Investing in a sustainable future

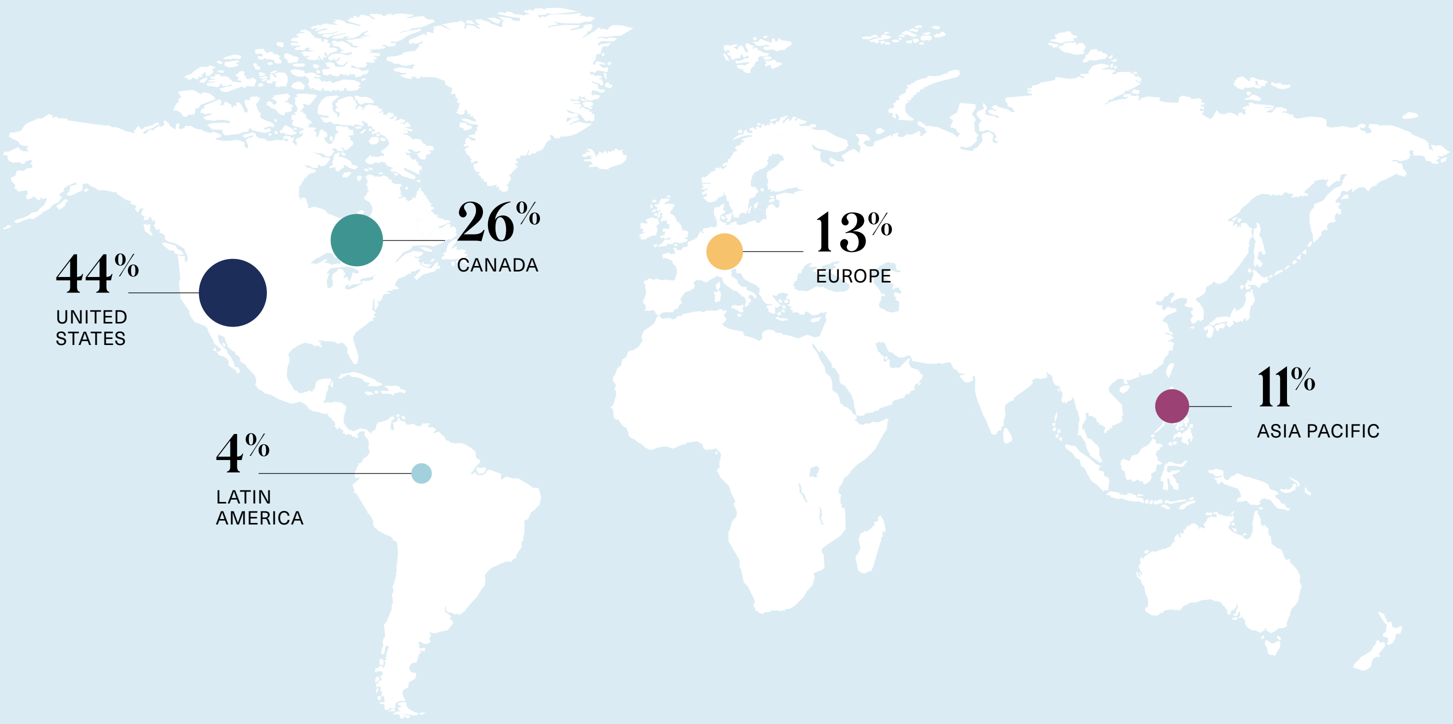
2021 ANNUAL REPORT

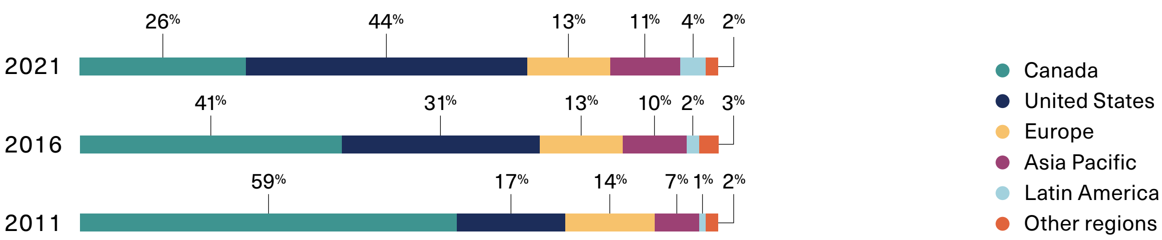
This report presents an overview of our 2021 results, our achievements and our progress in Québec and around the world.

As a global investment group rooted in Québec, CDPQ aims to deliver optimal performance over the long term.

Total portfolio geographic exposure

AS AT DECEMBER 31, 2021





Net assets

$419.8 B

AS AT DECEMBER 31, 2021

2021 results

13.5%

RETURN

$48.7 B

INVESTMENT RESULTS

Results over five years

8.9%

ANNUALIZED RETURN

$141.0 B

INVESTMENT RESULTS

Results over ten years

9.6%

ANNUALIZED RETURN

$241.0 B

INVESTMENT RESULTS

Liquidity

CDPQ has sufficient liquidity to meet our commitments and those of our depositors in addition to maintaining the desired flexibility to act, such as seizing investment opportunities.

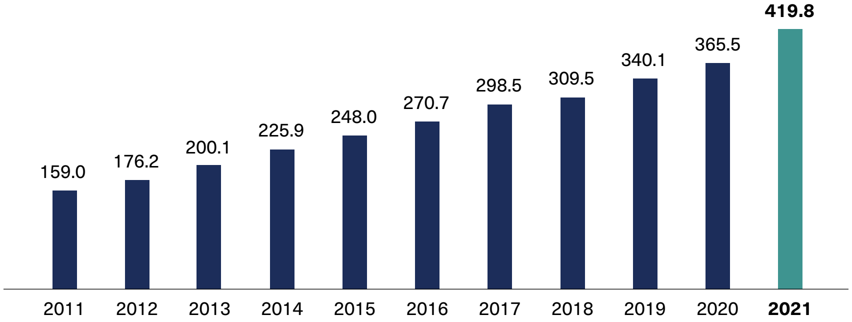
Highest credit ratings reaffirmed

AAA

The DBRS, Fitch, Moody's and S&P rating agencies have reaffirmed the investment grade credit ratings of CDPQ and CDP Financial with a stable outlook.

Growth in net assets since 2011

(in billions of dollars)



Our mission: generate returns while contributing to economic development.

Committed teams, growing our presence in Québec. We believe that Québec has all the advantages needed to join the ranks of the most productive and innovative economies in the world. This is why our teams are working together to make this ambition a reality—by making structuring investments in the economy and supporting companies and key players in the private sector.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1. **Énergir**
   - Leader in the distribution of natural gas, electricity and renewable energy
   - Increase in our stake in the company to 80.9%
2. **Solmax**
   - World's largest manufacturer of geosynthetic membranes
   - Reinvestment in the company and support for the acquisition of TenCate Geosynthetics, which allows Solmax to maintain its position as world leader in this field
3. **New Look Vision Group**
   - Canada's leading provider of vision care products and services
   - Participation in the privatization of the company, valued at $1 billion, to expand its services and network of stores in North America
4. **Demers Ambulances**
   - World leader in ambulance manufacturing
   - Strategic support in the design of a fully electric ambulance adapted to the needs of paramedics and patients
5. **Beyond Technologies**
   - Leading SAP solutions integrator in Canada
   - A 20% minority stake to support its strategic acquisition plans and international expansion, particularly in Europe and the United States

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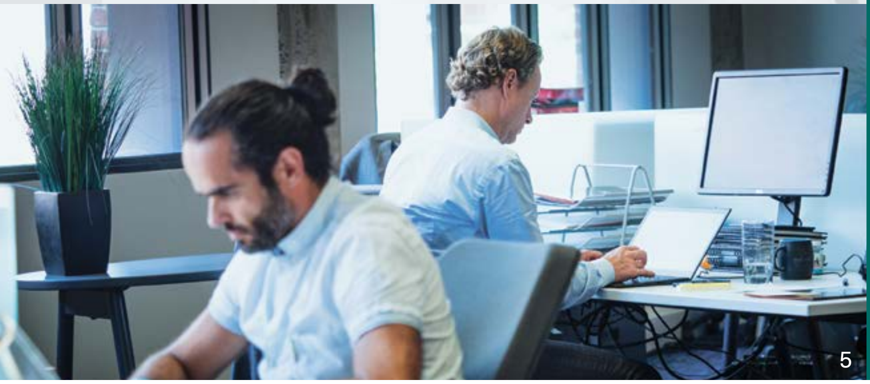

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Unlocking all of CDPQ's strength

To further our ambitions in Québec, we leverage our unique characteristics as an investor-partner: our proximity and deep understanding of this market, our global reach, as well as the reach of our business network and our teams' expertise.

We are developing ambitious initiatives to support our companies' success and encourage the next generation.

Well-positioned companies, a focus on the next generation. To foster the emergence of the champions of today and tomorrow, CDPQ develops its own initiatives in addition to participating in those of other organizations. We support local companies in their projects to create value, and we work with them to strengthen their ability to grow and compete in a digital environment. In addition, we help advance talented individuals from different backgrounds.


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Repères numériques

This training and coaching program was created in 2021 to support Québec SMEs in implementing a digital business culture within their organization. Visit the Repères numériques web page for more information.

39

BUSINESS LEADERS SUPPORTED

12 months

DURATION OF THIS PERSONALIZED, PRACTICAL AND CONCRETE TRAINING

10+

EVENTS ORGANIZED, INCLUDING WORKSHOPS, TRAINING AND EXCLUSIVE CONFERENCES

Cheffes de file

Launched by CDPQ in 2018, this community of practice aims to accelerate the growth of companies owned by women with sales of $5–20 million. Visit the Cheffes de file web page to learn more and read portraits of successful women entrepreneurs.

87

WOMEN ENTREPRENEURS SUPPORTED IN 2021

13

QUÉBEC REGIONS REPRESENTED

13

CO-DEVELOPMENT EVENTS ORGANIZED

1. **Louis Robitaille**
   Plastrec
2. **Claude Marchand**
   LCI Education
3. **Mélanie Dunn**
   Cossette
4. **Alain Brunelle**
   Demers Ambulances

Ambition ME

Redefined in 2021, our financing solutions and support services offering aims to propel mid-market Québec companies with strong development potential to the next stage of their growth.

Our portfolio includes a large number of companies that, with the support of our team from the start, grew into large corporations.

Visit the Ambition ME web page at www.cdpq.com to learn about the experience of mid-market companies supported by CDPQ.

We seize promising investment opportunities to meet our clients' long-term needs.

A clear mission, a sustained commitment to our depositors.
In Québec and around the world, our teams are working toward the same objective: create value for our clients and for the millions of people they represent.

For our eight largest depositors, we have achieved returns ranging from:

9.3% to 15.9%	7.6% to 9.8%	8.2% to 10.6%
IN 2021	OVER 5 YEARS	OVER 10 YEARS

Finances Québec
Retirement Plans Sinking Fund

Retraite Québec
Québec Pension Plan Fund, base and additional plans

RREGOP
Government and Public Employees Retirement Plan

COMMISSION DE LA CONSTRUCTION DU QUÉBEC
Supplemental Pension Plan for Employees of the Québec Construction Industry

CNESST
Fonds de la santé et de la sécurité du travail

Société de l'assurance automobile Québec
Québec Automobile Insurance Fund

Finances Québec
Generations Fund

PPMP
Pension Plan of Management Personnel

For the complete list of our depositors, see pages 28 and 29.

CDPQ at a glance

6 **million+**
Quebecers
who contribute or
receive benefits from

45+
pension and insurance
plans
that entrust their funds

to CDPQ's
investment experts

who invest the funds
in Québec's
economy and in
65+ **countries**

to generate
returns over
the long term

for the
benefit
of

Each depositor is unique

Our clients have individual needs and distinct tolerances to risk that we consider in all aspects of our work with them. Over time, we have built a relationship of mutual trust that allows us to fully understand their goals and expectations.

This is crucial, because behind them are a significant number of Quebecers—fund contributors and beneficiaries—who are at different stages of their lives. We act each day with them in mind.

Our constructive capital creates lasting benefits in communities.

Expanded ambition, focus on ESG priorities. As a long-term global investor, CDPQ has a key role to play in the transition to a more sustainable world. In 2021, we continued to support companies that promote progress to create long-term value for the benefit of our depositors and communities.

$39 B

LOW-CARBON ASSETS IN THE PORTFOLIO, UP $21 BILLION IN 4 YEARS

49%

REDUCTION IN THE PORTFOLIO'S CARBON INTENSITY SINCE 2017

The four pillars of our climate strategy

$54 B

LOW-CARBON INVESTMENTS BY 2025

60%

DECREASE IN THE PORTFOLIO'S CARBON INTENSITY BY 2030 COMPARED TO 2017

$10 B

TRANSITION ENVELOPE TO DECARBONIZE THE HEAVIEST-EMITTING SECTORS

2022

COMPLETE OUR EXIT FROM OIL PRODUCTION

For more information on our sustainable investing activities, see our Sustainable Investing Report at www.cdpq.com.

Raising our climate ambition

In 2021, we adopted an ambitious new climate strategy, with the continued goal of achieving a net-zero portfolio by 2050 and contributing to the decarbonization of the real economy. We have also continued our leadership work to rally all global players around this issue.

Contributing to a fairer society

We believe that equity, diversity and inclusion (EDI) help our people grow, achieve our business goals and build our communities.

In 2021, we implemented initiatives to foster greater diversity and exercised strong leadership among our portfolio companies and the industry on this issue. We also continued our commitment on international taxation.

Encouraging the adoption of rigorous governance practices

In a world where economic, geopolitical, social and environmental issues overlap and where the digital shift is accelerating, organizations must focus more than ever on agility, innovation and ESG factors.

This is why we commit to the highest standards of corporate governance and encourage our portfolio companies to do the same, in the belief that this is in the best interests of both the company and its stakeholders.

1. **Sunrun**

- Leader in the U.S. residential solar industry
- Supplies over 550,000 homes across 22 states

2. **Ermewa**

- European specialist in freight car and tank container leasing
- Contributes to transforming and decarbonizing the freight transport sector

3. **Invenergy Renewables**

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


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We cultivate quality business relationships to maximize our impact.

Key partnerships, greater global reach. To broaden our investment pool, we work with renowned partners that are experts in specific industries or have a deep understanding of target markets. Each collaboration is an opportunity for us to build a lasting relationship and complement the work of our teams on the ground. This advantageously positions us to seize the best opportunities around the world.

Climate Innovation Fund

Launched in 2020, the Climate Innovation Fund relies on partnerships to deploy a $500-million envelope to be at the forefront in two sectors: energy transition and sustainable agri-food.

Three agreements have been concluded with specialists in the field, resulting in five transactions in 2021.

S2G VENTURES

Sentera

- Designs digital tools for the agri-food sector

Benson Hill

- Develops technology that leverages the natural genetic diversity of plants

ENERGIZE VENTURES

Jupiter

- Produces analyses to assess and manage climate risk

BP VENTURES

Fulcrum

- Provides the aviation industry with renewable fuel made from waste

BTR ENERGY

- Develops software to link electric vehicles to electricity markets

1. **Avante Capital Partners**

- New partnership with this U.S. private credit fund co-founded by two women, whose team reflects significant diversity
- Targeted deployment in companies that place diversity at the heart of their strategy

2. **Constellation**

- Association since 2019 with this insurance company that contributed to the creation of a platform, alongside OTPP
- Two major acquisitions announced in 2021 by the US$1-billion platform

3. **PAG**

- Partnership established in 2017 between Ivanhoé Cambridge and this private equity firm focused on Asia
- Launch of a US$400-million platform to develop and acquire logistics facilities in Japan

4. **Telefónica**

- New partnership with one of the world's largest telecommunications service providers
- Creation of FiBrasil, a joint venture for the development, construction and operation of a fibre-optic network in Brazil

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We invest in diversified sectors that are capitalizing on sustainable trends.

1. **Druva**
   - California-based global leader in cloud data protection and management
   - Participation in a US$147-million growth financing round, including US$100 million from CDPQ

2. **ATC Europe**
   - Major independent provider of communication infrastructure in Europe
   - Acquisition of a 30% stake in the company as part of a transaction worth over €1.6 billion with American Tower

3. **MN Park**
   - Portfolio of offices and research and development laboratories in Genome Valley, Hyderabad, India
   - Investment by Ivanhoé Cambridge, in partnership with Lighthouse Canton, in the promising life sciences sector

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Results by asset class

Equities		Fixed Income		Real Assets	
24.6%	13.7%	-0.6%	4.5%	13.6%	4.8%
IN 2021	OVER 5 YEARS	IN 2021	OVER 5 YEARS	IN 2021	OVER 5 YEARS

Net assets

AS AT DECEMBER 31, 2021

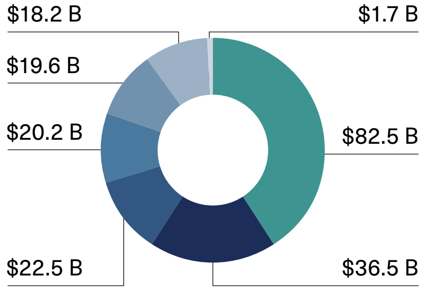
Equities

$201.2 B

NET ASSETS BY PORTFOLIO AND MANDATE

- Private Equity

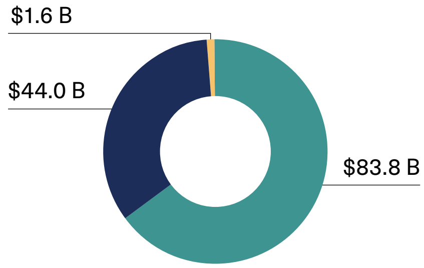
Equity Markets:
- Quality
- Growth Markets
- Growth
- Canada
- Value
- Others



Fixed Income

$129.4 B

NET ASSETS BY PORTFOLIO

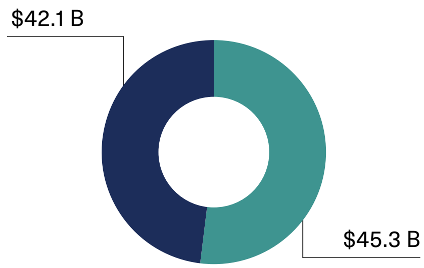


- Credit
- Rates
- Short Term Investments

Real Assets

$87.4 B

NET ASSETS BY PORTFOLIO



- Infrastructure
- Real Estate

2021 was a year of notable accomplishments in each of our major strategic orientations.

Optimal performance

We benefit from diversified sources of return, create value through post-investment management and assess the risks thoroughly.

Total portfolio

- Best absolute and relative returns since 2010
- Return of 13.5%, above the index at 10.7%, generating $10.4 billion in added value

Fixed Income

- Investments and commitments in private credit amounting to nearly $20 billion

Real Assets

- Real Estate:
  - Continued repositioning the portfolio, with over 100 transactions aligned with strategic priorities
- Infrastructure:
  - Best absolute performance in 10 years and $1.3 billion in value added in 2021
  - Sustained deployment, with over $11 billion invested or committed

Equities

- Equity Markets:
  - Evolution of the portfolio's approach to better capitalize on different market environments
- Private Equity:
  - Best absolute performance since the portfolio's inception in 2003, with $4.8 billion in value added in 2021
  - Deployment of $10 billion, materializations of $13 billion and operational support for numerous companies

Québec economy

We leverage a four-pillar strategy to guide our actions to generate returns while contributing to the development of a dynamic, competitive and sustainable economy.

Growth

- Investments in the growth projects of many industry leaders such as Énergir, VOSKER and eStruxture
- Launch of Ambition ME, a renewed offering for mid-market companies to propel them to the next stage of their growth
- Sustained efforts to stimulate entrepreneurship and the next generation, with specific attention to the growth of businesses owned by women

Globalization

- Investments in the expansion projects of several companies with an international focus, such as CAE, Solmax and Savaria

Technological leap

- Investments in technology companies such as Beyond Technologies, AlayaCare and Poka
- Launch of Repères numériques, a program to promote the implementation of a digital business culture in SMEs

Sustainable economy and communities

- Progress on the REM, the largest public transit project in Québec in 50 years, with more than 30 active construction sites
- Support for transportation electrification through:
  - Demers Ambulances, in the design of an electric ambulance
  - Student Transportation of Canada, in its procurement of 1,000 school buses from Lion Electric

Worldwide presence

We promote an integrated approach across regions and partner with the best.

- Concerted international action through the implementation of CDPQ Global, a model built around our three regional hubs, which include nine offices on four continents
- Investments in key sectors in all our major markets:
  - United States: technology and telecommunications services companies
  - Europe: promising real estate assets in the logistics and sustainable residential sectors, as well as telecommunications assets
  - Asia Pacific: road infrastructure in Australia and port infrastructure in Indonesia
  - Latin America: opportunities in health care in Mexico and in fibre optics in Brazil

Sustainable investing

We invest in assets that support the transition toward a low-carbon economy while affirming our leadership on ESG matters.

- A new four-pillar climate strategy reflecting our enhanced ambition to meet this global challenge
  - $54 billion in low-carbon assets by 2025
  - 60% reduction in the portfolio's carbon intensity by 2030 compared to 2017
  - $10 billion transition envelope to decarbonize the heaviest-emitting sectors
  - Commitment to complete our exit from oil production in 2022
- Major advances in 2021 compared to 2017
  - $21 billion increase in our low-carbon assets, reaching $39 billion
  - 49% decrease in our portfolio's carbon intensity
- Tangible initiatives in equity, diversity and inclusion, and progress on all our targets

Technological innovations

We create value by leveraging the acceleration of strong trends such as digitizing the economy.

- Integration of our technology strategy across the organization, based on our priorities:
  - Investments in leading technology companies such as Druva, Wizeline and AppDirect
  - Systematic management of technology risk and review of the portfolio through this lens
  - Innovative solutions to enhance the digital strategy, including idea generation tools supported by augmented intelligence

Since joining the Board, I have seen the full extent of how CDPQ is a catalyst for progress, an influential presence in Québec and internationally. I have also seen motivated teams, with a great depth of expertise. These talents are the organization's best asset to keep moving forward in a changing world.

In 2021, CDPQ had an excellent year, with compelling returns that reflect the soundness of our strategic orientations. The Board of Directors, which I joined in May and have chaired since October, is very pleased with the results obtained on all fronts.

During the year, the Board and its committees ensured that the measures in place would support achieving our objectives. This includes sound financial governance, as well as robust and rigorous ethical and risk management frameworks. We also paid particular attention to human resource policies in a context of fierce competition for talent.

Together with the Executive Committee, Board members closely monitored the execution of our priorities, in line with our major orientations, so that CDPQ can fully fulfill its mission for our depositors and for Québec as a whole.

Certain elements of our strategy were reviewed in depth, and the changes made, including those in real estate and equity markets, contributed to performance. Moreover, the establishment of CDPQ Global has encouraged even more concerted action by teams around the world. Our technology strategy has resulted in promising transactions, while significant resources have been dedicated to improving cyber resilience and transforming digital capabilities.

Other aspects of our strategy have been enhanced, notably fostering a more cross-functional perspective in Québec. All of CDPQ's teams have been put to work to strengthen the economy. The result: an amplified presence, support for local businesses and the development of structuring projects, such as the REM, which has continued to progress. This demonstrates how key Québec is to the organization's priorities.

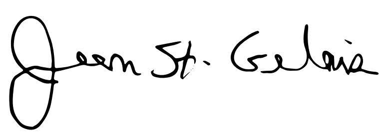
CDPQ has once again demonstrated strong leadership in sustainable investment. The announcement of an even more ambitious climate strategy, with some of the industry's highest targets, demonstrates the organization's commitment to accelerating its pace in addressing this global challenge. Our concrete actions to advance equity, diversity and inclusion also demonstrate the growing importance we place on these matters.

I am confident that all these actions will have a positive impact for the future. With our unique investment approach based on constructive capital and our long-term vision, CDPQ is well positioned for the world of today and tomorrow. Faced with an environment marked by uncertainty, we can count on high-performing teams who, under the leadership of Charles Emond, have remained mobilized despite the prolonged pandemic. Thank you all for your ongoing commitment.

I would like to take this opportunity to thank my colleagues, who have warmly welcomed me to the Board, and to acknowledge the contribution of Sylvain Brosseau, who left the Board in 2021.

I would also like to acknowledge the work of my predecessor, Robert Tessier, whose term ended in October. During his twelve years on the Board, he had a profound impact on the evolution of CDPQ and what it represents today. A man of conviction, his vision and extraordinary energy guided the organization through a pivotal period in its history with courage and sensitivity. On behalf of the Board, thank you for all your hard work.

In closing, I would like to add that it is a privilege for me to take over as Chairman of the Board of this flagship institution in Québec, for which I have always had the greatest respect. I commit to doing my best to support its growth with diligence and integrity.



Jean St-Gelais

Chairman of the Board

After more than two years of unprecedented pandemic amidst social and climatic tensions, 2022 begins with a devastating war in Ukraine, creating even more uncertainty on the future. This context further complicates an already challenging environment characterized by rising inflation, climbing interest rates and declining global growth. To succeed, our teams must focus now more than ever on our mission, and leverage our constructive capital approach while executing our strategy with caution and discipline.

In 2021, we continued working to deliver a strong performance as an investor and partner of choice on a global scale. I'm proud of our teams' achievements, which translated into CDPQ generating its best absolute and relative returns in over ten years. This benefits our 46 depositors, each with distinct investment objectives that we consider carefully in our every day collaboration with them.

In Québec, our teams have leveraged all of CDPQ's strengths to build a competitive and sustainable economy. The numbers speak for themselves: $78 billion in assets, including $60 billion in the private sector, and a historic $10-billion increase in the last year alone. In addition to the same blue chip names that stand out year after year, promising new companies have improved our portfolio. We also renewed our offering to mid-market companies and supported SMEs in adopting a digital culture, an essential ingredient for their competitiveness in this newly emerging economy.

We deployed our technology strategy to capitalize on the economy's accelerating digitization. Combined with our cutting-edge business practices, we are poised to seize opportunities in changing industries and better protect our assets.

Another highlight is our enhanced climate ambition, which strengthens our standing as a global leader on this issue. Whether at COP26 or any other international gatherings, the message is the same: we must take action. Go further. Faster. Innovate. Our renewed climate strategy challenges us to contribute even more to transitioning the real economy in a very pragmatic way, and create profitable investment opportunities. For us, there is no reason to compromise: our capital must be a source of performance and progress.

All of our portfolios delivered strong performances in 2021, generating over $10 billion in value added and nearly $49 billion in investment results. In Private Equity, our judicious positioning in promising industries and our focus on operational excellence helped achieve the portfolio's best absolute performance since its creation 20 years ago. In Infrastructure, our diversification into future-focused areas helped produce our highest absolute return in ten years.

In Equity Markets, we modified our approach to enable the portfolio to benefit more from pronounced market rallies than it has in the past. In Real Estate, the repositioning initiated two years ago to modernize the portfolio has resulted in over 100 transactions in 2021. Increased exposure to promising sectors, especially logistics, was key to its best absolute results since 2015. Lastly, in Fixed Income, we generated excess returns in an environment of rising rates, thanks in part to the resilience of our private credit activities.

BUILD ON OUR CONSTRUCTIVE APPROACH

While 2022 calls for caution, we can rely on our many strengths to navigate the current environment: clear orientations and well-adapted strategies; a diversified and strongly positioned portfolio; and offices in Québec and around the world that are home to competent, agile and dedicated teams. I would like to thank them for everything they have achieved in 2021.

I would also like to underscore Robert Tessier's contribution to CDPQ, after more than a decade as Chairman of the Board. With his inspiring vision, sharp intelligence and wisdom, he poured his heart into making this organization a success, while continuously seeking ways to bring it to the next level. He kept at the forefront of new trends, and reached out to meet people to understand their work and what drives them.

Appointed to lead an institution then shaken by the financial crisis, he was able to restore confidence, and with the support of management and the teams, shape CDPQ into what it is today: a global investment group rooted in Québec that Quebecers can be proud of. On behalf of all employees, thank you, Robert, for your outstanding contribution.

I look forward to continuing the journey with Jean St-Gelais, with whom I've been working closely since day one. Jean is a seasoned corporate director, and CDPQ stands to gain from his long track record in the public and private sectors.

I am confident that by continuously combining our capital and expertise with our convictions and commitment, we will deliver sustainable returns for our depositors—and the six million people they represent—while helping to address the major challenges of our time.

Charles Emond

President and Chief Executive Officer

Our Clients, the Depositors

Our Clients, the Depositors

The year 2021 was characterized by the continuation of in-depth discussions with our clients. They began in 2020 and focused on their needs, their specific financial context and their risk appetite as they relate to CDPQ's strategies and the changes in our product offering.

These discussions revealed that the pension or insurance plans for which the depositors are responsible, are, in general, in a stable and enviable financial situation.

However, the demographic profile of the plans has changed significantly over the years, and some depositors will be in a net disbursement situation over the next few years.

Moreover, all plans face significant challenges related to their needs, which requires some adjustments. High valuations in public and private markets, uncertainty about the pace and magnitude of interest rate increases, and inflationary pressures fuelled by wage increases stemming from labour shortages could foreshadow difficulty obtaining good returns. In this context, depositors must adapt, both in terms of their investment choices and their funding and benefit policies.

Our collaboration led to major work that resulted in several depositors adjusting their long-term allocation targets for CDPQ's specialized portfolios.

ONGOING CONSTRUCTIVE DISCUSSIONS

CDPQ's relationship with depositors is based on a business model characterized by:

- Collaboration
- Listening
- Transparency
- Clear division of roles and responsibilities

2021 was a year for clients to adapt to the changes made to CDPQ's investment strategies and product offering.

Indeed, adjustments related to the structure of the Equity Markets portfolio, its management and its absolute risk level came into effect on July 1, 2021. These changes aimed to allow the portfolio to take better advantage of various market environments.

For Fixed Income, the deployment of strategic orientations within the Credit portfolio, including the increase in private debt, continued during the year and was gradually reflected in its benchmark starting July 1, 2021. In addition, the execution of the strategic plan to lengthen the duration of the Rates and Credit portfolios was initiated during the year. It should be noted that this plan is intended to better meet our depositors' need for management of the interest rate risk inherent in their plans' actuarial liabilities.

Consolidated asset allocation activities were also reviewed during the year. As a result, the activities' scale and the approach to managing the weighting spreads of less liquid portfolios have been adjusted to better match our depositors' needs and risk tolerance.

Lastly, since July 1, 2021, CDPQ has made a financial leverage product available to our clients. This new product, which allows them to invest additional amounts in CDPQ's specialized portfolios, provides the possibility of enhancing their portfolio construction and optimizing their funds' risk-return profile.

CUSTOMIZED ADVISORY SERVICES

Through its advisory services, CDPQ aims to contribute to the financial solidity of our depositors' pension and insurance plans. To accomplish this, we support their decision-making committees in establishing their investment policies, by leveraging our knowledge of world markets and expertise in portfolio management. Specifically, CDPQ helps them in their decisions regarding the selection of a long-term benchmark portfolio (strategic asset allocation). These services include:

- Financial market analyses and economic outlook evaluations
- Long-term risk and return assumptions for the primary asset classes and specialized portfolios
- Simulations comparing the expected long-term effect of benchmark portfolio choices on a plan's returns, risk, financial position and its financing
- Stress tests to measure the benchmark portfolio's behaviour in various scenarios

In addition, the reporting tools and the various discussion forums with depositors make it possible to present the changes in CDPQ's strategic orientations and to illustrate how they can support achieving the depositors' objectives.

The changes to the product offering in 2021 have prompted several depositors to revise their target allocation to the various portfolios. In this context, extensive work and analysis was carried out jointly with them throughout the year, resulting in significant changes to their investment policy.

For example, some depositors decided to increase their long-term allocation target to the Credit, Infrastructure and Private Equity portfolios. Others opted to make more use of customized overlay operations (COO) to better manage the interest rate risk inherent in their actuarial liabilities, or to replace their allocation to the Long Term Bond and Real Return Bond portfolios, which were removed from the portfolio offering at year-end. Finally, a few depositors also chose to use the newly added leverage product.

AN ADAPTED PORTFOLIO OFFERING

CDPQ enables our depositors to allocate their funds to specialized portfolios with the same type of securities, with the vast majority managed actively (see Table 1). Each one is managed based on rules set out in an investment policy, which specifies the:

- Management approach
- Investment universe and benchmark index
- Target returns
- Risk oversight

In addition to these specialized portfolios, CDPQ provides overlay options to enable each depositor to customize their exposure to interest rates.

Among the most notable changes to the portfolio offering is the ending of the activities of the Long Term Bonds and Real Return Bonds portfolios, which have been undergoing divestment for a number of years and were closed on December 31, 2021.

