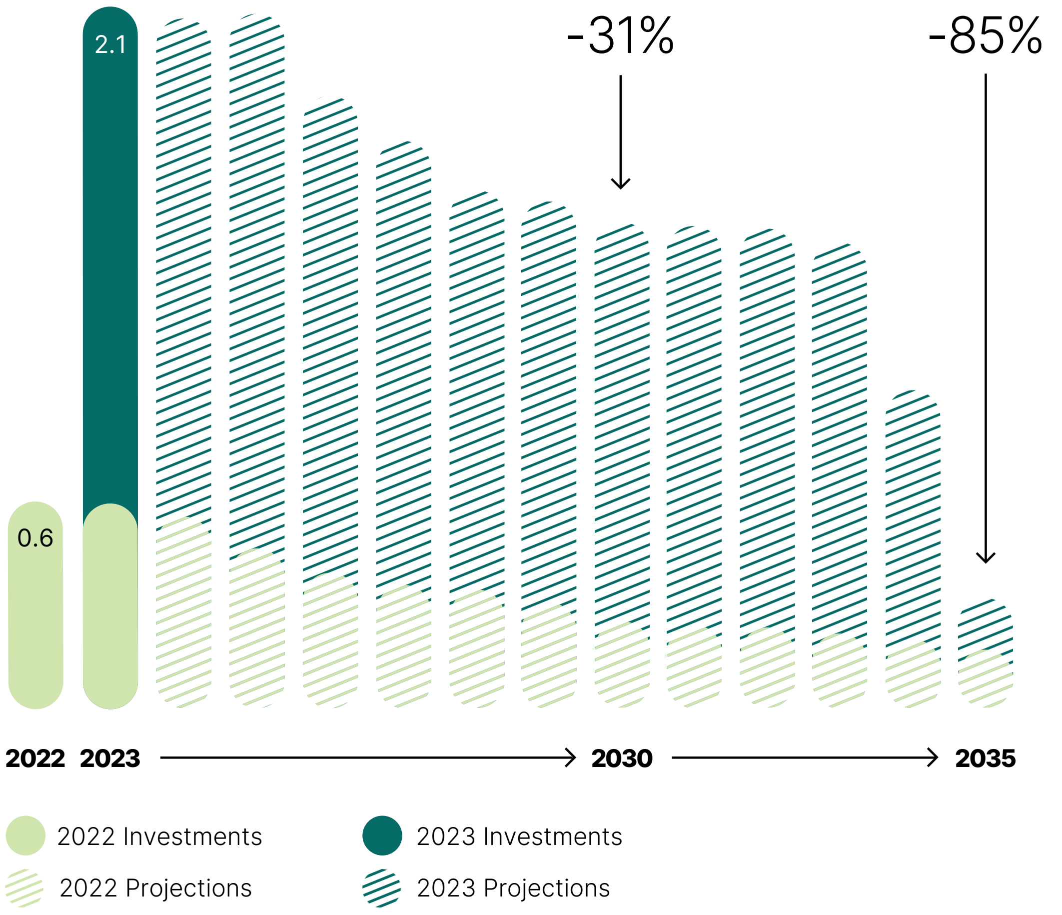
Transition plan

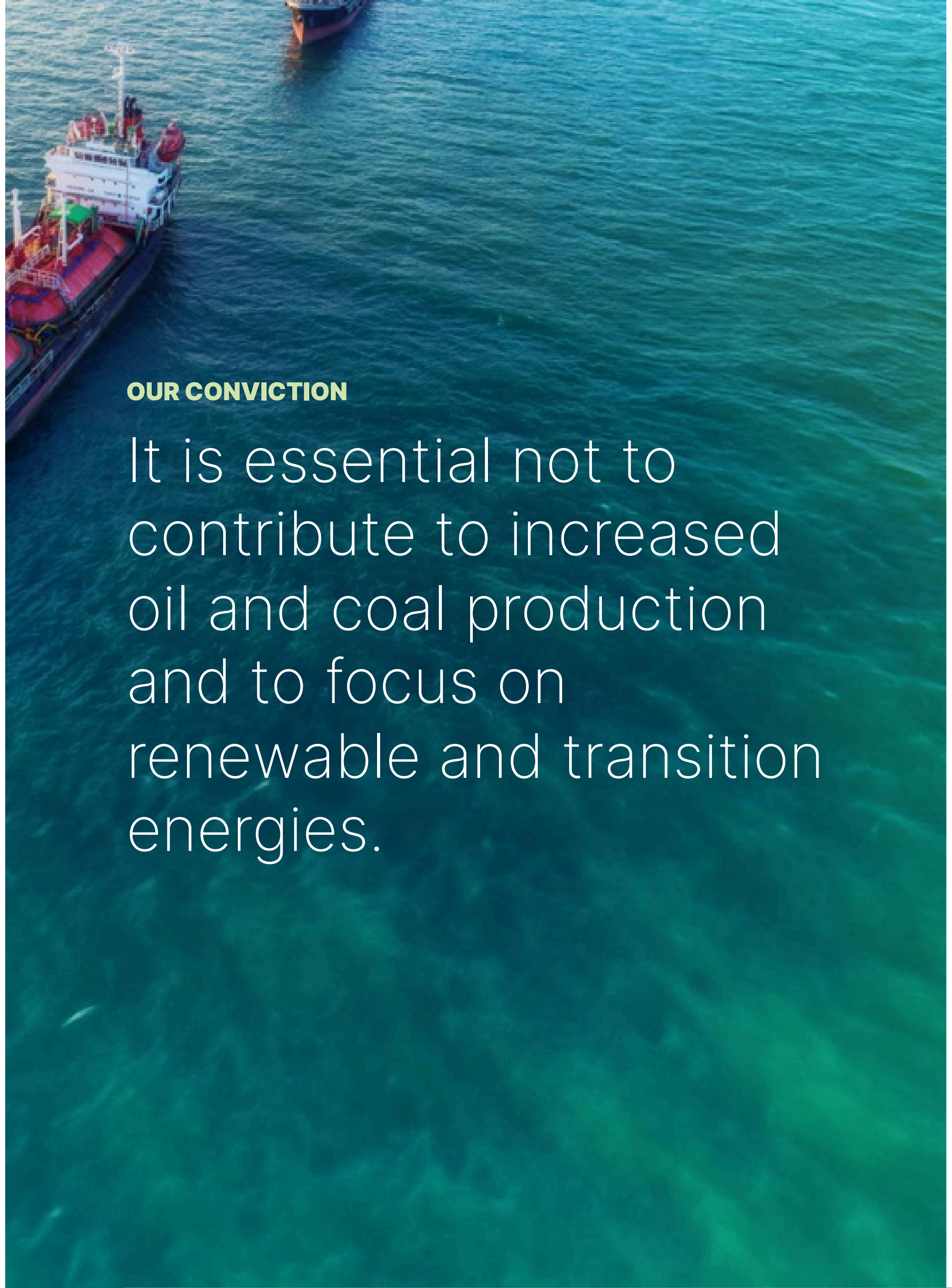
New transactions over the past two years bring the carbon footprint of the transition envelope to 2.1 $MtCO_2e$ (Chart 6), or a carbon intensity of 1,782 tCO_2e/M$—see Appendix 2 for the calculation methodology.

Based on the decarbonization plans of the companies included in the transition envelope, our capital could help them reduce their collective footprint by 31% by 2030 and 85% by 2035.

CHART 6

Projected evolution in the transition envelope's carbon footprint (in $MtCO_2e$)





OUR CONVICTION

It is essential not to contribute to increased oil and coal production and to focus on renewable and transition energies.

4

Our plan for fossil fuels

We have completed our exit from oil production and thermal coal mining. We are one of the only major global institutional investors to have acted so quickly.

Oil and coal
Natural gas

Oil and coal

OIL AND COAL

Since announcing our first climate strategy in 2017, we have scaled back the presence of large emitters in our portfolio and invested directly in the transition of the real economy, in line with our sustainability objectives.

Oil production, including extraction and refining, as well as thermal coal mining and power generation, now figure among our investment exclusions (Chart 7). This applies to both new operational or expansion projects and companies in this sector. Investments in or financing of new oil pipelines are also excluded. This covers both public and private companies, as well as projects involving such activities.

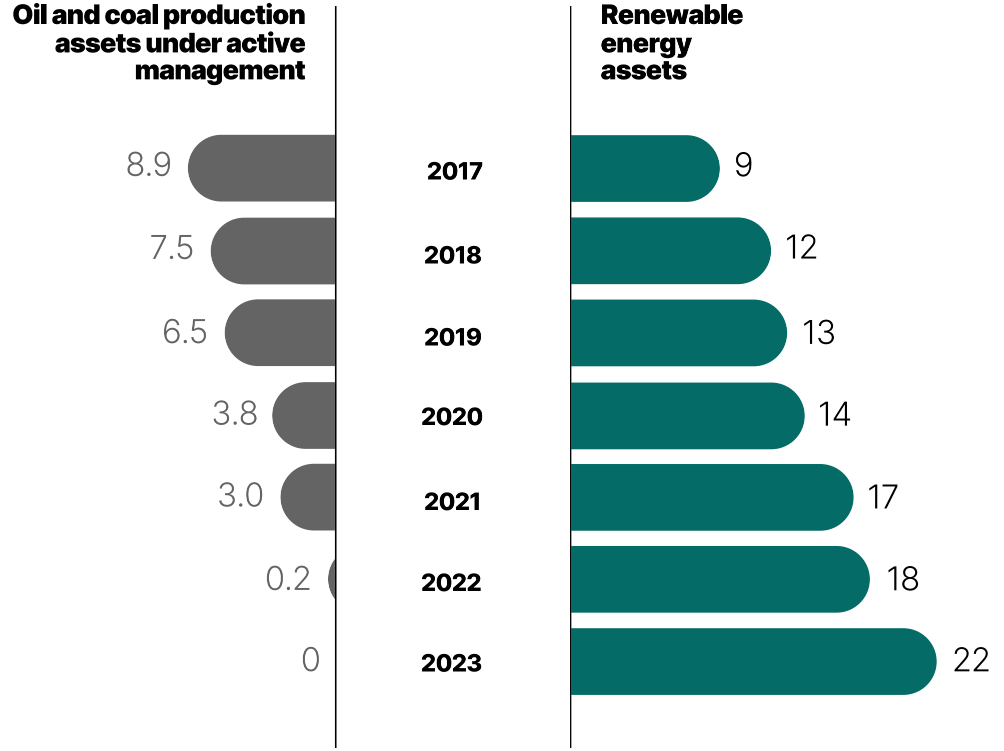
In addition, as a member of NZAOA, we are committed to complying with the conditions set out in the document Alliance Thermal Coal Position:

- No investments in or financing of new power generation projects that use thermal coal
- Withdrawal from projects or companies that are not aligned with a decarbonizing trajectory of 1.5 °C:
  - by 2030 in industrialized countries
  - by 2040 in emerging countries

We have already taken action to fulfill these commitments, and our support for our portfolio companies in the sector is paying off, as described in the Our transition assets section.

CHART 7

Renewable energy assets represent a growing share of our portfolio, while oil and coal production is now excluded (in $B)



Natural gas

NATURAL GAS

Although the supply of renewable energy is growing, it is unable to meet all the current demand for energy. In order to meet this demand, we still need transition energies, which are much less polluting than oil and coal. This is why we still held assets in the natural gas sector as at December 31, 2023. At around $16 million in total, our actively managed exposure to extraction is relatively limited. Instead, our investments are more focused on transmission and distribution infrastructure. Such assets represent around 1.6% of our total portfolio. However, we are keeping a close eye on these assets and their commitment to the transition.

ÉNERGIR

Natural gas accounts for 15% of Québec's energy profile. CDPQ is the majority shareholder in Énergir, the largest natural gas distributor in the province. This company is well aware of the footprint it generates. This is why it has drawn up a concrete plan to limit and reduce its emissions, as well as those of its customers, by 2030. The plan takes into account the principle of a fair and orderly transition. It was drawn up in collaboration with the organization's various stakeholders, including the Québec government and Hydro-Québec, to ensure affordable energy security that is consistent with Québec's commitments in terms of its climate ambition. The decarbonization solutions being implemented are targeted at reducing the volumes of fossil natural gas distributed and at gradually making the residual volume renewable. To that end, Énergir promotes energy efficiency and complementarity with electricity through dual energy and distributes renewable natural gas produced from organic and agricultural residues. As of 2024, 100% of new connections to residential, commercial and institutional buildings will have to use this type of energy. The company annually reports on progress made toward its objectives in its Climate Resiliency Report.

CDPQ

5

Our biodiversity initiatives

Since COP15 and the signing of the Kunming-Montreal Global Biodiversity Framework in December 2022, biodiversity has become increasingly important in the financial sector.

Our ESG analyses take it into consideration, when it is material and depending on the nature of the project. However, given the complexity of the subject, the tools that are available to measure potential impacts on biodiversity lack precision and remain less than perfect. To meet this challenge, we have undertaken numerous initiatives to improve our knowledge of this topic and develop the right tools for our investment analyses.

CDPQ

Development of Biodiversity Indicators for Québec Investors

We continued our innovative research project in 2023, bringing together the academic and financial communities as well as non-governmental organizations in collaboration with Fondaction, the Canadian Parks and Wilderness Society (CPAWS Québec) and Biodiversité Québec. These deliberations are now concluded, and we have identified the 10 themes that will lead to the design of indicators for the financial sector. Methodologies are now being developed for applying these indicators, a process that will continue over the coming year.

Farm Animal Investment Risk and Return (FAIRR)

Taskforce on Nature-related Financial Disclosures (TNFD Forum)

Cambridge Universal Ownership Initiative

Nature Action 100

Development of Biodiversity Indicators for Québec Investors

Farm Animal Investment Risk and Return (FAIRR)

In the wake of joining FAIRR, a globally recognized organization that facilitates cooperation among investors on ESG issues related to the food sector, we have committed to the second phase of the global initiative. The goal is to reduce the risks posed by organic animal waste, which affects water quality and soil fertility. We also participated in a collaborative engagement campaign aimed at seven companies to limit pollution in the animal-based protein sector.

Taskforce on Nature-related Financial Disclosures (TNFD Forum)

Cambridge Universal Ownership Initiative

Nature Action 100

Development of Biodiversity Indicators for Québec Investors

Farm Animal Investment Risk and Return (FAIRR)

Taskforce on Nature-related Financial Disclosures (TNFD Forum)

We continued to take part in the TNFD Forum, a multidisciplinary advisory group of over 1,000 organizations worldwide that is focused on supporting the development of a shared nature-related risk management and disclosure framework for companies and financial institutions. A first version of the framework was launched in September 2023. Over the next year, we will participate in discussions and consultations to facilitate the framework's implementation in various sectors of the economy.

Cambridge Universal Ownership Initiative

Nature Action 100

Development of Biodiversity Indicators for Québec Investors

Farm Animal Investment Risk and Return (FAIRR)

Taskforce on Nature-related Financial Disclosures (TNFD Forum)

Cambridge Universal Ownership Initiative

In 2020, a group of global investors representing $1.5 trillion in assets was created, with the support of Cambridge University, to respond in concrete ways to certain targeted systemic risks, including biodiversity and antimicrobial resistance. CDPQ has been a part of this partnership from the outset and is actively involved in several working groups, in particular on how best to integrate biodiversity into investment processes.