TABLE 1

SPECIALIZED PORTFOLIO OFFERING
(as at December 31, 2021)

	ACTIVELY MANAGED	INDEXED[1]	OBJECTIVES
FIXED INCOME	Rates Credit	Short Term Investments	Reduce the portfolio's overall risk level Partially match depositors' assets and liabilities Provide an important source of liquidity Generate attractive returns, notably through the Credit portfolio
REAL ASSETS	Real Estate Infrastructure		Have exposure to markets for which investment income is indexed to inflation Partially hedge the inflation risk associated with the liabilities of several depositors
EQUITIES	Equity Markets Private Equity		Increase depositors' long-term target returns
OTHER INVESTMENTS	Asset Allocation		Achieve diversification and complementarity of activities with those of other portfolios

1. The Long Term Bonds and Real Return Bonds portfolios were closed on December 31, 2021.

Our Clients, the Depositors (continued)

As previously mentioned, since July 1, 2021, CDPQ has made a leverage product available to depositors, allowing them to adjust their strategic asset allocation by investing additional amounts in the specialized portfolios of their choice. In addition to promoting better diversification, the leverage product can be used to help improve the expected return.

The leverage product is used with a long-term view to maximizing the probability of achieving the client's financial goals. This tool allows them to adopt asset allocation strategies in line with industry best practices. It helps depositors meet the challenges that pension plans and insurance funds will face in the coming years.

Depositors' returns

The various depositors' funds have delivered performance over five years that meets their long-term needs.

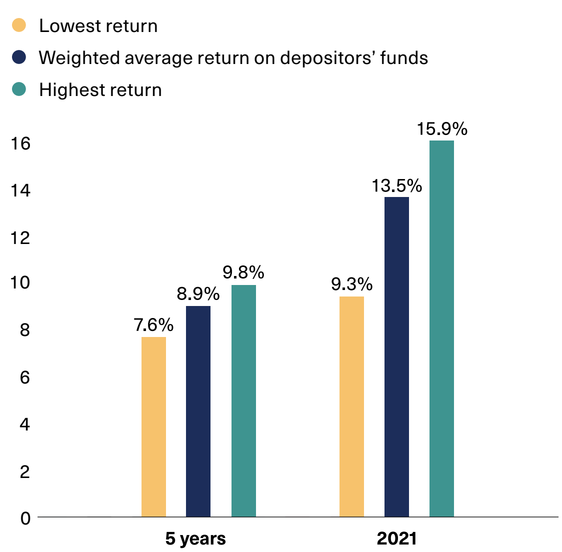
The decisions made on the allocation of assets among the three major asset classes in the total portfolio—Fixed Income, Real Assets and Equities—are reflected in each depositor's return. The depositors make these decisions, with CDPQ's support, based on information including:

- Their target returns
- Their risk tolerance
- Their investment horizon

Over five years, the eight principal depositors posted annualized returns ranging from 7.6% to 9.8%. For one year, their returns varied between 9.3% and 15.9%.

FIGURE 2

THE EIGHT PRINCIPAL DEPOSITORS' RETURNS



Eight principal depositors

Represented 96.3% of net assets as at December 31, 2021

1. Retirement Plans Sinking Fund

$112.9 B NET ASSETS

- Fund used by the Government of Québec to capitalize the employer's portion of retirement benefits of employees in the public and parapublic sectors

2. Retraite Québec for the Québec Pension Plan

$105.9 B NET ASSETS

- Québec Pension Plan Fund, base and additional plans
- 4.2 million contributors
- 2.1 million beneficiaries
- $15.6 billion in benefits paid annually

3. Government and Public Employees Retirement Plan

$91.5 B NET ASSETS

- 583,000 contributors
- 309,000 retirees and 21,000 surviving spouses and orphans
- $6.7 billion in retirement benefits paid annually

4. Supplemental Pension Plan for Employees of the Québec Construction Industry

$30.5 B NET ASSETS

- 179,000 contributors
- 100,000 retirees or surviving spouses
- $0.9 billion in benefits paid annually

5. Commission des normes, de l'équité, de la santé et de la sécurité du travail

$20.7 B NET ASSETS

- Fonds de la santé et de la sécurité du travail
- 222,000 contributing employers
- 3.8 million workers covered
- $2.4 billion in benefits paid annually

6. Generations Fund

$16.0 B NET ASSETS

- Fund used to repay Québec's debt

7. Société de l'assurance automobile du Québec

$14.9 B NET ASSETS

- Fonds d'assurance automobile du Québec
- 5.5 million driver's licence holders
- 6.8 million registered vehicles
- $1.1 billion paid in benefits annually

8. Pension Plan of Management Personnel

$11.6 B NET ASSETS

- 29,000 contributors
- 34,000 retirees and 2,900 surviving spouses and orphans
- $1.6 billion in benefits paid annually

TABLE 3

CDPQ'S 46 DEPOSITORS

Comparison of net assets as at December 31, 2020, and as at December 31, 2021
(fair value as at December 31 – in millions of dollars)

		Depositors' net assets			
	First deposit	2021 $	2021 %	2020 $	2020 %
PENSION PLANS					
Retraite Québec for the Régime de rentes du Québec	**1966**	**105,912**	**25.3**	87,797	24.0
Supplemental Pension Plan for Employees of the Québec Construction Industry	**1970**	**30,498**	**7.3**	27,643	7.6
Government and Public Employees Retirement Plan	**1973**	**91,519**	**21.8**	82,408	22.5
Pension Plan of Management Personnel	**1973**	**11,577**	**2.8**	10,073	2.8
Pension Plan for Federal Employees Transferred to Employment with the Government of Québec	**1977**	**306**	**0.1**	289	0.1
Pension Plan of Elected Municipal Officers	**1989**	**356**	**0.1**	316	0.1
Retirement Plan for the Mayors and Councillors of Municipalities	**2015**	**1**	**–**	1	–
Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence	**1990**	**827**	**0.2**	743	0.2
Ministère des Finances, gouvernement du Québec[1]					
Retirement Plans Sinking Fund	**1994**	**112,943**	**26.9**	99,417	27.2
Superannuation Plan for the Members of the Sûreté du Québec – employers' fund	**2009**	**1,311**	**0.3**	979	0.3
Régime de retraite de l'Université du Québec	**2004**	**886**	**0.2**	695	0.2
Régime de retraite du personnel des CPE et des garderies privées conventionnées du Québec	**2005**	**720**	**0.2**	570	0.2
Régime de retraite pour certains employés de la Commission scolaire de la Capitale	**2006**	**30**	**–**	30	–
Pension Plan of the Non-Teaching Staff of the Commission des écoles catholiques de Montréal	**2007**	**173**	**0.1**	177	–
Superannuation Plan for the Members of the Sûreté du Québec – participants' fund	**2007**	**843**	**0.2**	684	0.2
Régime de retraite des employés de la Ville de Laval	**2007**	**399**	**0.1**	298	0.1
Retirement Plan for Active Members of the Centre hospitalier Côte-des-Neiges	**2010**	**103**	**–**	98	–
Fonds commun de placement des régimes de retraite de l'Université Laval	**2012**	**217**	**0.1**	217	0.1
Fiducie globale Ville de Magog	**2012**	**94**	**–**	83	–
Régime de retraite des employées et employés de la Ville de Sherbrooke	**2012**	**65**	**–**	53	–
Régime de retraite des agents de la paix en services correctionnels	**2013**	**860**	**0.2**	778	0.2
Régime complémentaire de retraite des employés réguliers de la Société de transport de Sherbrooke	**2013**	**101**	**–**	94	–
Régime de retraite de la Corporation de l'École Polytechnique	**2014**	**92**	**–**	72	–
Régime de retraite de la Ville de Terrebonne	**2015**	**118**	**–**	104	–
Régime de retraite des cadres de la Ville de Québec	**2016**	**337**	**0.1**	303	0.1
Régime de retraite des employés manuels de la Ville de Québec	**2016**	**415**	**0.1**	380	0.1
Régime de retraite des fonctionnaires de la Ville de Québec	**2016**	**747**	**0.2**	685	0.2
Régime de retraite du personnel professionnel de la Ville de Québec	**2016**	**308**	**0.1**	279	0.1
Régime de retraite des policiers et policières de la Ville de Québec	**2016**	**649**	**0.2**	587	0.2
Régime de retraite des pompiers de la Ville de Québec	**2016**	**249**	**0.1**	222	0.1
Régime de retraite des employés du Réseau de transport de la Capitale	**2016**	**169**	**–**	138	–
Régime de retraite des chauffeurs d'autobus de la Société de transport de Laval	**2017**	**171**	**–**	151	–
La Société des casinos du Québec	**2020**	**66**	**–**	22	–
Régime de retraite HEC[2]	**2021**	**33**	**–**	–	–
Fiducie globale de la Ville de Longueuil[2]	**2021**	**77**	**–**	–	–
Régime de retraite des policiers de la Ville de Longueuil[2]	**2021**	**34**	**–**	–	–
Fonds commun des cols bleus et pompiers de la Ville de Longueuil[2]	**2021**	**25**	**–**	–	–

1. The Ministère des Finances entrusts CDPQ with a total of five funds.
2. New depositor in 2021.

TABLE 3

CDPQ'S 46 DEPOSITORS (continued)

Comparison of net assets as at December 31, 2020, and as at December 31, 2021

(fair value as at December 31 – in millions of dollars)

		Depositors' net assets			
	First deposit	**2021**		2020	
		$	**%**	$	%
INSURANCE PLANS					
Régie des marchés agricoles et alimentaires du Québec	**1967**	**13**	**–**	13	–
La Financière agricole du Québec	**1968**	**867**	**0.2**	893	0.2
Autorité des marchés financiers	**1969**	**1,230**	**0.3**	1,069	0.3
Commission des normes, de l'équité, de la santé et de la sécurité du travail	**1973**	**20,710**	**4.9**	18,828	5.2
Société de l'assurance automobile du Québec	**1978**	**14,858**	**3.5**	13,447	3.7
Les Producteurs de bovins du Québec	**1989**	**7**	**–**	7	–
Survivor's Pension Plan	**1997**	**518**	**0.1**	479	0.1
Conseil de gestion de l'assurance parentale	**2005**	**175**	**0.1**	362	0.1
OTHER DEPOSITORS					
Office de la protection du consommateur	**1992**	**171**	**–**	161	–
Ministère des Finances, Government of Québec[1]					
Generations Fund	**2007**	**16,049**	**3.8**	11,982	3.3
Accumulated Sick Leave Fund	**2008**	**1,365**	**0.3**	1,351	0.4
Territorial Information Fund	**2011**	**455**	**0.1**	354	0.1
Agence du revenu du Québec	**2012**	**148**	**–**	160	–
TOTAL		**419,797**	**100.0**	365,492	100.0

1. The Ministère des Finances entrusts CDPQ with a total of five funds.

Management Report

Global Macroeconomic Environment

MORE THAN A CHANGE OF CYCLE

Economic history is dotted with shorter and longer cycles, with the recession, recovery and expansion phases representing important benchmarks for markets. Beyond these cycles, disruptions can occur, taking the economy and markets in a new direction.

The last five years have seen many such changes. To name just three, investors have faced:

- The rise of protectionism
- Rising geopolitical tensions
- A pandemic with multiple repercussions

Some of these changes were already materializing before the pandemic. But at a time when most economies are extricating themselves from this crisis, the stirring of inflation after years-long dormancy and a major conflict in Europe complicate the picture.

THE RISE OF PROTECTIONISM

Key features of the international economic environment over the past three decades—the intensification of trade and investment flows and the integration of global value chains—started showing signs of slowing down after the financial crisis of 2008–2009. But the most significant reversals have been seen in more recent years.

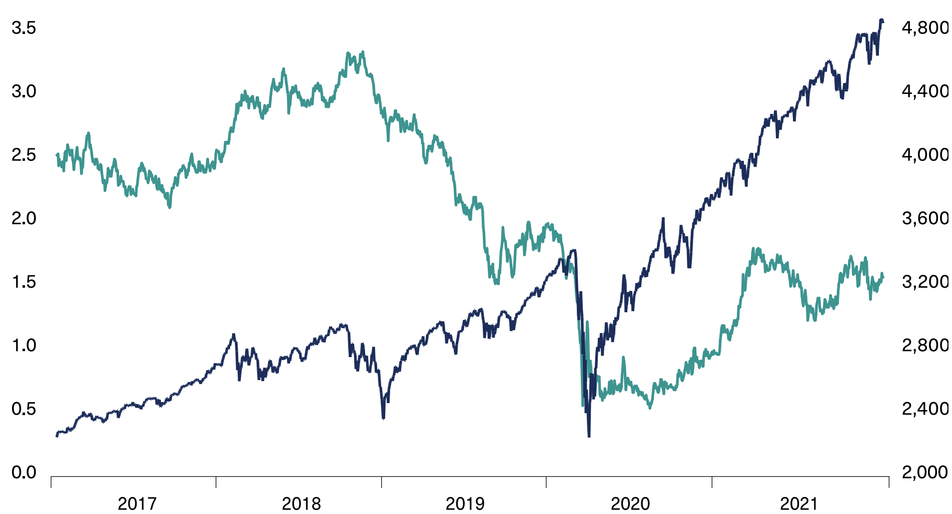
In North America, the reassessment of the North American Free Trade Agreement led to difficult negotiations between the United States, Canada and Mexico. Even though a new agreement was signed, an unsettling precedent on the stability of exchange rules among the three countries has been set. In Europe, the fiercely negotiated Brexit was a major setback not only for the flow of trade, but also for the movement of people. Lastly, commercial tensions between China and the United States and the resulting unilateral tariffs helped fuel plummeting stock indexes in the closing months of 2018 (see Figure 4) and kept financial markets in suspense throughout 2019. These tensions remain and now include technologies

FIGURE 4

FINANCIAL MARKETS

- US 10-year Treasury bond yield (left, as a percentage)
- S&P 500 (right, index)

Source: Haver



deemed sensitive to national security, paving the way for at least a partial decoupling of the world's two largest economies.

THE PULL OF LOW INTEREST RATES

The economic environment of the last few years has also been strongly influenced by the actions of central banks and by the persistence of near-zero, and sometimes even negative, interest rates. Despite a maturing economic cycle, the extraordinary measures adopted by central banks in the wake of the financial crisis have proven difficult, if not impossible, to reverse.

For a short time, one might have thought that Canada and the United States would still manage to stand apart from Europe and Japan by beginning the process of normalizing their monetary policy. In 2018, the U.S. Federal Reserve (Fed) and the Bank of Canada had already raised their respective key rates, and bond yields followed this upward trend in an environment where economic expansion did not appear to be in question. In the fall of 2018, the U.S. ten-year yield level even surpassed 3.2%, its highest level since 2011.

However, against the backdrop of the U.S.-China trade war, and doubts about the economy's ability to absorb these rate hikes, a sharp rise in risk aversion caused a stock market correction in the final months of 2018. As inflation remained below target and an inversion of the yield curve was observed, this correction helped convince the Fed to turn back and ease monetary policy again in 2019. The reaction in the bond markets was not long to follow, with ten-year yields slipping below 1.5% in the United States by late summer 2019, and even below 1.1% in Canada.

Thus, like Europe and Japan, North America seemed unable to firmly escape from an ultra-low interest rate environment. Expecting a bright future from this, stock markets quickly rallied, with the S&P 500 appreciating 29% in 2019, topping its 2018 high by 10%.

This episode, coupled with the absence of significant inflationary pressures when the economy was essentially at full employment based on conventional indicators, had a major impact on the evolution of the Fed's modus operandi. Although it did not unveil its new strategic framework until mid-2020, in the midst of the pandemic, the Fed was shaped by the experience of the previous cycle.

Targeting average inflation raterthan its level, temporarily accepting above-target inflation, acting after the fact rather than pre-emptively and being patient in order to achieve more ambitious and inclusive employment targets were the criteria of this new framework, reflecting an environment in which inflation is a benign problem, as it was in the previous cycle. However, this framework was to be tested for the first time in a very different context.

THE PANDEMIC AND THE STIRRING OF INFLATION

The outbreak of the pandemic at the beginning of 2020 suddenly upended daily life in our societies and economies. Health and confinement measures were imposed, causing a sharp drop in economic activity. Financial markets suffered a severe correction, liquidity dried up rapidly, and there were growing concerns about markets functioning properly. Faced with the extent of the uncertainties and the fears of far-reaching after-effects, the authorities took aggressive actions.

Central banks rolled out their heavy artillery, making use of the entire toolbox built in the wake of the financial crisis. Key rates were lowered to their lowest value and massive quantitative easing programs were deployed, including in Canada, which had chosen not to go that route after the financial crisis. In addition, forward guidance pointing to a continuation of a very accommodative monetary policy over the long term was announced. The Fed was thus able to test its new policy framework where any normalization of its monetary policy would be conditional to meeting the criteria mentioned above. These actions, coupled with the recent memory of the failed 2018–2019 normalization episode, convinced markets that rates would remain low for a long time. As a result, bond yields bottomed out in 2020, with the ten-year yield holding steady below 1.0% for all of 2020 starting in March in both the United States and Canada.

Governments, in turn, have made massive transfers. In some countries, such as Germany, the authorities focused on maintaining the employment link between workers and firms through transfers to companies. In the United States and Canada, the focus has been on transfers to individuals. Unusual in a time of recession, this has allowed personal disposable income to rise significantly. In turn, this stimulated demand for a host of goods, while consumption of many services was constrained by health measures.

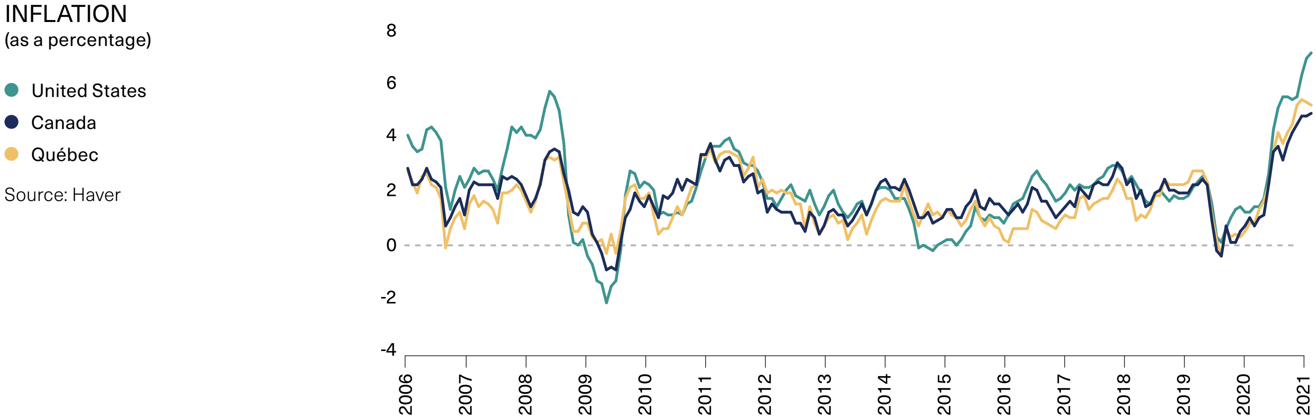
These exceptional aid programs, the abandonment of the most stringent containment measures as well as vaccination have allowed the global economy to make a convincing recovery, helping to support stock markets. In fact, the S&P 500 ended 2021 40% higher than its pre-pandemic peak. However, the imbalances created over the same period also opened the door for inflation to make a strong comeback (see Figure 5). As global demand for goods accelerated, supply failed to keep pace, causing enormous pressure on supply chains, falling inventories and rising prices for many products. While these pressures initially appeared to affect a limited number of sectors, they have ended up affecting many sectors over the months, driving total inflation to 7.0% in the United States and 4.8% in Canada in December 2021.

Recognizing that this level of inflation was not going to go away without a change of course on monetary policy, several central banks decided at the end of the year to make a major pivot. After undertaking a lot of effort for markets to anticipate monetary conditions that would remain very accommodating for a long time, the banks began to lay the groundwork to start a cycle of rate hikes, accompanied by a more or less pronounced form of quantitative tightening.

Thus, 2022 began with significant questions about the persistence of high inflation and the amount of monetary tightening that would be required to ultimately bring it back closer to the official targets.

FIGURE 5

INFLATION
(as a percentage)



Source: Haver

UKRAINE: A CONFLICT THAT WORSENS GLOBAL ECONOMIC PROBLEMS

The consequences of Russia's invasion of Ukraine are first and foremost humanitarian. However, the economic impacts cannot be ignored. These are likely to worsen some of the issues that the global economy was already facing.

Given the importance of these two countries in the international markets for many commodities, the shock was quickly felt in the prices of oil, natural gas, metals and foodstuffs. This comes at a time when inflation is high and several central banks are beginning a monetary tightening cycle. However, this shock will also have negative repercussions on growth, particularly in commodity-importing countries, which includes Europe in the energy sector. The conflict will also aggravate problems in many supply chains that are struggling to recover from the pandemic. This will make it more difficult for some central banks to lower inflation to an acceptable level without putting further downward pressure on economic activity.

Beyond these factors, significant and potentially long-lasting effects are expected on global trade and investment flows. Thus, in a context already marked by the rise of protectionism and rivalries between China and the United States, this war risks contributing to a more fragmented world economy.

Analysis of Overall Performance

In 2021, CDPQ generated its best absolute and relative returns since 2010 and outperformed its index on all horizons.

$419.8 B

NET ASSETS

$141.0 B

INVESTMENT RESULTS
OVER 5 YEARS

8.9%

5-YEAR
ANNUALIZED RETURN

4 asset classes: Fixed Income / Real Assets / Equities / Other Investments

FIVE-YEAR RETURN

Total portfolio

Investment results: $141.0 B
Annualized return: 8.9%

As at December 31, 2021, CDPQ's net assets stood at $419.8 billion, up $149.1 billion over five years, due to investment results of $141.0 billion and net deposits of $8.1 billion. The annualized weighted-average return on depositors' funds was 8.9%, with contributions from the three principal asset classes.

This performance was due in part to greater diversification of the total portfolio over the last few years, as well as good performance of riskier assets. Underlying the results is the dominant observation that the strategies implemented by the teams are working, and effectively take into account the major challenges of our time, such as the climate transition, the digitization of the economy and ongoing geopolitical changes at the international level.

Table 6 shows how the five-year return compares to those obtained from 2017 to 2021, while Table 7, on page 38, presents net assets and returns by asset class, relative to the benchmark indexes. We note that, over five years, the index returned 8.6%, which the total portfolio outperformed by 0.3%. This represents $7.7 billion in value added, derived from the Equities and Fixed Income asset classes.

TABLE 6

CDPQ RETURNS
(for periods ended December 31 – as a percentage)

	Overall return[1]
5 years	**8.9**
2021	13.5
2020	7.7
2019	10.4
2018	4.2
2017	9.3

1. Weighted average return on depositors' funds.

It should also be noted that the total portfolio's annual return over 10 years was 9.6%, for investment results of $241.0 billion and net deposits of $19.8 billion. The portfolio outperformed the index's 8.9% by 0.7%, which amounts to $20.1 billion in value added.

Fixed Income

Investment results: $21.5 B

Annualized return: 4.5%

Over five years, the Fixed Income asset class produced an annualized return above the 3.7% of its benchmark index, generating $4.3 billion in value added. This result was due in part to:

- The high current return realized on the actively managed Rates and Credit portfolios
- The excellent performance of overall credit activities

At the beginning of the period, in 2017, CDPQ made a strategic shift into private credit, a segment that is more profitable in the long term than traditional bonds, as can be seen in the five-year results.

Real Assets

Investment results: $14.4 B

Annualized return: 4.8%

This asset class underperformed its benchmark index, which delivered a 7.0% five-year return. This is mainly due to the major impact of the pandemic on the Real Estate portfolio, which posted an annualized return of 1.5%. The repositioning of real estate activities, begun before the pandemic, nevertheless enabled a good return in 2021.

The Real Assets asset class was therefore able to narrow its gap with the index over this period. It also benefited from a substantial contribution from the Infrastructure portfolio, which produced a five-year annualized return of 9.6%, attributable to its diversification and exposure to the wind and solar energy sector.

Equities

Investment results: $105.1 B

Annualized return: 13.7%

Over five years, the Equities asset class benefited from robust performance of its two portfolios:

- Equity Markets, which posted a 10.7% return due to good performance by quality securities and securities in growth markets
- Private Equity, which recorded a 19.6% return due to the quality of portfolio investments and diligent post-investment asset management

The asset class's annualized return outperformed the benchmark index, at 12.7%, due to the superior performance of Private Equity. In addition to being the main contributor to CDPQ's investment results, the Equities asset class generated the most one- and five-year value added in the portfolio. Overall, $8.9 billion in value added was created over the five-year period.

TABLE 7

NET ASSETS AND RETURNS
(for periods ended December 31, 2021)

Asset class	Net assets $B	5 years Investment results $M	5 years Return %	5 years Index %	1 year Investment results $M	1 year Return %	1 year Index %
Fixed Income	**129.4**	**21,464**	**4.5**	**3.7**	(521)	(0.6)	(1.2)
Real Assets	**87.4**	**14,376**	**4.8**	**7.0**	10,017	13.6	8.7
Equities	**201.2**	**105,140**	**13.7**	**12.7**	40,526	24.6	22.0
Total[1]	**419.8**	**141,012**	**8.9**	**8.6**	48,729	13.5	10.7

1. The total includes consolidated asset allocation activities, customized overlay operations, cash activities of specific funds and terminated activities.

2021 RETURN

Total portfolio

Investment results: $48.7 B
Return: 13.5%

For one year, the weighted average return on depositors' funds was 13.5%, compared to 10.7% for the benchmark index (see Table 7, page 38). This represents its best absolute and relative returns since 2010, delivering $10.4 billion in value added. The investment results were generated by the Real Assets and Equities asset classes.

In 2021, Infrastructure and Private Equity delivered exceptional performance, Equity Markets profited from changes in the portfolio, and the repositioning of the Real Estate portfolio provided tangible results. The Fixed Income portfolios were able to generate value added in an environment marked by sharp rate increases.

Fixed Income

Investment results: -$0.5 B
Return: - 0.6%

In a difficult environment characterized by rising rates, the Fixed Income asset class recorded a return of -0.6%, above the -1.2% return delivered by the benchmark index, for $750 million in added value. This was mainly due to:

- Good performance by private credit
- A favourable strategic positioning that anticipated rising rates

It should be noted that in 2021, the Real Return Bonds and Long Term Bonds indexed portfolios ceased activities on November 1 and December 1, respectively, and were closed on December 31.

Real Assets

Investment results: $10.0 B
Return: 13.6%

In 2021, this asset class outperformed the 8.7% return of its benchmark index, generating $3.5 billion in added value. Both of its portfolios contributed to this performance, with returns of 12.4% for Real Estate and 14.5% for Infrastructure.

In Real Estate, the strategic changes that began shortly before the pandemic turned out to be favourable, as the portfolio benefited from:

- Growth in the investments in promising sectors, such as logistics, residential and life sciences
- Reduced exposure to shopping centres and traditional office buildings, sectors that are still affected by the repercussions of the pandemic

The Infrastructure portfolio produced its best return in 10 years due to contributions from assets in the renewable energy and telecommunications sectors.

Equities

Investment results: $40.5 B
Return: 24.6%

For one year, this asset class outperformed the index's 22.0% return, generating $4.7 billion in value added. This performance was due to:

- The successful transition of the Equity Markets portfolio, which generated 16.2%, in line with its index
- An exceptional year in Private Equity, with a 39.2% return, well above its index

Due to changes made to the approach in Equity Markets—including a better mix of styles, a broader investment universe and more dynamic management—the portfolio was better able to take advantage of strong market growth compared to previous years.

In Private Equity, the high return was attributable to a favourable sectoral positioning, including in the health care and technology sectors, as well as good operational management of the assets.

GEOGRAPHIC DIVERSIFICATION

Diversification of the portfolio is a key element of CDPQ's strategy in terms of asset classes, sectors and geographic markets. The globalization of activities has allowed us to:

- Optimize the risk-return profile
- Seize attractive opportunities in dynamic economies

Over the last five years, CDPQ's exposure to international markets increased substantially, by $192 billion, and now represents nearly three quarters of the total. Table 8 shows the allocation of the total portfolio by region in 2016 and 2021. Even though CDPQ has remained firmly present in Canada, and in particular in Québec, we have intensified investments in the United States, which accounted for 44% of the portfolio as at December 31, 2021.

In addition to expanding our business network and providing more access to opportunities, CDPQ's presence on the ground allows us to manage the risk arising from the geographic diversification of our assets. Our local teams therefore contribute to deepening our knowledge of target markets and understanding of certain geopolitical issues.

With a view to more globally managing our presence in various regions, we created CDPQ Global in 2020. This integrated structure for our international activities is based on three regional hubs, which include teams in our nine offices on four continents. In 2021, the deployment of this model fostered an even more concerted team effort around the world by centralizing orientations by major market.

TABLE 8

GEOGRAPHIC EXPOSURE
OF THE TOTAL PORTFOLIO
(as at December 31 – as a percentage)

	2021	2016
Canada	**26**	41
United States	**44**	31
Europe	**13**	13
Asia Pacific	**11**	10
Latin America	**4**	2
Other regions	**2**	3
Total	**100**	100

CURRENCY EXPOSURE AND FOREIGN EXCHANGE HEDGING

The globalization of CDPQ's portfolio has led to a significant increase in net exposure to various foreign currencies in the period from 2016 to 2021, growing from 37% to 55% of net assets. For one year, net exposure increased by 8%, notably due to the internationalization of our activities and a slight decrease in the hedging of certain currencies.

Over five years, CDPQ's exposure to foreign currencies had an unfavourable impact on the overall return—attributable to the depreciation of emerging currencies—while the currencies of developed markets were generally stable. For one year, exposure was also a disadvantage due to the depreciation of the euro, the yen and emerging currencies.

It should be noted that CDPQ believes that the impact of currencies will tend to be neutral over the long term, while most emerging currencies will tend to depreciate.

BENCHMARK PORTFOLIO

CDPQ's benchmark portfolio represents the weighted average of the asset allocation decisions made by each of the depositors when their investment policies are established.

Depositors' adjustments to the composition of their respective benchmark portfolios have a direct impact on the composition of CDPQ's benchmark portfolio. Table 9 presents its one-year evolution, which reflects the strategic orientations. Note that there is a similar increase in the allocation to the Real Assets and Fixed Income asset classes, while the allocation to the Equities asset class decreased significantly.

TOTAL PORTFOLIO

The composition of the total portfolio attests to decisions made by:

- Our depositors, with respect to their benchmark portfolios
- CDPQ, as part of consolidated asset allocation activities, within the upper and lower limits set for each specialized portfolio

The two columns on the right side of Table 9 show changes in the weighting of the specialized portfolios from 2020 to 2021. We note an increase in the weight of the Real Assets asset class and, to a lesser extent, in that of the Fixed Income asset class, while the weight of the Equities asset class decreased.

TABLE 9

COMPOSITION OF THE BENCHMARK PORTFOLIO AND CHANGES IN THE TOTAL PORTFOLIO
(percentage of depositors' net assets)

	Benchmark portfolio				Total portfolio	
	as at December 31, 2021[1]			as at December 31, 2020[1]	as at December 31, 2021	as at December 31, 2020
	Lower limit %	Benchmark portfolio %	Upper limit %	Benchmark portfolio %	%	%
Fixed Income						
Rates	**6.2**	**11.0**	**17.9**	11.0	**10.5**	8.4
Credit	**14.7**	**19.7**	**25.8**	18.0	**20.0**	20.6
Short Term Investments	**0.2**	**1.3**	**8.1**	1.1	**0.4**	0.4
Long Term Bonds[2]	**–**	**–**	**–**	0.9	**–**	0.9
Real Return Bonds[2]	**–**	**–**	**–**	0.2	**–**	0.2
Subtotal		**32.0**		31.2	**30.9**	30.5
Real Assets						
Real Estate	**7.7**	**12.2**	**16.0**	12.5	**10.1**	9.8
Infrastructure	**5.7**	**9.7**	**13.3**	8.5	**10.8**	8.8
Subtotal		**21.9**		21.0	**20.9**	18.6
Equities						
Equity Markets	**20.1**	**31.1**	**38.1**	33.2	**28.3**	32.6
Private Equity	**10.2**	**15.3**	**20.1**	14.6	**19.7**	17.8
Subtotal		**46.4**		47.8	**48.0**	50.4
Other						
Asset Allocation	**0.0**	**0.0**	**1.0**	0.0	**0.5**	0.5
Leverage Product[3]	**–**	**(0.3)**	**–**	–	**(0.3)**	–
Total		**100.0**		100.0	**100.0**	100.0

1. The benchmark portfolio and its upper and lower limits are the result of the weighted average of the depositors' respective benchmark portfolios.
2. The portfolio was closed on December 31, 2021.
3. The Leverage Product has been offered since July 1, 2021.

Fixed Income

In 2021, in a market affected by rising rates, the asset class outperformed its benchmark index, due in part to credit activities.