Nature Action 100

Development of Biodiversity Indicators for Québec Investors

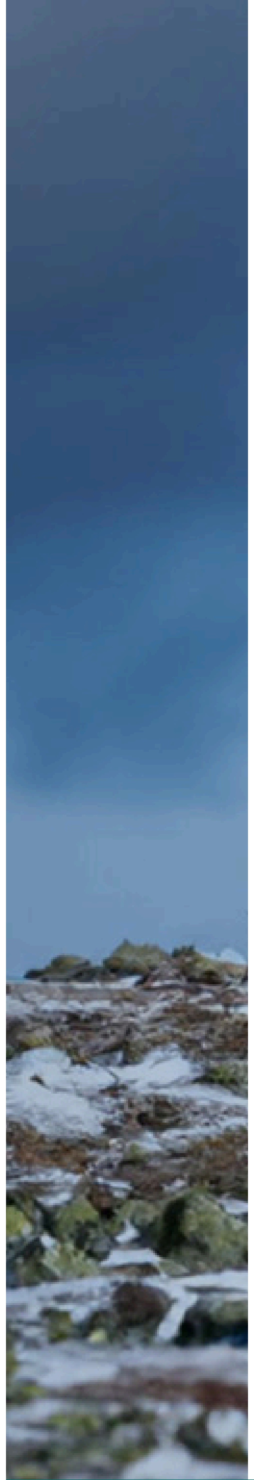
Farm Animal Investment Risk and Return (FAIRR)

Taskforce on Nature-related Financial Disclosures (TNFD Forum)

Cambridge Universal Ownership Initiative

Nature Action 100

We have joined Nature Action 100, a collaborative initiative that supports investors in engaging companies in the fight against nature loss. In 2024, we will take up these issues with a number of portfolio companies to have them change their business models and limit their environmental impacts.



SUSTAINABLE LAND MANAGEMENT

Formed in 2020 within the Infrastructure portfolio, our Sustainable Land Management team aims to deploy up to $2 billion by 2026 in the forest and agricultural land sectors. Investments made comply with the highest ESG standards and have positive long-term benefits for the environment. Among these assets, $370 million is focused on carbon capture, wetlands restoration and species protection.

In 2023, we announced two new transactions in these sectors.

WESTERVELT ECOLOGICAL SERVICES

We have consolidated our strategic partnership with The Westervelt Company by investing in Westervelt Ecological Services, a leader in habitat restoration and long-term land stewardship. The new funds will accelerate the company's mission of implementing ecological infrastructure projects. The company currently manages over 50 projects in nine U.S. states, protecting nearly 35,000 acres of wetlands, streams and vulnerable species habitats.

GUNN AGRI PARTNERS

We have entered into a new strategic partnership with the Clean Energy Finance Corporation (CEFC), a green bank that is owned by the Australian government and will be managed by Gunn Agri Partners. This transaction is also part of our transition envelope.

Photo: Kahnawà:ke Environment Protection Office

CASE STUDIES

Tekakwitha Island and Bay Restoration Project, Kahnawà:ke

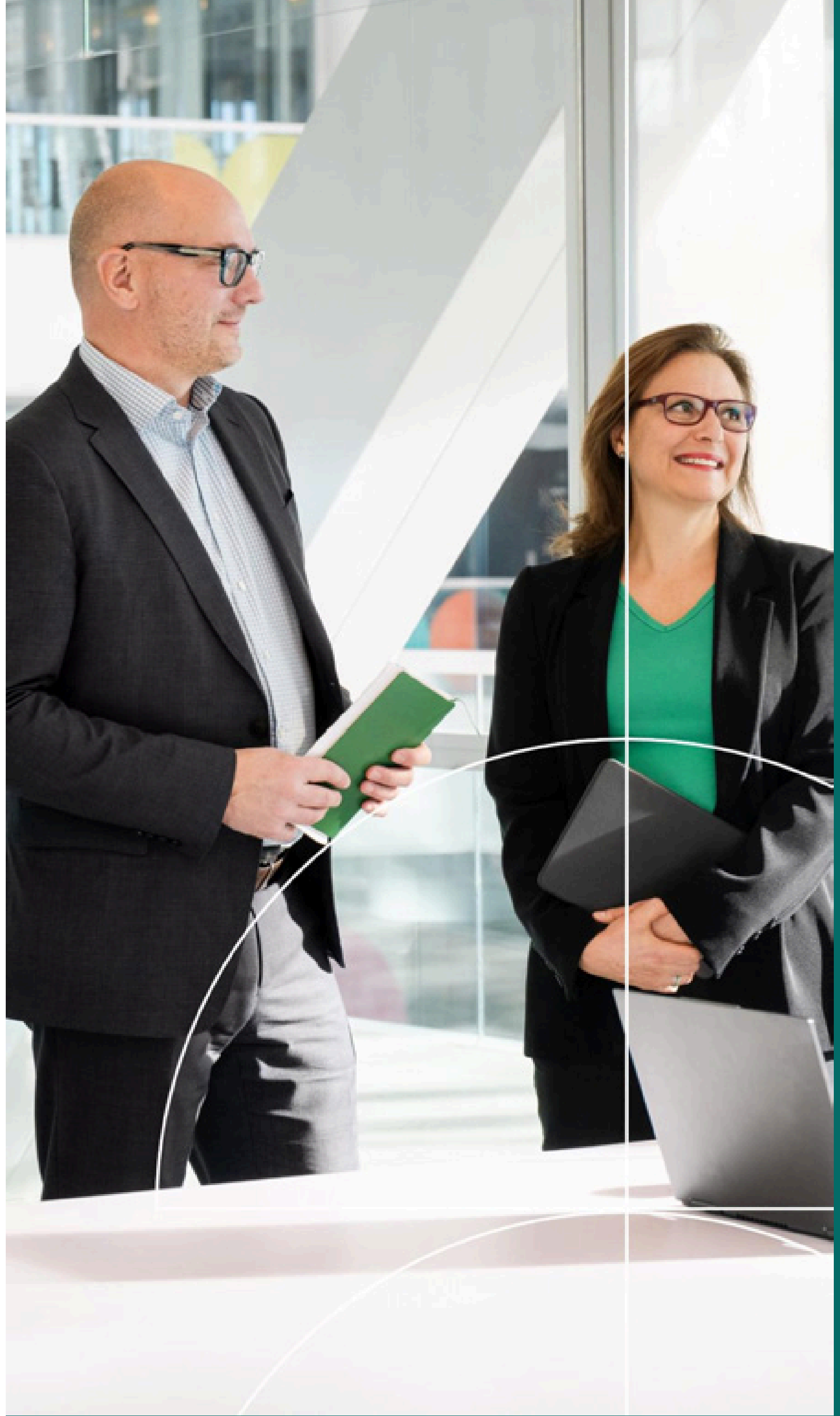
As part of the consultations for the development of the Réseau express métropolitain (REM), CDPQ Infra entered into a financial contribution agreement with the Mohawk Council of Kahnawà:ke (MCK) to improve usability of Tekakwitha Island for community members and wildlife.

Kahnawà:ke removed invasive exotic plants (Phragmites) and created two new wetland complexes. Additionally, brown snake hibernation and turtle nesting and basking areas were created, providing new habitats for at-risk species.

Climate Engagement →

Commitment to reduce methane emissions →

Energize Capital →



CASE STUDIES

Tekakwitha Island and Bay Restoration Project, Kahnawà:ke

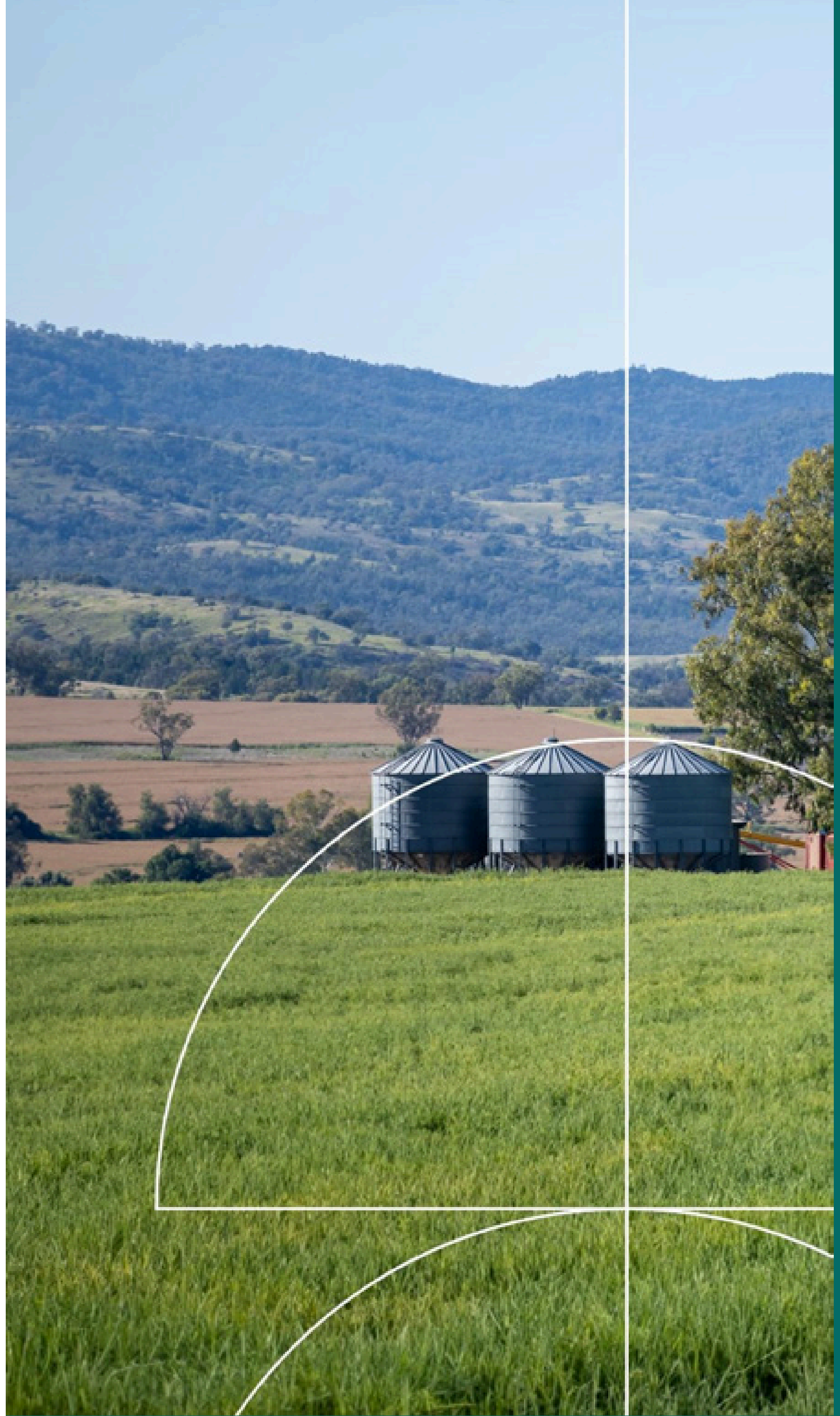
Climate Engagement

We have once again used our shareholder vote to oppose the re-election of Board members at nine companies. Our goal is to publicly express our disagreement with measures we consider insufficiently ambitious in terms of decarbonization. The individuals targeted are responsible for sustainability and climate-related issues on their Boards.

We select these companies using information disclosed by Climate Action 100+. Each year, this group of investors identifies the largest GHG emitters that are not sufficiently ambitious in the fight against climate change. Our aim is to encourage the companies we have targeted to reform their practices and set more ambitious targets.

Commitment to reduce methane emissions

Energize Capital



CASE STUDIES

Tekakwitha Island and Bay Restoration Project, Kahnawà:ke

Climate Engagement

Commitment to reduce methane emissions

We are signatories to a collaborative engagement campaign that seeks to reduce methane emissions. Spearheaded by Nordea, a banking company, the campaign targets companies that produce large quantities of methane and encourages them to join the Oil & Gas Methane Partnership 2.0 (OGMP 2.0), a benchmark in methane measurement, disclosure and target setting. We have sent letters to five of our portfolio companies to encourage them to join this initiative and develop best practices in emission reduction.

Energize Capital

CASE STUDIES

Tekakwitha Island and Bay Restoration Project, Kahnawà:ke

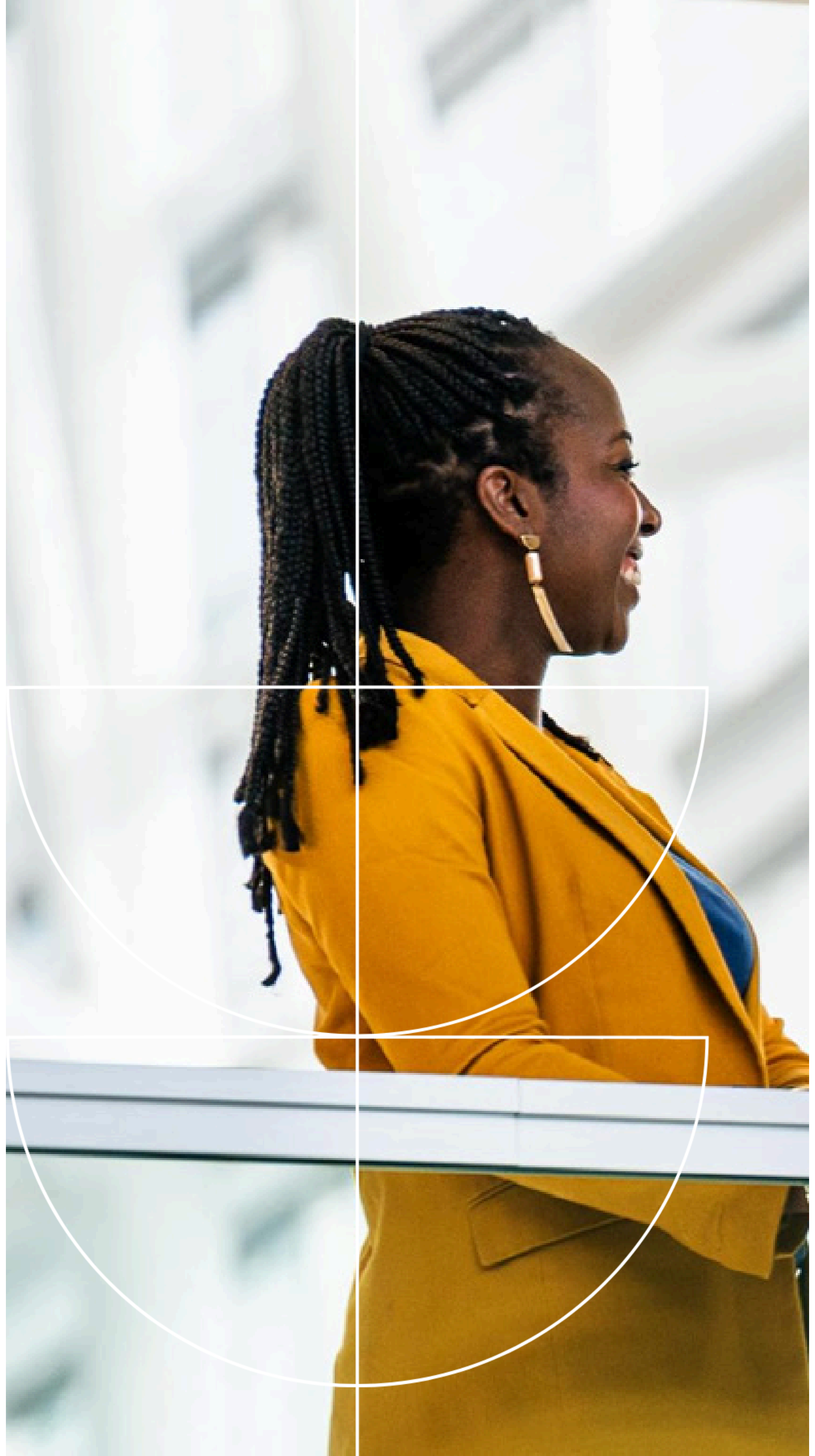
Climate Engagement

Commitment to reduce methane emissions

Energize Capital

Energize Capital is a leading climate software investor focused on scaling sustainable innovation. In 2023, CDPQ continued its partnership with this external manager by supporting its approach and innovative business model. Its activities cover key themes at the intersection of software and renewable energy, industrial operations, electrification and mobility, energy infrastructure, and decarbonization. Energize estimates that its portfolio companies helped avoid more than 9.8 $MtCO_2e$ in 2022.

Our active collaboration with Energize is strengthened by our presence on the Limited Partners Advisory Committee (LPAC) and the LP ESG and Impact Advisory Board. The purpose of CDPQ's presence on these committees is threefold: to provide the LPAC with CDPQ's strategic perspective on energy transition investment opportunities, to help Energize better understand evolving expectations and best practices for LPs in relation to impact and ESG, and to provide CDPQ with insight into the ongoing development of impact and ESG approaches specific to early-stage and growth investments in climate technologies.



We work to build strong communities.

We make inclusion part of everything we do. Whether in our work environment or in our engagement with our portfolio companies and external managers, we rely on diverse perspectives, openness and collaboration to make the best decisions. We also pay close attention to the tax practices of the companies in which we invest, so that they benefit the communities where we do business.

46%
of our employees are women

199
pre-investment opinions on tax practices

26%
of our employees in Québec identify as a member of one of the following three groups:

- Visible minorities
- Ethnic minorities
- Indigenous peoples

57%
of our actively managed public companies count at least 30% women on their Boards of Directors

1

A culture where talent can flourish

In 2023, we unveiled our new employer brand. It encapsulates our conviction that working at CDPQ means taking concrete action to generate positive impacts for people, communities and the environment. It's about being invested in the community.

This is illustrated by teams made of people with diverse backgrounds, and by an environment where each and every person's unique contribution is valued. Openness to different perspectives is encouraged every day, in a work environment that facilitates excellence and collaboration.

CULTIVATING A DIVERSE WORK ENVIRONMENT

In our teams, diversity in gender, sexual orientation, background and age contributes to the quality of the work as well as our performance. This diversity on our teams is reflected not only in the 50 or so nationalities represented, but also in a wide range of ages (Figure 8).

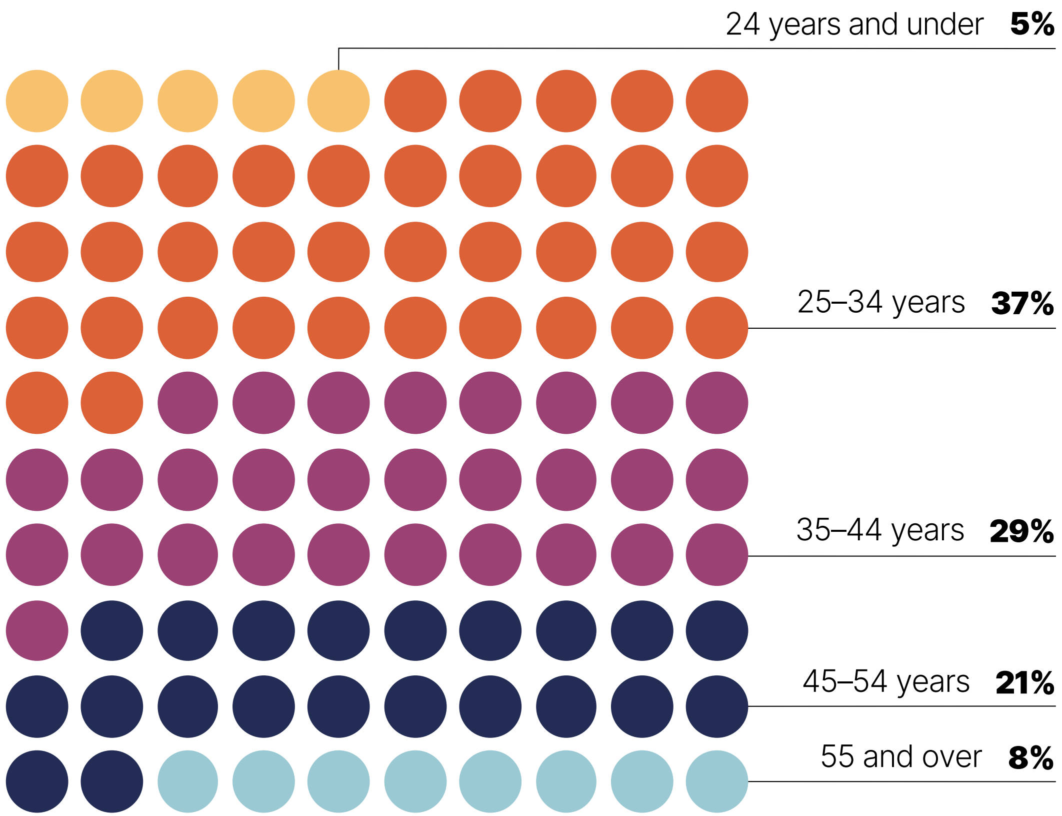
Because DEI is at the heart of their convictions, our employees take part in various initiatives to promote and advance it at CDPQ. Several activities took place during the year, including:

- Training for employees on how to foster an inclusive and equitable environment
- A panel discussion titled *Diversity, a Lever for Performance*, which highlighted how innovation in organizations can be propelled by diversity

Since we make accessibility a priority, we also implemented an action plan to reduce barriers to welcoming and onboarding into the workplace the 4% of our employees who have disabilities.

FIGURE 8

A wide diversity of ages among our employees



Resource groups

Developing our talent

Promoting DEI

Our talents have four employee resource groups that provide opportunities for networking, development and exchange:

- Les Investies – for women in investment
- Carrefour Diversité – for colleagues from ethnocultural minorities
- Fierté CDPQ – for the organization's LGBTQIA2S+ colleagues
- Femmes en tech – for women in technology

The year was marked by several activities:

- Les Investies organized a panel discussion featuring three of our female executives in finance positions, who talked about their career paths and offered professional development advice
- Carrefour Diversité held a launch event, where over 110 attendees gathered to discuss strategies for creating inclusive workplaces
- Fierté CDPQ spearheaded two activities: to mark Pride Month, the stairs of the Jacques-Parizeau building were decked out in the colours of the rainbow flag, and more than 40 employees from CDPQ and its subsidiaries took part in the Montréal Pride Parade in August 2023
- The Femmes en tech committee held a conference on women's progress in the tech industry and talent development

ATTRACTING AND DEVELOPING OUR TALENT

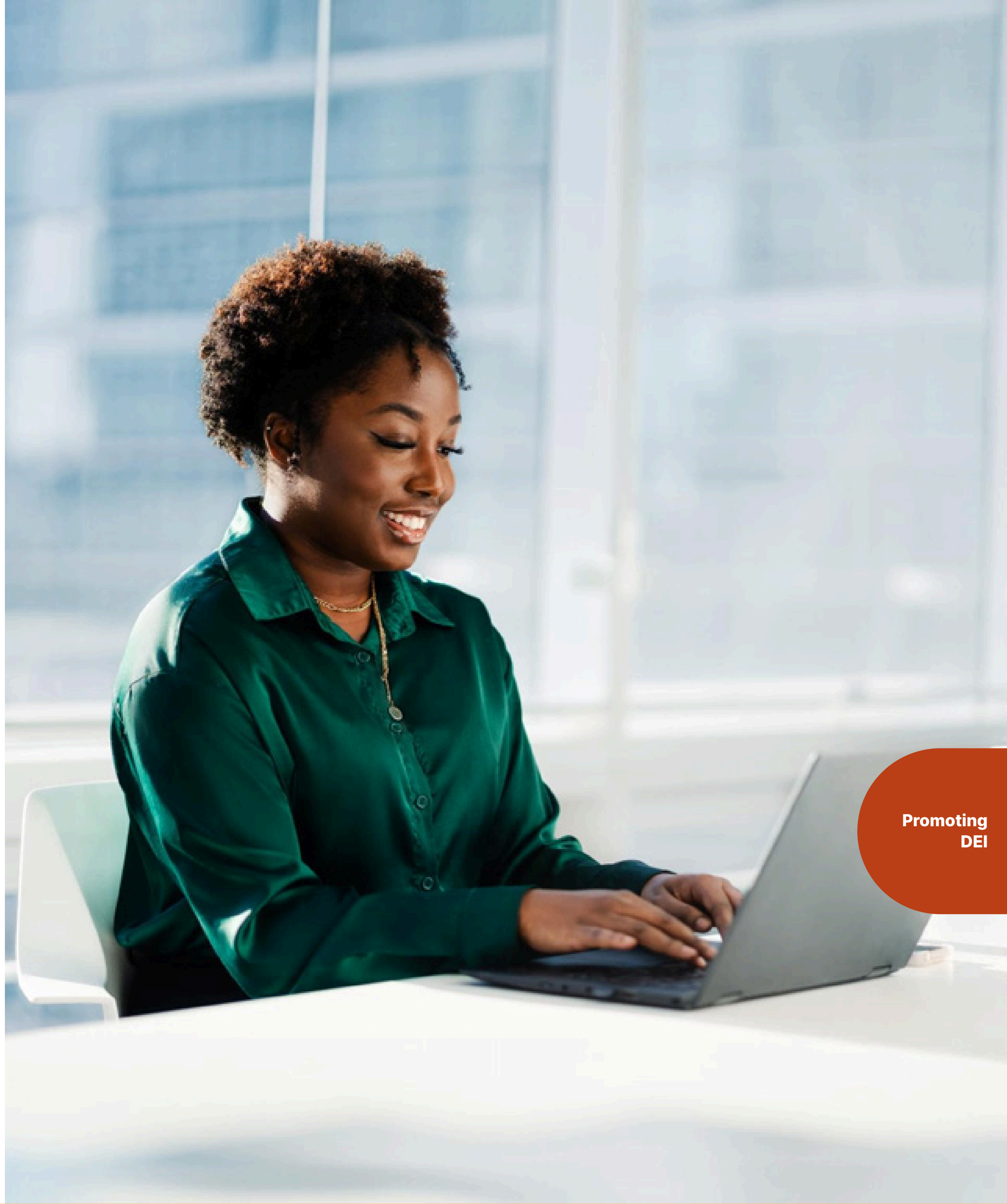
Attracting, retaining and developing our talent is a priority. In the interests of attracting the best candidates and maintaining a diverse talent pool, we continuously improve our processes to counter bias, in particular through language neutrality in job postings and diversity on our selection committees. This approach applies to all job levels.

We also encourage our employees to provide regular feedback on their work experience through our surveys. In this way, we can continuously tweak our practices, offer the best conditions for their success, and ensure that each individual is working in an optimal environment.

To maximize career development, we also offer several growth levers, including:

- A mentoring program to accelerate the development and attainment of professional goals. The 2023 cohort was made up of 54% women and 30% colleagues from ethnoculturally diverse communities.
- The A Effect, a program designed to support women and propel them in their careers.

In 2023, 133 mentors supported 185 mentees, and 23 women took part in The A Effect.



Promoting DEI

PROMOTING DEI AT ALL LEVELS OF THE ORGANIZATION

We have set targets in terms of ethnocultural and gender diversity, which we have already achieved or are in the process of achieving.

In our investment teams, 30% of the positions are held by women and 21% are held by colleagues who identify with the following groups: visible minorities, ethnic minorities or Indigenous peoples.

Furthermore, women now represent 46% of CDPQ's Board of Directors, while 31% of its members reported that they represent the diversity of Québec society.

In addition, our Executive Committee has reached gender parity.

RESULTS AS AT DECEMBER 31, 2023		AMBITION FOR 2025
44%	of Executive Committee members are women	40% (target reached)
46%	of our employees are women	47%
30%	of our investment positions are held by women	34%
26%	of our Québec employees identify as members of one of the following groups: visible minorities, ethnic minorities or Indigenous peoples	26% (target reached)

2

Our approach to integrating social factors

We take social factors into account when analyzing investment opportunities just as we do in our post-investment monitoring. Whether talking about issues related to DEI, human rights or employee health and safety, we maintain a regular dialogue with our portfolio companies and external managers to create value and reduce risk.

Social issues

Board diversity

Nominee directors

Social issues

PRIORITIZING SOCIAL ISSUES

Social issues are considered in our ESG analyses according to their materiality. We use the SASB grid as a guide for all these assessments. This may include analyses of issues such as workers' rights, working conditions, health and safety, supply chain management and community relations. We also carry out due diligence on the company's history. For more information on our assessment processes, see the Governance section.

Following each investment, we maintain an open dialogue with our portfolio companies. These discussions of social issues help enhance their performance.

DIVERSITY, EQUITY AND INCLUSION

We have developed a number of support tools that address social issues. Our guide *Diversity, Equity and Inclusion: Value Creation Drivers* provides concrete ways to advance DEI in organizations. Among other things, it answers frequently asked questions about strategy and which initiatives to prioritize.

- What are the pillars of a robust DEI strategy?
- What initiatives need to be deployed, and how should they be prioritized?
- How can progress be measured and reported?

HUMAN RIGHTS

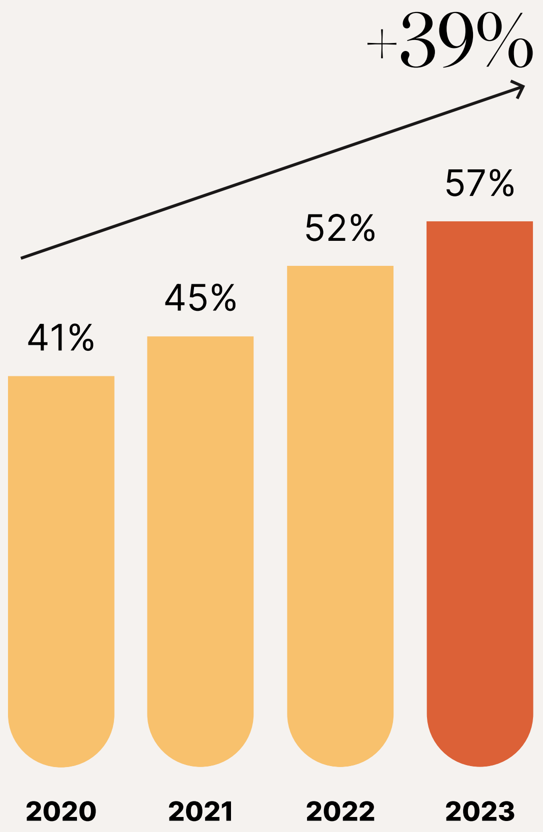
To better address the question of human rights with our portfolio companies, we joined PRI Advance. The purpose of this initiative, supported by the United Nations (UN), is to advance the use of best practices for engagement, including dialogue. This enables us to collaborate with other institutional investors to provide solutions to systemic problems, such as inequality and discrimination.

Board diversity

Nominee directors

CHART 9

Actively managed public companies where women make up at least 30% of the Board



FOSTERING GREATER BOARD DIVERSITY

We place great importance on the composition of the Boards of our portfolio companies and external managers. Making progress in DEI in these organizations is key to integrating a variety of viewpoints into their decision-making and fostering a culture of inclusion. This stimulates innovation and business growth, while reducing risk.

In line with our Policy Governing the Exercise of Voting Rights of Publicly Listed Companies, we require having at least 30% women on the Boards of Directors of our public companies (Chart 9).

As at December 31, 2023, 57% of our actively managed public companies had at least 30% women on their Boards of Directors, representing an increase of almost 39% over three years.

Throughout 2023, we prioritized our engagement activities by helping raise awareness of the importance of DEI in the workplace among 28 portfolio companies and 71 external managers:

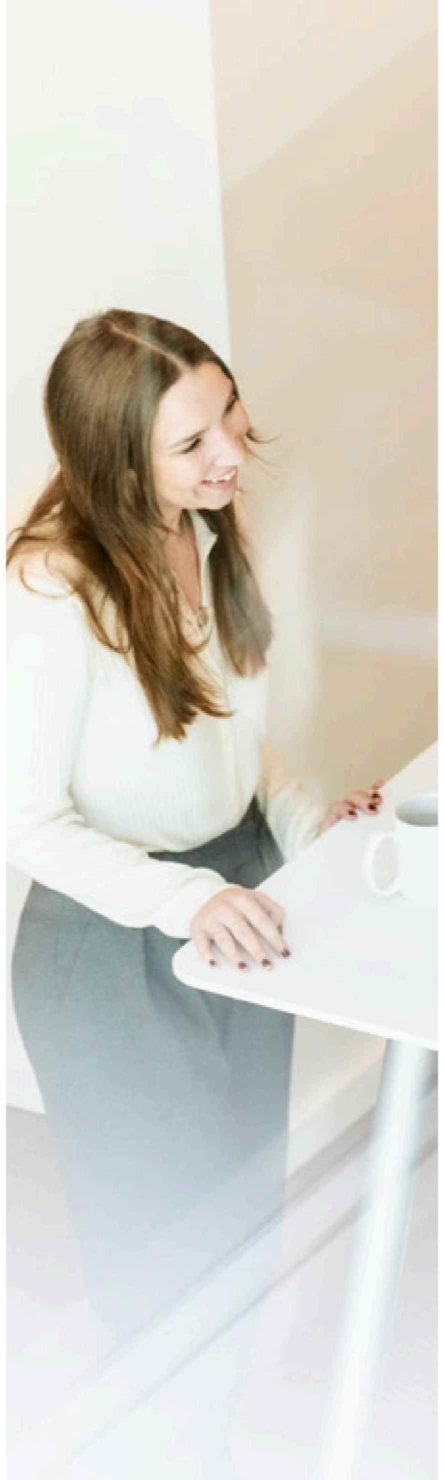
- 11 of these companies and external managers made concrete commitments in this area.