$129.4 B

NET ASSETS

30.9%

OF THE TOTAL PORTFOLIO

4.5%

5-YEAR
ANNUALIZED RETURN

3 portfolios: Rates / Credit / Short Term Investments

All the figures in this section are detailed in Table 17 (page 59)

RATES

Five-year return

Investment results: $4.3 B
Annualized return: 2.9%

This actively managed portfolio has activities mainly in the following mandates:

- Rate management
- Sovereign Credit

The portfolio benefited from the decline in rates over five years and recorded an annualized return above its benchmark index, which delivered 2.7%.

The two mandates provided equivalent absolute contributions, but the $0.3 billion in value added was generated for the most part by Sovereign Credit. This included tactical management of provincial securities, which has been a steady source of performance since the portfolio's inception in 2017.

2021 return

Investment results: -$0.9 B
Return: -2.7%

After posting its best results in 2020 since its initial launch, the portfolio ended 2021 in negative territory for the first time ever. This was mainly due to the sharp increase in rates that accompanied the economic recovery. As such, current yield was the portfolio's sole performance driver.

In relative terms, the portfolio produced $87 million in value added, outperforming its index by 0.4%. This was due to:

- A favourable strategic positioning, which allowed the portfolio to benefit from rising interest rates
- Tactical management of provincial bonds, which proved profitable in an environment of narrowing credit spreads

RATES PORTFOLIO

COMPOSITION

- More traditional government bonds with excellent credit quality:
  - Governments of Canada and other developed countries
  - Governments of Canadian provinces

ADVANTAGES

- Low risk level and protection of the total portfolio
- Main source of CDPQ's liquidity
- Diversification
- Source of current yield
- Partial matching of assets with the long-term financial commitments of depositors

CREDIT

Five-year return

Investment results: $16.3 B
Annualized return: 5.5%

This actively managed portfolio represents close to two thirds of the Fixed Income asset class. It features diversified investment activities that enhance its risk-return profile, allocated across various mandates:

- Corporate Credit
- Sovereign Credit
- Real Estate Debt (managed by Otéra Capital)
- Infrastructure Financing
- Capital Solutions

Over five years, the portfolio's performance stemmed from:

- The high current yield on securities specific to this asset class
- The decline in rates over the period

All the mandates delivered excellent performance, making contributions in proportion to their size. In addition, the current yields of the various segments outperformed their benchmarks, generating value added. In this sense, private debt securities made a significant contribution. The Credit portfolio outperformed its benchmark index by 1.3%, representing $4.0 billion in value added.

MARKET CONDITIONS

Over five years, long-term government bond yields declined in Canada and the United States. It should be remembered that in 2017 and 2018, the central banks began normalizing their interest rates. However, in 2019, economic uncertainty and trade tensions contributed to a significant drop in long-term rates. In 2020, the pandemic accelerated this downward trend.

In 2021, the rapid reopening of the economy, in a context of accommodative monetary policy, resulted in a sharp rise in rates and inflation. The year was also marked by a narrowing of corporate credit spreads to historically low levels.

In this environment, Canadian bond indexes posted negative one-year results (see Table 10). The FTSE TMX Canada Universe Index posted a return of -2.5% in 2021, compared to 8.7% in 2020 and 3.3% over five years. Government securities fell even more than corporate bonds in 2021. These results are in line with those obtained by CDPQ's portfolios.

TABLE 10

FTSE TMX CANADA BOND INDEX RETURNS
(as a percentage)

	2021				2020				5 years			
FTSE TMX Canada bond indexes	**Short-term**	**Medium-term**	**Long-term**	**Total**	Short-term	Medium-term	Long-term	Total	Short-term	Medium-term	Long-term	Total
Federal	**(1.1)**	**(3.7)**	**(7.1)**	**(2.6)**	4.6	9.3	13.1	7.3	1.4	2.2	3.9	2.1
Provincial	**(1.1)**	**(2.6)**	**(4.6)**	**(3.3)**	5.3	10.0	11.6	9.9	1.9	3.2	5.3	4.0
Québec	**(1.0)**	**(3.0)**	**(4.7)**	**(3.5)**	5.3	10.0	11.4	9.9	1.9	3.1	5.3	4.0
Corporate	**(0.5)**	**(1.5)**	**(2.6)**	**(1.3)**	6.3	11.1	11.1	8.7	2.6	4.3	6.1	3.9
Universe	**(0.9)**	**(2.7)**	**(4.5)**	**(2.5)**	5.3	10.1	11.9	8.7	1.9	3.1	5.3	3.3

Fixed Income (continued)

2021 return

Investment results: $0.7 B
Return: 0.9%

The portfolio's performance was supported by a marked narrowing of credit spreads across various markets, offsetting the increase in rates. Due to the portfolio's diversification and the high current yields in its various segments, it delivered a return that was well above the benchmark index, which posted a 0.1% return.

The Corporate Credit and Real Estate Debt mandates provided similar and substantial contributions to the $0.7 billion in value added. The Capital Solutions and Infrastructure Financing mandates also added value. In contrast, the Sovereign Credit mandate was affected by rising sovereign yields and depreciating currencies in growth markets.

In 2021, CDPQ made investments and private credit commitments of close to $20 billion. Highlights included those made in profitable sectors, such as telecommunications, health care and real estate:

- Phoenix Tower International: Financing for this leading wireless communications infrastructure provider, as part of a transaction that could reach a total of €775 million
- Tillman Infrastructure: US$300 million in additional financing for this American leader in the telecommunications towers industry
- Syntax Systems: Participation in a US$545-million financing co-led by CDPQ, in partnership with Novacap, to support the growth of this major global provider of cloud management services based in Montréal
- Lyric Capital Group: Investment, alongside Northleaf Capital Partners, in a music royalty catalogue managed by Lyric Capital Group, a manager located in the United States
- 425 Park Avenue: US$467.5 million in financing granted by Otéra Capital, to repay the construction loan and complete this prestigious 47-floor office tower in Manhattan designed by Lord Norman Foster
- Amazon St. Thomas: $340-million loan granted by Otéra Capital, in partnership with National Bank of Canada, to Broccolini, a major Québec real estate developer, for the construction of a new robotized Amazon Canada distribution centre in St. Thomas, Ontario

CREDIT PORTFOLIO

COMPOSITION

- Expanded universe of instruments with features of fixed income securities according to the mandate:
  - Corporate Credit: quality or high-yield bonds and direct or syndicated loans
  - Sovereign Credit: a focus on sovereign and quasi-sovereign securities from growth markets
  - Real Estate Debt: term, construction, bridge and land loans, mostly senior, on residential and office buildings, industrial buildings and shopping centres
  - Infrastructure Financing: senior and subordinated debt in industries such as transportation, renewable energy and telecommunications
  - Capital Solutions: specialty finance, quasi-equity and opportunistic credit

ADVANTAGES

- Market segments featuring better performance and a return that is superior to the traditional bond market
- Diversified sources of value
- In real estate debt, lower credit risk due to a prudent underwriting approach and the quality of the underlying assets

SHORT TERM INVESTMENTS

Five-year return

Investment results: $72 M
Annualized return: 1.0%

This indexed portfolio consists of short-term liquid investments in the Canadian money market. Its modest return for the period attests to the very low rate environment.

2021 return

Investment results: $5 M
Return: 0.3%

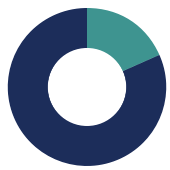
The portfolio's performance for the year was due to the relatively low rate environment. By executing transactions in products that were not in the index, the portfolio generated marginally more current yield, creating $2 million in value added.

Real Assets

For one year, the asset class benefited from changes in the real estate sector and excellent performance by the Infrastructure portfolio.

$87.4 B

NET ASSETS



20.9%

OF THE TOTAL PORTFOLIO

4.8%

5-YEAR ANNUALIZED RETURN

2 portfolios: Real Estate / Infrastructure

All the figures in this section are detailed in Table 17 (page 59)

REAL ESTATE

Five-year return

Investment results: $2.4 B

Annualized return: 1.5%

Over five years, the performance of this portfolio managed by Ivanhoé Cambridge was affected by the major impact of the pandemic in 2020. Confinement measures around the world affected shopping centres and office buildings, segments in which CDPQ's real estate subsidiary was more exposed. The index posted an annualized return of 5.1%.

The period was marked by significant depreciation in the value of assets in the traditional segments, particularly in North America. However, this was largely offset by asset appreciation in promising sectors. The main contributors to the portfolio's performance over five years were logistics assets—a particularly resilient segment that is enjoying a tailwind with the digitization of the economy—as well as the Equities, funds and financing sector.

REAL ESTATE PORTFOLIO

COMPOSITION

- High-quality real estate properties, projects, companies and funds that are shaping dynamic cities around the world
- Investments in equities and financing products in various sectors, including:
  - Residential, industrial and logistics, office buildings, shopping centres and life sciences

ADVANTAGES

- Sources of current yield
- Attractive risk-return profile and substantial cash flows
- Diversification of the risk in CDPQ's total portfolio due to a lower correlation between the assets held and global markets
- Partial protection of capital against long-term inflation because of the characteristics of leases that may include rent indexation or rent increase clauses

The repositioning of the portfolio, begun two years ago shortly before the pandemic, proved beneficial as it boosted the return in 2021. The strategic changes included:

- A significant increase in investments in promising sectors such as logistics, residential and life sciences
- Less exposure to traditional assets following strategic dispositions in:
  - Shopping centres, and those properties in Canada that remain in the portfolio are now operated by JLL
  - Traditional office buildings, while the focus today is on new-generation buildings and a development/redevelopment approach

It should be noted that the portfolio has been diversified geographically and by sector in recent years, as can be seen in the changes made over five years (see Figures 11 and 12).

2021 return

Investment results: $4.6 B

Return: 12.4%

In 2021, the reopening of the economy brought a surge of activity around the world in the real estate sector. This resulted in a rally in the number of transactions in all sectors, but particularly in logistics. However, pandemic effects continue to create sectoral and regional disparities. Under these conditions, the portfolio generated a 12.4% return, due to strategic changes made over the last two years. The portfolio profited from:

- Increased investments in promising sectors, such as logistics and residential, which made major contributions to the return as the assets appreciated in value
- Less exposure to traditional assets, which nevertheless made a positive contribution due to notable current yields

The benchmark index returned 6.1%. The portfolio benefited from the strength of its logistics segment and the strength of investments in Equities, funds and financing, as well as favourable market effects.

FIGURE 11

GEOGRAPHIC EXPOSURE – REAL ESTATE
(as a percentage)

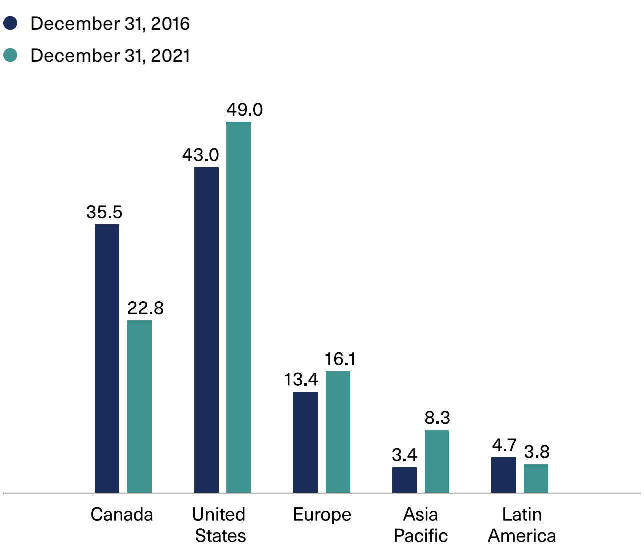
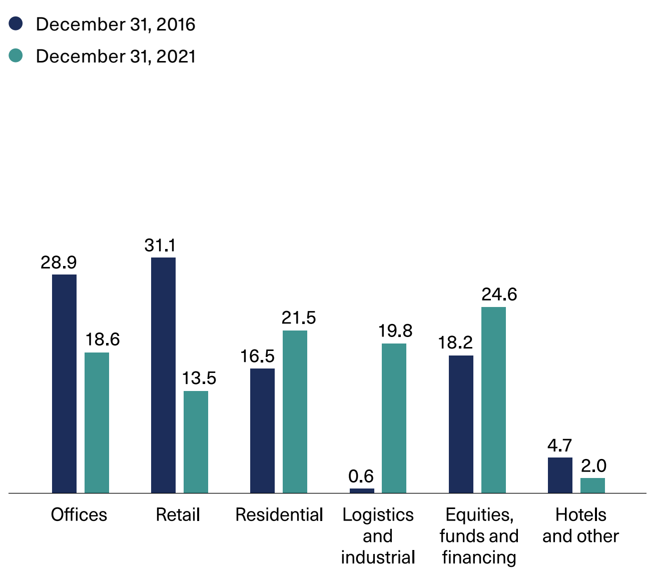


FIGURE 12

SECTORAL EXPOSURE – REAL ESTATE
(as a percentage)



In 2021, Ivanhoé Cambridge continued to optimize its business model and committed to having a carbon-neutral portfolio by 2040. In addition, the subsidiary completed over 100 transactions aligned with the strategic priorities of its diversification plan. These transactions totalled $18.8 billion, with $11.9 billion of investments and $6.9 billion in disposals. Highlights on the investing side included:

- The PURE platform (PIRET): $600 million in this logistics and industrial investment platform active in Québec and Ontario
- Moorebank Logistics Park: Close to $300 million in this intermodal logistics complex, the largest in Australia
- URBZ Capital: Launch of a partnership with this real estate boutique specialized in urban logistics, aimed at deploying up to €400 million in Northern Europe, and the acquisition of eight assets in the Netherlands
- MN Park: Investment in a portfolio of close to 80,000 m^2 (850,000 sq. ft.) of life science R&D offices and laboratories in Genome Valley (Hyderabad), India's largest biotechnology cluster
- Mount Auburn Multifamily: Partnership formed with Mount Auburn, a real estate company, to invest in multifamily developments in secondary markets in the United States

Lastly, Ivanhoé Cambridge completed the construction of next-generation office buildings, including the Tours DUO in Paris, the Texas Tower in Houston, and Phase 1 of CIBC Square in Toronto.

INFRASTRUCTURE

Five-year return

Investment results: $12.0 B
Annualized return: 9.6%

Over the last few years, infrastructure has become popular with investors as an asset class due to its attractive risk-return profile. Its defensive stance was also highly sought-after in the uncertain environment of 2021, which was characterized by inflationary pressures and an outlook of rising interest rates.

FIGURE 13

GEOGRAPHIC EXPOSURE – INFRASTRUCTURE
(as a percentage)

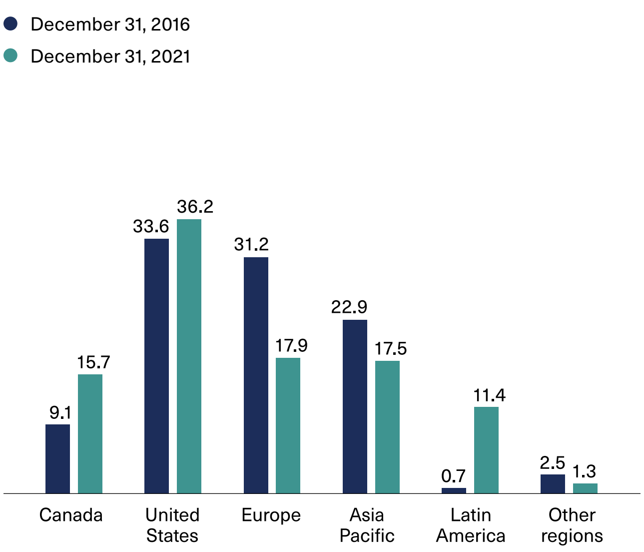
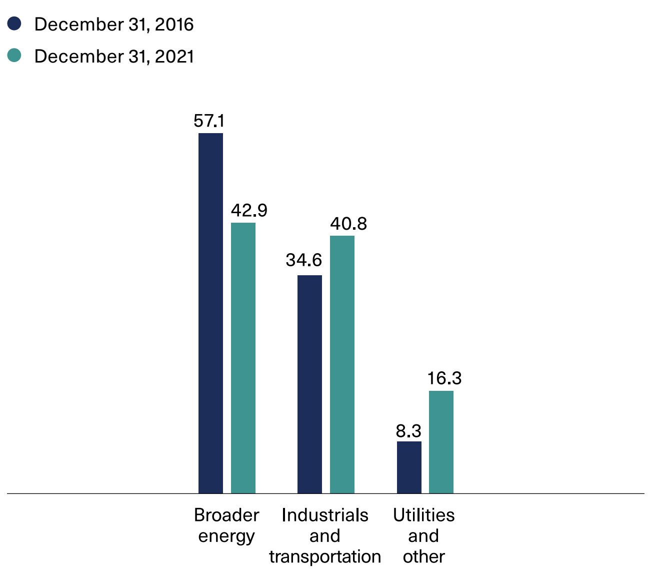


FIGURE 14

SECTORAL EXPOSURE – INFRASTRUCTURE
(as a percentage)



Over five years, the portfolio's annualized return outperformed the index, which delivered a 9.2% return. The difference represents $0.9 billion in value added. The portfolio's absolute and relative performance was due to:

- The appreciation in the value of the assets held, representing the source of most of the return
- Diversification and disciplined deployment in sectors such as renewable energy and telecommunications
- A high current yield on investments

All sectors and regions had good performances over the period, with utilities and energy doing particularly well, as well as the assets located in North America.

Since the end of 2016, the portfolio has tripled in size, with net assets totalling $45.3 billion at the end of 2021. The large volume of deployments has fostered greater geographic diversification and a sectoral redistribution of activities (see Figures 13 and 14 on page 48).

2021 return

Investment results: $5.4 B
Return: 14.5%

For one year, the portfolio delivered its best return in 10 years, driven by:

- Excellent performance of assets in renewable energy and telecommunications
- The considerable current return on investments overall

Compared to its index, which delivered an 11.4% return, the portfolio generated $1.3 billion in value added, largely due to its exposure to the wind and solar energy sector. Strong performance by assets located in the United States also played in its favour. It should be noted that passenger transportation assets in Europe continued to be impacted by the pandemic, somewhat limiting the return.

In 2021, the Infrastructure teams pursued rigorous and sustained capital deployment, with over $11 billion invested or committed around the world. These activities were focused on the telecommunications and passenger and goods transportation sectors. Major transactions included:

- ATC Europe: Investment of over €1.6 billion for a 30% interest in this portfolio of telecommunications towers, as part of a new partnership with American Tower covering Europe
- FiBrasil: Creation of a joint venture specialized in deploying and operating fibre-optic networks in Brazil, held in equal parts with the Telefónica group (with CDPQ investing up to $408 million)
- WestConnex: AU$2.3 billion for a 10% stake in Australia's largest road infrastructure project
- Ermewa: Acquisition, alongside DWS, of this European leader in railcars leasing and the global leader in tank containers leasing
- Superior Pine: Purchase, in partnership with The Westervelt Company, of 307 km^2 (76,000 acres) of pine timberland in the state of Georgia in the United States, representing CDPQ's first investment as part of its sustainable land management strategy

In addition, work on the REM continued at a rapid pace in 2021, with over 30 active construction sites. The first branch, linking Brossard with Central Station, is scheduled to go into service in 2022, despite the impacts of the extended pandemic on labour and the supply chain.

INFRASTRUCTURE PORTFOLIO

COMPOSITION

- Interests in companies that operate various types of infrastructure, including:
  - Ports, airports, highways, wind and solar farms, energy transmission and distribution networks, passenger transportation systems, and social and telecommunications infrastructure

ADVANTAGES

- Stable and predictable revenues over the long term
- Steady cash flows and a better risk-return profile than other asset classes due to the regulatory frameworks governing many sectors
- Distinct risk profile that can be used to diversify risk in the total portfolio
- Partial long-term capital protection against inflation

Equities

The asset class benefited from the strong performance in absolute terms of both portfolios over one and five years.

$201.2 B

NET ASSETS

48.0%

OF THE TOTAL PORTFOLIO

13.7%

5-YEAR ANNUALIZED RETURN

2 portfolios: Equity Markets / Private Equity

All the figures in this section are detailed in Table 17 (page 59)

EQUITY MARKETS

Five-year return

Investment results: $56.4 B
Annualized return: 10.7%

The objective of this portfolio is to deliver sustained performance over the long term, with an optimal risk-return profile. It comprises three mandates based on style and two geographic mandates.

Over five years, the portfolio's performance was:

- Driven by the good performance of quality securities as well as those in growth markets
- Limited by certain positions in the Canadian market, which did not grow as much as those of other countries

The -0.8% difference with the benchmark index, which delivered an 11.5% return, was in particular attributable to the portfolio's underweighting in the securities of large technology companies with high growth and high valuations.

2021 return

Investment results: $17.0 B
Return: 16.2%

The portfolio's strong one-year performance, in line with that of the index, which delivered a 16.1% return, took place in a strong bull market. During the year, the portfolio's approach was adjusted to better leverage various environments, to take advantage of:

- A better mix of styles
- An expanded investment universe
- More dynamic management

These changes, in place since July 1, 2021, give the portfolio greater flexibility to further draw on the markets' strong upward momentum compared with previous years. The return also benefited from the portfolio's exposure to developed countries, but was limited by the modest performance of the major Asian equity markets.

MARKET CONDITIONS

All the major stock indexes produced positive returns over the 2017–2021 period, despite the sharp drop in markets in the first half of 2020 due to the pandemic (see Figure 15). The U.S. S&P 500 Index led the way, driven by its preponderance in the technology sector. The MSCI Emerging Markets Index was also stimulated by this sector, while the S&P/TSX Composite Index benefited from strong performance across all sectors, with the exception of resources. The MSCI EAFE Index of developed markets concludes the five-year review.

In 2021, the economic recovery and renewed appetite for risk propelled the major stock market indexes in developed countries, while the growth markets index fell into negative territory in the wake of government interventions. The S&P 500 recorded a remarkable return due to the technology and finance sectors. It was followed by the S&P/TSX, which was buoyed by the major energy and finance sectors, and the MSCI EAFE, which was held back by weakness in Japan.

QUALITY MANDATE

Five-year return

Investment results: $21.2 B
Annualized return: 11.5%

This mandate, which accounts for close to a third of the Equity Markets portfolio, has delivered sustained performance over five years due to the vitality of U.S. company shares.

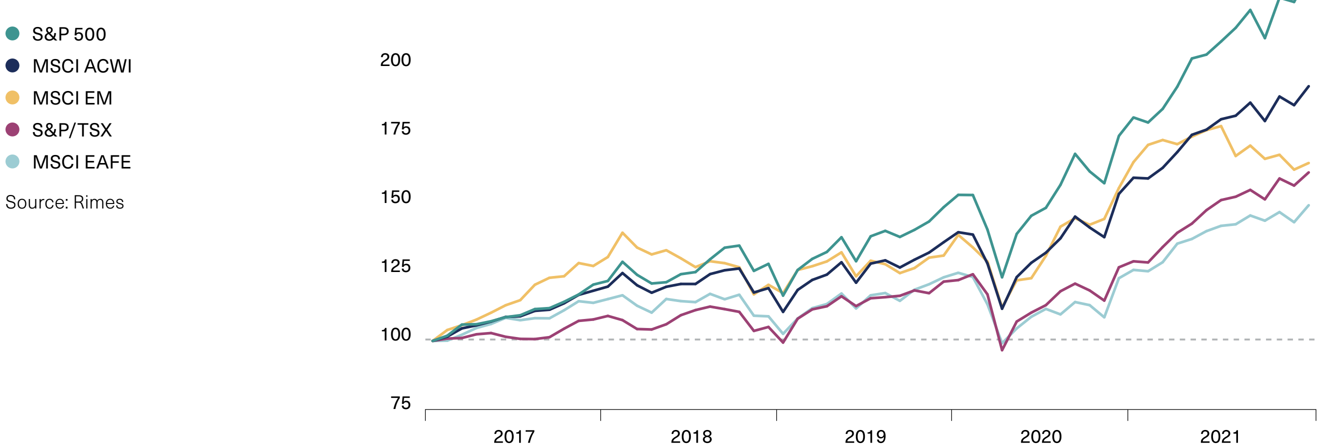
Its annualized return was slightly below the index, which delivered an 11.9% return, due to:

- The mandate's low volatility bias, which was unfavourable over the period
- An underweighting in technology securities, including those of the Web giants, which produced extremely strong market returns

It should be noted that since 2016, the mandate has generated a risk-adjusted return similar to that of the index. The strategy based on quality is less volatile and has regularly outperformed the index during strong market downturns.

FIGURE 15

EQUITY MARKETS PERFORMANCE
(December 31, 2016 = 100, in local currencies)



Source: Rimes

2021 return

Investment results: $6.8 B

Return: 19.9%

The mandate posted a strong one-year performance. It benefited from its positioning in quality stocks, as inflation fears caused markets to focus more on current corporate results rather than a strong growth outlook, regardless of profitability. In contrast to 2019 and 2020, the market surge in 2021 was based on expected profit growth rather than multiples growth.

As for the regions, the securities of U.S. companies contributed the most to growth. Many sectors—ranging from health care to finance to technology—made major contributions.

For one year, the mandate outperformed its index, which delivered an 18.3% return, producing $0.5 billion in value added. This was largely due to a selection of securities based on investment convictions.

GROWTH MANDATE

Return since inception

Investment results: $1.5 B

Created on July 1, 2021 as part of changes to the approach used in the Equity Markets portfolio, this mandate includes:

- Growth securities that were previously part of other mandates
- Strategies based on innovation and disruptive technologies
- External management activities based on this style

As at December 31, 2021, the mandate had $20.2 billion in net assets. The investment results were generated by the strength of this management style in the second half of the year. In contrast, the innovation segment posted modest performance.

QUALITY MANDATE

COMPOSITION
- High-quality companies exposed to global growth that are traded on the stock exchanges of developed markets in the MSCI World Index
- Highly profitable and stable companies that have strong fundamentals over time and demonstrate a conservative use of financial leverage

ADVANTAGES
- Risk-adjusted return exceeding that of public equities over a long-term horizon
- Geographic diversification
- Investments that are less sensitive to market fluctuations and provide higher liquidity during periods of market turmoil

GROWTH MANDATE

COMPOSITION
- Securities of profitable companies, with a focus on growth prospects and traded on the stock exchanges of developed markets in the MSCI World Index
- Activities aimed at exploiting the various growth phases of a company through two components:
  - Small caps with an innovative business model that may disrupt their industry
  - Mid and large caps with the potential to extend their business model while maintaining superior profitability

ADVANTAGES
- Risk-adjusted return exceeding that of public equities over a long-term horizon
- Geographic diversification
- Participation in the economic performance drivers of tomorrow

VALUE MANDATE

Five-year return

Investment results: $3.7 B
Annualized return: 8.4%

This style mandate, which has both internal and external management components, targets stocks that appear to be underpriced based on various measures of fundamental value. Its performance over five years was driven by the consumer discretionary, financial and health care sectors.

On a relative basis, the mandate produced a return below that of its index of 12.6%, due to:

- The lower return obtained by this management style in a market environment that places more emphasis on growth securities
- Underweighting in the technology sector, due to criteria related to the investment universe, although this sector clearly stood out over the period

2021 return

Investment results: $2.2 B
Return: 17.4%

Over one year, the mandate benefited from better performance by the value style when compared to recent years. Like the other style mandates, its performance was driven by the strength of developed markets. Much of this performance came from the securities of:

- U.S. companies
- Companies operating in the financial, health care and consumer discretionary sectors, which also performed well over five years

The strength of this management style, in particular in the first half of the year, enabled the mandate to outperform its index, which stood at 15.2%.

VALUE MANDATE

COMPOSITION

- Securities from developed markets in the MSCI World Index, based on the criteria specific to this management style

ADVANTAGES

- Exposure to securities that have been overlooked due to their apparent undervaluation, but whose intrinsic value shows potential for normalizing over the long term
- Behaviour that is complementary to that of the other mandates in the Equity Markets portfolio

CANADA MANDATE

Five-year return

Investment results: $8.0 B
Annualized return: 7.4%

The mandate benefited from its considerable exposure to the financial sector, which performed particularly well over the period. However, weakness in the energy sector, which plays a large role in the Canadian universe, weighed on the mandate's return.

Apart from banks, Québec companies with operations in the United States made the most significant contributions to performance: Couche-Tard in consumer, CN in industrials, and CGI in technology. It should nevertheless be noted that the positioning in certain securities of technology companies since the beginning of the pandemic helped widen the gap with the index, which delivered a 9.8% return.

2021 return

Investment results: $4.0 B
Return: 20.7%

The mandate produced the best annual return in the Equity Markets portfolio. This was due to an advantageous positioning in:

- The finance sector, which accounted for half of the results
- The energy sector, which posted the strongest one-year performance

As for the other sectors, we should highlight the contribution made by Québec companies, including Couche-Tard and iA Financial Group, whose securities appreciated sharply.

The benchmark index posted a 22.6% return. The difference stems mainly from certain technology positions, which were particularly affected by the impacts of charges made by activist investor with regard to some Québec securities.

CANADA MANDATE

COMPOSITION

- Securities of publicly listed Canadian corporations, with an emphasis on the construction of a quality, concentrated portfolio that reflects distinctive aspects of the Canadian universe

ADVANTAGES

- Better understanding of investments and a role of influence due to market proximity

GROWTH MARKETS MANDATE

Five-year return

Investment results: $10.5 B
Annualized return: 11.4%

The mandate's performance was driven equally by its two main components: external management and index management. It was part of a strong growth environment over the period in the stock markets of the major growth markets, in particular Taiwan, South Korea, China and India.

Over five years, the annualized return outperformed the index, which delivered a 9.0% return. The 2.4% difference represents $2.3 billion in value added, the largest of all the portfolio's mandates. This was mainly due to the strength of the external management activities of local investment firms that have stood out, year after year, because of their expertise.

2021 return

Investment results: $36 M
Return: 0.7%

After delivering the best return in the portfolio in 2020, this mandate posted the lowest return in 2021. This was due to the modest performance of the major Asian equity markets, which also had an impact on the index's almost neutral 0.2% return. The value added was largely due to a favourable selection of securities in India.

The external management component produced a range of results depending on the country, with positive activity in China and a more difficult year in Brazil.

PRIVATE EQUITY

Five-year return

Investment results: $48.7 B
Annualized return: 19.6%

The portfolio delivered a high annualized return due to an excellent performance by its assets over the period. Its index delivered a 14.3% return, which the portfolio bested by 5.3%. This generated $12.7 billion in value added, for the strongest performance of all the portfolios. These results were due in part to:

- The quality of investments in promising sectors, such as technology and health care
- Diligent post-investment operational support to our portfolio companies, which plays a key role in the strategy to create value

Direct investments also served as performance catalysts, benefiting in particular from global leveraged buyout activities and activities supporting the development of Québec companies.

GROWTH MARKETS MANDATE

COMPOSITION
- Growth market securities traded on the stock exchanges of countries mainly in the MSCI EM Index (emerging markets)

ADVANTAGES
- Geographic diversification
- Important component of the mandate carried out alongside well-established local partners whose in-depth knowledge of the target markets enables them to identify quality and growth companies

PRIVATE EQUITY PORTFOLIO

COMPOSITION
- Direct interests, primarily in private companies, but also in listed companies
- Companies active in all sectors of the economy, with a focus on technology as well as resilient, promising sectors
- Growth and quality companies with stable and predictable revenues
- Stakes in high-performing investment funds

ADVANTAGES
- Expected long-term performance that exceeds that of the stock markets, but with higher risk
- Focus on quality partnerships and long-term value creation, particularly through organic growth, acquisitions and operational efficiency

The investment funds also made positive contributions to results. To carry out these activities, CDPQ teams up with external managers that it selects with care for their cutting-edge skills and approaches that complement its own. In addition to maximizing the portfolio's risk-return profile, these activities generate co-investment opportunities that are selected and executed by the direct investment team, thereby enhancing the funds' overall contribution to the integrated private equity strategy.

As at December 31, 2021, net assets stood at $82.5 billion stemming from the portfolio's robust results for the period, both in Québec and abroad. Figure 16 shows the geographic allocation of the portfolio in 2016 and in 2021.