To encourage action, we voted against the appointment of Board members in 268 companies that had less than 30% women on their Boards with no extenuating circumstances.

To promote diversity on the Boards on which we sit and strengthen their governance, we set the objective of having women represent 30% of our nominee directors by 2023.

During the year, we appointed 89 new nominee directors. Of these, 24 were women.

In 2023, we reached our target of women representing 30% of all our nominee directors.



3 Our efforts on adopting tax best practices

We expect the companies in which we invest to comply with tax best practices. This is why we oppose any form of tax evasion or abusive tax planning. We diligently manage our portfolio to achieve this, and are one of the world's most rigorous investors on this matter.

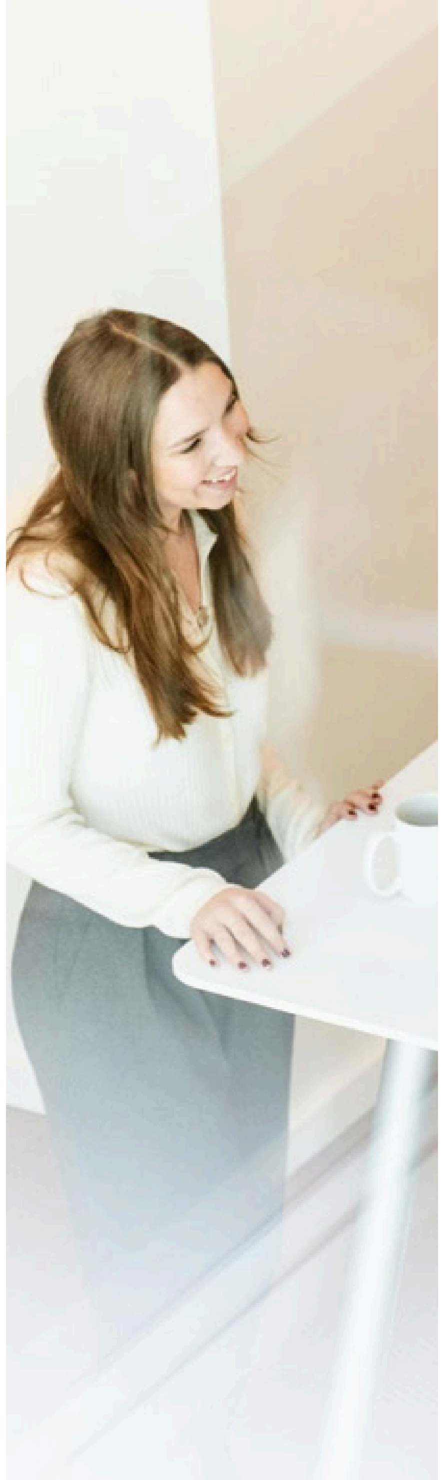
Each investment opportunity is analyzed according to the criteria of our International Taxation Commitment. This is in line with the recommendations of the OECD. We were one of the first institutional investors in the world to make such a commitment.

In 2023, our teams issued 199 pre-investment opinions to determine whether CDPQ should proceed with a transaction.

Of those opinions:

5 were unfavourable and led us to withdraw from the potential investment due to inadequate tax practices

2 went ahead following implementation of changes requested by our tax team to bring the deal in line with the criteria of our commitment



FOLLOW-UP ON THE 2022 REVIEW OF OUR ACTIVELY MANAGED INVESTMENTS BEING MONITORED

Following an in-depth analysis of the portfolio in 2022, our monitoring list included 11 companies that presented a risk of adopting tax practices that did not meet our expectations.

In 2023, we carried out a more in-depth review of these investments. We held discussions with members of the management of some of these companies to better understand their tax strategies and viable long-term effective tax rate. We also emphasized the importance that CDPQ places on tax matters. Based on these discussions, we concluded that:

10 could be removed from our monitoring list because they showed no indication of abusive tax planning, had already been sold in the normal course of our investment strategy or had been subject to a reorganization upon our request.

1 of them did not meet our criteria. We are continuing our dialogue with the company and continue to monitor it, as this is a non-liquid investment that CDPQ cannot dispose of unilaterally.

COMPREHENSIVE ANNUAL REVIEW OF OUR ASSETS

In 2023, our teams once again assessed our assets from a tax point of view, based on the most recently available financial information, to identify those securities requiring in-depth analysis. During the year, we reviewed more than 2,900 investment files in the portfolio and conducted over 400 in-depth analyses to meet the criteria set out in our International Taxation Commitment.

As a result of these analyses, 14 new companies were placed on the monitoring list and will be closely monitored in 2024.

CASE STUDIES

Sanfer

Based in Mexico with operations throughout Latin America, the Sanfer pharmaceutical company creates and produces medications to treat various conditions, such as diabetes and cardiovascular issues. In 2023, the company adopted a concrete and robust ESG strategy that included the creation of a dedicated ESG team.

In order to provide Sanfer with the best possible support, we met with members of its management team on several occasions during the year, both in Mexico City and in Montréal. These meetings enabled us to share with them our convictions and recommendations on best practices for integrating ESG factors into their business strategy. Having seen the company make considerable progress in this area and publish its very first sustainability report, we will continue to work closely with Sanfer in 2024 to help it develop an improved and sustainable DEI strategy, a very important tool in Sanfer's sector of activity.

MPark

Enterprise Research Campus

CASE STUDIES

Sanfer

MPark

Located in Sydney, Australia, MPark is an innovative mixed-use life science and technology campus. Developed through a partnership between Ivanhoé Cambridge and Stockland, one of Australia's largest diversified real estate groups, the project includes a first phase of 37,000 m^2 of carbon-neutral commercial rental space. As part of this project, Ivanhoé Cambridge has implemented a "green promote" structure, which ensures alignment with ESG performance indicators to incentivize the adoption of sustainability best practices.

In 2021, Stockland launched an inclusion and performance program in order to advance DEI, improve psychological safety and generate value for the entire MPark ecosystem. Since then, over 50 people from 14 companies, including tenants, architects, contractors and consultants, have participated in the project. Through a series of workshops held to support the program's success, MPark established a team charter and agreed on performance standards. This helped create a more inclusive culture, improving team cohesion and ensuring consistency in the way it works with its stakeholders.

Enterprise Research Campus

Highlights

1 A culture where talent can flourish

2 Our approach to integrating social factors

3 Our efforts on adopting tax best practices

Case studies

CASE STUDIES

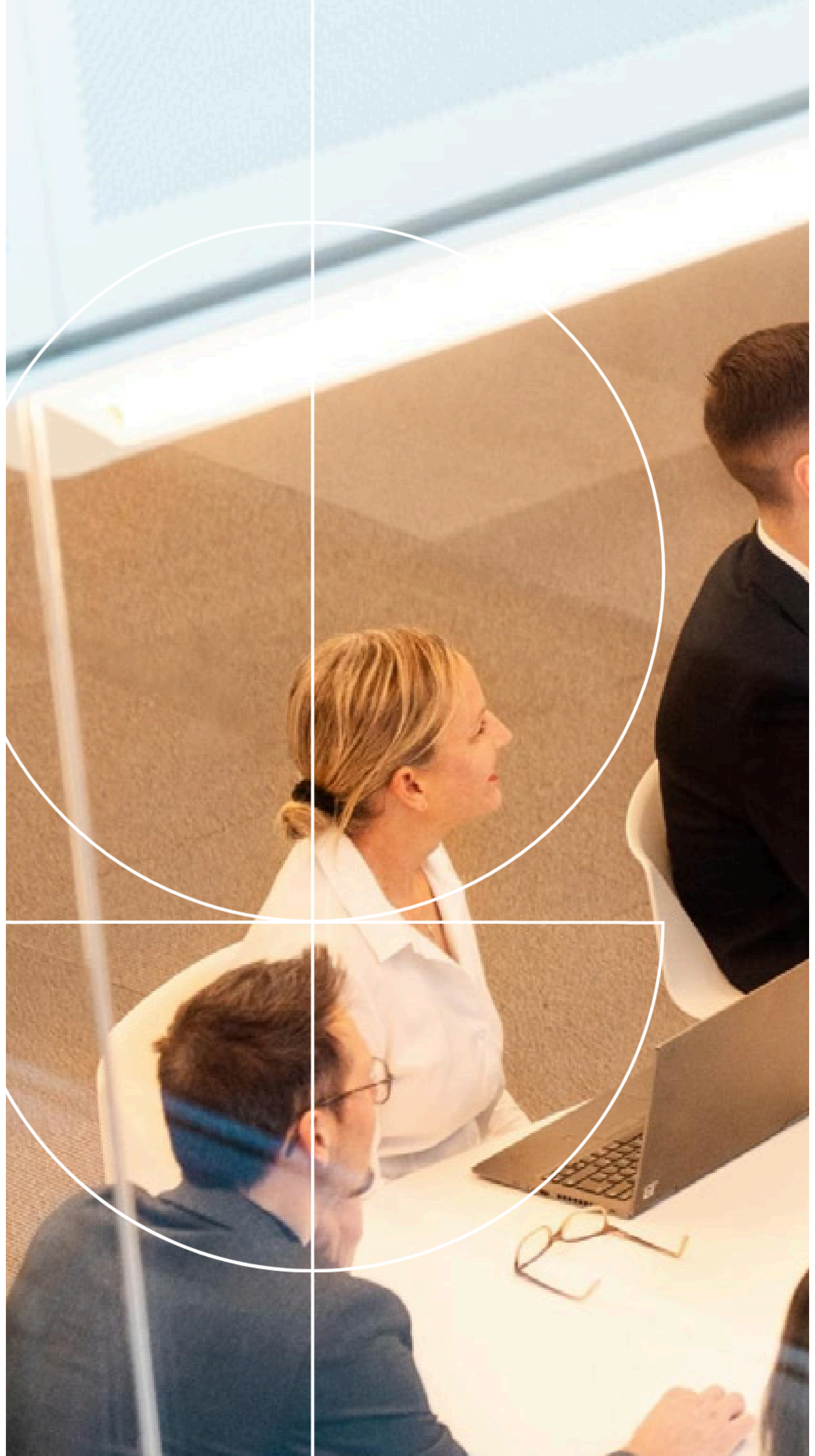
Sanfer

MPark

Enterprise Research Campus

Led by Tishman Speyer and Breakthrough Properties, the Enterprise Research Campus (ERC) in Boston is an 83,600 m^2 mixed-use development project. It will include two life science pavilions, two multi-family buildings, a hotel and accessible green spaces. The financing package, led by Otéra Capital, will bring together a syndicate of four lenders and is considered one of the largest construction loans granted in the U.S. in 2023.

At least 15% of the value of the construction contracts and 25% of the retail area will be awarded to businesses owned by women or people identifying as a visible minority. More than 150 people from the Black and Latin American communities are invested in the project. In addition, 25% of the residential units will be reserved for affordable housing, which represents the highest proportion of affordable housing in a single private construction project in the City of Boston. The project is targeting LEED Gold and Fitwel certifications.



We leverage solid governance practices.

We believe that sound governance is essential to optimal risk management. This is why we are continuously refining our own practices. In addition, we have implemented a series of processes to help optimize the governance systems of our portfolio companies and external managers.

10

Québec companies supported in their implementation of sustainable business practices

308

discussions to raise awareness on ESG factors among our portfolio companies and external managers

37,536

resolutions voted on at 3,635 shareholder meetings held by our portfolio companies

278

technology risk analyses

1

Our principles of sound governance

CDPQ's activities are governed by a number of laws, regulations and policies. We adhere to strict rules of governance in order to achieve our investment objectives rigorously, efficiently and transparently.

CDPQ is governed by three bodies (Figure 10):

- The Board of Directors
- The Executive Committee, composed of the President and Chief Executive Officer and senior executives from various business units
- The Executive Committees of the subsidiaries and their Boards of Directors[1]

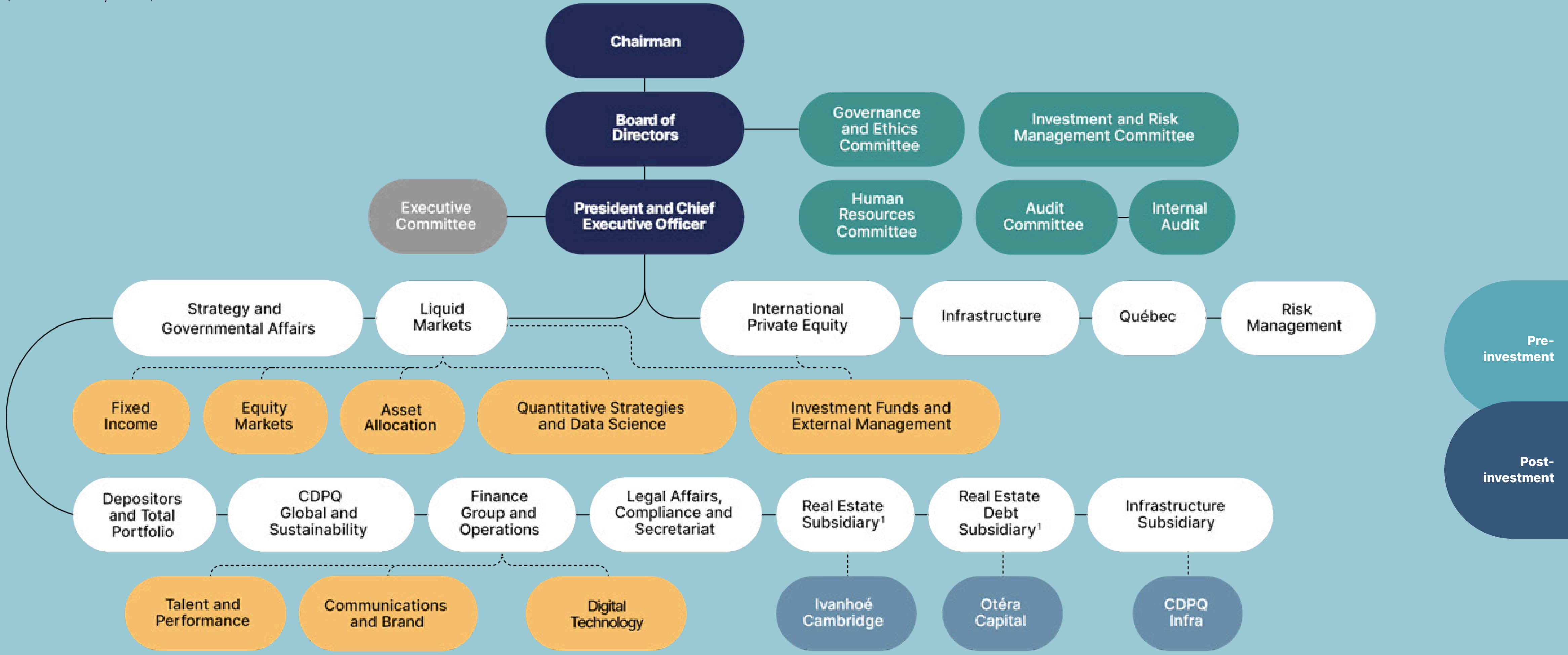
Our governance rules evolve continuously to better take into account current issues. This is why in 2023 we updated our two Codes of Ethics: one for employees and another for the Board of Directors. This evolution enabled us to:

- Deepen the understanding of ethical rules by updating how they are presented
- Meet best practices with practical examples and decision-making tools
- Update our rules, which take into account our evolving practices and new trends in this area
- Align our Codes with those of our subsidiaries, Ivanhoé Cambridge, Otéra Capital and CDPQ Infra, to facilitate management and strengthen our governance[1]

1. On January 24, 2024, CDPQ announced the integration of its subsidiaries—Ivanhoé Cambridge and Otéra Capital—through a process that began at the end of January 2024 and will conclude 18 to 24 months later.