2021 return

Investment results: $23.5 B

Return: 39.2%

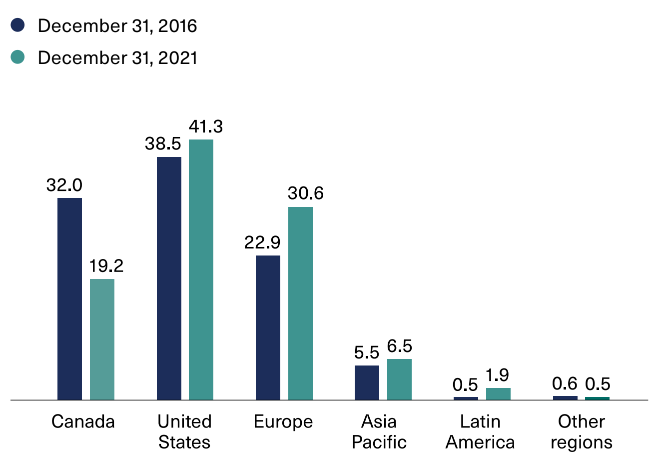
In 2021, the portfolio posted its best performance since its inception, in 2003. Through outstanding performance, well above the 32.1% return of its index, the portfolio generated $4.8 billion in value added. This performance is attributable, among other things, to:

- A sound sectoral positioning in the technology, financial services and health care sectors
- Good operational management of assets

Direct investments benefited from increased profitability delivered by most of the assets and a market appetite for fintechs, a major sector in the portfolio. Some of the main contributions to this performance came from companies such as FNZ, Clarios and Biogroup, as well as Québec companies such as WSP, Hopper and CGI.

FIGURE 16

GEOGRAPHIC EXPOSURE – PRIVATE EQUITY
(as a percentage)



In the last year, the investment teams exercised discipline in making $10 billion in acquisitions in profitable sectors. Opportunistic disposals were also made in an environment characterized by sharply rising valuations, for a total of $13 billion in materializations. Highlights included:

- Druva: A US$100-million investment in this global leader in cloud data protection and management based in California, as part of a US$147-million round of financing led by CDPQ
- Wizeline: Majority stake in this technology service provider with operations in several countries
- Constellation: Support for this platform, with a financing capacity of US$1 billion, dedicated to property and casualty insurance and life insurance, which had announced two acquisitions
- Grupo Diagnóstico Aries: A significant majority stake in one of the fastest growing medical diagnostic services groups in Mexico
- ICR: Acquisition of a significant stake in this global leader in strategic communications and advisory services based in the United States

In Québec, CDPQ completed numerous private equity transactions in 2021, including:

- New Look Vision Group: Stake in the privatization of this leading provider of eye care products and services in Canada, as part of a transaction that valued the company at $1 billion
- Solmax: Support for this Varennes-based company, the industry leader in the production of geosynthetics, enabling it to acquire TenCate Geosynthetics
- AlayaCare: Stake in a $225-million round of financing to accelerate the digital transformation of home health care through the software platform of this Québec company with global operations
- Demers Ambulances: Support for the green shift of this leading ambulance manufacturer, which unveiled a fully electric vehicle, as well as for its acquisition of a major ambulance manufacturer in the United States

Other Investments

This asset class includes activities that are complementary to those of other investment activities in order to contribute to the value added of the total portfolio.

$1.9 B

NET ASSETS

$1.7 B

RESULTS OF CONSOLIDATED ACTIVITIES OVER 5 YEARS

1 portfolio: Asset Allocation

All the figures in this section are detailed in Table 17 (page 59)

CONSOLIDATED ASSET ALLOCATION ACTIVITIES

Consolidated asset allocation activities contribute to CDPQ's value added by implementing strategies that help diversify the total portfolio. These activities are carried out in two ways:

- Management of the Asset Allocation specialized portfolio
- An allocation of capital to the various specialized portfolios, within the leeway set by our depositors

Results over five years

Results of consolidated activities: $1.7 B
- **Asset Allocation portfolio: - $1.1 B**
- **Allocation to other specialized portfolios: $2.8 B**

Over the period, managing weightings in less-liquid assets made a positive contribution to performance, while some strategies to reduce total portfolio risk reduced value.

Results in 2021

Results of consolidated activities: $1.4 B
- **Asset Allocation portfolio: - $0.2 B**
- **Allocation to other specialized portfolios: $1.6 B**

CONSOLIDATED ASSET ALLOCATION ACTIVITIES

COMPOSITION
- Asset Allocation specialized portfolio: non-capitalized investments that take positions in key financial market factors (equity markets, credit, rates and currencies)
- Capital allocation through CDPQ's specialized portfolios

ADVANTAGES
- Enhancement of the total portfolio's value added
- Exposure to asset classes to diversify the total portfolio
- Contribution to the management of the total portfolio

The active strategies posted a slightly positive return, having benefited from rising interest rates and the positioning on currencies. Performance was held back by the portfolio's defensive bias and an unfavourable relative positioning in growth markets, which had a difficult year.

As in the five-year period, the management of weightings in less-liquid assets contributed significantly to the results of consolidated asset allocation activities.

TABLE 17

SPECIALIZED PORTFOLIO RETURNS IN RELATION TO BENCHMARK INDEXES

(for periods ended December 31, 2021)

		5 years			1 year		
Specialized portfolios	Net assets $B	Investment results $M	Return %	Index %	Investment results $M	Return %	Index %
Fixed Income							
Rates	**44.0**	**4,257**	**2.9**	**2.7**	(896)	(2.7)	(3.1)
Credit	**83.8**	**16,287**	**5.5**	**4.2**	675	0.9	0.1
Short Term Investments	**1.6**	**72**	**1.0**	**0.9**	5	0.3	0.2
Long Term Bonds[1]	**0.0**	**652**	**N/A**	**N/A**	(272)	N/A	N/A
Real Return Bonds[1]	**0.0**	**196**	**N/A**	**N/A**	(33)	N/A	N/A
Subtotal	**129.4**	**21,464**	**4.5**	**3.7**	(521)	(0.6)	(1.2)
Real Assets							
Real Estate	**42.1**	**2,368**	**1.5**	**5.1**	4,612	12.4	6.1
Infrastructure	**45.3**	**12,008**	**9.6**	**9.2**	5,405	14.5	11.4
Subtotal	**87.4**	**14,376**	**4.8**	**7.0**	10,017	13.6	8.7
Equities							
Quality mandate	**36.5**	**21,248**	**11.5**	**11.9**	6,765	19.9	18.3
Growth mandate[2]	**20.2**	**1,501**	**N/A**	**N/A**	1,501	N/A	N/A
Value mandate	**18.2**	**3,683**	**8.4**	**12.6**	2,152	17.4	15.2
Canada mandate	**19.6**	**7,956**	**7.4**	**9.8**	4,001	20.7	22.6
Growth Markets mandate	**22.5**	**10,481**	**11.4**	**9.0**	36	0.7	0.2
Equity Markets[3]	**118.7**	**56,433**	**10.7**	**11.5**	16,977	16.2	16.1
Private Equity	**82.5**	**48,707**	**19.6**	**14.3**	23,549	39.2	32.1
Subtotal	**201.2**	**105,140**	**13.7**	**12.7**	40,526	24.6	22.0
Other Investments							
Consolidated Asset Allocation activities[4]	**1.9**	**1,717**	**N/A**	**N/A**	1,354	N/A	N/A
Total[5]	**419.8**	**141,012**	**8.9**	**8.6**	48,729	13.5	10.7

1. The Real Return Bonds and Long Term Bonds specialized portfolios were closed on December 31, 2021.
2. Results for the Growth mandate present the results since beginning its activities on July 1, 2021.
3. Includes the activities of the Strategic mandate.
4. The consolidated Asset Allocation activities include the results of the Asset Allocation specialized portfolio of -$1.073 billion over five years and of -$203 million for one year, as well as the results of the allocations to other specialized portfolios representing $2.790 billion over five years and $1.557 billion for one year.
5. The total includes customized overlay operations, cash activities and terminated activities.

Risk management

CDPQ managed risks in a disciplined manner in an environment with high asset valuations.

HIGHLIGHTS	1	2	3
	Market risk rose in 2021 and is slightly above that of the benchmark portfolio.	In 2021, our teams focused on executing the strategic changes initiated in 2020 by thoroughly assessing potential issues.	Advanced analyses have been conducted to measure asset valuation risk and mitigate its impact on the portfolio.

CHANGES IN RISK MEASUREMENT

In terms of risk management, CDPQ applies the highest standards of governance, oversight and monitoring. With the firm belief that return and risk are inseparable, we seek to ensure an optimal balance of these factors to deliver performance that meets our clients' needs.

Risk management has long formed an integral part of everything we do, from portfolio management to business processes. Efforts are made every year to strengthen this aspect through numerous initiatives.

For each investment, our teams assess the risks in depth, taking into account variables such as:

- The global economic context
- Financial market changes
- Concentrations, specifically sectoral and geographic, of the total portfolio

In 2021, CDPQ monitored the risks identified at the beginning of the year, most of which will remain on our radar in 2022, in addition to identifying new ones. Key risks to monitor include:

Economic risks

- Persistent inflation accompanied by moderate growth, with impacts on labour costs and supply chains
- Adjustments to central bank monetary policies and coordination with fiscal policies
- The level of government and corporate debt around the world
- The increasing cost and scarcity of raw materials
- The COVID-19 pandemic, its impact and the pace of global economic recovery
- An ongoing competitiveness issue in Canada, appreciation of the Canadian dollar, changes in the oil sector and household debt

Geopolitical risk

- The presence of geopolitical tensions around the world (Taiwan and North Korea) and the war in Ukraine
- Worsening tensions between the United States and China as well as Russia and the West
- Tensions related to social inequalities around the world and the rise of populist movements
- Instability in Europe

Financial and operational risks

- A possible correction in valuations should markets turn risk-averse
- Protectionist measures, restrictions on foreign direct investment and regulatory changes
- Impact of disruptive technologies on the business environment
- The consequences of possible cyber-attacks on CDPQ, on major intermediaries and suppliers, and on portfolio companies
- The impact of climate change, including governments' failure to meet their targets as well as natural disasters

Market risk

CDPQ seeks to build a high-performance and well-diversified portfolio, while targeting an optimal risk-return profile, consistent with our risk assessment and market valuations.

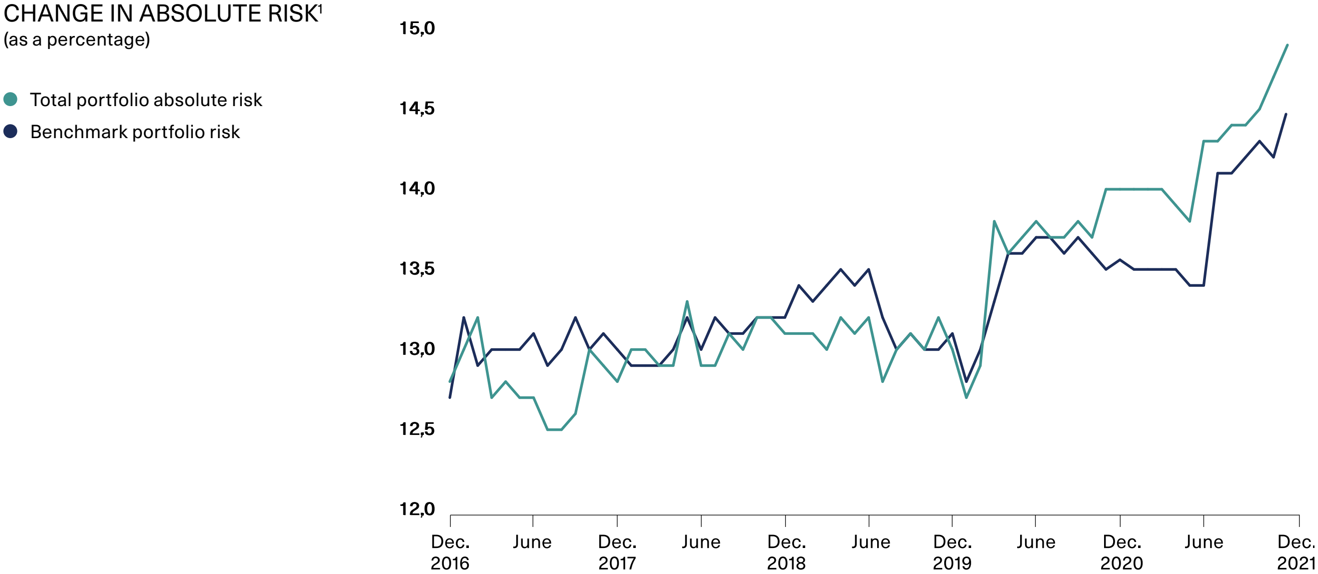
As can be seen in Figure 18, the absolute risk of the benchmark portfolio was 12.7% at the end of 2016, very close to the absolute risk level for the total portfolio at 12.8%. By the end of 2021, it had increased to 14.5%, but was below that of the total portfolio. This increase is the result of changes to CDPQ's portfolios and changes to our clients' investment policies.

Over the past five years, the decisions of CDPQ and its clients have increased the total portfolio's absolute risk from 12.8% as at December 31, 2016 to 14.9% as at December 31, 2021. While it remained fairly stable until early 2020, it has rebounded in the wake of the pandemic and following adjustments to the investment strategy. It had its largest annual change during the period in 2021, which is explained by:

- An increase in the weight of Private Equity, a category that includes riskier assets
- Additional risk-taking in Equity Markets as a result of the changes in the portfolio's approach, including a better mix of styles
- Continued deployment in private credit, with a high number of investments and commitments during the year

FIGURE 18

CHANGE IN ABSOLUTE RISK[1]
(as a percentage)



1. The risk figures preceding January 2020 were adjusted to reflect the changes in the risk calculation methodology that occurred in 2020.

Figure 20 illustrates the impact of this difference on the absolute risk ratio for the total portfolio compared to that of the benchmark portfolio. Over the five-year period, the ratio rose from 1.00 to 1.03, reflecting greater risk-taking to generate value added.

The ratio remained stable in 2021, with its level as at December 31 unchanged from a year earlier. It is important to note that the absolute risk remained well within set limits.

Table 19 shows the change in market risk over one year within the major asset classes. The Fixed Income and Equities classes show notable increases due to the reasons listed previously, while the Real Assets and Other Investments classes show slight decreases.

ABSOLUTE RISK RATIO MEASUREMENT

Among the items monitored to measure market risk, CDPQ calculated the absolute risk ratio for the total portfolio compared to the absolute risk for the benchmark portfolio. A ratio of 1 indicates that risk-taking is identical, while a ratio greater than 1 signals greater risk-taking to generate value added. An absolute risk limit, using this ratio, governs market risk for the total portfolio.

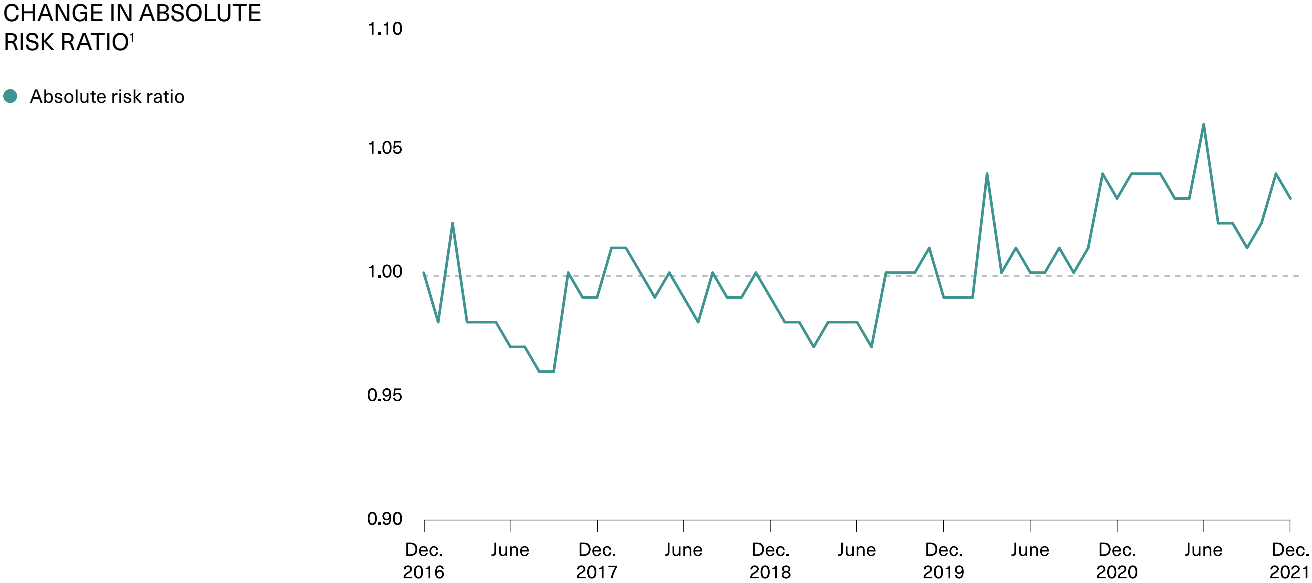
TABLE 19

ABSOLUTE RISK
(as at December 31 – as a percentage)

Asset class	**2021**	2020
Fixed Income	**6.9**	6.2
Real Assets	**17.3**	17.5
Equities	**25.1**	23.5
Other Investments	**0.7**	0.8
Total portfolio	**14.9**	14.0

FIGURE 20

CHANGE IN ABSOLUTE RISK RATIO[1]



1. The risk figures preceding January 2020 were adjusted to reflect the changes in the risk calculation methodology that occurred in 2020.

Credit risk

The sustained deployment in private credit during the year was carried out in a cautious and defensive manner, resulting in a slight decrease in credit risk. To assess this risk, teams analyze the following:

- The potential capital loss risk: a quantitative measurement including the probability of default by an issuer, correlations and recovery assumptions
- Internal ratings for each investment file: the ratings are assigned by a committee comprising Risk Management and investment team members based on fundamental analyses

The committee monitors the ratings closely, including any differences with credit agency ratings, and may be required to review them when necessary. During the year, more than 170 issuers in the portfolio were reviewed.

Concentration risk

Concentration risk in the total portfolio increased in 2021 due to the appreciation in value of certain investments and the acquisition of key assets. The contribution to market risk for CDPQ's 30 largest issuers was 25%, compared to 20% in 2020.

Geographic and sector diversification of assets is an essential element of CDPQ's strategy to mitigate concentration risk. This does not prevent us from taking more concentrated positions in certain investments that present attractive return perspectives.

Counterparty risk

The counterparty risk posed by the use of over-the-counter derivative financial instruments remained stable compared to 2020. CDPQ uses various means to mitigate this risk, including:

- Negotiation of legal agreements based on International Swaps and Derivatives Association (ISDA) standards
- Daily collateral exchange
- Establishment of exposure limits for each counterparty
- Continuous follow-up on a series of indicators to assess the counterparties' financial health and detect any change in the quality of their credit

Liquidity risk

During 2021, CDPQ maintained an adequate level of liquidity to deal with a severe crisis. Thanks to the proactive management of our liquidity, we were able to seize investment opportunities while maintaining the required level.

LIQUIDITY RESERVE

This includes two types of liquid assets:

- Primary liquidities: highly liquid assets that can be used immediately without loss of value
- Secondary liquidities: assets that are somewhat less liquid, but can be converted quickly if needed, in addition to being resilient

Each year, CDPQ establishes a minimum liquidity threshold to be maintained in the reserve in order to:

- Meet our potential commitments as well as those of our depositors
- Rebalance the total portfolio
- Maintain the desired flexibility during a crisis, specfically to seize investment opportunities

For more information, see Note 11 to the Consolidated Financial Statements on page 176.

REVIEW OF OVERSIGHT AND PROCESSES

To manage our risks optimally, CDPQ relies on guiding principles. Note that these were revised in 2021 to take into account the business environment.

Because sound risk management depends on solid frameworks and processes, several initiatives have been implemented in 2021 with the objective of strengthening them.

Influence of the Risk Management function on investment

During the year, the Risk Management group was involved in CDPQ's investment activities. The group's teams ensured good governance of the risk processes while exercising influence, which is evidenced by the following:

- An active presence on many committees, including the Investment-Risk, Strategy and Execution, Operational Risk, Investment, Research and Currency Committees
- A leading role in analyzing and preparing the global strategy to fully identify the risks stemming from execution priorities and determine any new initiatives' potential impact on portfolio risk
- Oversight ensuring sound diversification and compliance with the strategic plan for each portfolio
- The integration of business unit risk managers in each investment team
- An independent assessment of portfolios included in each portfolio's reporting

Review of investment policies

In 2021, CDPQ updated some of our strategies to better capitalize on the new investment environment. This led to a review of policies for certain portfolios, including Equity Markets, Fixed Income and Asset Allocation.

In-depth risk analyses were conducted, and follow-up measures were developed in response to the changes in orientation and the required policy frameworks.

Reduction of valuation risk

The low interest rate environment and abundant liquidity have pushed valuations to high levels over the last 20 years. For this reason, in 2021, CDPQ has paid particular attention to asset valuation risk, one of the main financial risks identified. For a long time, this has been mitigated by central bank interventionism, but the current environment presents challenges that could foster a correction in asset value.

This issue has been thoroughly analyzed by our teams in order to assess the potential impacts on the various asset classes and to establish an action plan to mitigate the effects should the risk materialize.

Mitigation of operational risks

The operational risks faced by CDPQ stem from our traditional activities, as well as the transformations we are undergoing in a rapidly changing business environment. These changes are linked to the growth of our assets under management, the strengthening of our global presence and the evolution of our professions.

The Operational Risk Committee is responsible for identifying and prioritizing these risks and determining the means to mitigate them. An operational risk map is regularly updated to measure their impact and probability.

Key actions taken in 2021 to mitigate this type of risks include:

- A particular emphasis on talent management in a highly competitive and remote working environment
- An improved framework for managing majority position structures and other complex investment strategies in less-liquid markets
- Rigorous monitoring of changes in the regulatory environment, particularly in light of the rise of populism and protectionism
- Strengthening the governance surrounding the management of models used for analytical purposes and to support investment decisions
- A dynamic review of the evolving technology environment and cybersecurity risk (see more details in the next two sections)

Technology risk

CDPQ integrates technology risk assessment throughout the investment cycle and monitors our total portfolio through this lens. Our technology specialists work closely with our investment teams to improve their understanding of these issues. Sector analyses are produced to help them better target risks.

In 2021, work was also carried out to measure the impact of disruptive technologies on portfolio companies, both from an external market perspective and in terms of their business model.

CYBERSECURITY

CDPQ pays close attention to cybersecurity. We implement significant security measures by applying recognized frameworks, continuously testing their elements, both internally and by independent third parties. Several lines of both internal and external defence are established to ensure that the measures in place are effective.

In 2021, through our continuous cybersecurity improvement program, CDPQ has:

- Closely monitored the changes in technology to counter emerging threats
- Integrated cutting-edge technology in our environment to quickly detect abnormal situations, and thus counter various threats
- Communicated regularly with our staff to raise awareness on the best behaviours to adopt
- Conducted a cyber-attack simulation that allowed us to capitalize on the lessons learned and enhance our program

The management of cybersecurity risks also applies to the service providers that host CDPQ's data. They are subject to a verification process to ensure that their systems meet our security standards. In addition, several security conditions must be met before a supplier can be authorized to host our data.

Before investing in a company, CDPQ conducts cybersecurity analyses based on a rigorous questionnaire and interviews with security officials. This allows assigning a cybersecurity rating to companies and supports our teams' decision-making. Support is also offered to portfolio companies to improve their practices in this area.

IMPROVED RISK MANAGEMENT METHODOLOGIES AND TOOLS

In 2021, CDPQ continued to refine our methodologies and quantitative analysis tools, to:

- Propose risk assessment methodologies adapted to the portfolio assets and the market environment
- Better support investment teams with effective risk management tools

Risk measurement and stress testing

In addition to the value at risk (VaR), CDPQ measures market risk using stress tests. Historical and hypothetical scenarios are analyzed to assess our portfolios' behaviour during favourable and unfavourable market events.

In 2021, several stress tests were conducted, including on inflation, interest rates and asset valuation.

ESG risk assessment

To prevent ESG risk, 505 analyses were conducted, both for new transactions and for assets already in the portfolio.

The team paid particular attention to climate risk. In addition to calculating asset carbon intensity, it has developed a physical risk assessment tool and conducted a high-level review of nearly 75% of the total portfolio in relation to energy transition risk.

Recall that CDPQ renewed our climate ambitions in 2021 after exceeding the targets set in our first climate-related strategy launched in 2017. For more information, see our Sustainable Investing Report at www.cdpq.com.

Compliance

HIGHLIGHTS

1 Programs were applied during the year to ensure compliance with depositors' investment policies and CDPQ's investment policies.	2 The Coordination Committee, consisting of the ethics and compliance officers of CDPQ and its subsdiaries, developed harmonized ethics and compliance practices aligned with the highest standards.	3 The Ethics and Compliance team updated its awareness program, including by adding new mandatory interactive training videos for all staff members.

CDPQ's compliance activities include a component on monitoring the portfolios' investment policies to ensure compliance and another on applying the Code of Ethics and Professional Conduct

INVESTMENT POLICIES

CDPQ implements compliance programs to certify adherence to the investment policies of both our portfolios and our clients. In 2021, certificates of compliance with these policies were issued to depositors on June 30 and December 31. Programs to ensure the compliance of activities in the specialized portfolios and management mandates were also maintained.

CODE OF ETHICS AND PROFESSIONAL CONDUCT

Compliance with the Code of Ethics and Professional Conduct for Officers and Employees is essential. At the beginning of each year, everyone must complete a declaration on compliance with the Code and provide the documents required to confirm information related to their personal portfolios. Any real, potential or apparent conflict of interest must be declared, as well as any situation where there is a reasonable likelihood of a breach of CDPQ's Code or policies. To carry out personal transactions, the pre-authorization system provided for this purpose, which is accessible at all times, must first be used. Furthermore, the members of CDPQ's Executive Committee must provide for discretionary management of their personal portfolios or undertake not to trade in securities covered by the pre-authorization process for personal transactions.

During the year, CDPQ carried out several activities to heighten employee awareness on various aspects of the Code of Ethics. This included:

- Two mandatory training sessions on the Code of Ethics and on preventing corruption provided to new recruits
- A one-to-one meeting with every incoming manager to discuss various aspects of the Code
- Publication on the intranet of interactive video clips throughout the year to address specific topics or ethical questions and remind employees of how to handle situations involving ethics and professional conduct
- Three new mandatory training sessions for all employees on the following topics: preventing fraud and corruption, respect in the workplace and the main rules of the Code of Ethics (gifts, conflicts of interest, personal transactions and the confidentiality of information)

The Code of Ethics and Professional Conduct for Officers and Employees is available at www.cdpq.com, in the Governance section.

HARMONIZATION OF ETHICAL PRACTICES AT CDPQ AND ITS SUBSIDIARIES

The Coordination Committee, which consists of the ethics and compliance officers of CDPQ, Otéra Capital, Ivanhoé Cambridge and CDPQ Infra, continued to develop harmonized ethics and compliance practices aligned with the highest standards.

At the beginning of each year, the Committee adopts a plan that reflects the priorities shared by CDPQ and its subsidiaries. At their quarterly meetings, Committee members discuss various ethics and compliance issues and report on the progress made toward these priorities and the resulting initiatives they will undertake together. Committee members also share various best practices on tools and processes and discuss new developments in ethics and compliance. In addition to these quarterly meetings, working groups have been formed to undertake ongoing, collaborative projects.

AUDIT OF COMPLIANCE

In 2021, the Auditor General of Québec conducted an audit on compliance with the policies and directives of CDPQ and its subsidiaries Ivanhoé Cambridge and Otéra Capital in the context of investment activities. CDPQ seeks to continuously improve its practices and has already begun to implement improvements identified during the audit.

ACCESS TO INFORMATION

CDPQ processes requests for access to information in accordance with the Act respecting access to documents held by public bodies and the protection of personal information (the Access Act). In 2021, CDPQ processed 37 requests for access to documents, including:

- 12 for CDPQ
- 18 for CDPQ and CDPQ Infra
- 6 for CDPQ Infra
- 1 for CDP Financial

All of the requests were handled within the legally prescribed time limit. Of these 37 requests:

- 10 were accepted
- 13 were accepted in part
- 2 were referred to another entity
- 11 were refused
- 1 was withdrawn

The requests received concerned the personnel and payroll in the organization's international offices, contractual commitments, the Réseau express métropolitain (REM), the REM de l'Est and several other subjects of an administrative or budgetary nature. One request was subject to an application for review by the Commission d'accès à l'information (CAI). Responses to requests for access are available on CDPQ's website.

Lastly, in accordance with the Regulation respecting the distribution of information and the protection of personal information, CDPQ posts on its website the specific information covered by this regulation: leases, training contracts, advertising and promotion contracts, mobile telecommunications contracts, training expenses, total travel expenses, and the CEO's travel expenses, official expenses and executive vehicle expenses.

LANGUAGE POLICY

CDPQ complies with the requirements of the Charter of the French Language and its language policy, which stipulates French as the everyday language of work for all employees in its offices in Québec. CDPQ considers the quality and use of French in its spoken and written communications to be of paramount importance. To that end, CDPQ provides its employees with various tools that foster correct French usage, as well as a number of reference works, including a lexicon that it compiled to define terms specific to its investing activities.

In 2021, several articles, including linguistic capsules and activities promoting the use of French and the proper use of expressions and idioms were published on the intranet. Teams are also encouraged to use the tools and references provided on the website of the Office québécois de la langue française as well as other language tools available to them.

In addition, the language committee met four times during the year.

VIOLATIONS REPORTING MANAGEMENT

Me Bruno Duguay, Vice-President, Head of Ethics and Compliance, is charged with receiving and analyzing reports of inappropriate situations related to the Code of Ethics and Professional Conduct. All reports can be sent by telephone or through the Ethics Line (www.ethique.cdpq.com or 1 866 723-2377).

DISCLOSURE OF WRONGDOINGS

In addition to the mechanisms for reporting breaches of the Code of Ethics, CDPQ has a procedure for disclosing wrongdoings to communicate situations of public interest, in accordance with the Act to facilitate the disclosure of wrongdoings relating to public bodies. No such disclosures were received in 2021.

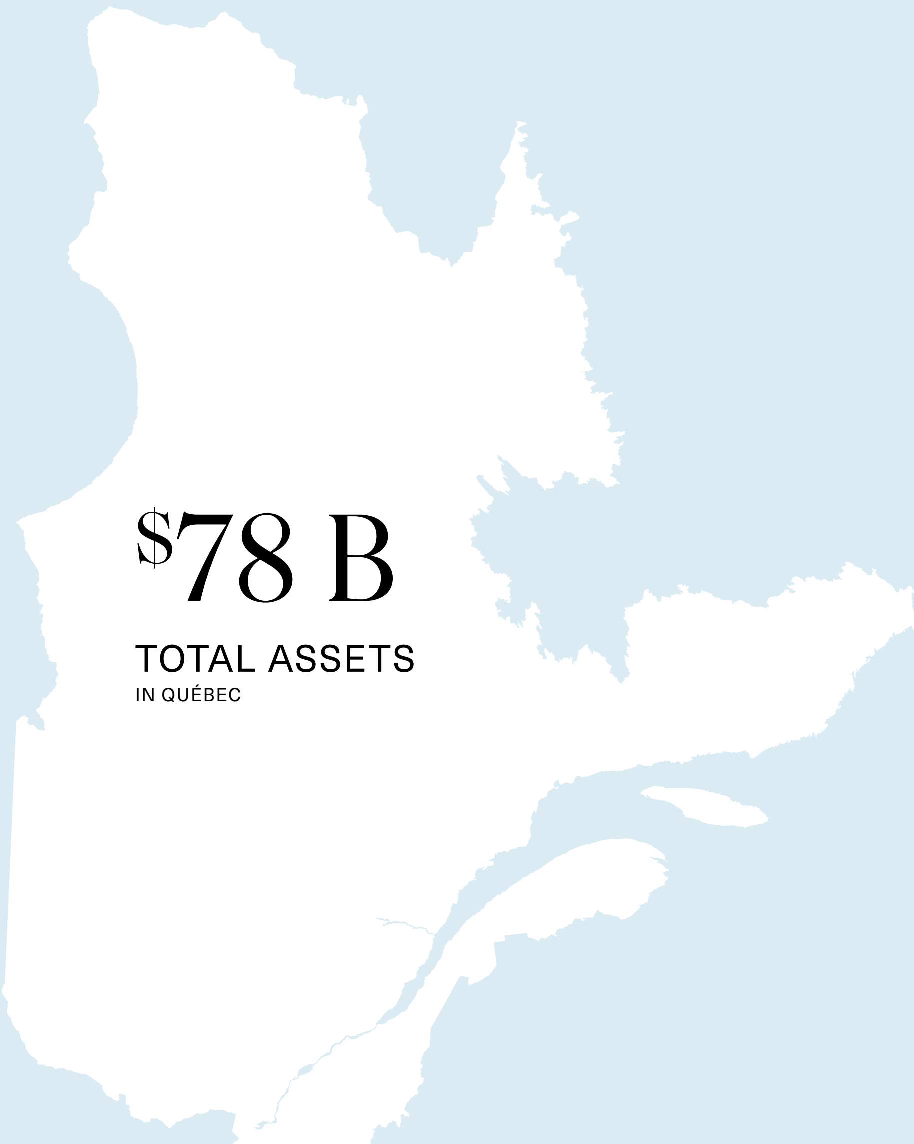
The following table lists disclosures of wrongdoings sent to CDPQ in 2021 under this law.