FIGURE 10

Organizational structure
(December 31, 2023)



1. On January 24, 2024, CDPQ announced the integration of its subsidiaries—Ivanhoé Cambridge and Otéra Capital—through a process that began at the end of January 2024 and will conclude 18 to 24 months later.

OUR GOVERNANCE AT EACH STEP OF THE INVESTMENT PROCESS

CDPQ relies on its Sustainable Investing Policy to ensure that ESG factors are taken into account in its portfolio management. In both pre- and post-investment, we encourage the deployment of constructive capital.

PRE-INVESTMENT

We avoid investing in companies or sectors that are:

- Unsustainable for society or the environment
- Prohibited by applicable Canadian law or international conventions
- Entities subject to Canadian financial prohibitions

Once an investment opportunity meets our requirements, and based on certain thresholds, it is submitted to committees based on the sector concerned and the results of our ESG analyses (Figure 11).

FIGURE 11

A rigorous process for approving investments

POST-INVESTMENT

We monitor our total portfolio using specialized tools, resources and rigorous analytical processes. This enables us to assess, anticipate and manage ESG issues that our portfolio companies may face in the future. We then hold discussions internally and with stakeholders to optimize our decision-making.

When an issue arises, an escalation procedure is initiated. Depending on the nature of the asset and the circumstances, a discussion group is formed with business unit risk managers, members of the Risk Management, Sustainability, Communications and Brand teams, as well as the team for the asset class concerned, in order to develop an overall sense of the situation. We can then make an informed decision and enter into discussions with the company to implement the mitigation measures needed to address the issue.

We apply the same analytical process for publicly traded companies. When the risk appears too great, we choose to divest as a last resort.

2

Our advisory role with portfolio companies

Our portfolio companies benefit from our ongoing support on sustainability issues.

We use the following levers of influence to support their adoption of best practices:

- Strategic support
- Dialogue and engagement
- Shareholder voting

Support

Dialogue and engagement

Shareholder voting

Rate of support

Support

STRATEGIC SUPPORT

Our teams have extensive expertise in providing post-investment support to our portfolio companies. We support them as they integrate sustainability considerations into all areas of their business: ESG strategy, disclosure, Board composition, business risk management and executive compensation.

In Québec, we have provided support to 10 companies seeking to optimize the integration of ESG issues into their business strategies—see the case study on Workleap.

Our teams also worked together this year to create a *Playbook for Controlled Operating Companies*. The purpose of the playbook is to ensure that best practices in governance and management are maintained throughout the life cycle of the companies concerned. CDPQ's investment teams are responsible for its application.

As part of our Sustainable Development Action Plan 2023–2028, we committed to increasing the number of Québec companies in our portfolio that take ESG factors into account in their business strategies in order to foster their resilience and long-term performance.

Dialogue and engagement

Shareholder voting

Rate of support

DIALOGUE AND ENGAGEMENT

CDPQ maintains an open dialogue with its portfolio companies and external managers to understand their realities and the challenges and opportunities they face (Figure 12). We use these exchanges to share our expectations concerning their governance practices, risk management and integration of ESG factors into their business plans—see the Inigo case study.

In 2023, we conducted more than 308 discussions with 129 companies and 81 external managers. This honest dialogue, based on trust, fosters the development of privileged relationships with our partners as well as a comprehensive view of developments in our portfolio.

We have also relied on the EOS team at Federated Hermes, a globally recognized provider of shareholder engagement services, to engage with more than 528 portfolio companies in which we are shareholders. This collaboration has enabled us to increase our engagement capacity on subjects such as artificial intelligence, the circular economy and water management.

FIGURE 12

Topics addressed with our portfolio companies and external managers

GOVERNANCE: 54%

Strategy and disclosure: 35%
Senior management and compensation: 8%
Business practices: 4.5%
Board of Directors: 4.5%
Shareholders' rights: 2%

ENVIRONMENT: 15%

Climate change: 9%
Environmental risks: 6%

SOCIAL: 31%

DEI: 21%
Human resources: 5%
Social risks: 4%
Taxation: 1%

SHAREHOLDER VOTING

We use shareholder voting, in accordance with our Policy Governing the Exercise of Voting Rights of Public Companies, to express our convictions, particularly in the areas of governance, climate and DEI.

Our Sustainability team leads this activity throughout the year. We encourage engagement with and support for our portfolio companies as a complement to shareholder voting, in order to engage them in dialogue prior to and during annual general meetings.

In 2023, we voted on:

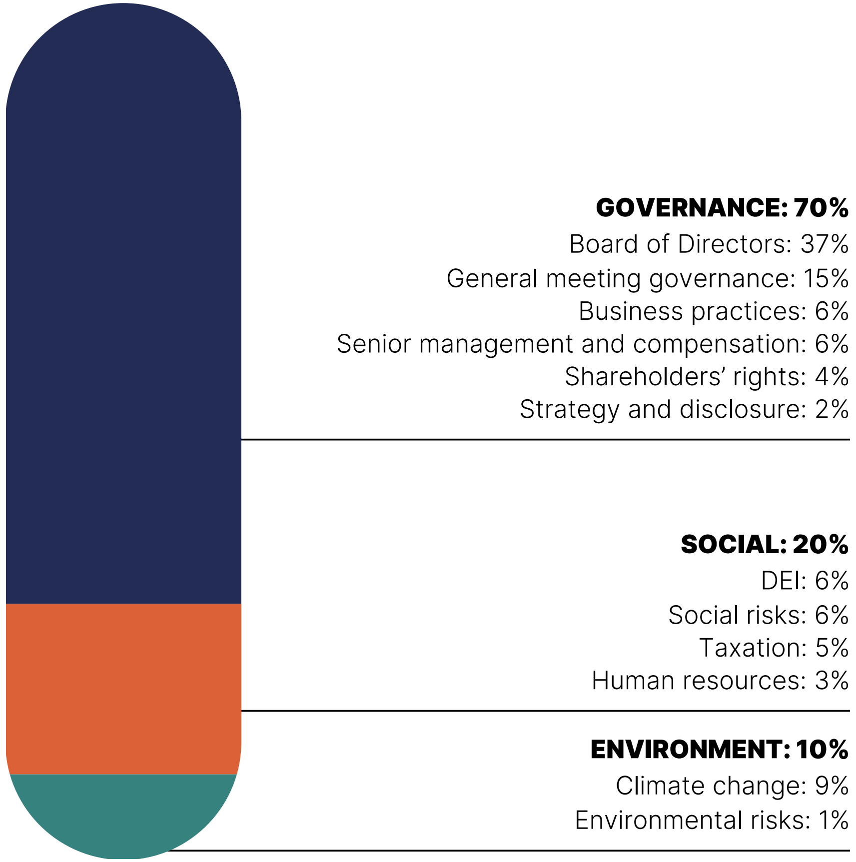
37,536 resolutions, including shareholder proposals and management proposals, on several topics at

3,635 shareholder meetings held by our portfolio companies

The topics most frequently discussed in 2023 were appointments to Boards of Directors as well as disclosure on climate change and social issues.

FIGURE 13

The various topics targeted by the shareholder proposals on which we were called upon to vote



Rate of support

OUR RATE OF SUPPORT

Through the vigilant exercise of our shareholder voting rights, we seek to strike a fair balance between respect for our environmental and social convictions and the creation of long-term value for our depositors. In the absence of extenuating circumstances, we vote against the appointment of a director of a public company when the company has fewer than 30% women on its Board or does not have a sufficiently ambitious climate plan.

We have adopted guidelines to assist us in our positioning. For example, we do not necessarily support all shareholder proposals, as some are deemed too restrictive and not rooted in the company's reality to allow true progress.

Such decisions are reflected in our rate of support for shareholder proposals:

62% support for proposals on environmental issues

49% support for proposals on social issues

To maximize our support rate, we actively work on reviewing, and sometimes even developing, proposals so that they will meet the interests of shareholders while remaining achievable by the companies concerned. We transparently publish our voting positions after each shareholder meeting.

3

Our technology risk management

Disruptive technologies and cyberattacks are becoming increasingly sophisticated and represent a growing risk for businesses. They can have an impact on both the service offering and operations. In addition, rapid technological advances in generative artificial intelligence, which has the capacity to produce new content, also present opportunities and threats for some of our portfolio companies. Lastly, new profiles have emerged of the cybercriminals targeting critical infrastructure, partly as a result of geopolitical tensions.

We regularly monitor the risks in our total portfolio, including through analyses that help our investment teams better target the risks associated with technological disruption and cybersecurity. Our processes enable us to monitor all these risks and support some of our portfolio companies to strengthen their technological posture, advise them and help them respond to an incident.

In 2023, we carried out targeted analyses of several technologies and activity sectors. Among other things, we conducted a review of the impact of generative artificial intelligence on CDPQ's portfolio. We are closely monitoring developments in this area.

In 2023, our teams performed 278 technology risk analyses.

CASE STUDIES

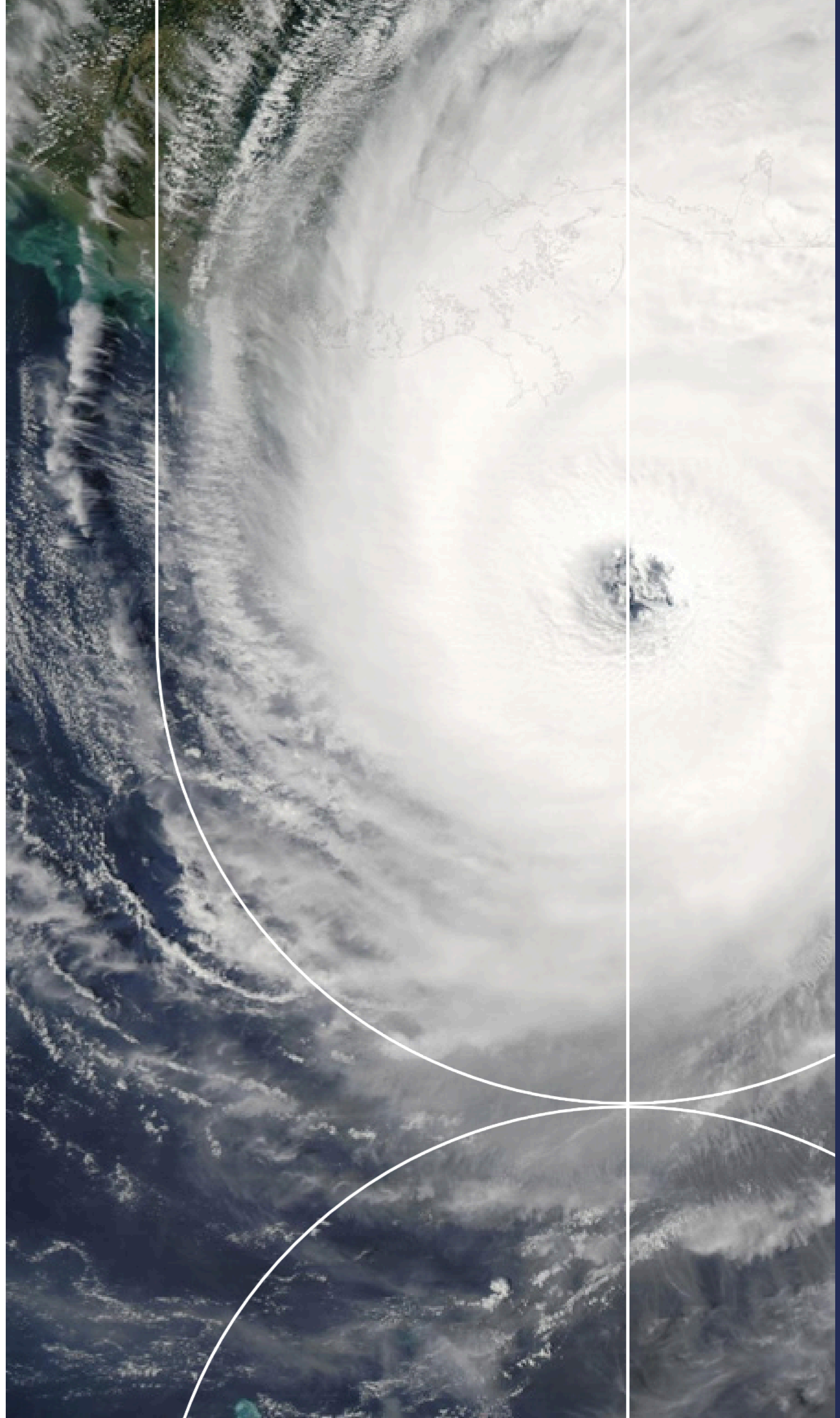
Workleap

Workleap, a company founded in Québec and active around the world, offers a software platform that simplifies talent management and the use of Microsoft 365 productivity tools. Its business solutions are used by more than 20,000 companies in over 100 countries.

We are supporting Workleap as it pursues its acquisition strategy, which aims to broaden the offering on its platform, penetrate new markets and create more value for clients. This is the first external partnership for the company, which has been self-financed and profitable since its inception. Through an approach based on collaborative support, we are helping implement an ambitious acquisition strategy and a solid governance structure consisting of external directors. Our wide-ranging discussions have also helped Workleap acquire tools and processes that will help this Québec flagship crystallize its long-term future and continue growing global sales.

Inigo

Probe Gold



CASE STUDIES

Workleap

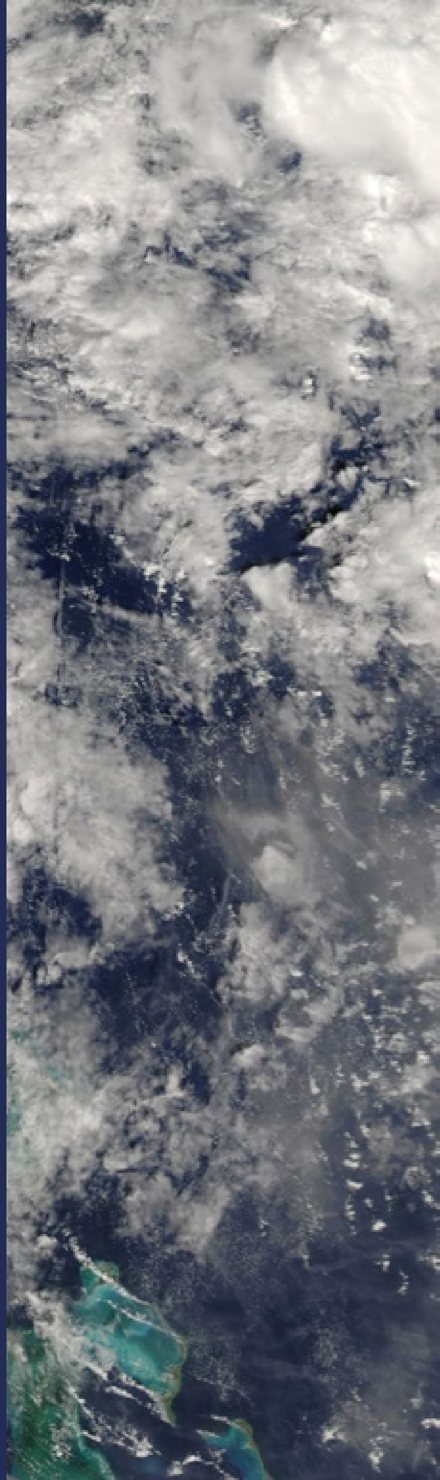
Inigo

Inigo is a global company specialized in the insurance and reinsurance of the risks associated with complex and major events. Founded in 2021, the company has integrated ESG factors upstream in its business model and strategy.