COMPONENTS OF SECTION 25 OF THE ACT TO FACILITATE THE DISCLOSURE OF WRONGDOINGS RELATING TO PUBLIC BODIES

	Number
Disclosures received by the designated officer	0
Disclosures the processing or examination of which was ended under paragraph 3 of section 22	0
Well-founded disclosures	0
Disclosures broken down according to the categories of wrongdoings set out in section 4:	
1. A contravention of a Québec law, of a federal law applicable in Québec or of a regulation made under such a law	0
2. A serious breach of the standards of ethics and professional conduct	0
3. A misuse of funds or property belonging to a public body, including the funds or property it manages or holds for others	0
4. Gross mismanagement within a public body, including an abuse of authority	0
5. Any act or omission that seriously compromises or may seriously compromise a person's health or safety or the environment	0
6. Directing or counselling a person to commit a wrongdoing described in any of paragraphs 1 to 5.	0
Times that information was forwarded under the first paragraph of section 23	0

CDPQ
in Québec

Stimulating the economy by supporting the ambitions of local companies



$78 B

TOTAL ASSETS
IN QUÉBEC

Historic increase in total assets in Québec

+$10 B

IN ONE YEAR

$6.5 B

NEW INVESTMENTS AND COMMITMENTS IN 2021

$60 B

IN THE QUÉBEC PRIVATE SECTOR

A four-pillar strategy to guide CDPQ's actions among companies and players in Québec's economy

Growth

Propelling
Québec companies

15%

Average annual revenue growth for portfolio companies over the last five years

Globalization

Navigating
international markets

Nearly 350

Acquisitions outside of Québec by portfolio companies in five years, or more than one per week

Technological leap

Accelerating
the digital shift

$13 B

Assets in Québec related to technology sectors and the new economy

Sustainable economy and communities

Focusing on projects
of the future

$10.6 B

Total investments in low-carbon assets in Québec

Growth

Propelling Québec companies

CDPQ supports the growth ambitions of Québec companies by leveraging the expertise of our teams, our in-depth knowledge of the specifics of the Québec market and our long-standing transactional experience. We develop and support major initiatives for economic leaders, as well as promote entrepreneurship and the next generation.

Investments in 2021

1. **Énergir**
CDPQ's stake in this leading distributor of natural gas, electricity and renewable energy increased to 80.9%.

2. **eStruxture**
Participated in a round of financing for over $600 million in this network and cloud services provider to finance the acquisition of Aptum Technologies' Canadian data centre activities.

3. **Cossette**
Acquisition of a majority stake in BlueFocus International and creation of Plus Company, a global marketing and communication platform with CVC Capital Partners. Based in Québec City, this platform brings together several agencies, including Cossette, We Are Social and fuseproject.

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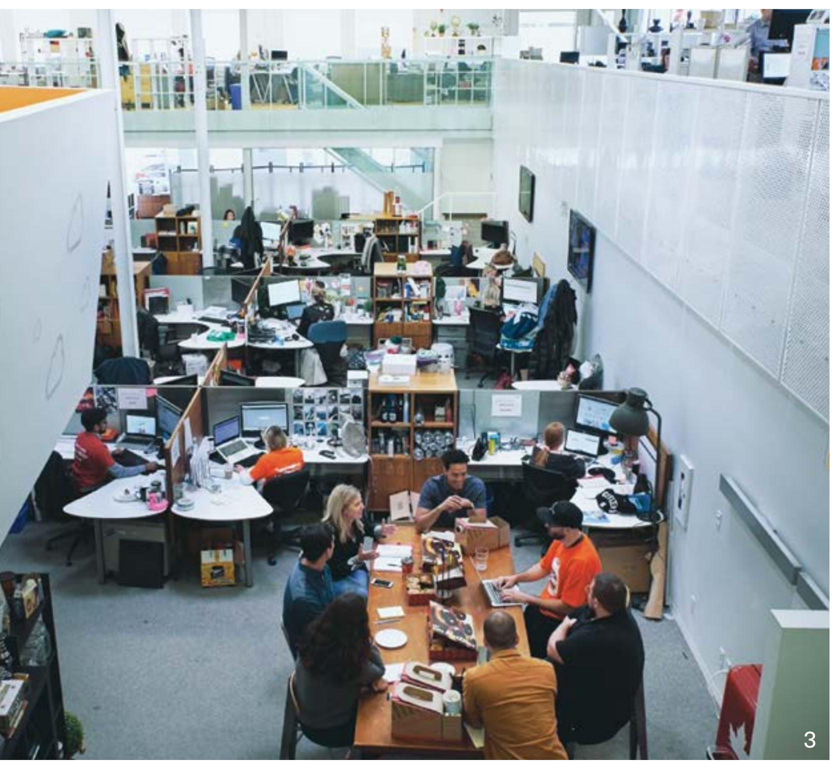
“On the eve of our 50th anniversary, Cossette is once again a Québec company thanks to the support of CDPQ, enabling us to accelerate our growth strategy, notably by developing new technological solutions and a strategic acquisition plan. We intend to double the size of our network by 2026.”

Mélanie Dunn
Chief Executive Officer of Cossette



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Ambition ME: Providing Québec mid-market companies with the means to achieve their ambitions

CDPQ has supported Québec’s mid-market companies for decades, which has allowed us to develop a deep understanding of their needs. Our portfolio includes a large number of companies that, with the support of our team from the start, grew into large corporations. Their business practices have evolved significantly: international focus, skills development, technology integration and ESG perspectives. This is why, always on the lookout for new trends, CDPQ adapts its offering to support them in their projects.

Launched in 2021, Ambition ME is a financing solutions and support services offering that aims to propel mid-market Québec companies to the next stage of their growth. This initiative is aimed at promising companies that:

- Show strong potential to perform and grow organically or through acquisitions
- Possess lasting competitive advantages and a proven business model in a promising activity subsector
- Innovate by integrating technology and ESG factors into their business practices
- Have a management team that is competent, ambitious and open to collaboration

Ambition ME offers them an investment of $5 million to $75 million, personalized support services and access to CDPQ’s international network to support the deployment of their strategic expansion plan. In 2021, the initiative supported:

- VOSKER: $20 million of a total of $100 million in financing for this Victoriaville-based global pioneer in remote area monitoring technology to boost product development and increase the reach of its innovations
- M3 Group: Investment in this leading Canadian mortgage broker to continue executing its growth plan, which includes acquisitions and accelerating its digital transformation

Espace CDPQ: A space where successful venture capital investors converge

Espace CDPQ supports venture capital investors and facilitates the pooling of networks and expertise for the benefit of innovative companies in Québec.

Located at Place Ville Marie, in the heart of Montréal, Espace CDPQ includes:

- 14 multi-sector venture capital firms
- 3 Canadian or international stopover partners

TOWARD A 100% VENTURE CAPITAL HUB

In 2021, Espace CDPQ initiated a major shift and redefined its initial positioning as an investment and coaching hub to focus its efforts on venture capital. During this transition, the partners dedicated to development and support will be replaced by new multi-sector and complementary venture capital funds that will further energize its ecosystem.

With this renewed focus, the Québec venture capital hub will pursue ambitious objectives in the coming years:

- Strengthen the capacity of the venture capital industry in Québec by bringing together key players
- Promote international collaborations through new relationships between venture capital firms in Québec and around the world
- Encourage innovation in Québec's economy by stimulating discussions between investors and companies with innovative practices

To learn more about Espace CDPQ, visit espacecdpq.com.

2021 HIGHLIGHTS

Espace CDPQ's partner firms represent $8.6 billion in capital under management and support 690 companies. In 2021, they made 300 investments and reinvestments, including 141 in Québec, for a value of $219 million. The partners also co-invested in 23 companies, 16 of which are located in Québec.

In addition, the hub has launched a new series of expertise-sharing events for its partners, an initiative that will continue in 2022.

Conclusion of Axe IA

This training program, born of a collaboration with Mila, a Québec-based artificial intelligence (AI) institute, came to an end this year. Between 2019 and 2021, Axe IA supported 22 startups, made 69 financial or expertise connections, and organized 23 events and training activities.

New strategic partnerships

Always ready to support innovative startups, Espace CDPQ has joined the Mouvement des accélérateurs d'innovation du Québec (MAIN). This collaboration has two key aspects:

- A component for companies, which allowed 50 companies from 11 administrative regions to meet 11 investor partners
- A component for accelerators, which demystified venture capital for 46 technology accelerators in all regions of Québec

The hub has also developed a partnership with Front Row Ventures, Canada's first venture capital fund for high-potential university-based high-tech companies. A joint project is currently being developed: the first ever venture capital internship fair, which aims to connect Front Row Ventures students with Espace CDPQ's venture capital partner firms, in order to address the industry's talent acquisition challenges.

espace cdpq

Contribute to the growth of SMEs and the promotion of inspiring models

CDPQ undertakes sustained efforts to stimulate entrepreneurship and encourage the next generation. Because equity, diversity and inclusion are at the heart of the organization's priorities, we develop our own initiatives to meet the needs of the ecosystem and we partner with many organizations. We accomplish all of this while devoting particular attention to the advancement of companies that share our values and objectives on these issues, as well as to the advancement of talented and ambitious individuals from diverse backgrounds.

LES CHEFFES DE FILE: SUPPORT FOR COMPANIES WITH HIGH GROWTH POTENTIAL

CDPQ launched this initiative in 2018 with the goal of accelerating the growth of companies owned by women with sales of $5 million to $20 million.

It now supports 87 women entrepreneurs from 13 regions of Québec who stand out for their achievements and leadership. This community of practice offers them a flexible formula that combines:

- Co-development meetings and activities
- Group discussions to share expertise, resources and best practices
- Access to CDPQ's network of specialists and partners

In 2021, around a dozen virtual events were held on a variety of topics, including growth through innovation, marketing as a performance driver and succession planning. Video portraits were also produced to highlight inspiring stories of women entrepreneurs.

STRATEGIC ALLIANCES TO PROMOTE ENTREPRENEURSHIP AMONG WOMEN

In 2021, CDPQ continued to support entrepreneurship by working on several key initiatives.

Women's business awards

This award presented by the *Premières en affaires* magazine highlights successful women-owned businesses that are energizing Québec's economy. In 2021, its second edition was very popular with women entrepreneurs, many of whom participated. In all, 110 inspiring companies were highlighted, compared to 75 in 2020. A sign of rapid growth, some of these companies moved up a category from the previous year due to their increased revenues, and a dozen now generate more than $50 million.

RFAQ+ platform

Launched in 2020, the RFAQ+ platform offers privileged access to a database of female-owned companies wishing to offer their products and services to national and international companies. Its objective: to promote diversity within the supply chains of national and international companies. Support and advice are offered to registered entrepreneurs, as well as a referral service for calls for tenders from major companies.

Evol (formerly Femmessor)

Present in 17 regions of Québec, the organization supports diversified businesses that generate positive social impacts. Its financing offer, combined with personalized support and services, aims to build sustainable and prosperous businesses. In 2021, CDPQ continued its partnership with Evol through co-development groups to give members opportunities to discuss their realities and grow through experience-sharing.

ENCOURAGING THE NEXT GENERATION OF ENTREPRENEURS

CDPQ collaborates with several university initiatives throughout Québec to help students and recent graduates with their business projects.

In 2021, Université Laval's Académie entrepreneuriale ULaval-CDPQ in Québec City welcomed a fifth cohort of individuals from a variety of backgrounds who are leading entrepreneurial projects as diverse as their business models. The purpose of this continuously evolving coaching program is to increase entrepreneurial skills to facilitate the startup of high-potential businesses.

Université de Sherbrooke's CDPQ – Stratégies d'expansion initiative, in partnership with ACET, continued its mission to help promising young technology companies in their growth and international expansion, by leveraging CDPQ's network and expertise. Despite the pandemic context, the objective of supporting 20 companies was maintained.

As part of HEC Montréal's Creative Destruction Lab, CDPQ has also continued to support the development of technology startups, with a focus on the data science sector, by creating links with the entire Québec entrepreneurial ecosystem. In 2021, 23 startups were connected to Canadian and international mentors, venture capitalists and individual investors at various events, such as the *Super Session*.

Globalization

Navigating international markets

CDPQ supports the international ambitions of Québec companies as an investor, as well as a long-term partner. We offer them customized guidance in the conquest of new markets, by leveraging our multi-sector expertise and our vast international network.

Investments in 2021

1. **Solmax**
Reinvestment in the company, alongside the Fonds de solidarité FTQ, to support its second transformational acquisition. This transaction consolidates its position as a world leader in the geosynthetic products sector.

2. **Savaria**
Investment of $60 million in this Laval-based manufacturer in the accessibility industry to support the acquisition of Handicare, a Swedish company that manufactures equipment to increase the independence of people with reduced mobility.

3. **CAE**
Reinvestment of $475 million in this global leader in training solutions for the civil aviation, defence and security and health care industries. The transaction supports the acquisition of certain U.S.-based L3Harris Technologies activities.

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“Since CDPQ’s initial investment, Solmax has expanded dramatically, growing tenfold in four years. In 2021, their active involvement in providing financing and guidance enabled us to acquire a major Dutch company and strengthen our position as a global leader in the civil and environmental infrastructure industry.”

Jean-Louis Vangeluwe
President and Chief Executive Officer of Solmax

3

Technological leap

Accelerating the digital shift

Supporting Québec companies that leverage technology as a performance driver is one of CDPQ's priorities. To strengthen the competitiveness of Québec companies, we support some in their digital shift and propels others that stand out through innovative business models.

Investments in 2021

1. **AlayaCare**
Participated in a round of funding amounting to $225 million for this global home health care technology provider to accelerate the digital transformation of its artificial intelligence-powered platform.

2. **Poka**
Participated in a new US$25-million investment round in this platform designed to connect and train factory personnel. The transaction contributes to the development of the company and the deployment of its international marketing teams.

3. **Syntax Systems**
Participation in US$545-million of financing co-led by CDPQ, in partnership with Novacap, to support the growth of this major global provider of cloud-based management services based in Montréal.

4. **Beyond Technologies**
Acquisition of a 20% minority interest in this Canadian leader in SAP solutions integration to support its strategic acquisition projects and its international expansion, particularly in Europe and the United States.


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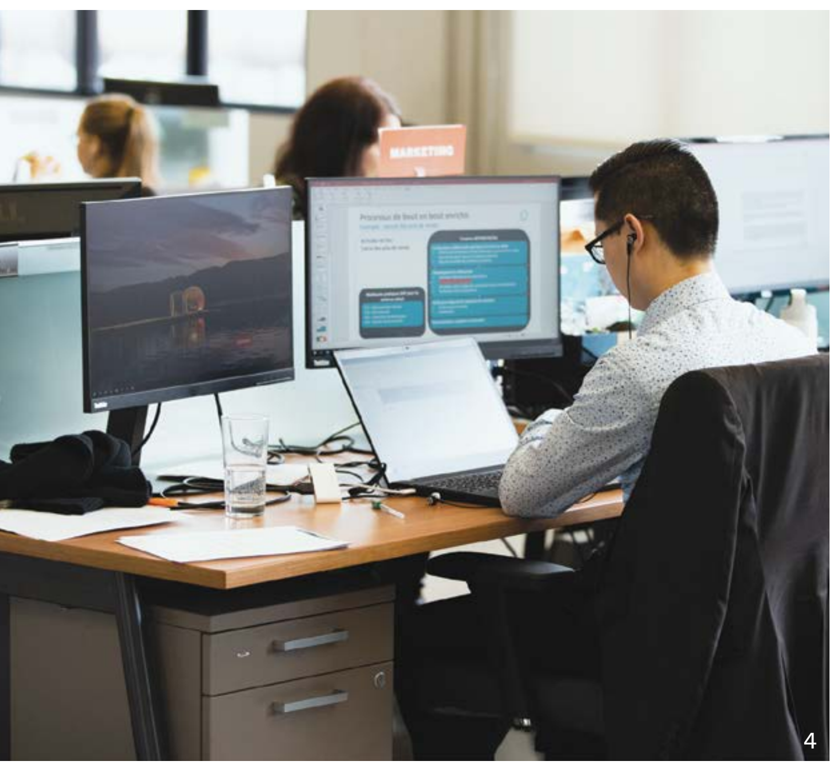
“Having CDPQ as an investor allows us to think bigger and to support companies even better in their digital transformation. It also means receiving strategic support in achieving our growth ambitions, which include the deployment of our brand in global markets.”

Luc Dubois
Chief Executive Officer of Beyond Technologies



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Repères numériques

The purpose of this training and coaching program, launched by CDPQ in 2021, is to promote the implementation of a digital business culture in Québec SMEs. Concrete, practical and customized, Repères numériques offers a one-year coaching program to SMEs in various sectors of activity throughout Québec.

The training program’s goal is to equip them with the knowledge and reflexes to develop, the actions to take and the behaviours to adopt to take advantage of today’s digital environment. Topics covered include:

- Evolution and impacts of technology
- Consumer behaviours
- Employee digital experience

In 2021, the program attracted over 100 applications, from which CDPQ selected 39 SMEs with sales between $5 million and $35 million. Following a digital maturity audit, each company set goals tailored to its needs, and cohorts were created to foster co-development. During the year, around a dozen events were organized, including workshops, training sessions and exclusive conferences.

Sustainable economy and communities

Focusing on projects of the future

Determined to foster a prosperous and sustainable Québec economy, CDPQ invests in structuring projects that contribute to the population's well-being. We leverage our financial capacity and cutting-edge expertise to develop forward-looking projects, particularly in infrastructure, real estate and renewable energy.

Investments in 2021

1. **Affordable housing**
Investment of $151 million, including $30 million from Ivanhoé Cambridge, led by a group of investors including the governments of Québec and Canada, to build, acquire and renovate 1,500 affordable housing units in Québec.

2. **MKB**
Commitment in the second fund of this Montréal-based investment capital firm. The $150-million fund targets companies focused on decarbonization, energy and transportation electrification.

3. **Demers Ambulances**
Investment to allow the acquisition of Medix Specialty Vehicles and strategic support in the design of a fully electric ambulance adapted to the needs of paramedics and patients.

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“CDPQ has been by our side in all the phases of our expansion into new markets. Their contribution to our strategic development plan has been decisive and is even more so today, as we embark on our next chapter of growth, with the unveiling of an all-electric ambulance.”

Alain Brunelle
President of Demers Ambulances

3

Support for transportation electrification

In addition to supporting the Demers Ambulances project, CDPQ teams have offered assistance to Student Transportation of Canada, a North American leader in school transportation, in its efforts to conditionally acquire 1,000 electric buses from Québec-based Lion Electric. This type of fleet would eliminate up to 23,000 tons of greenhouse gases per year.

Equity 25³

Launched in October 2020, Equity 25³ is the largest fund in Canada with a concrete focus on diversity. The aim of this $250-million investment fund is to increase diversity and inclusion in companies in Québec and Canada.

To benefit from an investment of $5 million to $30 million and customized operational support, the selected companies must commit to achieving 25% representation of people from diverse backgrounds (women, members of visible minorities or Indigenous peoples) on their Board of Directors, their management team and their shareholders, within five years of confirmation of funding.

2021 HIGHLIGHTS

ApplyBoard

In August, CDPQ supported the expansion of this global leader in education technology. Its online platform connects students from around the world to educational institutions, recruitment partners and governments, and provides a variety of analyses, including the likelihood of acceptance of their study permit applications.

Business for Peace Award

In November, Equity 25³ was awarded the YMCA Québec Business for Peace Award at the Peace Medals ceremony. This event honours citizens and businesses that contribute to building more cohesive and harmonious communities while raising funds to support the success of our youth.

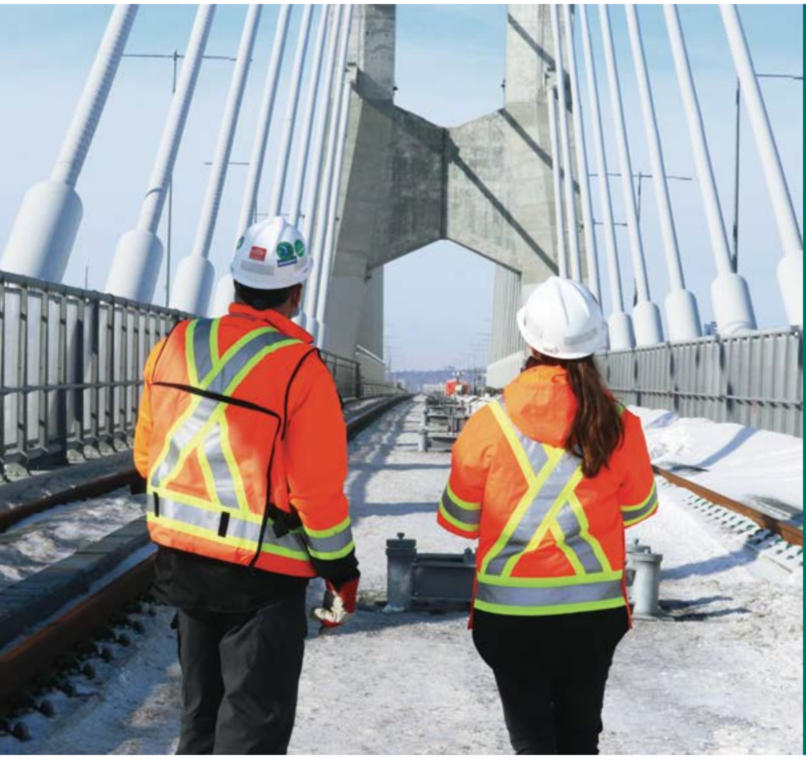
CDPQ Infra: Investor and builder of sustainable infrastructure

CDPQ Infra develops sustainable, modern and efficient infrastructure projects, with a focus on the environment and community needs. Its unique model as an investor and builder allows it to manage its projects through all phases: planning, financing, building and operating.

CDPQ Infra's first project, the Réseau express métropolitain (REM), an electric and automated light rail system that will span Greater Montréal, represents the flagship of CDPQ's contribution to a sustainable transportation offering in Québec. In addition to overseeing the construction of this vast network, which is scheduled to begin operation in 2022, CDPQ Infra is currently conducting feasibility studies while participating in discussions regarding other public transit projects in Québec and internationally. In Québec, according to established governance, the government identifies projects and invites CDPQ Infra to study them and provide an opinion on the plan for their implementation. If the opinion is favourable and the government gives its approval, CDPQ Infra will then manage the project.

REM, A NEW TRANSPORTATION DYNAMIC FOR GREATER MONTRÉAL

The largest public transit project in Québec in 50 years, the REM will serve metropolitan Montréal, connecting downtown Montréal, the South Shore, North Shore, West Island and Montréal-Trudeau Airport. This network of 26 stations spread over 67 km will offer passengers frequent departures 20 hours a day, 7 days a week. It will also allow several interconnections with existing transportation networks, including the Montréal metro at Bonaventure, McGill and Édouard-Montpetit stations.



The REM's major impact in Québec:

$4 B+ in Québec content, or 65% of the project's value

+30,000 direct and indirect jobs generated by construction

Nearly $2 B paid in wages

Reduction of 680,000 tonnes of greenhouse gases over 25 years

Bustling construction sites

With more than 30 construction sites and close to 3,000 people working every day, the REM continued to progress rapidly throughout the year, despite major challenges related to the pandemic. As such, the commissioning of the first branch—Brossard station to Central Station—is now expected in fall 2022.

Several major milestones were accomplished in 2021, including:

- Deployment of teams throughout the network
- Start of work on the segment linking the Sunnybrooke and Deux-Montagnes stations
- Completion of the aerial structure for the Anse-à-l'Orme branch
- Start of work on some twenty stations, three of which are very advanced
- Delivery of the control and maintenance centre building on the South Shore

In May 2021, UniR, the public art program of the REM, was also unveiled. This $7.8-million initiative, inspired by the combination of art, users and the neighbourhoods served by the network, will contribute to the development of the various communities covered by the REM.

In addition, in August 2021, a model of the REM car was presented to the public for the first time at Quartier DIX30. Nearly 30,000 people were able to climb aboard, attend free lectures and meet the team members at this event.

REM DE L'EST, A CATALYST FOR DEVELOPMENT IN EASTERN AND NORTHEASTERN MONTRÉAL

Announced at the end of 2020, the aim of this $10-billion project, currently in the planning stage, is to add an additional 32 km of light rail system and 23 stations to serve Montréal's east and northeast. The REM de l'Est will contribute to the vitality of the sector and simplify travel, in addition to generating significant benefits for the economy and the environment.

As part of an extensive information and public consultation process, nearly 32,000 people attended citizen meetings held in the spring and fall of 2021. These discussions helped answer questions, gather feedback and improve understanding of the project. Major optimizations have been announced on various sections of the route and a new architectural and urban integration proposal has been presented.

The next steps in planning for the REM de l'Est include:

- Continuing detailed studies and public consultations with the various stakeholders
- Assessing the social acceptability of the proposed solution
- Completing the environmental impact study

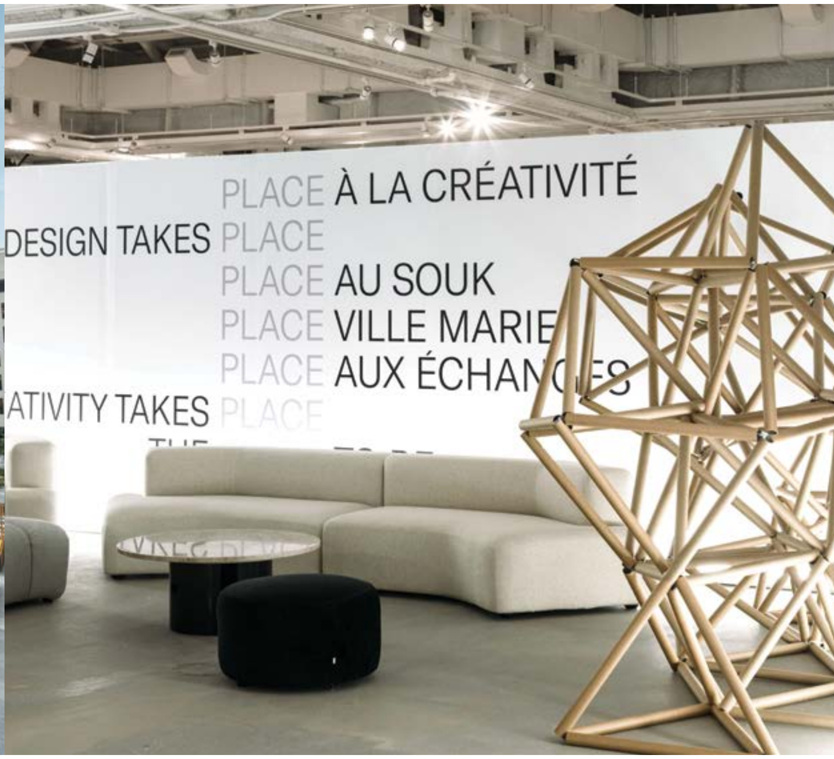
Ivanhoé Cambridge: Investing to generate a sustainable impact

As a world leader in real estate, Ivanhoé Cambridge is shaping the communities of tomorrow by developing urban solutions that foster community growth while respecting the environment.

In a pandemic, with conditions still tinged with uncertainty, CDPQ's real estate subsidiary continued to actively manage its properties in Québec and support its tenants and clients. In 2021, it continued to implement initiatives launched in 2020, including a waiting list management system and its partnership with Lightspeed. It also:

- Provided free space as vaccination sites at its properties across Canada
- Received SafeGuard certification, which confirms the implementation of prevention and hygiene best practices in the majority of its office buildings and shopping centres in Canada
- Was the first Canadian organization to obtain the WELL health and safety rating, which certifies the adoption of the highest standards in cleaning and sanitation, emergency preparedness, and air and water quality management, for its Place Ville Marie (PVM) business campus

In terms of governance, the subsidiary has renewed half of its Board of Directors, which now includes 6 women out of the 13 members.



ACHIEVE CARBON NEUTRALITY BY 2040

Sensitive to the climate emergency and the impact of real estate on greenhouse gas emissions, Ivanhoé Cambridge is committed to holding a carbon neutral portfolio by 2040. This objective applies to some 800 properties worldwide, including 66 in Québec, in a variety of sectors, including residential and office buildings, logistics buildings, shopping centres and hotels.

Ivanhoé Cambridge will also increase its low-carbon investments by more than $6 billion by 2025 compared to 2020. Since 2017, its low-carbon investments have grown by nearly 200%, totalling $14.6 billion as at December 31, 2020. In addition, starting in 2025, all of its development projects will be carbon neutral.

CONTRIBUTING TO THE REVITALIZATION OF DOWNTOWN MONTRÉAL

In 2021, Ivanhoé Cambridge has multiplied its artistic and cultural initiatives to enliven, embellish and energize various public spaces in Montréal.

PVM, the subsidiary's flagship property, has established itself as a must-see downtown location. The Musée d'art contemporain de Montréal (MAC), which is currently undergoing a major transformation, has taken up residence there for the next three years and offers a rich program of artistic, educational and event-based activities. Aux Alentours, a vibrant and warm summer stroll linked the completely redeveloped PVM Esplanade to the group's renowned properties, from the Montreal Eaton Centre to Place Montréal Trust, as well as the Fairmont The Queen Elizabeth hotel. In the fall of 2021, PVM also hosted the 18th edition of SOUK, a major gathering for design and creativity in Montréal.

In order to offer a showcase to local artists and exhibit their work to the general public, Ivanhoé Cambridge transformed several vacant properties into temporary artist studios for the Art Souterrain Festival's Créer des ponts route, from July to October 2021. Its collaboration with the P.ART.KING project has also helped democratize urban art by commissioning murals in several of its underground parking lots.

Lastly, in December 2021, Celeste, Cirque Éloize's new show that combines circus arts, illusion and musical performance, had an exclusive residency at Fairmont The Queen Elizabeth.

TRANSFORMATION OF THE LAURIER QUÉBEC SHOPPING CENTRE

In 2021, the subsidiary announced completion of the renovation of the shopping centre and the arrival of a new 7,800 m^2 (83,500 sq. ft.) Sports Experts store, the largest sports store in Canada. Laurier Québec now offers its customers a reinvented shopping experience, based on user-friendliness and relaxation.

Strategic alliance with JLL

In order to refocus on its core business as a real estate investor and to standardize its business model worldwide, Ivanhoé Cambridge has entrusted the operation of its Canadian shopping centres to JLL, the largest shopping centre operator in North America. This agreement will see JLL expand its activities in Québec and open an office in Québec City, in addition to the one in Montréal. In an effort to make a positive impact on the community, JLL is also committed to creating a centre of excellence in sustainability to accelerate the transition to a more sustainable and inclusive real estate sector.

Otéra Capital: Innovative solutions to transform urban centres

Otéra Capital is a leading North American lender offering commercial real estate financing solutions to create long-term value. With more than 50 years of industry experience, CDPQ's real estate debt subsidiary stands out for its cutting-edge multi-sector expertise, its deployment flexibility and its turnkey service offer. This allows it to assist clients and partners in the realization of real estate projects in the residential, industrial, office and shopping centre sectors, as well as in alternative sectors and land acquisition.

Otéra Capital had a remarkable year in 2021, breaking performance records and underwriting more than $10 billion in loans, including nearly $2.5 billion in Québec. It has participated in several major financing activities that contribute to stimulating Québec's economy. Following are some highlights:

- A $74.9-million loan to finance the construction of both phases of Évol, a multi-residential rental project with several user-friendly common areas, located in downtown Saint-Jean-sur-Richelieu, targeting a clientele of people aged 55 and over
- A $42-million term loan to refinance the Complexe Saint-Charles, a BOMA BEST and LEED BE: O&M certified Class A building, consisting of two office buildings located at the foot of the Jacques-Cartier Bridge and in the heart of Longueuil's future downtown area

With a brand that was revamped during the year, the subsidiary also distinguished itself with notable achievements in terms of diversity: 48% female representation within its teams, a gender-equal Board of Directors and a diversified management team.

Supporting research and strengthening local expertise

CDPQ collaborates with various universities across Québec to support their research and expand the pool of qualified specialists. With a view to developing the next generation, we also welcome many interns each year.

FINANCE AND ECONOMICS

CDPQ works closely with two research chairs from the Université du Québec à Montréal's École des sciences de la gestion (ESG UQAM).

The CDPQ Chair in Portfolio Management focuses on portfolio management and the training of specialized profiles in this field. Its purpose includes:

- Conducting cutting-edge scientific research and sharing knowledge
- Analyzing new practices and various risk and return factors

The Chair in Macroeconomics and Forecasting explores macroeconomics and forecasting while training the next generation of qualified economists. In collaboration with public and private institutions in Canada and international research institutes, it develops methodologies for:

- Constructing an index of economic activity vulnerability to climate change
- Integrating climate forecasts into macroeconomic models
- Analyzing the macroeconomic impact of natural disasters and carbon pricing

SUSTAINABLE INVESTING

Launched in 2020 with Concordia University's John Molson School of Business, the Sustainability Ecosystem program continued to promote sustainable management practices by stimulating inclusive, collaborative and multi-stakeholder discussions. Active in Montréal and across Québec, it centralizes information and educates people, investors, businesses and institutions on sustainable development. In 2021, four initiatives for students were launched: a learning lab and a discussion forum, as well as internship programs and scholarships.

In addition, CDPQ has maintained its support for sustainable investment research projects at Polytechnique Montréal and Université de Sherbrooke.

ETHICS AND COMPLIANCE

Unique in Québec and created in partnership with HEC Montréal's Executive Education, the Certification in Ethics and Compliance program is designed for executives and managers who are sensitive to these issues, as well as for members of management who are responsible for ensuring a high level of integrity in business. It provides them with tools and workshops to:

- Design an ethics and compliance program tailored to their organization
- Develop their knowledge of these issues
- Build their business network

The fourth cohort assembled in 2021 benefited from a review of best practices in the field, with a focus on issues such as fraud, corruption, discrimination and harassment in the workplace.

INTERNSHIPS

CDPQ offers internships in finance and other key areas each year. In 2021, we hosted 204 students and interns, of which 36% were women, for periods of four to eight months. There was a 46% increase in the number of people hired compared to the previous year.

A large network of suppliers throughout Québec

To carry out our activities, CDPQ and our subsidiaries use the services of approximately 2,000 Québec-based suppliers. In 2021, expenditures in Québec by CDPQ and its subsidiaries, including CDPQ Infra, amounted to more than $2 billion, a level comparable to 2020. Pursuant to its Policy on Contracts for the Acquisition or Leasing of Goods and Services, CDPQ favours Québec suppliers, provided they satisfy its cost and quality criteria.

Investments in Québec

Overview by investment activity

As at December 31, 2021, CDPQ's total assets in Québec reached $78 billion, after recording its highest annual increase ever. For many years, the majority of its investments have been in the private sector, which represented $60 billion at the end of 2021, up 168% over 10 years. The past year has been rich in achievements in Québec, with $6.5 billion in new investments and commitments.

CDPQ's public and private investments in Québec are focused on the following investment activities:

- Equities: Private Equity and Equity Markets
- Infrastructure
- Real Estate
- Real Estate Debt
- Financing and Fixed Income

As illustrated in the preceding pages, the teams conducted major transactions in each of the investment activities, guided by the four strategic pillars of CDPQ's approach in Québec. This section provides an overview of each investment activity at the end of fiscal 2021.

Table 21 lists CDPQ's 20 largest investments in Québec in the Private Equity, Equity Markets and Infrastructure portfolios.

TABLE 21

TOP 20 INVESTMENTS IN QUÉBEC –
PRIVATE EQUITY, EQUITY MARKETS AND INFRASTRUCTURE
(as at December 31, 2021)

- Alimentation Couche-Tard
- BCE
- Boralex
- BRP
- CAE
- CDPQ Infra (REM)
- CGI
- CN
- Cogeco Communications
- Dollarama
- Gildan
- Hopper
- iA Financial Group
- KDC/ONE
- Lightspeed
- National Bank of Canada
- Nuvei
- SNC-Lavalin
- Trencap (Énergir)
- WSP

EQUITIES: PRIVATE EQUITY AND EQUITY MARKETS

CDPQ invests in the securities of both listed and unlisted Québec companies through two portfolios:

- Private Equity, which includes both direct investments in private and publicly traded companies for initial public offerings or major transactions, investments in small cap companies and activities in investment funds
- Equity Markets, which has a high proportion of Québec's listed companies—80% of total assets in the Canada mandate, compared to 15% in the S&P/TSX, the most commonly cited Canadian index—reflecting the organization's key role in the development of Québec-based companies

Through its activities in the Québec equity market, CDPQ supports both SMEs and large companies. As shown in Table 22, its assets in Private Equity and Equity Markets in Québec totalled $30.4 billion as at December 31, 2021, up by more than $5 billion in one year.

INVESTMENT FUNDS

In recent years, we have increased our stake in venture and development capital and leveraged buyouts. In 2021, we made commitments to various funds, including the following:

- iNovia Growth Fund II, which invests in growing technology companies in the areas of financial services, health care, commerce, future of work and travel
- Sagard Private Equity Canada, a fund that will invest in the growth of Québec and Canadian SMEs

Through these partnerships with specialized funds, CDPQ extends the scope of its investments and gains access to a pool of promising companies, from which potential candidates for direct investment often emerge. This strategy has led to several investments in recent years, such as those in Hopper, Lightspeed, Dialogue and AlayaCare.

TABLE 22

ASSETS AND COMMITMENTS IN QUÉBEC – PRIVATE EQUITY AND EQUITY MARKETS
(as at December 31 – in millions of dollars)

			2021			2020
	Assets	**Undisbursed commitments**	**Assets and undisbursed commitments**	Assets	Undisbursed commitments	Assets and undisbursed commitments
Small- and medium-sized businesses	**3,268**	**624**	**3,892**	2,334	711	3,045
Large businesses	**27,124**	**92**	**27,216**	22,679	144	22,823
Total	**30,392**	**716**	**31,108**	25,013	855	25,868

TABLE 23

ASSETS AND COMMITMENTS IN QUÉBEC – INFRASTRUCTURE
(as at December 31 – in millions of dollars)

			2021			2020
	Assets	**Undisbursed commitments**	**Assets and undisbursed commitments**	Assets	Undisbursed commitments	Assets and undisbursed commitments
Large businesses	**5,691**	**1,562**	**7,253**	4,671	980	5,651

Investments in Québec (continued)

INFRASTRUCTURE

In 2021, CDPQ's Infrastructure assets in Québec totalled $5.7 billion (see Table 23, page 91). Infrastructure investments consist of direct investments in listed and unlisted companies, as well as the investment in its subsidiary, CDPQ Infra.

The increase in assets is mainly a result of CDPQ's increased participation in Énergir as well as its continued activities in connection with the REM project through CDPQ Infra.

REAL ESTATE

CDPQ has a subsidiary specialized in real estate: Ivanhoé Cambridge. A world leader in real estate, this subsidiary develops, acquires and manages major properties and projects in this sector. It is one of the largest property owners and managers in Québec, where it owned 79 properties at the end of 2021. Its portfolio included:

- 60 logistics and industrial properties
- 6 office buildings
- 5 shopping centres
- 3 prestigious hotels
- 5 residential buildings (approximately 500 units)

In total, its logistics and industrial properties, shopping centres and office buildings in Québec cover more than 1.3 million m² (13.8 million sq. ft.).

Table 25 presents the real estate assets in Québec, which amounted to $4.6 billion as at December 31, 2021. Table 24 details the top 10 investments in the Real Estate portfolio in Québec.

TABLE 24

TOP TEN QUÉBEC INVESTMENTS – REAL ESTATE
(as at December 31, 2021)

- Édifice Jacques-Parizeau, Montréal
- Fairmont Le Château Frontenac, Québec City
- Fairmont The Queen Elizabeth, Montréal
- Galeries d'Anjou, Montréal
- Laurier Québec, Québec City
- Le 1500 University, Montréal
- Montreal Eaton Centre, Montréal
- Place Ste-Foy, Québec City
- Place Ville Marie, Montréal
- Pure Industrial Real Estate Trust (PIRET)

TABLE 25

REAL ESTATE ASSETS AND COMMITMENTS IN QUÉBEC
(as at December 31 – in millions of dollars)

	2021			2020		
	Assets	**Undisbursed commitments**	**Assets and undisbursed commitments**	Assets	Undisbursed commitments	Assets and undisbursed commitments
Offices	**1,889**	**10**	**1,899**	2,294	14	2,308
Shopping centres	**1,425**	**51**	**1,476**	1,477	84	1,561
Logistics	**522**	**–**	**522**	295	46	341
Multiresidential	**98**	**33**	**131**	68	3	71
Other	**682**	**26**	**708**	637	18	655
Total	**4,616**	**120**	**4,736**	4,771	165	4,936

REAL ESTATE DEBT

CDPQ has a real estate debt subsidiary, Otéra Capital, which is part of our Fixed Income activities. Otéra Capital is a major institutional player in commercial real estate debt in North America and a leader in Canada.

Table 27 shows real estate debt assets in Québec, which totalled $4.9 billion at December 31, 2021. The activities represented:

- 208 commercial properties in 10 regions
- About twenty new loans and refinancings

FINANCING AND FIXED INCOME

Since our very beginning, CDPQ has played a key role in financing in Québec, in both the private and public sectors.

TABLE 26

ASSETS IN QUÉBEC –
FINANCING AND FIXED INCOME
(as at December 31 – in billions of dollars)

	2021	2020
Private sector: corporate securities	**14.7**	10.9
Québec public sector		
Government of Québec	**11.8**	11.7
Hydro-Québec	**5.2**	5.7
Other government corporations	**0.7**	0.8
Municipalities and para-governmental corporations	**0.1**	0.2
Subtotal	**17.8**	18.4
Total	**32.5**	29.3

As at December 31, 2021, CDPQ's holdings of Québec private and public-sector Fixed Income equities totalled $32.5 billion (see Table 26).

Private sector

In recent years, CDPQ has significantly increased its private sector financing activities, which reached $14.7 billion in 2021. By supporting private companies, which are important growth vectors, we have contributed to the dynamism of Québec's economy and generated attractive long-term returns for our depositors.

Over the years, CDPQ has financed many publicly traded and private Québec companies. The Fixed Income teams work closely with the Private Equity teams to provide financing packages tailored to the companies' specific projects and needs. This collaboration helped integrate a financing component in certain equity investments.

Public sector

Historically, CDPQ has been and remains a major holder of Québec public sector bonds. This includes securities issued by:

- The Government of Québec
- Government corporations
- Municipalities
- Para-governmental corporations

In 2021, public sector assets remained at a level comparable to the previous year.

TABLE 27

REAL ESTATE DEBT ASSETS AND COMMITMENTS IN QUÉBEC
(as at December 31 – in millions of dollars)

			2021			2020
	Assets	**Undisbursed commitments**	**Assets and undisbursed commitments**	Assets	Undisbursed commitments	Assets and undisbursed commitments
Offices	**1,800**	**15**	**1,815**	2,301	35	2,336
Shopping centres	**857**	**3**	**860**	890	5	895
Industrial	**699**	**174**	**873**	249	–	249
Multiresidential	**710**	**1,088**	**1,798**	788	527	1,315
Other	**795**	**84**	**879**	258	44	302
Total	**4,861**	**1,364**	**6,225**	4,486	611	5,097

Report of the Board of Directors and Board Committees

Report of the Board of Directors and Board Committees

MANDATE OF THE BOARD

The mandate of the Board includes ensuring that the organization takes the necessary measures to attain the objectives stated in its mission, and that CDPQ is managed in compliance with the provisions of its incorporating act and regulations. The Board carries out its duties with integrity, objectivity and transparency, in the interests of CDPQ and its depositors.

For a complete description of the Board's mandate, consult the Governance section at www.cdpq.com.

RESPONSIBILITIES

The Board's responsibilities, in collaboration with its committees, include the following:

- Approve the strategic orientations, annual budget and execution priorities of each team, and review management's reports on the oversight and evolution of these priorities
- Approve the consolidated financial statements and the Annual Report
- Review the returns of the investment business units and approve news releases on financial results
- Approve risk management framework policies and monitor their application
- Approve investment proposals in accordance with the oversight policies, taking into account, among other things, the impact of each one on the level and concentration of risk in the specialized portfolio in question and in the total portfolio
- Recommend to the Government of Québec, in collaboration with the Governance and Ethics Committee, the appointment of members and the renewal of their mandates
- Designate, in collaboration with the Governance and Ethics Committee, members to the Boards of CDPQ's subsidiaries
- Review the composition of the committees for which it is responsible
- Approve the expertise and experience profiles of its members
- Approve the Code of Ethics and Professional Conduct applicable to CDPQ managers and employees, as well as the Code of Ethics and Professional Conduct for Directors of CDPQ and its subsidiaries
- Approve human resources policies
- Approve the total compensation conditions of the President and Chief Executive Officer
- Approve, on the recommendation of the President and Chief Executive Officer, the appointments and compensation of members of management under his direct authority and of those at each of CDPQ's wholly owned subsidiaries
- Approve the compensation standards and scales as well as other employment conditions of CDPQ managers and employees
- Approve other policies recommended to it by the committees, including on governance and ethics, internal control, risk management and human resources management

The Board meets in the absence of members of senior management and holds private discussions with the President and Chief Executive Officer. It also receives an activity report from each committee at each meeting, so that it can review and express an opinion on their recommendations.

See the committee reports for more information on the responsibilities discharged by the Board and its committees.

COMMITTEES OF THE BOARD

The Board carries out its responsibilities directly or through four committees that are presented on the following pages.

AUDIT COMMITTEE

Mandate

The Committee sees that the financial statements accurately reflect CDPQ's financial position. It plays an essential role in the sound financial governance of CDPQ, particularly in the oversight of financial reporting, risk management and internal controls.

Composition (as at December 31, 2021)

- Chair: Alain Côté
- Members: Jean-François Blais, Gilles Godbout and Wendy Murdock

This Committee consists of professionals with accounting or finance expertise as well as the experience and knowledge required to read and understand financial statements and to fulfill their roles properly.

The Chairman of the Board attends the Committee's meetings.

Number of meetings

- 7 meetings

Main activities during the year

- Reviewed the consolidated financial statements with the Finance group and the co-auditors.
- Reviewed the process used to prepare the financial statements and to value investments as well as treasury items, including liquidity, leverage and financing.
- Reviewed reports on the financial certification process.
- Held discussions with the co-auditors concerning their reports following the interim review as at June 30 and the audit as at December 31.
- Reviewed the news releases announcing financial results.
- Reviewed preparatory work on the Annual Report.
- Reviewed the quarterly results, operating expenses and budget monitoring.
- Discussed, with the co-auditors, their plan for auditing the financial statements and their internal quality control procedures.
- Followed up on changes in the financial reporting systems.
- Monitored application of the Policy – Independence of External Auditors and approved their fees.
- Reviewed the evaluation of the co-auditors.
- Approved the 2021 Internal Audit Plan and reviewed the plans for the Otéra Capital and CDPQ Infra subsidiaries.
- Reviewed Internal Audit's progress reports prepared under the Internal Audit Plan to address such matters as internal control mechanisms, risk management processes and the optimal use of resources.
- Reviewed the plan to ensure optimal use of resources, and monitored and analyzed the effects of all the activities implemented under the plan.
- Reviewed the cybersecurity insurance coverage.
- Reviewed work on compliance, as well as reports on compliance with the Act respecting CDPQ, depositors' investment policies, and the specialized portfolios' investment policies.
- Monitored work carried out by the Auditor General of Québec as part of the audit of compliance.
- Reviewed reports on legal proceedings involving CDPQ or its subsidiaries.
- Reviewed international tax management activities.
- Reviewed taxation and treasury policies.
- Held private meetings with the Executive Vice-President and Chief Financial and Operations Officer, the co-auditors and the Vice-President, Internal Audit, without the presence of members of management.

Use of external experts

The Committee did not use the services of external experts in 2021.

INVESTMENT AND RISK MANAGEMENT COMMITTEE

Mandate

The Committee helps the Audit Committee fulfill its duty to implement a risk management process. In this role, it reviews the risk management orientations and policies and studies the investment proposals, in accordance with the oversight policies.

Composition (as at December 31, 2021)

- Chair: Jean La Couture
- Members: Jean-François Blais, Sylvain Brosseau and Maria S. Jelescu Dreyfus

Guest member: Alain Côté, Chair of the Audit Committee

The Chairman of the Board attends the Committee's meetings.

Number of meetings

- 16 meetings

Main activities during the year

- Implemented mechanisms to give the Audit Committee and the Board assurance that a risk management process is being applied:
  - Activity report given by the Committee after each Board meeting.
  - Sent minutes of meetings to the Audit Committee and the Board.
  - Invited the Chair of the Audit Committee to each meeting.
- Reviewed the Integrated Risk Management Policy.
- Reviewed the market risk limits for specialized portfolios and the total portfolio, as well as the proposed changes to the benchmark indexes and the performance objectives for the specialized portfolios and major mandates.
- Reviewed the investment policy and strategic orientations of some specialized portfolios.
- Reviewed the minimum liquidity reserves.
- Reviewed the report on the use of derivative financial instruments.
- Reviewed, at each Committee meeting, the risk-return report for the total portfolio.
- Studied the investment proposals under the authority of the Committee, taking into account:
  - The analysis presented by the team responsible for the transaction.
  - The analysis of the project risks and, more specifically, its impact on the degree and concentration of risk in the relevant specialized portfolio and the total portfolio, as well as the investment's compliance with risk management framework policies and directives.
- Reviewed reports on the specialized portfolios.
- Reviewed the certificates of compliance with the depositors' investment policies and the specialized portfolios' investment policies.
- Reviewed the risk map and the report on activities to mitigate operational risks.

Use of external experts

The Committee did not use the services of external experts in 2021.

GOVERNANCE AND ETHICS COMMITTEE

Mandate

The Committee ensures that CDPQ adheres to the highest standards of governance and ethics. It is also responsible for monitoring the effectiveness of the Board and its committees.

Composition (as at December 31, 2021)

- Chair: Wendy Murdock
- Members: Gilles Godbout, Ravy Por and Jean St-Gelais

Number of meetings

- 6 meetings

Main activities during the year

- Reviewed the composition of the Board and its committees to ensure that their composition meets the requirements of the Act respecting CDPQ and enables them to fully assume their responsibilities.
- Reviewed the operating rules of the Board and its committees.
- Reviewed the mandates of the Board, its committees and their Chairs.
- Evaluated the functioning of the Board and its committees.
- Reviewed the reporting on training activities attended by Board members and developed the 2021 training plan.
- Implemented and maintained structures and procedures to allow the Board to act independently of management, including ensuring that discussions are held, at each regular meeting, without the presence of members of management.
- Reviewed the revised rules on ethics and professional conduct applicable to the management and employees of CDPQ and its subsidiaries, and reviewed reports on the application of the rules.
- Reviewed the governance rules regarding CDPQ and some of its subsidiaries.
- Reviewed the report on designating members to the Boards of companies in which CDPQ invests, and reviewed diversity targets.
- Reviewed the Policy Against Harassment and Other Types of Misconduct.
- Studied the review of the Policy on Donations and Sponsorships and reviewed the report on philanthropic and institutional sponsorship activities.
- Reviewed the sustainable investing policy and activity reports.
- Studied the review of the policy and reports on transactions involving securities of companies that have ties with CDPQ Board members.

Use of external experts

The Committee did not use the services of external experts in 2021.

HUMAN RESOURCES COMMITTEE

Mandate

The Committee reviews the orientations and strategies used by CDPQ to manage its human resources, including performance evaluation, succession planning and executive compensation, as well as its general integrated talent management practices.

Composition (as at December 31, 2021)

- Chair: Ivana Bonnet-Zivcevic
- Members: Sylvain Brosseau, Lynn Jeanniot and Jean St-Gelais

Number of meetings

- 9 meetings

Main activities during the year

- Reviewed the objectives, performance evaluation and total compensation conditions for the President and Chief Executive Officer and recommended them to the Board of Directors for approval.
- Reviewed the performance evaluation and total compensation conditions for the members of CDPQ's management and the President and Chief Executive Officer of CDPQ Infra and recommended them to the Board of Directors for approval.
- Reviewed the compensation and performance management programs.
- Reviewed the global health strategy, including the measures implemented to support employees in the context of the pandemic and extended teleworking, as well as the terms for returning to the office.
- Reviewed 2020 and followed up on priority talent management targets by reviewing key indicators, including hires, diversity, the management ratio and internal mobility.
- Reviewed the succession and development plan for senior management.
- Reviewed the competencies and experience mandate and profile for the position of President and Chief Executive Officer.
- Reviewed the Workplace Equity, Diversity and Inclusion Policy.
- Reviewed the Policy Against Harassment and Other Types of Misconduct.

Use of external experts

In implementing the variable compensation program, the Committee and the Board used the services of Hugessen Consulting, an independent consulting firm recognized for its expertise in the compensation of pension fund personnel.

The Committee took Hugessen Consulting's recommendations into account but made its own decisions, which may be based on information other than the firm's recommendations.

For a complete description of the mandates of the Board's committees, consult the Governance section at www.cdpq.com.

COMPOSITION OF THE BOARD

As at December 31, 2021, the Board consisted of 14 members out of a maximum of 15:

JEAN ST-GELAIS

Chairman of the Board
CDPQ

Independent member

Committees: Governance and Ethics, Human Resources

Chairman of the Board since October 2021

End of term: October 2026

JEAN-FRANÇOIS BLAIS

Corporate Director

Independent member

Committees : Investment and Risk Management, Audit

Member since May 2020

End of term: May 2024

IVANA BONNET-ZIVCEVIC

Senior Country Officer
Crédit Agricole CIB in Italy

Independent member

Committee: Human Resources (Chair)

Member since December 2017

End of term: January 2026

SYLVAIN BROSSEAU[1]

President and Chief Executive Officer
Walter Global Asset Management

Independent member

Committees: Investment and Risk Management, Human Resources

Member since July 2018

End of term: July 2022

ALAIN CÔTÉ

Corporate Director

Independent member

Committee: Audit (Chair)

Member since August 2019

End of term: August 2023

MICHEL DESPRÉS[2]

President and Chief Executive Officer
Retraite Québec

Member since March 2016

End of term: March 2020

CHARLES EMOND

President and Chief Executive Officer
CDPQ

Member since February 2020

End of term: January 2025

GILLES GODBOUT

Corporate Director

Independent member

Committees: Governance and Ethics, Audit

Member since January 2013

End of term: January 2023

LYNN JEANNIOT

Corporate Director

Independent member

Committee: Human Resources

Member since December 2019

End of term: December 2023

1. Mr. Brosseau resigned on December 31, 2021.
2. Since January 1, 2022, Mr. Després has been a Corporate Director and serves as an independent member.

MARIA S. JELESCU DREYFUS

Chief Executive Officer
Ardinall Investment Management

Independent member

Committee: Investment
and Risk Management

Member since November 2019

End of term: November 2023

JEAN LA COUTURE

President
Huis Clos Ltée,
Conflict and Litigation Advisors

Independent member

Committee: Investment and Risk
Management (Chair)

Member since January 2013

End of term: April 2022

DIANE LEMIEUX

President and Chief Executive Officer
Commission de la construction du Québec

Member since December 2014

End of term: April 2022

WENDY MURDOCK

Corporate Director

Independent member

Committees: Governance and Ethics
(Chair), Audit

Member since March 2016

End of term: March 2023

RAVY POR

Executive Director,
Artificial Intelligence
and Emerging Technologies
KPMG

Independent member

Committee: Governance and Ethics

Member since August 2019

End of term: August 2022

The biographies of the members of the Board of Directors can be found on CDPQ's website at www.cdpq.com.

APPOINTMENTS

During the year, the Government of Québec, after consulting the Board, appointed Jean St-Gelais, Corporate Director, as an independent member. The Government of Québec then appointed him as Chairman of CDPQ's Board of Directors, replacing Robert Tessier.

DIVERSITY

The Board believes that the diversity of outlooks generated by different genders, experiences, generations and ethnocultural origins improves the quality of decisions and fosters a capacity for innovation, creativity, commitment and performance. In that regard, the Board ensures that its composition, both in terms of diversity of profiles and the complementarity of expertise and experience among its members, enables it to effectively perform its role. The Board also annually reviews the list of the various expertise required of members and of the Board as a whole.

Gender diversity is an important aspect of sound governance. This is why Board and Executive Committee members keep a close eye on the advancement of women within the organization, as well as on their representation in our portfolio companies and investment partners.

As at December 31, 2021, 43% of the members of the Board were women.

Table 28 summarizes the various profiles of Board members. In particular, it presents the main areas of expertise of its members as well as their age range, number of years on the Board and place of residence.

TABLE 28

DIVERSITY ON THE BOARD OF DIRECTORS

	Age			Mandate	Place of residence			Diversity		Top 5 specialties or expertise								
Members[1]	< 40	40 to 65	≥ 66	Years on the Board	Québec	United States	Europe	Male/female	Other[2]	Investment	Depositors	Strategic planning	Risk management	Economic and political issues	Finance/ accounting/ audit	Talent management and compensation	Governance	Technology
Jean-François Blais		•		1	•			M		•		•	•			•		•
Ivana Bonnet-Zivcevic		•		4			•	F	•			•	•		•	•	•	
Sylvain Brosseau		•		3	•			M		•	•		•			•		•
Alain Côté		•		2	•			M		•			•	•	•	•		
Michel Després		•		5	•			M			•	•		•	•		•	
Gilles Godbout			•	8	•			M		•	•	•		•	•			
Lynn Jeanniot		•		2	•			F				•	•	•		•	•	
Maria S. Jelescu Dreyfus		•		2		•		F	•	•		•	•	•				•
Jean La Couture			•	8	•			M		•		•	•		•		•	
Diane Lemieux		•		7	•			F			•	•	•	•			•	
Wendy Murdock			•	5		•		F	•	•		•			•	•	•	
Ravy Por	•			2	•			F	•				•		•	•	•	•
Jean St-Gelais		•		<1	•			M				•	•	•		•	•	

1. Charles Emond, as President and Chief Executive Officer, is a Board member by virtue of office. He has held his position for over one year and lives in Québec.
2. These directors voluntarily reported to belonging to one of the diversity groups representing the various components of Québec society.

ORIENTATION AND CONTINUING EDUCATION PROGRAM

The Board recognizes the importance of providing its members with the necessary training and support to carry out their roles in accordance with the provisions of the Act respecting CDPQ, the mandates of the Board and its committees, and in line with best practices. CDPQ deploys an orientation process as soon as a new member is appointed to facilitate the director's integration and to allow them to become familiar with the role, the requirements of the related duties and the strategic orientations of the organization. This process includes:

- Electronic access to the Directors' Manual containing information on, among other things, the laws and regulations applicable to CDPQ, the mandates of the Board and its committees, the governance framework, the Code of Ethics and Professional Conduct for Directors, their expertise and experience profiles, the meeting schedule and the evaluation process.
- Meetings with the Chairman of the Board, the committee chairs and members of senior management.
- Training on risk management and financial aspects.

At Board and committee meetings and training sessions, members attend presentations given by various CDPQ teams and, from time to time, by outside persons on topics relevant to CDPQ's activities and strategic orientations. CDPQ also encourages participation in training sessions offered by various external organizations and shares recommended publications with its members.

In 2021, members received training on various subjects, including:

- Risk management
- The economy
- Sustainable investing
- Governance and ethics
- Human resources
- Technologies and augmented intelligence
- Cybersecurity

DIRECTOR COMPENSATION

The compensation of members is determined by an order-in-council of the Government of Québec. Their compensation for 2021 is provided in Table 29. Members are also entitled to be reimbursed for their travel and living expenses.

TABLE 29

COMPENSATION PAID TO INDEPENDENT MEMBERS UNDER ORDER-IN-COUNCIL[1]
(in dollars)

Members	Annual compensation	Compensation as Committee Chair	Attendance fees	Total compensation
Jean-François Blais	19,947	–	33,624	53,571
Ivana Bonnet-Zivcevic	19,947	6,235	21,482	47,664
Sylvain Brosseau	19,947	–	37,360	57,307
Alain Côté[2]	19,947	6,235	40,162	66,344
Gilles Godbout[3]	19,947	–	31,756	51,703
Lynn Jeanniot	19,947	–	22,416	42,363
Maria S. Jelescu Dreyfus	19,947	–	28,020	47,967
Jean La Couture	19,947	6,235	34,558	60,740
Wendy Murdock	19,947	6,235	26,152	52,334
Ravy Por[3]	19,947	–	20,548	40,495
Jean St-Gelais[3, 4]	9,028	–	14,944	23,972
Total	208,498	24,940	311,022	**544,460**

1. In accordance with the terms of the Order-in-Council, the attendance fee for each special Board or Committee meeting of short duration, held by conference call, is half of the attendance fee allowed for a regular meeting.
2. This member received attendance fees for attending Audit Committee meetings of Ivanhoé Cambridge and Otéra, and Audit and Risk Management Committee meetings of CDPQ Infra.
3. These members received attendance fees for attending a committee meeting as an observer or guest.
4. This member received compensation as an independent member until stepping into the role of Chairman of the Board.

COMPENSATION OF THE CHAIRMAN OF THE BOARD

The annual compensation of the Chairman of the Board is set at $195,000 by an order-in-council of the Government of Québec. The Chairman of the Board is also entitled to be reimbursed for representation expenses related to the duties of his position, to a maximum of $15,000 per year.

MEMBER ATTENDANCE AT MEETINGS

In accordance with the Act respecting CDPQ, the Board held six regular meetings in 2021. All the committees also held six regular meetings, except for the Human Resources Committee, which held seven.

The Board and its committees also held special meetings to discuss specific issues or proceed with approvals.

Members justify their absences from meetings of a Committee or the Board to the Secretariat. During 2021, members were not able to attend certain meetings, due to health reasons or to obligations related to family or work commitments, or to CDPQ's rules governing potential conflicts of interest.

In the context of the pandemic, most meetings of the Board and its committees were held by videoconference. Table 30 presents the number of meetings attended by each of the members in 2021 compared to the number of meetings at which this person could have been present.

TABLE 30

MEMBER ATTENDANCE AT BOARD AND COMMITTEE MEETINGS IN 2021

	Board of Directors		Audit Committee		Investment and Risk Management Committee		Governance and Ethics Committee	Human Resources Committee	
Members	6 reg.	9 spec.	6 reg.	1 spec.	6 reg.	10 spec.	6 reg.	7 reg.	2 spec.
Jean-François Blais	6	8/8	6	1	6	9/9	–	–	–
Ivana Bonnet-Zivcevic	6	8	–	–	–	–	–	7	2
Sylvain Brosseau	6	9	–	–	6	10	–	7	2
Alain Côté	6	9	6	1	6	10	–	–	–
Michel Després	6	8	–	–	–	–	–	–	–
Charles Emond	6	9	–	–	–	–	–	–	–
Gilles Godbout	6	9	6	1	–	–	6	–	–
Lynn Jeanniot	6	9	–	–	–	–	–	7	2
Maria S. Jelescu Dreyfus	6	8	–	–	6	10	–	–	–
Jean La Couture	6	9	–	–	6	10	–	–	–
Diane Lemieux	6	7	–	–	–	–	–	–	–
Wendy Murdock	6	9	6	1	–	–	6	–	–
Ravy Por	6	9	–	–	–	–	6	–	–
Jean St-Gelais	4/4	2/2	–	–	–	–	3/3	3/3	1/1
Robert Tessier	5/5	8/8	–	–	–	–	5/5	6/6	1/1

REPORT OF THE HUMAN RESOURCES COMMITTEE ON TOTAL COMPENSATION

Committee's work on compensation

During 2021, the Committee, with advice from Hugessen Consulting, ensured that the Compensation Policy met its strategic objectives of paying for long-term performance, offering competitive compensation and linking the interests of members of management and depositors. The Committee reviewed how CDPQ's Compensation Policy was applied. It analyzed the proposed variable compensation and ensured that the proposals were aligned with the Compensation Policy and market practices.

Accordingly, the Committee notably analyzed the amount to be awarded under the variable compensation program and recommended it to the Board for approval.

Moreover, the Committee received an update on market trends with regard to salary reviews. It discussed the salary conditions of CDPQ's employees for 2022 and recommended them to the Board for approval.

Framework

CDPQ's Compensation Policy was adopted in accordance with Schedule A of the regulation governing the internal management of CDPQ (the Internal Bylaw). This schedule:

- Defines the maximum levels of total employee compensation and the reference markets.
- States that the data reflecting the reference-market profile must be compiled by a recognized independent firm through an annual survey that must be administered and analyzed according to a methodology and rules generally accepted in the field.
- Stipulates that CDPQ's payroll must not exceed 100% of the salary-scale midpoint.

Reference markets and compensation levels[1]

For the position of President and Chief Executive Officer, the reference market consists of a sample of the seven largest Canadian pension funds, as listed in Table 34 on page 114. For this position, total compensation must be between the median and third quartile (75th percentile) of the reference market, depending on whether CDPQ's performance has been average or superior.

For investment-related positions, the Canadian institutional investment market serves as the reference. A representative sample must include institutions, insurance companies, trust companies, pension funds, investment advisors, brokerage firms and fund managers or their counterparts in similar industries. The current sample comprises the 31 organizations listed in Table 36 on page 115. For these positions, total compensation must fall below the upper decile (90th percentile) of the reference market. For the executive vice-presidents in investment roles, a reduced sample of that described above is used. It groups together 18 firms whose assets under management are greater than $30 billion. The list is provided in Table 35 on page 114.