Inigo invests heavily in research on catastrophes to better understand the changing nature of climate risks and integrate these observations into its underwriting decisions. In its first year of operation, it defined sustainability risk appetite indexes in underwriting and investment, and in 2022 it became a member of ClimateWise, a TCFD-aligned network. Inigo has also forged strategic partnerships with nature-related philanthropic organizations to have a positive influence beyond the traditional insurance value chain.

CDPQ advised the company on developing its ESG and risk management frameworks, including the establishment of DEI and risk KPIs. As a young company, Inigo needed to focus on attracting, developing and retaining diverse and committed talent, as well as on creating a solid governance structure. CDPQ played an advisory role in support of this process.

Probe Gold



CASE STUDIES

Workleap

Inigo

Probe Gold

We held discussions with Probe Gold, a Canadian gold mining company, to guide it on adopting governance best practices following its transition, in January 2023, from the TSX Venture Exchange to the Toronto Stock Exchange.

We discussed a variety of topics, and particularly those of interest to investors such as CDPQ, including the composition of the Board of Directors and its committees, stock option plans and compensation disclosure. Since our discussions, Probe Gold has enhanced disclosures related to the structure of its executive compensation and has pursued efforts to move toward governance best practices in Board and committee composition, including gender diversity. These actions are aligned with its business strategy and will ensure better risk management.

APPENDIX 1

Our sustainability indicators and commitments

We disclose the results of our actions related to ESG factors through various documents: the Sustainable Investing Report (SIR), the Sustainable Development Report (SDR) and the Annual Report (AR). We are also governed by a number of sustainability laws, regulations and policies that establish a framework that enables us to carry out our investment activities with rigour, efficiency and transparency. The following tables contain the available indicators and reference documents.

Our indicators

	Indicator	Target or action	2023 disclosure	2023 source	2022 disclosure
1	Value in $B of low-carbon assets	$54 B in low-carbon assets by 2025	$53 B (including $15 B in Québec)	SIR Section E SDR Action 4	$47 B (including $12 B in Québec)
2	Value in $B of Paris Agreement aligned assets	Support for assets with a strategy aligned with the Paris Agreement	$135 B ($53 B CBI, $50 B SBTi and $32 B in the process of being aligned)	SIR Section E	$84 B ($47 B CBI and $37 B SBTi)
3	Portfolio's carbon intensity in tCO_2e/M$ invested and as a percentage	60% reduction by 2030 from 79.4 tCO_2e/M$ invested in 2017	32.2 tCO_2e/M$ 59% reduction from 2017	SIR Section E SDR Action 4	37 tCO_2e/M$ 53% reduction from 2017
4	Value in $B of transition assets	Support companies in heavy emitting sectors in their decarbonization strategy	$5 B	SIR Section E	N/A
5	Fossil fuel targets in line with the science	Exit from oil production by the end of 2022 Exit from thermal coal production	Exit from oil production under active management completed Exit from thermal coal mining under active management completed	SIR Section E	Exit from oil production under active management essentially completed Exit from thermal coal mining

Indicator		Target or action	2023 disclosure	2023 source	2022 disclosure
6	Increase our share of sustainability-themed donations and sponsorships	14% of donations and sponsorships granted to be sustainability-themed by 2025	13%	SDR Action 5	13%
7	Reduce the carbon footprint of our three business offices in Québec	35% reduction in emissions from our three business offices in Québec by 2025 compared to 2017 (2.75 kg CO_2e/ft^2)	41% reduction compared to 2017 (1.63 kg CO_2e/ft^2)	SDR Action 7	N/A
8	Increase the eco-friendly management of renovation projects in our three business offices in Québec	90% of materials reclaimed in renovation projects in our three business offices in Québec by 2025	97%	SDR Action 8	N/A
9	Zero waste target in our three business offices in Québec	Average waste reclamation rate of 65% in our three business offices in Québec by 2025	55%	SDR Action 9	N/A
10	Share of women on the Board of Directors	40% share of women on the Board of Directors	46%	SIR Section S	46%
11	Share of women on the Executive Committee	40% share of women on the Executive Committee by 2025	44%	SIR Section S	39%
12	Share of women at CDPQ	47% share of women in the organization by 2025	46%	SIR Section S	45%
13	Share of women in investment positions	34% share of women in investment positions at CDPQ by 2025	30%	SIR Section S	27%
14	Employees in Québec who identify as a member of one of the following three groups: visible minorities, ethnic minorities or Indigenous peoples	26% of employees in Québec who identify as a member of one of the following three groups: visible minorities, ethnic minorities and Indigenous peoples by 2025	26%	SIR Section S	24%

Indicator		Target or action	2023 disclosure	2023 source	2022 disclosure
15	Employees in Québec in investment positions who identify as a member of one of the following three groups: visible minorities, ethnic minorities or Indigenous peoples	Strategy in place to attract, retain and develop employees	21%	SIR Section S	N/A
16	Existence of information on coaching employees and current mentoring programs	Mentoring program	185 people were mentored internally (of which 54% were women and 30% were colleagues representing ethnocultural diversity) by 133 mentors	SIR Section S	170 people were mentored internally (of which 51% were women and 21% were colleagues representing ethnocultural diversity)
17	Employees with disabilities	Annual Action Plan for Persons with Disabilities	4% of our employees in Québec	SIR Section S	N/A
18	Number of workplace accidents	Support for overall occupational health and safety	2 minor incidents	Global Health and Safety team	No accidents
19	Percentage of public companies in active management in our portfolio with at least 30% women on their Boards of Directors	Ambition to achieve 100%	57%	SIR Section S	52%
20	Share of women in CDPQ's nominee director positions	30% share of women in CDPQ's nominee director positions by 2023	30%	SIR Section S	29%
21	Number of pre-investment notices on tax practices	Pre-investment tax practice analysis of transactions	199 pre-investment opinions on tax practices, of which 5 were unfavourable	SIR Section S	136 pre-investment opinions on tax practices, of which 7 were unfavourable
22	Number of investment files analyzed to ensure compliance with a minimum tax rate	Analysis of our assets under active management to ensure compliance with a minimum consolidated tax rate of 15%	Over 2,900 investment files and 400 in-depth analyses	SIR Section S	More than 1,800 investment files
23	Presence of verifications and internal audits of diversity indicators	EDGE Certification, a globally recognized corporate certification standard for gender equality in the workplace	Implementation of our action plan	RID Section L	EDGE+ Certification renewed

Indicator		Target or action	2023 disclosure	2023 source	2022 disclosure
24	Support for Québec companies owned by women	Growing the number of Québec women entrepreneurs involved in Cheffes de file	120 Québec women entrepreneurs	SDR Action 2	109 Québec women entrepreneurs
25	Number of Québec companies supported in their implementation of sustainable business practices	Support for our portfolio companies in Québec on various ESG matters	10 Québec companies	SIR Section G SDR Action 1	9 Québec companies
26	Number of engagements held with portfolio companies and external managers on ESG factors	Engagements with our portfolio companies and external managers on various ESG issues	308 discussions	SIR Section G	303 discussions
27	Number of portfolio companies and external managers we engaged on ESG factors	Engagements with our portfolio companies and external managers on various ESG issues	129 companies 81 external managers 528 companies through EOS at Federated Hermes	SIR Section G	175 companies 63 external managers
28	Number of votes on proposals	Participation in votes on proposals	37,536 votes	SIR Section G	54,337 votes
29	Number of shareholder meetings at which we voted	Votes at the shareholder meetings of our portfolio companies	3,635 meetings	SIR Section G	5,537 meetings
30	Rate of support for proposals on climate or social issues	Policy governing the exercise of our voting rights in force	62% support for proposals related to environmental issues 49% support for proposals related to social issues	SIR Section G	N/A
31	Technology risk assessments of our portfolio companies	Technology risk assessments incorporated into all our investment decisions, and monitoring of our total portfolio	278 technology risk analyses	SIR Section G	325 technology risk analyses
32	Assessments of the sustainability of our interactions	Proportion of our new transactions that have undergone a sustainability assessment in Québec for CDPQ and its subsidiaries	72%	SDR Action 3	55%

Indicator		Target or action	2023 disclosure	2023 source	2022 disclosure
33	Increase the share of our responsible acquisitions	65% of contracts signed as a result of a call for tenders (public or by invitation) with a supplier engaged in a valid sustainable development approach by 2025	79%	SDR Action 6	64%

Our commitments

COMMITMENT		TARGET OR ACTION	REFERENCE DOCUMENT
1	GHG reduction target aligned with the objectives of the Paris Agreement limiting warming to 1.5 °C	$54 B in low-carbon assets by 2025 60% reduction in the portfolio's carbon intensity by 2030 $10 B transition envelope to decarbonize the heaviest-emitting sectors Complete our exit from oil production Net-zero portfolio by 2050	Climate strategy
2	Commitment to diversity, inclusion and the absence of discrimination	Policy on workplace equity, diversity and inclusion in place	Policy – Workplace Equity, Diversity and Inclusion
		Annual action plan for persons with disabilities	2023 Action Plan for Persons with Disabilities
		Statement on equal access to employment	CDPQ Statement on Equal Access to Employment

COMMITMENT		TARGET OR ACTION	REFERENCE DOCUMENT
3	Presence of channels through which employees can raise issues	Fraud and corruption prevention and detection policy Hotline for employees to report a breach of ethics or a law being broken	Code of Ethics Policy – Fraud and Corruption Prevention and Detection Policy Against Harassment and Other Types of Misconduct
4	Public commitment to respect personal data and a general policy on personal data	Information management and security policy in place	Information and Technology Asset Security Policy
5	Presence of a commitment on international taxation	Commitment to exercise leadership in international taxation	International Taxation Commitment
6	Existence of a policy against corruption and bribery and analysis of the related risks	Fraud and corruption prevention and detection policy in place	Policy – Fraud and Corruption Prevention and Detection
7	Commitment related to corporate professional ethics directives	Code of ethics for officers and employees in place Code of ethics and for directors in place	Code of Ethics Code of Ethics for the Board of Directors
8	Measures implemented to promote ethical behaviour in the organization	Mandatory training upon hiring and annually on subjects covered by the Code of Ethics Commitment made annually and upon hiring to comply with the organization's ethical standards and to make a declaration of interests	AR Compliance section Code of Ethics
9	Communication of human rights expectations	Statement released on equal access to employment	CDPQ statement on equal access to employment
10	Executive compensation system linked to achieving ESG targets	Variable compensation conditional to achieving climate targets since 2018	AR SIR Appendix 4
11	Presence of a lobbying policy for our portfolio companies	Policy Governing the Exercise of Voting Rights of Public Companies, which includes lobbying	Policy Governing the Exercise of Voting Rights of Public Companies
12	Presence of clear policies on the engagement made with our portfolio companies on ESG issues	Policy on Sustainable Investing that includes a framework for engagement with our portfolio companies	Policy – Sustainable Investing

APPENDIX 2

Calculation of the intensity of CDPQ's portfolio

Calculation for our investments in companies

$$\text{Total CDPQ portfolio intensity} = \frac{\sum \text{emissions attributed to CDPQ } (tCO_2e)}{\text{CDPQ portfolio within the calculation perimeter (millions of CAD)}}$$

$$\text{Emissions attributed to CDPQ} = \text{Emissions of the asset } (tCO_2e) \times \frac{\text{LT capital supplied by CDPQ (millions of CAD)}}{\text{Total LT capital of the asset (millions of CAD)}}$$

LT capital

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

Emissions

Emissions of direct (Scope 1) and indirect (Scope 2) GHG converted into equivalent tons of CO_2 (tCO_2e), as defined by the GHG Protocol.

Calculation perimeter

Includes a net value[1] of investments of $422 billion as at December 31, 2023, or 100% of corporate securities, including those of non-consolidated subsidiaries, in the form of shares, corporate and Crown corporation debt, securities held through market indexes or exchange traded funds (ETFs), externally managed investments, and securities lending and borrowing (Chart 14).

Excludes a net value[1] of investments of $91 billion, as at December 31, 2023, in government bonds, cash, warrants, certificates of deposit, derivative financial instruments, and securities purchased under reverse repurchase agreements.

The investments considered in the footprint calculation are held in the following specialized portfolios: Equity Markets, Fixed Income, Private Equity, Infrastructure, Real Estate, and certain investments in shares held in Asset Allocation (Figure 15).

Transition envelope

Investments in the transition envelope are excluded from the calculation of the intensity of the total portfolio. The carbon intensity of these assets is calculated using the same methodology as that used for the portfolio, but it is separately monitored and disclosed, as well as externally verified. These assets are aligned with our objective to be net zero by 2050, and their decarbonization plans are certified by independent experts.

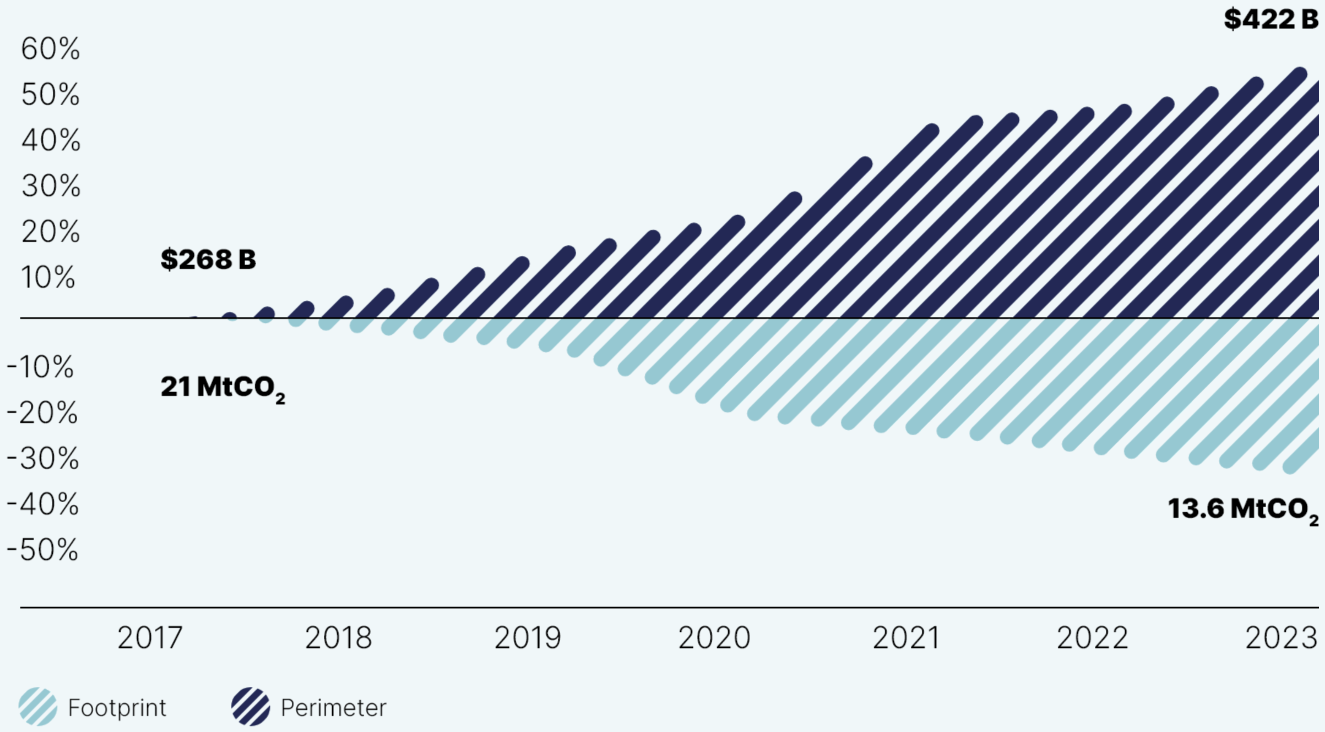
Government bonds

To meet the requirements of the NZAOA, we have calculated the carbon intensity of our sovereign bond portfolio according to the Partnership for Carbon Accounting Financials (PCAF) standard for the first time. The data used to calculate it is not comparable with those used for the portfolio intensity, so it is handled separately (more details in Appendix 4).