For non-investment positions, the Québec market serves as the reference, and must notably include public-sector jobs. It therefore includes a representative sample of large public- and private-sector Québec firms and financial-sector companies. The current sample comprises the 48 organizations listed in Table 37 on page 115. For these positions, total compensation must be within the third quartile (75th percentile) of the reference market.

1. For compensation purposes, the first quartile ranges from the 1st to the 25th percentile, the second quartile from the 26th to the 50th percentile, the third quartile from the 51st to the 75th percentile and the fourth quartile from the 76th to the 100th percentile.

The reference markets for positions located outside Canada were established according to principles similar to those listed above.

In 2021, CDPQ retained the services of Willis Towers Watson for benchmarking its reference markets and engaged McLagan's services regarding positions outside Canada.

The results of this exercise have allowed us to realign compensation and salary scales as well as the potential variable compensation levels that needed to be realigned according to studies on the positioning of the targeted compensation levels in order to achieve better alignment with the market.

Strategic objectives of the Compensation Policy

CDPQ must rely on highly skilled employees to fulfill its mission, which is to receive moneys on deposit as provided by the Act respecting CDPQ and manage them with a view to achieving an optimal return on capital within the framework of depositors' investment policies, while at the same time contributing to Québec's economic development.

The total Compensation Policy therefore has the following three objectives:

1. **Pay for performance:** variable compensation aligned with the returns delivered to depositors. This goal has four key components:
    - Long-term focus, to compensate consistent performance over several years.
    - Risk-return balance, to encourage measured risk-taking conducive to sustainable, long-term returns for depositors, while taking into account their risk tolerance.
    - Overall evaluation, to strike a balance between employees' individual and collective contributions to the organization's success, both in terms of financial results related to the performance of the asset class portfolios and CDPQ's total portfolio, and attainment of CDPQ's business objectives.
    - A view toward carbon footprint reduction, to support the investment strategy to address climate change and help achieve reduction targets related to carbon footprint intensity in asset class investments and the total portfolio, while capturing profitable opportunities arising from the energy transition.
2. **Offer competitive compensation:** to attract, motivate and retain talent with the experience and expertise to enable CDPQ to achieve its strategic objectives, within the guidelines set out in the Internal Bylaw and as described above.
3. **Link the interests of members of management and depositors:** to orient their individual and team efforts toward CDPQ's long-term success.

CDPQ's Compensation Policy complies with the Principles for Sound Compensation Practices issued by the Financial Stability Board and endorsed by the G20 nations: effective compensation governance; alignment of compensation with long-term, measured risk-taking; and regular review of compensation practices.

Components of total compensation

CDPQ's employees receive total compensation based on four components:

1. Base salary
2. Variable compensation
3. Pension plan
4. Benefits

Base salary

Under the Internal Bylaw, the average base salary must not exceed the salary-scale midpoint. Within these parameters, annual base salaries are set according to the salary conditions prevailing on the reference markets.

Each year, the Human Resources Committee submits the payroll budget increase to the Board for approval.

For 2021, the Board of Directors approved the following recommendations made by CDPQ's senior management:

- Maintain the salary scales for 2021 close to the median of the reference markets, as measured by recognized external firms.
- Grant a budget for salary increases that is at the median of the market increase forecasts.

Variable compensation

In the investment industry, variable compensation is an essential part of the total compensation package for employees working in the sector, because it aligns financial incentives with clients' performance objectives.

Variable compensation at CDPQ serves to recognize performance, attainment of objectives and contribution to the achievement of strategic orientations. It is an important part of employee total compensation, as is the case for the entire financial sector. Accordingly, it has a direct influence on the positioning of total compensation in comparison with the reference market.

Variable compensation at CDPQ is determined based on a global evaluation that takes into account individual performance, portfolio return or team performance and CDPQ's return, measured over a five-year period. This period allows placing greater focus on seeking sustained performance aligned with the long-term investment strategy.

This variable compensation program recognizes consistent performance and requires eligible employees to defer a portion of this variable compensation into a co-investment account over a three-year period (see Figure 32 on page 110). This mechanism continues to link the interests of members of management to those of depositors by having these amounts vary according to the absolute return generated for depositors.

For the relevant employees in the International Private Equity team in international subsidiaries, a part of the variable compensation is awarded as performance units. This supports deployment of the direct International Private Equity strategy. This mechanism aims to recognize the various compensation structures present in the private equity sector and in countries where CDPQ is present internationally. It allows placing increased emphasis on the quality of the transactions completed by internal private equity teams, year after year, and recognize it when establishing variable compensation. It also provides CDPQ with the opportunity to internalize expertise developed in direct investment rather than pay higher fees to external fund managers. In addition, it fosters attracting, retaining and motivating sought-after talent.

Components of variable compensation

The amount of variable compensation is never guaranteed; it always depends on the evaluation of performance criteria as established by the variable compensation program. Accordingly, the amount of variable compensation is assessed based on the three components shown in Figure 31 on page 109.

Regarding the Return component, namely the return on the specialized portfolios, the objective for all the portfolios is to outperform their benchmark indexes. The three less-liquid portfolios, namely Real Estate, Infrastructure and Private Equity, as well as the Equity Markets portfolio, each also have an absolute-return target.

Moreover, since 2018, a component linked to carbon footprint intensity reduction targets has been added to the variable compensation calculation to support CDPQ's strategy to address climate change.

Results since 2017

In recent years, CDPQ has deployed constructive capital in many companies and projects, in Québec and around the world. The Human Resources Committee presents highlights from the teams' achievements to provide some context for the variable compensation awarded:

- Over five years, CDPQ has generated investment results of $141.0 billion through an annualized return of 8.9%. This compares with a return of 8.6% for its benchmark index, representing $7.7 billion of value added.
- In 2021, in an environment characterized by economic recovery, rallying equity markets and a marked increase in rates, CDPQ produced its best absolute and relative results in over 10 years. At 13.5%, its return outpaced that of its index, which was 10.7%, resulting in $10.4 billion in value added. All the asset classes outperformed their benchmark indexes for the year.
- With $48.7 billion in investment results, depositors' net assets rose to $419.8 billion, up $149.1 billion over five years.

- CDPQ demonstrated its commitment to Québec by mobilizing the strength of its teams, which in 2021 resulted in:
  - A one-year increase in assets of $10 billion, the largest ever, to a total of $78 billion.
  - Sustained support for Québec companies, with $6.5 billion in new investments and commitments oriented on its four-pillar strategy.
  - Support for the growth of many portfolio companies, both in Québec and abroad, or in accelerating their technological shift.
  - Investments in projects that contribute to the sustainability of the economy, such as the REM and the construction of social housing.
- Over the last five years, the total portfolio has become considerably more diversified, with a high volume of transactions in all asset classes, which proved to be a determining factor in our one- and five-year performance:
  - Private investments stood out in particular, generating $12.7 billion in value added over five years due to their favourable positioning in technology and health care.
  - The size of the Infrastructure portfolio tripled during this period due to excellent results and a major deployment around the world in key sectors, creating $0.9 billion in value added.
  - The Equity Markets portfolio performed well in absolute terms for one and five years, and the changes made to its approach in 2021 allowed the portfolio to capitalize more on market growth.
  - In Real Estate, the strategic changes that were begun just before the pandemic delivered good results for one year, in part due to investments in promising industries such as logistics.
  - Lastly, five years after its implementation, the private credit strategy has demonstrated its relevance by making a strong contribution to the $4.3-billion value added in the Fixed Income asset class.
- In addition, the geographical diversification of the total portfolio increased over the period, with international markets now representing close to three quarters of CDPQ's exposure. This has resulted in investments in many high-performing assets, whether in the United States, where CDPQ's presence has grown considerably, or in Europe, Asia Pacific or Latin America.
- After exceeding the targets set in its first climate strategy launched in 2017, CDPQ reconsidered its ambition in 2021. We now hold $39 billion in low-carbon assets, a figure expected to grow to $54 billion by 2025. CDPQ has also reduced the carbon intensity of its portfolio by 49% since 2017 and plans a 60% reduction by 2030. Lastly, CDPQ has announced the creation of a $10 billion transition envelope to decarbonize the heaviest carbon-emitting sectors, and has committed to completing its exit from oil production by the end of 2022.

FIGURE 31

VARIABLE COMPENSATION COMPONENTS

BASED ON ACHIEVEMENT OF INDIVIDUAL OBJECTIVES	⟶	Individual contribution
BASED ON ACHIEVEMENT OF BUSINESS OBJECTIVES OR RETURNS ON THE SPECIALIZED PORTFOLIOS OF EACH UNIT	⟶	Portfolio return or business plan achievement
BASED ON ACHIEVEMENT OF CDPQ'S RETURN OBJECTIVES	⟶	CDPQ overall return

2021 variable compensation

Taking into account the variable compensation both paid and deferred, the total compensation received by CDPQ's employees in 2021 was below the median of the maximum provided for under the Regulation, in line with reference markets for a performance of 8.9% over five years and 13.5% for one year. Variable compensation for CDPQ's employees in Québec and the international offices totalled $187.9 million in 2021, compared with $158.7 million in 2020. This represents an average increase of nearly 13% per person due to variations in returns. More specifically, a study by Willis Towers Watson showed that employee total compensation ranked on average at the 42nd percentile of the maximum of the reference markets (where the 100th percentile represents the highest compensation in the market), depending on the position, the specific performance of the portfolios and the compensation awarded for these positions.

The opinion presented by Hugessen Consulting to CDPQ's Board of Directors stated:

"We reviewed CDPQ's returns and benchmark indexes for 2021, as well as the factors that contributed to its return, and we are satisfied with them. We can confirm that the value-added calculations, the 2021 return multiples, the 2017–2021 average return multiples and the 2021 variable compensation multiples are consistent with CDPQ's variable compensation program. In our opinion, the total amount of variable compensation determined under the program in 2021 is reasonable in the prevailing market conditions and given CDPQ's performance in 2017, 2018, 2019, 2020 and 2021."

Co-investment: deferred variable compensation

The purpose of co-investment is to better align the interests of those talents with the most influence on CDPQ's financial and organizational performance with the interests of depositors over the long term. The value of the deferred and co-invested variable compensation varies—upward or downward—along with CDPQ's average absolute overall return during the period over which the variable compensation is deferred.

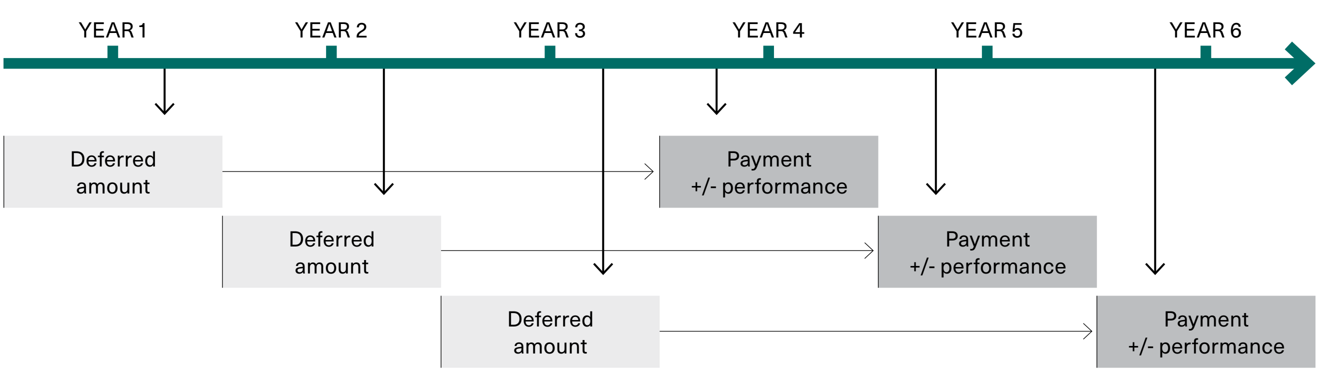
At the end of each three-year period, as required by the Income Tax Act, the deferred amount, plus or minus the average return credited for the period, will be paid to each participant as a deferred variable compensation payment with restrictions. Figure 32 illustrates this mechanism.

Senior executives have three years to contribute at least the equivalent of their base salary to the co-investment account.

For the President and Chief Executive Officer, as well as senior executives, the minimum threshold of the total variable compensation that must be deferred in a co-investment account is 55%. For all vice-presidents as well as for intermediate and senior investment personnel, the minimum threshold is 35%. Lastly, for managers and high-level professionals, the minimum threshold is 25%.

FIGURE 32

DEFERRED AND CO-INVESTED VARIABLE COMPENSATION



CDPQ offers these employees the option of deferring and co-investing an additional portion of their variable compensation into the co-investment account. Since 2020, this offer has been extended to personnel outside Canada, where permitted by law.

For Private Equity employees in international offices who hold eligible positions, a portion of their variable compensation is made up of long-term performance units. To be equitable and take into account the performance units that are granted, the potential variable compensation for eligible employees is therefore lower than that of other investment employees.

The purpose of the performance units is to support the investment strategy in the direct International Private Equity sector over a long-term horizon. This component is in line with the practices in this industry and reflects CDPQ's strategy to have direct investments represent a significant share of its Private Equity portfolio. This allows placing increased emphasis on the quality of the transactions completed by internal private equity teams, year after year, and recognize it when establishing variable compensation. It also provides CDPQ with the opportunity to internalize the expertise developed in direct investment rather than pay higher fees to external fund managers.

The value of the performance units awarded will rise and fall according to the absolute return of the designated portfolio during a five-year performance period.

At the end of this period, the units acquired will be settled based on the achievement of performance objectives established at the time they were granted and converted into performance factors that have a threshold and a maximum. When the performance over five years is less than the threshold, no amounts are payable.

Pension plan

Depending on their positions, all employees based in Canada are members and contribute to one of two defined-benefit pension plans: the Government and Public Employees Retirement Plan (RREGOP) or the Pension Plan of Management Personnel (PPMP). In addition, managers and professionals in strategic positions participate in the Régime additionnel de retraite (RAR), and senior executives participate in the Supplemental Pension Plan for Designated Officers (SPPDO). Under these two plans, they are entitled, as of the normal age of retirement, to receive a total annual pension equal to 2% of their eligible earnings for each year or fractional year of plan membership, taking into account the annual tax limits imposed by the Canada Revenue Agency for each year they were not RAR or SPPDO members.

Some senior executives will have additional years of service recognized under the SPPDO, depending on the circumstances of their promotion or hiring.

Benefits

CDPQ's employees enjoy a range of competitive benefits, including group insurance (such as medical, dental and life insurance). Moreover, senior executives benefit from specific benefits paid as an allowance. Note that CDPQ requests that senior executives undergo annual health assessments.

Review of the President and Chief Executive Officer's performance and total compensation

Performance review

At the start of the year, the Committee made a recommendation to the Board of Directors on a series of objectives for the President and Chief Executive Officer, all of which were directly tied to the priorities established through the strategic planning exercise. The President and Chief Executive Officer was responsible for the execution of key business priorities in three major areas:

1. Conduct an in-depth review of certain aspects of the strategy and innovate: among other things, continue to reposition the Real Estate portfolio, adapt the approach for the Equity Markets portfolio, implement a new model for CDPQ Global, and integrate the new technology strategy across the organization.
2. Strengthen important aspects of the strategy: this includes growing CDPQ's presence in Québec by drawing on the expertise of all its teams, enhancing portfolio management, and taking a more ambitious approach to sustainable investing.
3. Pursue the existing strategy: in particular by delivering optimal performance through in-depth risk assessments, focusing on using post-investment management to create value, and continuing to modernize the organization to enhance efficiency.

Review of total compensation

The compensation and other employment conditions of the President and Chief Executive Officer are based on parameters set by the government after consultation with the Board of Directors. Mr. Emond's annual base salary was set at $550,000.

The President and Chief Executive Officer's annual variable compensation was determined on the basis of the same three components as in 2020, presented in Figure 33.

Like all other members of senior management covered by the variable compensation program, the President and Chief Executive Officer is required to defer a minimum of 55% of his variable compensation in a co-investment account.

This year, the component linked to CDPQ's overall return corresponds to the return over the five-year period from 2017 to 2021. The annualized return for this period is 8.9%, with $7.7 billion of value added in relation to the benchmark portfolio. This return represents solid performance over five years.

FIGURE 33

VARIABLE COMPENSATION COMPONENTS OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

CDPQ OVERALL RETURN	→	Based on the level of attainment of CDPQ's return objectives
ACHIEVEMENT OF THE ORGANIZATION'S OBJECTIVES	→	Based on the level of attainment of the organization's objectives
INDIVIDUAL CONTRIBUTION	→	Based on the level of attainment of individual objectives

As for the component based on the organization's objectives, under Mr. Emond's leadership, CDPQ has:

- Achieved an optimal risk-return balance in the portfolio, attained deployment targets for the less-liquid portfolios with caution and discipline in a highly competitive market, continued to reposition the Real Estate portfolio and further developed the approach for Equity Markets, with tangible results, all while maintaining strategic relationships with partners around the world, despite the context of the pandemic.
- Played a leadership role in Québec, as seen in:
  - A record one-year increase in assets and one of the highest levels of new investments and commitments recorded in the last 10 years.
  - CDPQ's reaffirmed offering for mid-market companies.
  - Even greater relationship building between Québec companies and various international players.
  - Rigorous monitoring of the REM in an unprecedented environment and the planning phase of the REM de l'Est project.
- Carried out a complete review of the technological risks associated with over a dozen industries, with these risks fully integrated into the portfolio's investment and monitoring processes.
- Renewed our climate ambition, with the adoption of new targets and distinctive measures that will allow CDPQ to remain a global reference in this area, in addition to benefiting from visibility at major international forums.

In conclusion, Mr. Emond exercised strong leadership throughout the year and was able to mobilize CDPQ's teams in an environment still marked by the pandemic. In fiscal 2021, CDPQ posted its best absolute and relative results since 2010, evidence of the work accomplished over the last two years to position the portfolio in this new environment. The Committee and the Board believe that Mr. Emond delivered a remarkable performance that has significantly exceeded the objectives set for him.

The Board of Directors has awarded Mr. Emond variable compensation of $3,800,000 and, of this amount, he has elected to defer an amount of $2,090,000 into the co-investment account. In 2024, Mr. Emond will be eligible to receive a deferred amount related to this sum, increased or decreased by CDPQ's average absolute return over the three-year period from 2022 to 2024.

The other employment conditions to which Mr. Emond was entitled are aligned with CDPQ's policies and comply with the parameters set out in the Internal Bylaw. He received $40,000 in annual perquisites and was a member of CDPQ's Employee Group Insurance Plan.

Mr. Emond is a member of the basic pension plan under the Pension Plan of Management Personnel (PPMP). In 2021, contributions to the mandatory basic plan represented an annual cost to CDPQ of $19,944. Like the members of senior management, Mr. Emond has participated in the Supplemental Pension Plan for Designated Officers (SPPDO) since being hired.

In the event that his employment contract is terminated without just and sufficient cause, Mr. Emond will be entitled to severance pay representing 18 months of base salary and target variable compensation, as well as a prorated amount of his variable compensation for the current year and for the previous year, if such variable compensation has not been paid. This provision does not apply if Mr. Emond resigns.

No severance will be paid upon the expiration of the contract or if the contract is terminated with cause.

Compensation of the President and Chief Executive Officer and the five most highly compensated executives for 2019–2021

CDPQ's Board of Directors recognizes the importance of qualified leadership and firmly believes that the policies and programs it has endorsed make it possible to:

- Offer competitive compensation in a market where competition for talent is intense and where CDPQ must compete globally to generate the expected returns.
- Achieve the strategic objectives that enable CDPQ to fulfill its mission.

Pursuant to the Act respecting CDPQ, it discloses, for itself and its wholly owned subsidiaries, the compensation of the President and Chief Executive Officer as well as that of the five most highly compensated executives reporting directly to him (see Table 38, page 116).

TABLE 34

REFERENCE MARKET – PRESIDENT AND CHIEF EXECUTIVE OFFICER

- Alberta Investment Management Corporation (AIMCo)
- British Columbia Investment Management Corporation (BCI)
- CPP Investments
- Healthcare of Ontario Pension Plan (HOOPP)
- Ontario Municipal Employees Retirement System (OMERS)
- Ontario Teachers' Pension Plan (OTPP)
- Public Sector Pension Investment Board (PSP Investments)

TABLE 35

REFERENCE MARKET – INVESTMENT EXECUTIVE VICE-PRESIDENT POSITIONS

- Addenda Capital
- Alberta Investment Management Corporation (AIMCo)
- British Columbia Investment Management Corporation (BCI)
- Canada Post Pension Plan
- Connor, Clark & Lunn Financial Group
- CPP Investments
- Desjardins Global Asset Management
- Fiera Capital Corporation
- Healthcare of Ontario Pension Plan (HOOPP)
- Hydro-Québec Pension Plan
- iA Financial Group
- Investment Management Corporation of Ontario (IMCO)
- Mawer Investment Management
- Ontario Municipal Employees Retirement System (OMERS)
- Ontario Teachers' Pension Plan (OTPP)
- Public Sector Pension Investment Board (PSP Investments)
- Sun Life Financial
- Workplace Safety and Insurance Board (Ontario)

TABLE 36

REFERENCE MARKET – INVESTMENT POSITIONS

- Addenda Capital
- Air Canada
- Alberta Investment Management Corporation (AIMCo)
- ATB Financial
- Bell Canada
- British Columbia Investment Management Corporation (BCI)
- Canadian Medical Association
- Canadian Western Bank
- Civil Service Superannuation Board of Manitoba
- CN Investment Division
- Connor, Clark & Lunn Financial Group
- CPP Investments
- Desjardins Global Asset Management
- Economical Insurance
- Empire Life
- Fiera Capital Corporation
- Healthcare of Ontario Pension Plan (HOOPP)
- HRM Pension Plan
- Intact Investment Management
- Investment Management Corporation of Ontario (IMCO)
- Mawer Investment Management
- Ontario Teachers' Pension Plan (OTPP)
- OPTrust
- Public Sector Pension Investment Board (PSP Investments)
- Raymond James
- Richardson Wealth
- Sun Life Financial
- TELUS Pension Plan
- UBC Investment Management Trust Inc. (UBC IMANT)
- Vestcor
- Wawanesa Insurance

TABLE 37

REFERENCE MARKET – NON-INVESTMENT POSITIONS

- AbbVie Canada
- Addenda Capital
- Aimia
- Airbus
- Air Canada
- Alimentation Couche-Tard
- Bell Canada
- Bombardier
- Broadridge Financial Solutions
- Cadillac Fairview Corporation
- CGI
- CN
- CN Investment Division
- Cogeco
- Cominar Real Estate Investment Trust
- Desjardins Group
- Énergir
- Fiera Capital Corporation
- Fonds de Solidarité FTQ
- GE Canada
- Holt Renfrew
- Hydro-Québec
- iA Financial Group
- IBM Canada
- Intact Financial Corporation
- Intact Investment Management
- Keurig Canada
- Kruger
- La Capitale Financial Group
- Laurentian Bank
- Loto-Québec
- Manulife Financial
- Mastercard Canada
- Merck Canada
- Northbridge Financial Corporation
- Pfizer Canada
- Power Corporation of Canada
- Public Sector Pension Investment Board (PSP Investments)
- Québecor
- RGA Canada
- Rio Tinto
- Royal Bank of Canada
- Saputo
- SNC-Lavalin
- TELUS
- TMX Group
- Videotron
- Yellow Pages Group

TABLE 38

SUMMARY OF THE COMPENSATION OF THE PRESIDENT AND CEO AND THE FIVE MOST HIGHLY COMPENSATED EXECUTIVES FOR 2019–2021

This table summarizes total compensation as awarded. Specifically, it sets out the variable compensation awarded for the year, divided between the proportion paid for the year and the amount co-invested (deferred), as well as the value of pension plan participation, if applicable. Total compensation awarded provides a better understanding of the alignment with CDPQ's performance.

Name and main position	Year	Base salary A	Variable compensation paid for the year B	Co-investment amount for the year[1] C	Variable compensation awarded for the year D=B+C	Pension value[2] E	Other compensation[3] F	Total compensation awarded for the year G=A+D+E+F
Charles Emond[4] President and Chief Executive Officer	2021	$ 550,000	$1,710,000	$2,090,000	$3,800,000	$ 104,500	$ 50,000	$4,504,500
	2020	$ 546,000	$1,237,500	$1,512,500	$2,750,000	$ 103,700	$ 50,400	$3,450,100
	2019	$ 458,000	$ 0	$2,200,000	$2,200,000	$ 87,100	$ 36,300	$2,781,400
Emmanuel Jaclot[5] Executive Vice-President and Head of Infrastructure	2021	€ 425,000	€ 702,400	€ 858,600	€1,561,000	€ 76,500	€ 5,600	€2,068,100
	2020	€ 425,000	€ 431,100	€ 526,900	€ 958,000	€ 76,500	€ 6,800	€1,466,300
	2019	€ 425,000	€ 22,700	€1,114,300	€1,137,000	€ 38,300	€ 6,800	€1,607,100
Martin Laguerre[6] Executive Vice-President and Head of Private Equity and Capital Solutions, CDPQ US (New York)	2021	US$ 545,000	US$ 555,600	US$ 679,200	US$1,234,800	US$ 13,500	US$ 372,000	US$2,165,300
	2020	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2019	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vincent Delisle Executive Vice-President and Head of Liquid Markets	2021	$ 450,000	$ 742,500	$ 907,500	$1,650,000	$ 85,500	$ 41,100	$2,226,600
	2020	$ 188,000	$ 269,100	$ 328,900	$ 598,000	$ 35,600	$ 17,400	$ 839,000
	2019	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Marc-André Blanchard[7] Executive Vice-President and Head of CDPQ Global and Global Head of Sustainability	2021	$ 500,000	$ 672,700	$ 822,300	$1,495,000	$ 100,000	$ 39,700	$2,134,700
	2020	$ 158,000	$ 225,000	$ 275,000	$ 500,000	$ 31,700	$ 12,700	$ 702,400
	2019	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Kim Thomassin Executive Vice-President and Head of Québec	2021	$ 415,000	$ 326,200	$ 978,800	$1,305,000	$ 124,500	$ 37,300	$1,881,800
	2020	$ 400,000	$ 242,000	$ 726,000	$ 968,000	$ 120,000	$ 37,500	$1,525,500
	2019	$ 400,000	$ 0	$ 965,000	$ 965,000	$ 116,000	$ 37,200	$1,518,200

1. As mentioned on page 110 of this Annual Report, under the variable compensation program, senior executives must defer a minimum of 55% of their annual awarded variable compensation into a co-investment account.
2. The pension value is based on a calculation that allocates the total pension value over the period corresponding to the executive's career. This value is calculated by Willis Towers Watson.
3. Amounts indicated include employer contributions to group insurance premiums, perquisites and the health care account. This category may also include other allocated amounts, depending on the executive.
4. For Mr. Emond, in addition to total compensation awarded, he receives compensatory amounts related to his hiring as Executive Vice-President ($1,769,000 in 2021).
5. For Mr. Jaclot, in addition to total compensation awarded, he receives a temporary allowance of €280,000 in annual instalments until May 2023. His compensation is presented in euros.
6. For Mr. Laguerre, "Other compensation" includes the value of performance units awarded (US$327,000 in 2021). His compensation is presented in U.S. dollars.
7. For Mr. Blanchard, in addition to total compensation awarded, he receives compensatory amounts related to his hiring as Executive Vice-President ($400,000 in 2021 and $400,000 in 2022).

TABLE 39

SUMMARY OF THE DEFERRED AND CO-INVESTED COMPENSATION OF THE PRESIDENT AND CEO AND OF THE FIVE MOST HIGHLY COMPENSATED EXECUTIVES FOR 2018–2021

Name and main position	Fiscal year	Deferred and co-invested compensation[1]	Cumulative return at the time of payment	Previously co-invested compensation disbursed in 2021[2]
Charles Emond President and Chief Executive Officer	2021	$ 2,090,000		
	2020	$ 1,512,500		
	2019	$ 2,200,000		
	2018	N/A	N/A	N/A
Emmanuel Jaclot Executive Vice-President and Head of Infrastructure	2021	€ 858,600		
	2020	€ 526,900		
	2019	€ 1,114,300		
	2018	€ 617,100	€ 157,726	€ 774,826
Martin Laguerre Executive Vice-President and Head of Private Equity and Capital Solutions, CDPQ US (New York)	2021	US$ 679,200		
	2020	N/A		
	2019	N/A		
	2018	N/A	N/A	N/A
Vincent Delisle Executive Vice-President and Head of Liquid Markets	2021	$ 907,500		
	2020	$ 328,900		
	2019	N/A		
	2018	N/A	N/A	N/A
Marc-André Blanchard Executive Vice-President and Head of CDPQ Global and Global Head of Sustainability	2021	$ 822,300		
	2020	$ 275,000		
	2019	N/A		
	2018	N/A	N/A	N/A
Kim Thomassin Executive Vice-President and Head of Québec	2021	$ 978,800		
	2020	$ 726,000		
	2019	$ 965,000		
	2018	$ 616,000	$ 157,445	$ 773,445

1. The amounts appearing in the table refer to the portion of the variable compensation awarded from previous years and the current year, which is deferred over a three-year period. As required by the Income Tax Act, these amounts must be disbursed after three years, at the latest.
2. Disbursed co-investments correspond to the sum of the deferred compensation and the return earned during the three-year period. The returns earned correspond to the weighted average return on CDPQ's depositors' funds expressed as a percentage, as published by CDPQ for each of its fiscal years and each of its six-month periods, compounded over a three-year period.

TABLE 40

PENSION SUMMARY OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER AND THE FIVE MOST HIGHLY COMPENSATED EXECUTIVES[1]

This table summarizes the values recognized for financial statement purposes for the President and CEO and the five most highly compensated executives who participate in a defined benefit pension plan.[1]

		Annual benefits payable[3]		Supplemental plan			
Name and main position	Years of credited service[2]	At year-end ($)	At age 65 ($)	Accrued obligation at start of year[4] ($)	Change due to compensatory items[5] ($)	Change due to non-compensatory items[6] ($)	Accrued obligation at year-end[4] ($)
Charles Emond President and Chief Executive Officer	2.9	32,100	201,600	386,900	185,800	(58,400)	514,300
Emmanuel Jaclot Executive Vice-President and Head of Infrastructure	2.4	30,800	311,700	342,000	238,300	(71,700)	508,600
Vincent Delisle Executive Vice-President and Head of Liquid Markets	1.4	12,700	129,700	61,400	142,300	(20,800)	182,900
Marc-André Blanchard Executive Vice-President and Head of CDPQ Global and Global Head of Sustainability	1.3	13,200	102,300	52,100	159,500	(17,900)	193,700
Kim Thomassin Executive Vice-President and Head of Québec	4.9	61,300	248,100	866,300	246,200	(112,400)	1,000,100

1. The table above presents the changes in value of the pension plan benefits for senior executives, in compliance with accounting rules. These values are presented for information purposes as the value reflected in the compensation summary is determined following current benchmarking practices.
2. This is the number of years of credited service in the basic plan.
3. Annual benefits equal the amount of pension payable under the basic plan and the supplemental plan at year-end or at age 65.
4. The obligations do not include those of the basic plan because employer and employee contributions are remitted to Retraite Québec, which assumes the liability for the benefits. CDPQ's contribution was $19,944 per executive in 2021.
5. The change due to compensatory items includes the annual cost of pension benefits, base salary changes in relation to the salary increase assumption used, plan changes or the award of additional years of service.
6. The change due to non-compensatory items includes amounts attributable to the interest accrued on the obligation at the beginning of the year, actuarial gains and losses associated with non-compensatory items and changes in actuarial assumptions.