1. CDPQ gross asset value, net of short positions (net negative positions are excluded).

CHART 14

Absolute portfolio footprint (in $MtCO_2$) within the calculation perimeter (in $B)*



*Excluding the transition envelope.

FIGURE 15

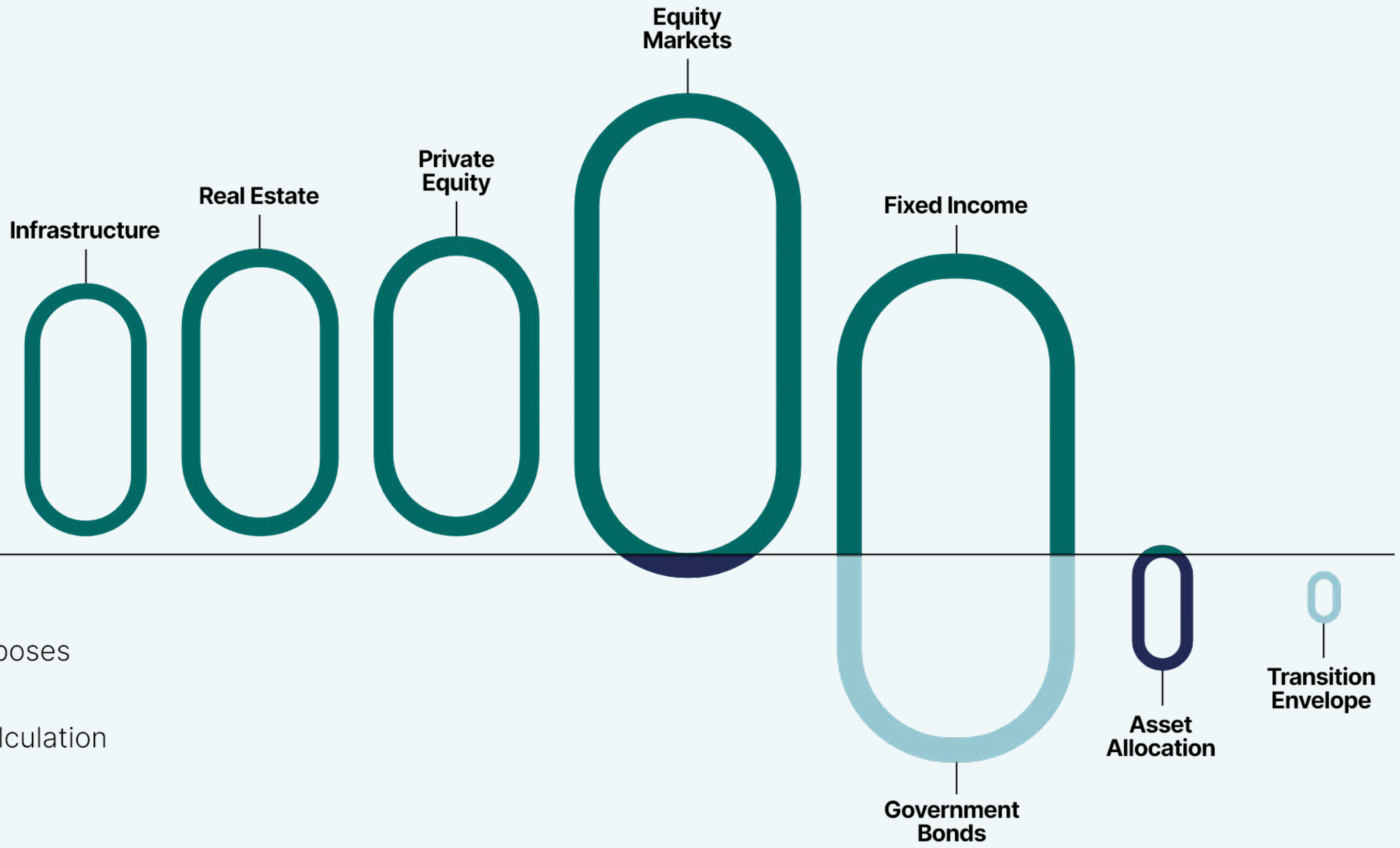
CDPQ calculates its carbon footprint on the vast majority of its portfolio

INCLUDED

- Carbon footprint calculation perimeter

EXCLUDED

- Footprint calculated separately for reporting purposes
- Other investments (warrants, derivative financial instruments, etc.) excluded from the footprint calculation



Sources of data

A) Direct interests

CDPQ primarily uses the Trucost database to collect the emissions data on individual emitters. Combined with LT capital data from the Compustat and Bloomberg databases, this forms the foundation of our calculations of individual issuer intensity and average sector intensity.[2]

Our approach is as follows:

CDPQ methodology

In order of priority:

1. Direct intensity calculated for the issuer
2. Direct intensity calculated for the parent of the issuer
3. Average sector intensity

Ivanhoé Cambridge methodology

In order of priority:

1. Direct intensity calculated for the property by Ivanhoé Cambridge[3]
2. Average intensity of Ivanhoé Cambridge's portfolio

Please note that in certain instances CDPQ uses judgment to override the intensity assigned through the typical methodology if more accurate or relevant data are available. For example, this may be the intensity disclosed by the issuer, the intensity of comparable issuers with the same GHG profile, the average intensity of a sector that more accurately represents the issuer or the intensity estimated using another reliable source.

2. CDPQ uses the most recently available emissions data from Trucost. For data quality purposes, CDPQ sets an internal threshold to determine when the most recent emissions data in the Trucost database are considered too outdated to use in our calculations of individual issuer intensity and average sector intensity. Where available, CDPQ uses LT capital data as at December 31, 2023. Where LT capital data is not available as at December 31, 2023, CDPQ uses the most recently available data.

3. Ivanhoé Cambridge includes in its intensity calculation Scope 3, Category 13 emissions from the GHG Protocol related to the Scope 1 and 2 activities of its tenants.

B) Indirect interests

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

TABLE 16

Evaluation of the quality of the data used to calculate CDPQ's global footprint

Methodology developed by CDPQ and inspired by the Partnership for Carbon Accounting Financials (PCAF)

DATA QUALITY	DEFINITION	DATA TYPE	SHARE OF THE ABSOLUTE FOOTPRINT (%) (Scopes 1 and 2 emissions)[3]		SHARE OF EXPOSURE (%) (Scope 3 emissions)
1	• Highest quality data • Disclosed by the company itself (audited or not) • Data type: - Trucost (S&P Global) - Obtained directly by CDPQ from companies (through engagement, their sustainability report, etc.)	Disclosed	66%		24%
2	• Very good data quality • Calculated and disclosed by the company itself, but incomplete • Does not cover all the company's operations and/or not aggregated in one place • Data type: - Partial, compiled and adjusted by Trucost based on the real economy - If considered too incomplete based on specific criteria, Trucost uses an estimate (Quality 4)	Disclosed	11%	**81%**	0%
3	• Good quality data • Deduced from reliable estimates, but without direct disclosure of the company's footprint • Data type: - CDPQ estimate based on production data provided by the company (through engagement) - CDPQ or Trucost estimate based on comparable companies in terms of revenues, geography and activities	Disclosed/estimated	4%		0%

DATA QUALITY	DEFINITION	DATA TYPE	SHARE OF THE ABSOLUTE FOOTPRINT (%) (Scopes 1 and 2 emissions)[3]		SHARE OF EXPOSURE (%) (Scope 3 emissions)
4	• Acceptable data quality • Data type: - Trucost estimate using specific models - Trucost calculates a sector proxy based on the company's revenues	Estimated	16%	**19%**	10%
5	• Lower quality data • Obtained from more global and/or relative estimates • Data type: - Estimate based on a sector proxy calculated by CDPQ based on the company's enterprise value (EV) - Average of funds	Estimated	3%		0%
N/A	• Unavailable data				66%

APPENDIX 3

Independent practitioner's assurance report

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

Scope

We have been engaged by Caisse de dépôt et placement du Québec ("CDPQ") to perform a 'limited assurance engagement', as defined by Canadian Standards on Assurance Engagements, hereafter referred to as the engagement, to report on the carbon intensity of CDPQ's portfolio excluding the transition envelope, the carbon intensity of the transition envelope and the associated data quality table (collectively, the "Subject Matter") for the year ended December 31, 2023, detailed in the accompanying schedule and contained in CDPQ's 2023 Sustainable Investing Report (the "Report").

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

Criteria applied by CDPQ

In preparing the Subject Matter, CDPQ applied internally developed criteria described in Appendix 2 and Appendix 4 of the Report (the "Criteria"). The Criteria were specifically designed for the preparation of the Report. As a result, the Subject Matter may not be suitable for another purpose.

CDPQ's responsibilities

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

EY's responsibilities

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

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

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

Our independence and quality management

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

Our firm applies Canadian Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires us to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

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

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

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

Our procedures included:

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

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

Inherent limitations

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

Non-financial information, such as the Subject Matter, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the Subject Matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable evaluation techniques which can result in materially different evaluations and can impact comparability between entities over time.

Conclusion

Based on our procedures and the evidence obtained, nothing has come to our attention that causes us to believe that the Subject Matter for the year ended December 31, 2023, is not prepared, in all material respects, in accordance with the Criteria.

Ernst & Young LLP[1]

March 21, 2024
Montréal, Canada

[1]FCPA auditor, public accountancy permit no. A114960

Schedule

Our limited assurance engagement was performed on the following Subject Matter for the year ended December 31, 2023:

Performance Indicator	Criteria	Reported Value
Carbon Intensity of CDPQ's portfolio excluding the transition envelope	Internally developed[1]	32.2 tCO_2e/\$M
Carbon Intensity of CDPQ's transition envelope	Internally developed[2]	1,782 tCO_2e/\$M
Data quality table	Internally developed[1]	Data Quality 1: 66% Data Quality 2: 11% Data Quality 3: 4% Data Quality 4: 16% Data Quality 5 : 3%

1. Significant contextual information necessary to understand how the data has been compiled has been disclosed in Appendix 2 of the Report.

2. Significant contextual information necessary to understand how the data has been compiled has been disclosed in Appendix 2 and Appendix 4 of the Report.

APPENDIX 4

Disclosure according to the Task Force on Climate-related Financial Disclosures (TCFD)

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

APPLICATION OF THE RECOMMENDATIONS BY CDPQ

① Board oversight of climate-related risks and opportunities

- Since 2017, our Policy – Sustainable Investing requires that we include climate change considerations in our investment analysis and approval process, as well as in integrating risks related to ESG factors. The Sustainability team develops this policy, which is then approved by the Executive Committee, followed by the Board of Directors.
- In addition, to ensure oversight of our sustainable investing governance, the Executive Committee reports semi-annually to the Board of Directors, based on sectoral strategic plans, risk mapping and the Climate Strategy.
- In 2018, the Human Resources Committee of the Board of Directors took a strong step by linking the incentive compensation of all employees, including the members of the Executive Committee, to the achievement of climate targets. We are one of the first global institutional investors to adopt such a measure.

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

- The climate attributes (risks and opportunities) of investments are subject to the same governance as our other investment criteria. They are incorporated into the due diligence review of investments and into our portfolio monitoring. These issues are addressed in specific sections of the investment approval and reporting documents. Particular attention is paid to the physical risk incurred through real assets (infrastructure and buildings) as well as to transition risk.
- Working in collaboration with the entire organization, the Sustainability team closely monitors the annual climate targets of our specialized portfolios. These analyses are submitted to the various committees on which CDPQ executives sit, including the Investment-Risk Committee (IRC).
- In 2021, a transition risk analysis of the portfolio was carried out by the Sustainability team in collaboration with Risk Management for presentation to the IRC. This analytical framework is now used in the due diligence review of certain new investments. Overall exposure to this risk is also monitored.
- Close attention is paid to data quality. Since 2021, a carbon certificate has been added to these extra-financial data, which now benefit from controls similar to those applicable to financial data, including external verification.

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

Physical risks

- In 2020, we began an innovative partnership with two Canadian peers and The Climate Service to co-develop Climanomics, a tool used to better understand, measure and report on physical climate risks in financial terms. We continued to use this tool after this supplier was acquired by S&P Global in 2022.
- Today, our teams analyze the different types of physical climate risks over the short, medium and long term. The risks are taken into consideration for each new investment in real assets (infrastructure and real estate) as well as for some of our portfolio assets (for more details, see section 5. Management of physical risks).

Transition risks

- Since 2021, for each new investment opportunity, we analyze the company's business model and its exposure to transition risks, based on the materiality of the risk and the liquidity of the security, as well as the following factors:
  - Regulatory or political action (carbon pricing, subsidies)
  - Technological innovations
  - Market risks (changes in demand for certain products)
  - Lawsuits
  - Reputational risks
- These analyses are extended to the entire portfolio and cover different time horizons (for more details, see section 6. Management of transition risks).

Climate-related opportunities

- There are many climate opportunities (for more details, see section 9. Seize opportunities). To ensure that they are taken into consideration, investment teams incorporate them into their annual strategic planning exercise. Internal discussion groups involving various portfolio managers are organized on the transition and related technologies. In this way, we continuously look for investment opportunities, both direct and through external partnerships.

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

- In 2017, CDPQ was one of the first major global institutional investors to adopt a climate strategy covering its entire portfolio. At that time, we set ambitious targets for acquiring low-carbon assets and reducing the carbon intensity of our portfolio.
- In 2018, the Human Resources Committee of the Board of Directors took a strong step by linking the incentive compensation of all employees, including the members of the Executive Committee, to the achievement of climate targets. We are one of the first global institutional investors to adopt such a measure.
- To that end, many teams were mobilized, including:
  - Digital Technology (accessibility and analysis of climate data)
  - Finance and Operations (data quality and reporting, green bond issuance)
  - Talent and Performance (training, calculation of variable compensation)
  - Risk Management (risk management, portfolio construction)
  - Communications and Brand (internal communications)
  - All investment teams
- In 2019, we also decided to make an important commitment: to achieve a net-zero portfolio by 2050 by focusing on decarbonizing the real economy.
- In 2021, having far exceeded our intermediate targets set in 2017, we unveiled a new strategy based on four essential and complementary pillars to meet the major challenges inherent in the transition:
  - Hold $54 billion in low-carbon assets by 2025
  - Decrease the portfolio's carbon intensity by 60% by 2030 compared to 2017
  - Create a $10-billion transition envelope to decarbonize the highest emitting sectors
  - Complete our exit from oil production by the end of 2022
- In addition, we have refined our climate risk identification and management tools (for more details, see sections 5. Management of physical risks and 6. Management of transition risks).
- The climate issue is now an integral part of CDPQ's business model (Figure 17):
  - The investment teams review their strategy each year to capture more low-carbon and transition opportunities as a way to optimize risk management, decarbonization and portfolio construction
  - The Sustainability team supports the investment teams in their climate ambitions, continuously reviewing their practices and refining their risk management tools
  - Climate risks are integrated into the due diligence performed on each new investment and in portfolio monitoring, like all other risks
  - Specific guidelines have been introduced to manage investments in fossil fuels and their value chains
  - The support groups (Digital Technology, Finance, Legal Affairs, Compliance and Secretariat, Talent and Performance, Risk Management, Communications and Brand, etc.) meet regularly to ensure that the operational risks related to the Climate Strategy are controlled and managed like all other risks

FIGURE 17

Factoring climate change into our investment process

Pre-investment

- Conducting detailed analyses of climate opportunities and risks
- Calculating carbon intensity and validating against carbon budgets
- Validating the eligibility of an investment in low-carbon assets or in the transition envelope

Post-investment

- Engaging and supporting portfolio companies
- Monitoring disclosure practices

Continuous portfolio management

- Tracking carbon intensity, low-carbon assets and the transition envelope
- Monitoring climate risk
- Preparing annual public reporting
- Influencing variable compensation

- Lastly, CDPQ actively participates in various investor groups involved in the fight against climate change (for more details, see the Leadership section) to keep abreast of new developments:
  - We serve on the Board of the NZAOA, which we co-founded in 2019 to support the decarbonization of the real economy, and we take part in several of its working groups
  - We also co-founded in 2018 and have since co-chaired the ILN, a group of 13 global institutional investors that aims to address climate change, among other things
  - We also participate in the work of Climate Action 100+, a group of investors whose main goal is to raise companies' awareness on climate-related issues

⑤ Management of physical risks

Pre-investment

- We analyze the physical risks for each new investment in real assets (infrastructure and real estate) as well as for some of our portfolio assets.
- These analyses use the Climanomics tool (for more details, see section 3. Identification of risks and opportunities) to detect and assess such risks under various climate scenarios and over different time horizons.
- The issues detected are then analyzed using tools tailored to the specific context of the investment under consideration, which may include discussions with the target company.
- The potential costs generated by physical risks are integrated into the financial analyses of the investment. In some cases, these analyses may lead to a decision not to invest.

Post-investment

- An approach similar to pre-investment is taken with respect to our portfolio assets. Once the issues have been identified, we enter into dialogue with the management of the targeted company so that it accounts for these risks and takes appropriate measures. In many cases, this means enhancing the climate resilience of assets, but also interacting with external stakeholders. This is because the physical risks may not only affect the asset but also certain critical inputs to our investment that are managed by third parties (e.g. access roads, key suppliers, public infrastructure).
- More detailed analyses of physical climate risks were performed in 2023, specifically for our Infrastructure portfolio. In all, 1,550 geolocation points were selected, covering 32 files and representing around 90% of the portfolio's asset value. The analysis considers seven sectors: electricity, telecommunications, transportation, renewable energy, ports, airports and highways. The next step is to contact the Boards of Directors of the companies identified as priorities so that they can take action on the issues identified.
- The ILN published a guide in 2021 to encourage portfolio managers to incorporate physical risks into investment decisions and adopt best practices.

Physical and macroeconomic risks

- In 2023, we undertook work to articulate the impact of an acute climate event (defined as a natural disaster with a non-negligible probability of occurring) on our exposure to a vulnerable country. Using data from around the world, the Risk Management, Sustainability and Economic and Financial Analysis teams produced macroeconomic shock scenarios on inflation, growth, interest rates and currencies in order to stress test the valuations of portfolio assets in this country. The results highlighted both the vulnerability and resilience of asset valuations based on their specificity following a macroeconomic shock resulting from a climate event, and deepened our understanding of how a climate shock moves through a country's economy. This was the first analysis of its kind conducted at CDPQ.

⑥ Management of transition risks

Analysis of transition risks

- We have developed qualitative tools to improve the way transition risks are factored into our analyses. These scalable tools are aimed at guiding decision-making according to regulatory, technological and socio-economic developments around the world. They will also enable our teams to ask the right questions when analyzing investment opportunities.
- In 2021, CDPQ conducted a complete review of its investment portfolio across all sectors and asset classes. The transition risks were analyzed based on a framework tailored to corporate business models, by developing scenarios based on realistic assumptions concerning the impacts of the energy transition. Going forward, reviews of our portfolio will be carried out from time to time depending on our new investments and their exposure to transition risks.
- We assess these risks according to four focus areas:
  1. Sectors in which the transition will have a negative impact on product demand
  2. Sectors in which products will need to be adapted during the transition
  3. Emitting industrial sectors with established demand for their products but for which decarbonization is complex
  4. New needs arising from the emergence of industries of strategic value for the future
- Three time horizons are considered:
  1. Short term (<5 years): relatively low and specific risks in certain jurisdictions and companies, analyzed on a case-by-case basis
  2. Medium term (5–12 years): risks of a technological, regulatory or market-related nature or pertaining to carbon pricing, potentially affecting the competitiveness of highly carbon-intensive companies
  3. Long term (>12 years): risks associated with high carbon intensity sectors for which lower carbon substitutes or disruptive technologies exist
- The level of exposure was rated on a 6-step scale, ranging from *very favourable* to *critical*.
  1. Very favourable
  2. Favourable
  3. Neutral/low sensitivity
  4. To be monitored
  5. Problematic
  6. Critical

- In the short term, our exposure to transition risk is low, with 4% of the portfolio considered as *to be monitored*, while 96% of the overall portfolio is *low sensitivity* or *favourable* to the transition (as at December 31, 2023). In the medium and long term, the percentage of assets with negative exposure to transition risk increases. However, over such horizons, we expect that our portfolio companies will have initiated risk mitigation measures, and that we will have been able to reposition the portfolio to limit our exposure.
- We also completed our exit from oil production, including extraction and refining, as well as from thermal coal mining and thermal coal power generation (outside the transition envelope), which contributes to progress in decarbonizing the portfolio and reducing transition risk.
- In 2023, we voluntarily took part in a transition risk assessment exercise conducted by the Bank of Canada and the Office of the Superintendent of Financial Institutions. The results confirmed that our portfolio is well positioned with regard to this type of risk.
- It should be noted, however, that the methodologies underlying this work remain very approximate. We continue to monitor the market for any improvements to these tools.

Management of transition risks

- We manage transition risk on three fronts:
  1. Our investments in low-carbon assets that reduce the economy's dependence on fossil fuels
  2. Our investments in assets that actively reduce emissions
  3. Our exit from the oil and thermal coal production sectors
- We have set ambitious low-carbon investment targets, aiming to reach $54 billion by 2025, which is more than three times the amount of such assets we held in 2017. We nearly reached this target as at December 31, 2023, with $53 billion in low-carbon assets in our portfolio.
- As at December 31, 2023, $50 billion of our assets under management corresponded to companies with a decarbonization objective aligned with the Paris Agreement and certified by SBTi, and $32 billion were working towards this. Obtaining this certification can take up to two years. When this is added to our low-carbon assets ($53 billion), we have $135 billion in assets aligned with the Paris Agreement.
- Our engagement and shareholder voting activities with public companies, particularly in association with Climate Action 100+, are aimed at demanding the implementation of concrete plans and the adoption of decarbonization targets aligned with the Paris Agreement.
- We made our first investments in the energy transition in 2015. Our deployment of capital was conditional to these companies transitioning from highly carbon-intensive energy consumption to more sustainable solutions, such as renewable energy. With our support, they have made their mark as some of the first companies in their regions to develop ambitious SBTi-certified decarbonization plans. These are concrete examples of our deployment of constructive capital in transition assets. We have since invested in several companies that have transition plans aligned with the Paris Agreement and are taking action. External consultants are given mandates to certify the decarbonization trajectories of these companies. We now hold $5 billion in transition assets.
- We have also completed our exit from oil production, including extraction and refining, as well as from thermal coal extraction and power production, thereby contributing to progress in the portfolio's decarbonization and reducing its transition risk.
- These combined actions have enabled us to continue our efforts to decarbonize the portfolio. In 2023, we reduced our carbon intensity by 59% compared to 2017. This means that we are now positioned to achieve our new target of a 60% reduction by 2030, which is aligned with our ambition of having a net-zero portfolio by 2050.

⑦ Long-term ambitions

- As a member of the NZAOA, we are determined to work together on defining best practices, influencing our portfolio companies and further driving the financing of existing climate solutions in order to meet our target of decarbonizing the real economy. We are also committed to achieving a net-zero portfolio by 2050 (for more details, see the Leadership section).
- In 2021, we reviewed our climate targets and published a new strategy, including a target to reduce the carbon intensity of our portfolio by 60% by 2030 compared to 2017.
- In 2023, we began work to better assess companies' expected emissions and transition risk management trajectories. This tool is currently being validated. We plan to deploy it internally in 2024.

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

- Through our shareholder vote, we support shareholder proposals aimed at promoting better disclosure of climate-related risks and opportunities, in accordance with TCFD recommendations.
- Moreover, we speak with our portfolio companies' executives to better understand their climate change strategies and encourage them to adopt best practices. In some cases, CDPQ pools its efforts with peers to maximize its influence on companies.
- As part of various initiatives, including Climate Action 100+, we work with other investors to influence the practices of the highest emitters and raise awareness among investors and companies on best practices for addressing climate issues.
- In 2022, we voted against the re-election of certain Board members of 10 companies to underscore their lack of ambition on decarbonization. These individuals are responsible for sustainability and climate-related issues on their Boards. We continued our collaboration in 2023 and voted against the re-election of nine new Board members (for more details, see the Climate engagement case study).
- In 2023, we became signatories to a collaborative engagement campaign that seeks to reduce methane emissions. We have sent letters to five of our portfolio companies to encourage them to join this initiative and develop best practices in emission reduction (for more details, see the Commitment to reduce methane emissions case study).

⑨ Seize opportunities

- CDPQ has developed various tools to seize the many climate-related investment opportunities:
  - An ambitious low-carbon investment target ($54 billion by 2025) that is aligned with CBI's taxonomy (for more details, see the Our low-carbon assets section).
  - A $10-billion transition envelope to decarbonize high emitters. The envelope targets critical transition sectors such as power generation, materials, transportation and agriculture, and will reduce GHGs in the real economy (for more details, see the Our transition assets section).
  - The Sustainable Land Management mandate, formed within the Infrastructure portfolio, which plans to deploy up to $2 billion by 2026 to acquire forest and agricultural land on several continents. Our investments in this sector are for the long term, in compliance with rigorous ESG criteria and the highest standards of sustainable development. This mandate helps diversify our low-carbon investments (for more details, see the Our biodiversity initiatives section).

⑩ Develop new investment guidelines

- As part of our investment process, we analyze the role that each component of the energy value chain plays in the transition.
- In order to achieve our carbon intensity reduction target, we have had carbon budgets in place for each portfolio since 2017. All our portfolio managers are required to incorporate them into their investment decisions, on equal footing with their performance objectives. Their variable compensation depends on it.
- Since 2020 and as a member of the NZAOA, we are committed to complying with the conditions set out in the Alliance Thermal Coal Position:
  - No investments in or financing of new power generation projects that use thermal coal
  - Withdrawal from projects or companies that are not aligned with a decarbonizing trajectory of 1.5 °C:
    - By 2030 in industrialized countries
    - By 2040 in emerging countries
- In 2021, we also joined the Powering Past Coal Alliance (PPCA), an organization consisting of national and subnational governments, businesses and organizations working to advance the transition from coal to renewable energies.
- Oil production, including extraction and refining, as well as thermal coal mining and power generation, now figure among our investment exclusions. This applies to both new operational or expansion projects and companies in this sector. Investments in or financing of new oil pipelines are also excluded. This covers both public and private companies, as well as projects involving these activities.

⑪ Identify and adapt the metrics used to identify and track climate-related risks and opportunities, by portfolio and by strategy

- Our main indicators are the carbon intensity (in $tCO_2e/M\$$) of a company or portfolio, under the methodology recognized by the NZAOA, as well as the volume of low-carbon investments (in $B) under the CBI criteria.
- In 2018, CDPQ implemented an IT system that connects its internal databases to those of external climate data suppliers in order to estimate, in real time, the carbon intensity of our various portfolios and measure changes. Particular attention has been paid to the quality of the data and their governance, in order to mitigate the operational risks associated with this disclosure.
- CDPQ also took part in the work led by the NZAOA to explore solutions to enhance the methodology for forward-looking climate metrics. In 2023, we developed a tool that better assesses companies' climate trajectories, based on existing external work. This tool is currently being validated for internal deployment in 2024.
- Since 2017, CDPQ has been using the carbon intensity metric for a company or portfolio, in accordance with the methodology recognized by the NZAOA. We consider this metric to be credible, rigorous, easy to understand, derived from a transparent methodology, and useful for decision-making, as it allows us to compare companies and measure our progress, regardless of portfolio size. This includes the vast majority of our emissions, i.e. Scope 3, Category 15, as defined by the Greenhouse Gas Protocol. To calculate our intensity, we only use the Scopes 1 and 2 emissions of our portfolio companies. For now, data on their Scope 3 emissions are either unavailable or not sufficiently reliable to be included in our calculations (for more details, see Appendix 2, Table 16).
- In 2022, CDPQ conducted a detailed analysis of the Scope 3 GHG emissions data of our portfolio companies. The data represent supply chain emissions and are tied to use of the company's products. Our analysis showed inconsistent data quality and a low rate of disclosure by our companies and data suppliers (for more details, see Appendix 2, Table 16). This limits our ability to calculate this data at the portfolio level. Despite the fact that it is more difficult for our portfolio companies to control, and more complex to calculate Scope 3 emissions, we continue to encourage their disclosure. When the data are of good quality, they can be used in a risk assessment, more specifically in files associated with fossil fuels.
- The businesses selected for the transition envelope are evaluated by our teams and reviewed by independent external experts in order to validate the rigour of their respective decarbonization plans and ensure alignment with the Paris Agreement. The selected companies must meet specific criteria defined by CBI or SBTi, have a proven robust decarbonization strategy, possess an implementation plan, and disclose their progress. The financial exposure and carbon emissions of the companies held in the transition envelope are rigorously monitored to ensure that they meet the required criteria and follow their transition paths.
- In 2022, we benchmarked the methodology we use to calculate the intensity of our corporate portfolio and the transition envelope against the calculation standard of the Partnership for Carbon Accounting Financials (PCAF). CDPQ began disclosing its carbon intensity in 2017, two years before the PCAF standard was published. The benchmarking validated the robustness of CDPQ's methodology and found that it differed only slightly from the PCAF standard. As a result, we have decided to continue making our disclosures based on the CDPQ methodology.
- In 2023, we published the carbon intensity of our sovereign bond portfolio for the first time. The methodology used to make this calculation complies with the PCAF standard and reflects the latest NZAOA recommendations. Since this intensity is calculated in relation to macroeconomic metrics (gross domestic product), it is not comparable to the corporate intensity metric, which uses the long-term capital employed by a company. It is therefore excluded from our carbon intensity calculation, and is not subject to decarbonization targets. A large portion of the government bond portfolio is a source of cash or duration management, and consists of Canadian or U.S. federal government bonds. We therefore have neither the usual levers nor the necessary discretion to manage their intensity.

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

- CDPQ's corporate portfolio intensity is calculated on a perimeter of $422 billion, or 100% of our corporate exposure (for more details, see Appendix 2).
- In 2023, the carbon intensity of CDPQ's corporate portfolio was 32.2 tCO_2e/M$, down 47.2 tCO_2e/M$ from 2017 (for more details, see the Our carbon intensity section).
- In order to be aligned with PCAF disclosure standards and the NZAOA recommendations, we have calculated the carbon intensity associated with our sovereign bonds with and without a country's emissions corresponding to land use, land-use change and forestry (LULUCF). As at December 31, 2023, the intensity of CDPQ's sovereign bond portfolio, as defined by NZAOA, was:
  - 233 tCO_2e/M$ without LULUCF and 223 tCO_2e/M$ with LULUCF for our return-seeking portfolio
  - 222 tCO_2e/M$ without LULUCF and 206 tCO_2e/M$ with LULUCF for our liquidity sub-portfolio.

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

- We disclose the carbon intensity of our total portfolio annually. We also provide information on the contributions made by various sectors to our overall carbon footprint, in addition to their weights in CDPQ's total portfolio, in billions of dollars.
- The methodology used to measure the intensity and absolute footprint of our corporate assets is available in Appendix 2 and has been certified by external auditors (for more details, see Appendix 3). This methodology applies to our corporate portfolio subject to targets, as well as to the transition envelope for which decarbonization targets are set based on each investment.
- The methodology used to measure the absolute intensity and footprint of our sovereign bond portfolio is presented in section 11. These data are not certified.

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

- Our carbon intensity reduction targets are broken down by portfolio based on asset class, time horizon and investment universe.
- In 2023, we reduced the carbon intensity of our corporate portfolio (excluding the transition envelope) by 59% compared to 2017 and increased our low-carbon investments by $35 billion compared to 2017, for a total of $53 billion.
- We now hold $5 billion in transition assets and $135 billion in assets that are compliant or near-compliant with the Paris Agreement.

CDPQ