TABLE 41

SUMMARY OF SEVERANCE PAY FOR THE PRESIDENT AND CHIEF EXECUTIVE OFFICER AND THE FIVE MOST HIGHLY COMPENSATED EXECUTIVES

Name and main position	Precipitating event	Theoretical amount payable
Charles Emond[1] President and Chief Executive Officer	Non-voluntary termination	$3,094,000
Emmanuel Jaclot[2] Executive Vice-President and Head of Infrastructure	Non-voluntary termination	€ 638,000
Martin Laguerre[3] Executive Vice-President and Head of Private Equity and Capital Solutions, CDPQ US (New York)	Non-voluntary termination	US$1,308,000
Vincent Delisle[4] Executive Vice-President and Head of Liquid Markets	Non-voluntary termination	$1,125,000
Marc-André Blanchard[5] Executive Vice-President and Head of CDPQ Global and Global Head of Sustainability	Non-voluntary termination	$1,467,000
Kim Thomassin[6] Executive Vice-President and Head of Québec	Non-voluntary termination	$ 830,000

1. In the event of dismissal without just and sufficient cause, this executive's employment contract provides for severance equal to 18 months of his annual base salary, increased by an amount equal to 18 months of his annual target variable compensation and, if applicable, to his annual target variable compensation prorated to the months worked during the months preceding the termination of his employment, as well as annual variable compensation for the full year worked preceding the termination of his employment.
2. In the event of dismissal without just and sufficient cause, this executive's employment contract provides for severance equal to 18 months of his annual base salary and, if applicable, the annual variable compensation corresponding to the average of the annual variable compensation of the last four years, prorated to the months worked during the months preceding the termination of his employment as well as annual variable compensation for the full year worked preceding the termination of his employment.
3. In the event of dismissal without just and sufficient cause, this executive's employment contract provides for severance equal to one year of his annual base salary, increased by an amount equal to his annual target variable compensation and, if applicable, to his average annual target variable compensation awarded for the last three years completed prorated to the period worked during the year in which his employment was terminated, as well as annual variable compensation for the full year worked preceding the termination of his employment.
4. In the event of dismissal without just and sufficient cause, this executive's employment contract provides for severance equal to one year of his annual base salary, increased by an amount equal to his annual target variable compensation and, if applicable, to his average annual target variable compensation awarded for last three years completed prorated to the months worked during the months before his employment was terminated, and, if applicable, annual variable compensation for the full year worked preceding the termination of his employment.
5. In the event of dismissal without just and sufficient cause, this executive's employment contract provides for severance equal to 16 months of his annual base salary, increased by an amount equal to 16 months of his annual target variable compensation and, if applicable, to his average annual target variable compensation awarded for last three years completed prorated to the months worked during the months preceding the termination of his employment, as well as annual variable compensation for the full year worked preceding the termination of his employment.
6. In the event of dismissal without just and sufficient cause, this executive's employment contract provides for severance pay equal to 24 months of her annual base salary.

TABLE 42

REFERENCE MARKETS AND CDPQ TOTAL COMPENSATION FOR 2021 FOR THE PRESIDENT AND CHIEF EXECUTIVE OFFICER AND THE FIVE MOST HIGHLY COMPENSATED EXECUTIVES[1]

Main position	Maximum total compensation based on reference market[2]	Total compensation awarded in 2021[3]
President and Chief Executive Officer	$ 5,777,000	$4,504,500
Executive Vice-President and Head of Infrastructure	€ 3,569,000	€2,068,100
Executive Vice-President and Head of Private Equity and Capital Solutions, CDPQ US (New York)	US$ 6,874,000	US$2,165,300
Executive Vice President and Head of Liquid Markets	$ 5,173,000	$2,226,600
Executive Vice-President and Head of CDPQ Global and Global Head of Sustainability	N/A[4]	$2,134,700
Executive Vice-President and Head of Québec	$ 4,886,000	$1,881,800

1. Willis Towers Watson, Compensation of the President and Chief Executive Officer Study and Global Market Compensation Study, CDPQ, 2021.
2. As stipulated in the Internal Bylaw, potential total compensation at the 75th percentile of the respective reference markets was used for the President and Chief Executive Officer and non-investment positions. The 90th percentile of the reference market was used for investment-related positions.
3. These amounts reflect the total compensation awarded in 2021 (Table 38, column G). This compensation was awarded for an 8.9% five-year annualized return (2017 to 2021).
4. Due to the nature of this position, market data are not available.

Organizational Structure

Organizational Structure

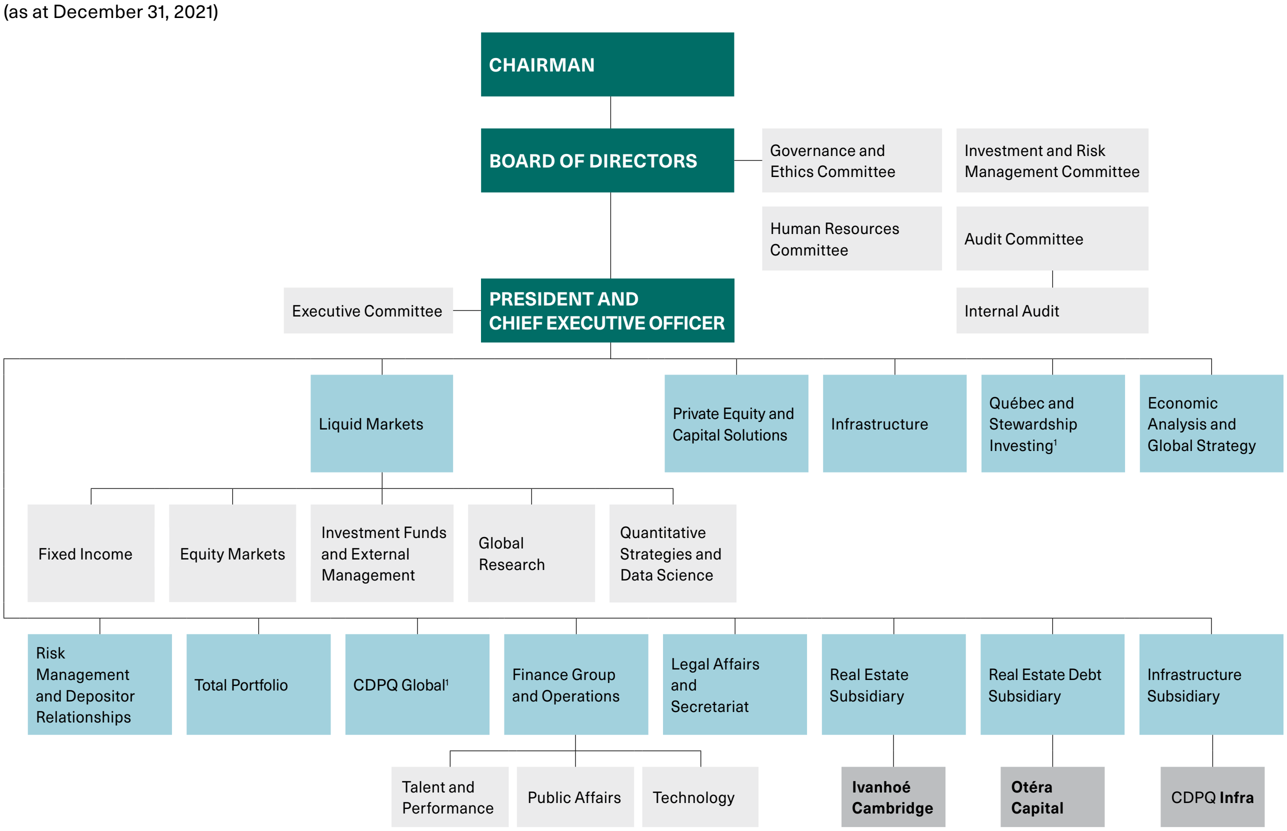
CDPQ's Board of Directors consists of the Chairman, the President and Chief Executive Officer, executives from depositor organizations and independent members. The Act respecting CDPQ stipulates that at least two thirds of the members, including the Chairman, must be independent.

The Executive Committee is composed of the President and Chief Executive Officer and senior officers from CDPQ's various units (see Figure 43). As at December 31, 2021, CDPQ employed 1,454 people. Of that number, 1,292 worked in Québec. To support its globalization strategy and generate promising investment opportunities, CDPQ also opened offices in several countries. As at December 31, 2021, 162 employees worked in these offices.

At the end of 2021, CDPQ also had a real estate subsidiary, Ivanhoé Cambridge, that had over 600 employees, a real estate debt subsidiary, Otéra Capital, that had 158 employees, and an infrastructure subsidiary, CDPQ Infra, which acts as owner-operator of infrastructure projects and had 124 employees. These subsidiaries are overseen by their own Boards of Directors (see Figures 44 and 45, page 123).

FIGURE 43

ORGANIZATIONAL STRUCTURE
(as at December 31, 2021)



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

REAL ESTATE AND REAL ESTATE DEBT SUBSIDIARIES

Real estate activities are divided into two categories: real estate and real estate debt. Real estate investments, which take the form of equities and debt, involve primarily office buildings, shopping centres and residential, logistics and industrial properties in key cities worldwide. The Real Estate portfolio consists of the assets of Ivanhoé Cambridge, a global real estate industry leader. Real Estate Debt, which is linked with fixed income activities, is comprised of the activities of Otéra Capital, a major institutional player in commercial real estate debt in North America and a leader in Canada.

Figure 44 presents the organizational structure of the real estate and real estate debt operations. More information on these subsidiaries can be found at www.ivanhoecambridge.com and www.oteracapital.com.

INFRASTRUCTURE SUBSIDIARY

The infrastructure subsidiary established in 2015, CDPQ Infra, aims to effectively and efficiently carry out major public infrastructure projects.

Figure 45 presents its organizational structure. More information on CDPQ Infra's operations can be found at cdpqinfra.com.

FIGURE 44

ORGANIZATIONAL STRUCTURE – REAL ESTATE AND REAL ESTATE DEBT SUBSIDIARIES
(as at December 31, 2021)

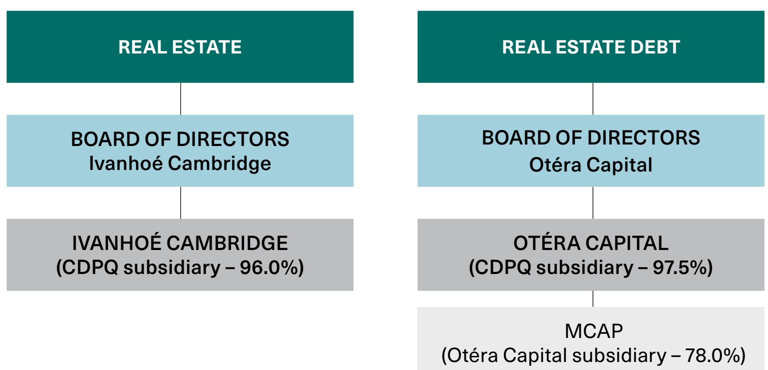
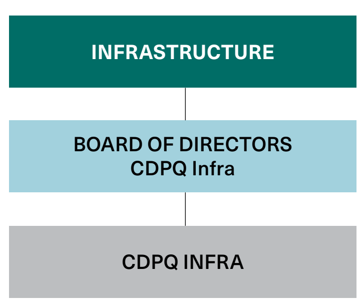


FIGURE 45

ORGANIZATIONAL STRUCTURE – INFRASTRUCTURE SUBSIDIARY
(as at December 31, 2021)



Executive Committee

MAXIME AUCOIN
Executive Vice-President
and Head of Total Portfolio

HELEN BECK
Executive Vice-President
and Head of Equity Markets

CLAUDE BERGERON
Chief Risk Officer
and Head of Depositor Relationships

MARC-ANDRÉ BLANCHARD
Executive Vice-President
and Head of CDPQ Global
and Global Head of Sustainability[1]

ANI CASTONGUAY
Executive Vice-President
Public Affairs

MARTIN COITEUX
Head of Economic Analysis
and Global Strategy

MARC CORMIER
Executive Vice-President
and Head of Fixed Income

VINCENT DELISLE
Executive Vice-President
and Head of Liquid Markets

CHARLES EMOND
President and Chief Executive Officer

RANA GHORAYEB
President and Chief Executive Officer
Otéra Capital

ÈVE GIARD
Executive Vice-President
Talent and Performance

EMMANUEL JACLOT
Executive Vice-President
and Head of Infrastructure

MARTIN LAGUERRE
Executive Vice-President
and Head of Private Equity
and Capital Solutions
CDPQ US (New York)

MICHEL LALANDE
Executive Vice-President
Legal Affairs and Secretariat

NATHALIE PALLADITCHEFF
President and Chief Executive Officer
Ivanhoé Cambridge

MAARIKA PAUL
Executive Vice-President
and Chief Financial
and Operations Officer

ALEXANDRE SYNNETT
Executive Vice-President
and Chief Technology Officer

KIM THOMASSIN
Executive Vice-President
and Head of Québec[1]

The biographies of the members of the Executive Committee can be found on CDPQ's website at www.cdpq.com.

1. Sustainability, previously under the responsibility of Kim Thomassin, has been led by Marc-André Blanchard since January 2022.

Sustainable Development Report

2021 Sustainable Development Report

In 2021, CDPQ published its Sustainable Development Action Plan (SDAP), which is structured around three strategic orientations to guide our sustainable investing commitments and targets throughout the organization.

CDPQ implemented numerous commitments that resulted in positive and sustainable social and environmental changes. This report presents a summary of these actions.

Orientation 1 – Align our investments to support the transition to a sustainable, low-carbon economy

Objective	2021 Target
Reduce the carbon intensity of our portfolio	Reduce our carbon intensity per dollar invested by 25% between 2017 and 2025

Our first climate strategy, rolled out in 2017, positioned us as a leader in the fight against climate change. We set ambitious targets for ourselves to be able to act quickly and in a structured way, and we have far exceeded those objectives.

In 2021, using 2017 as a starting point, we reduced the carbon intensity of our portfolio by 49%, exceeding our target for 2025 of a 25% reduction. In September 2021, to renew our ambition, we launched a new climate strategy based on four essential and complementary pillars to meet the major challenges of the transition. We are now targeting a 60% reduction in carbon intensity by 2030 compared to 2017, to achieve our goal of a net-zero portfolio by 2050.

Objective	2021 Target
Raise awareness in our portfolio companies on integrating ESG factors	Include ESG analysis in our investment activities

ESG issues are on the minds of a growing number of stakeholders and have a significant impact on companies' long-term growth. ESG analysis improves our investment teams' decision-making and limits the risks associated with a transaction. As such, all our actively managed investments, regardless of their asset class, are subject to ESG analysis. This year, our teams conducted 505 ESG analyses.

Objective	2021 Target
Consider ESG factors when exercising our voting rights	Deploy our new shareholder voting policy

Shareholder voting is one of our major levers in the governance of our portfolio companies. We use it at shareholder meetings in accordance with the principles described in our Policy Governing the Exercise of Voting Rights of Public Companies.

In 2020, we revised this policy to include new elements on equity, diversity and inclusion (EDI), and to strengthen our position on climate issues. For example, in 2021, during the proxy voting season, we paid particular attention to climate change-related disclosure, asking for more transparency from companies. We also emphasized social issues, such as EDI, to encourage disclosure and more diversity in companies.

In 2021, we voted on 57,008 proposals at 5,762 shareholder meetings held across all of our equity market holdings.

We also participated in several international initiatives, and continued our work with the Investor Leadership Network and the Net-Zero Alliance to promote sustainable investing.

Orientation 2 – Promote equity, diversity and inclusion in our activities and our work environment

Objective	2021 Target
Update our internal policies regarding our commitments to equity, diversity and inclusion	Adopt our new Workplace Equity, Diversity and Inclusion Policy and communicate it internally Have women represent at least 30% of the Executive Committee

In 2021, we adopted a new Workplace Equity, Diversity and Inclusion Policy to guide our actions and initiatives. It explains, among other things, our recruitment priorities. We pay close attention to the composition of our selection committees, which must include at least one person from a diverse background. Moreover, our Action Plan for Persons with Disabilities has been enhanced to outline measures implemented and those planned to reduce barriers to inclusion.

We also created a specific committee to deal with EDI matters, which includes sector representatives as well as representatives from each of our subsidiaries, in order to share current initiatives and exchange best practices.

We firmly believe that EDI contributes to reaching our business objectives and to the development of our people as well as the building of strong and sustainable societies. Our Executive Committee, whose share of women reached 39% in 2021, reflects these convictions.

Objective	2021 Target
Encourage equity, diversity and inclusion in our portfolio companies	Have women represent at least 30% of the Boards of Directors of our public portfolio companies by 2022 Have women represent at least 30% of CDPQ's nominee directors by 2023

Because a culture based on EDI creates value for communities, we actively encourage our portfolio companies and partners to increase the representation and inclusion of women and ethno-cultural minorities at all levels.

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

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

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

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

Orientation 3 – Apply best practices and make our employees ambassadors of our sustainable development commitments

Objective	2021 Target
Inform employees of our sustainable development commitments and targets	Adopt an awareness plan for our various commitments under the SDAP

Following the release of the 2021 SDAP, the internal communications team developed a communications plan to educate staff on sustainability best practices, with the goal of:

- Fostering EDI in our activities and our work environment
- Supporting the development and overall health of our people by informing them about the various resources available to them
- Implementing and disseminating the master plan for the REM art program
- Raising employee awareness on the environmental impacts of using technology

Thanks to this plan, more than 40 articles have been published on the intranet, and a section dedicated to sustainable development has been created.

Objective	2021 Target
Maintain best practices in terms of well-being at work	Communicate with employees at least four times per year and provide resources to ensure their well-being

Over 20 communications were sent to our staff highlighting the best health and wellness resources available to them, including on mental and physical health and professional development.

Objective	2021 Target
Support the development of our employees' skills	Offer training to employees

In order to meet the needs of our people, CDPQ has set up the Faculty, a centre of expertise and development that offers relevant training. In 2021, our in-house training included technology (309 participants) and finance (168 participants). Many of our talents also focused on soft skills, such as communication, negotiation and leadership (127 participants).

Our subsidiaries also offered training on topics such as psychological harassment prevention, psychological health in the workplace, continuous improvement and unconscious bias.

Objective	2021 Target
Apply best environmental management practices for buildings	Ensure that 100% of buildings owned and managed by Ivanhoé Cambridge have environmental or wellness certification

In 2021, 100% of buildings owned and managed by Ivanhoé Cambridge had environmental or wellness certification.

Objective	2021 Target
Move toward zero waste in all our buildings	Achieve a waste reclamation rate of at least 63% in buildings owned and managed by Ivanhoé Cambridge Redistribute or recycle 100% of outdated computer equipment

In 2021, the waste reclamation rate for buildings owned and managed by Ivanhoé Cambridge was 61%.

In 2021, 100% of obsolete computer equipment was redistributed to two social reintegration organizations specializing in equipment recycling: Insertech Angus and Entreprise-École RECYPRO d'Argenteuil.

Objective	2021 Target
Evaluate technological risk and capitalize on opportunities to improve the maturity of our portfolio companies	Monitor technological risk across all CDPQ assets

Technology plays a central role in an organization's overall activities. The pandemic accelerated the digital shift already underway in companies and communities, and this greater connectivity is causing an increase in technology risks. The assessment of these risks is included in all our investment decisions. In 2021, our teams performed 398 technology risk analyses, including related to 172 transactions.

Objective	2021 Target
Roll out our cultural action plan	Adopt an integrated artwork policy for CDPQ and our subsidiaries Implement and promote the master plan for the REM art program

In order to contribute to the promotion of Quebec's heritage, CDPQ has developed an integrated policy on works of art, which was approved by management and our subsidiaries at the end of 2021 and by the Board of Directors in February 2022. The policy aims to:

- Define a clear vision for the program
- Establish a rigorous framework for acquiring, managing and conserving the art collection of CDPQ and our subsidiaries
- Determine the roles and responsibilities of the people and bodies involved

The REM Public Art Master Plan, including the UniR public art program, was launched in May 2021. Its objective: to exhibit works of art embodying a collective, diverse and inclusive imagination in various REM stations to connect with people, while contributing to Québec's cultural heritage.

Objective	2021 Target
Raise employee awareness on the environmental impacts of using technology	Adopt a plan to raise awareness on the environmental impacts of using technology

In 2021, an outreach plan was developed in collaboration with our technology teams to educate staff on best practices. To that end, we published two articles on the CDPQ intranet on computer recycling and on the optimal use of equipment.

OUR IMPACT IN THE COMMUNITY

CDPQ financially supported 110 organizations working in our priority philanthropic sectors. This approach maximized the impact of our support in a challenging environment for community organizations. We proactively contacted potential partners to develop partnerships across Quebec.

Centraide

Thanks to our staff's mobilization and CDPQ's support, the annual campaign, co-chaired by Alexandre Synnett, Executive Vice-President and Chief Technology Officer, and Martin Laguerre, Executive Vice-President and Head of Private Equity and Capital Solutions, raised a record $1,073,526 for Centraide of Greater Montreal. These funds will support a network of nearly 350 community organizations.

Research support

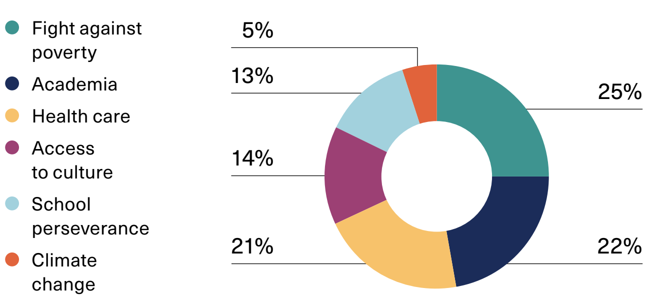
In order to contribute to research efforts on COVID-19, CDPQ has entered into partnerships to support Québec research teams. We support the efforts of the Montreal Clinical Research Institute and its post-COVID-19 clinic, which aims to study the after-effects of the disease. We are also assisting the Jewish General Hospital Foundation in the creation of the Centre of Excellence in Infectious Diseases, which will conduct further research in the areas of antibiotics, vaccines, infection prevention and rapid and molecular diagnosis.

IVANHOÉ CAMBRIDGE

Our subsidiary Ivanhoé Cambridge also supports community organizations through its philanthropic commitment. In 2021, it continued to support non-profit organizations in its priority areas of intervention while developing new partnerships.

FIGURE 46

ALLOCATION OF CDPQ'S SUPPORT IN 2021



Financial Report

Change in Assets

NET ASSETS ATTRIBUTABLE TO DEPOSITORS

Net assets attributable to depositors grew from $270.7 billion as at December 31, 2016, to $419.8 billion as at December 31, 2021, an increase of $149.1 billion over five years. This growth was primarily due to investment results of $141.0 billion, in addition to depositors' net contributions of $8.1 billion (see Table 50, page 135).

During 2021, net assets attributable to depositors increased by $54.3 billion to $419.8 billion, compared to $365.5 billion as at December 31, 2020. This increase was due to $48.7 billion of investment results and $5.6 billion in depositors' net contributions.

TOTAL ASSETS

As at December 31, 2021, total assets reached $472.4 billion, compared to $412.1 billion at the end of 2020 (see Table 47). The $60.3-billion increase was due to the reinvestment of investment income and net gains realized on financial instruments at fair value. The liabilities to total assets ratio was stable at 11% as at December 31, 2021 and 2020. CDPQ's liabilities consist primarily of amounts payable on transactions being settled, securities sold under repurchase agreements, securities sold short and the financing programs issued by our subsidiary CDP Financial, which are used to finance investments.

ASSETS UNDER MANAGEMENT AND ASSETS UNDER ADMINISTRATION

CDPQ and its subsidiaries administer and manage assets entrusted to them by clients and on their behalf. These assets are not included in CDPQ's Consolidated Statements of Financial Position. CDPQ and its subsidiaries receive fees in return for such portfolio management services and administrative services, which include the administration of real estate properties and transferred mortgages.

As at December 31, 2021, CDPQ's assets under management and assets under administration totalled $160.4 billion, up $33.3 billion from one year earlier (see Table 48).

This growth came primarily from the portfolio administered by MCAP, a subsidiary of Otéra Capital. This company administers $139.1 billion of Canadian residential, commercial and construction mortgages.

TABLE 47

FINANCIAL INFORMATION –
FINANCIAL POSITION
(as at December 31 – in millions of dollars)

	2021	2020
ASSETS		
Investments	**466,157**	405,978
Other assets	**6,209**	6,115
Total assets	**472,366**	412,093
LIABILITIES		
Investment liabilities	**47,287**	42,106
Other liabilities	**5,282**	4,495
Total liabilities	**52,569**	46,601
Net assets	**419,797**	365,492

TABLE 48

FINANCIAL INFORMATION –
TOTAL ASSETS UNDER MANAGEMENT
(as at December 31 – in millions of dollars)

	2021	2020
Total assets	**472,366**	412,093
Assets under management	**19,413**	19,603
Assets under administration	**141,021**	107,493
Assets under management and assets under administration	**160,434**	127,096
Total assets under management	**632,800**	539,189

INVESTMENT RESULTS

Over five years, investment results amounted to $141.0 billion. The Equities asset class contributed the most, generating results of $105.1 billion, including $56.4 billion from the Equity Markets portfolio and $48.7 billion from the Private Equity portfolio. The Fixed Income and Real Assets asset classes also contributed $21.5 billion and $14.4 billion, respectively.

The contribution by asset class to the $48.7 billion in investment results (see Table 49) for 2021 is mainly as follows: Equities at $40.5 billion; Real Assets at $10.0 billion and Fixed Income at -$0.5 billion.

NET CONTRIBUTIONS BY DEPOSITORS

As at December 31, 2021, depositors' net contributions totalled $5.6 billion, mainly due to net contributions of $4.0 billion by the Québec Pension Plan and $2.5 billion by the Government of Québec's Generations Fund, offset by net withdrawals of $1.2 billion by the Government and Public Employees Retirement Plan.

TABLE 49

FINANCIAL INFORMATION – INVESTMENT RESULTS

(for the period ended December 31 – in millions of dollars)

	2021	2020
Net investment income	12,292	8,895
Operating expenses	(718)	(609)
Net income	**11,574**	8,286
Net gains on financial instruments at fair value	**37,155**	16,465
Investment results	**48,729**	24,751

TABLE 50

FINANCIAL INFORMATION – SUMMARY OF CHANGES IN NET ASSETS

(for the period from 2017 to 2021 – in billions of dollars)

	2021	2020	2019	2018	2017	5 years
Net assets, beginning of year	**365.5**	340.1	309.5	298.5	270.7	**270.7**
Investment results	**48.7**	24.8	31.1	11.8	24.6	**141.0**
Net contributions (net withdrawals) by depositors	**5.6**	0.6	(0.5)	(0.8)	3.2	**8.1**
Net assets, end of year	**419.8**	365.5	340.1	309.5	298.5	**419.8**

Cost Management

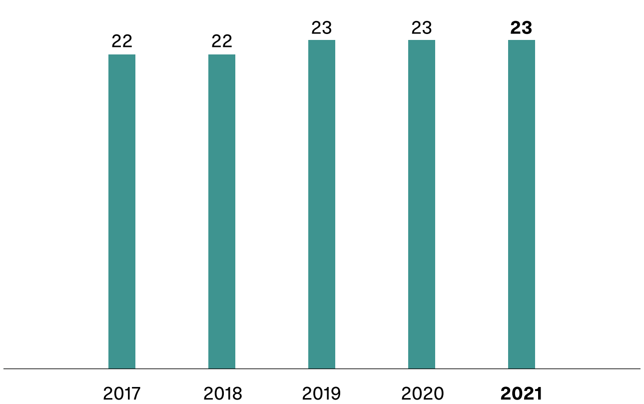
To optimize its risk-return profile, CDPQ seeks to diversify its portfolio through exposure to a wide range of asset classes, markets and strategies. The vast majority of its investments are managed internally, but for certain specific activities, forming a team is not an optimal strategy.

Sometimes CDPQ seeks cutting-edge expertise in a sector or in-depth knowledge in a region where it is less present. We may also seek access to quality co-investment opportunities that offer potential investments at a reduced or no cost, which would otherwise not be available or that complement our strategies. It may therefore be advantageous to partner with external managers that meet these criteria and share our investment philosophy, as well as demonstrate strong management and execution capabilities.

The decision to carry out activities internally or use external managers is based on an in-depth analysis of various options to identify the best way to achieve our business objectives, while managing the related costs in an optimal manner.

FIGURE 51

OPERATING EXPENSES AND EXTERNAL MANAGEMENT FEES - EQUITY MARKETS EXPRESSED PER $100 OF DEPOSITORS' AVERAGE NET ASSETS
(for periods ended December 31 – in cents)



COSTS BY EXPENSE TYPE

CDPQ seeks to optimize its costs in comparison to other institutional fund managers of similar size engaged in similar activities.

The costs generated by our activities can be broken down into the following categories:

1. Operating expenses
2. External management fees – Equity Markets
3. External management fees – Private Markets and other funds
4. Transaction costs

The costs presented, which include all costs paid, are expressed in dollars and cents per $100 of average net assets (basis points). This allows for better comparisons with previous years due to changes in asset size. Such costs have always been included in the financial results, and are now presented globally in this section.

In 2021, CDPQ's operating expenses and external management fees for Equity Markets stood at $892 million. This amount represents 23 basis points (see Figure 51), the same level as 2019 and 2020. It should be noted that this figure compares favourably with that for the industry.

1. OPERATING EXPENSES

Operating expenses represent portfolio management and administration costs and costs incurred for internally managed investments. For 2021, they were $718 million, or 18 basis points. As shown in Table 52, on page 138, they have been stable compared to 2020, when they were also 18 basis points. This is due to rigorous cost management and the growth in net assets as a result of CDPQ's excellent performance.

2. EXTERNAL MANAGEMENT FEES – EQUITY MARKETS

The external management fees for Equity Markets totalled $174 million in 2021, or 5 basis points, the same level as in 2020. The increase in dollars stems mainly from an increase in the value of the investments entrusted to the external managers that manage CDPQ's securities. In the last few years, CDPQ has implemented an investment strategy that has emphasized globalization, and this has led us to find complements to our internal expertise in some markets.

3. EXTERNAL MANAGEMENT FEES – PRIVATE MARKETS AND OTHER FUNDS

CDPQ invests in funds offered by high-level external managers, allowing for the geographical diversification of activities and expanding the investment pool into niche areas. The fees related to these funds are of two types:

- Management fees, which are calculated on the amount of assets held by the fund
- Performance fees, which are incentives payable when the returns generated exceed a target rate of return, thereby ensuring that the interests of the manager and CDPQ are aligned

These costs, consisting of the management fees and performance fees paid, are among the items deducted from the fair value of the funds and are included in the organization's investment results.

For 2021, the external management fees for Private Markets and other funds totalled $999 million, representing 26 basis points. The one-year increase was essentially due to having deployed more capital over the last few years as well as to the exceptional performance of the external managers in Private Markets and other funds, including in Private Equity.

SIGNIFICANT CONTRIBUTION TO THE PERFORMANCE OF ASSETS IN PRIVATE MARKETS AND OTHER FUNDS

CDPQ uses external managers to achieve strategic orientations, which require an agile deployment of capital to implement certain active management strategies. These activities are intended as a complement to those of the internal teams. External managers are selected through a rigorous process that includes performing a complete due diligence review and negotiating management and performance fees.

Manager performance is regularly assessed to ensure that performance objectives are achieved while minimizing the costs to the organization. Performance fees are payable only when managers perform better than a target return set by CDPQ. These fees are significant incentives for ensuring superior returns and producing value added.

4. TRANSACTION COSTS

Transaction costs are attributable to the acquisition, sale and issuance of financial instruments. They include:

- Financial, legal, tax and ESG due diligence costs
- Fees and commissions paid to consultants and external financial institutions
- Brokerage fees and amounts levied by regulatory agencies
- Transfer duties and taxes

These costs may vary from one year to the next based on the amount of capital deployed and the complexity of the transactions. In 2021, they totalled $306 million, or 8 basis points, compared to 6 basis points in 2020.

EXPENSE RATIO

For the year ended December 31, 2021, the internal and external management costs of the investments detailed above totalled $2.197 billion, representing 57 basis points. The one-year increase was mainly due to the high volume of transactions and an increase in the performance fees paid on externally managed investments, during a year in which CDPQ generated its best absolute and relative returns since 2010. As mentioned previously, operating expenses and external management fees for Equity Markets remained stable compared to the two previous years.

Table 52 presents the expense ratio and each of its components.

OPERATIONAL EFFICIENCY

CDPQ periodically reviews its business processes and maintains tight control over costs. It seeks to manage them as efficiently as possible in order to generate optimal returns.

For many years, CDPQ has taken part in work to benchmark its costs by asset class. Annual benchmarking conducted with CEM Benchmarking, an independent provider of cost and performance benchmarking information for pension funds and other institutional asset managers around the world, has confirmed that CDPQ ranks favourably among its peers.

TABLE 52

EXPENSE RATIO
(as at December 31)

Expense category		2021		2020
	$M	**BPS[1]**	M$	BPS[1]
Operating expenses				
Management and administration of CDPQ portfolios	**718**	**18**	609	18
External management fees – Equity Markets				
Base and performance fees	**174**	**5**	148	5
Subtotal	**892**	**23**	757	23
External management fees – Private Markets and other funds				
Base and performance fees paid and deducted from the fair value of funds	**999**	**26**	647	20
Transaction fees				
Acquisition, sale and issuance of financial instruments	**306**	**8**	216	6
Total	**2,197**	**57**	1,620	49

1. Expenses presented in basis points represent costs paid expressed in cents per $100 of average net assets.

CDP Financial

CDP Financial is a wholly owned subsidiary of CDPQ. Its transactions are designed to optimize the cost of financing the operations of CDPQ and its subsidiaries, to diversify their sources of financing and to match financed assets in terms of their exposure to currencies and interest rates. To achieve its objectives, it has various financing programs on the local and international institutional markets it uses for short-, medium- and long-term borrowing.

SHORT-TERM BORROWING

As at December 31, 2021, short-term financing totalled $9.7 billion, with $0.7 billion denominated in Canadian dollars and $7.2 billion denominated in U.S. dollars.

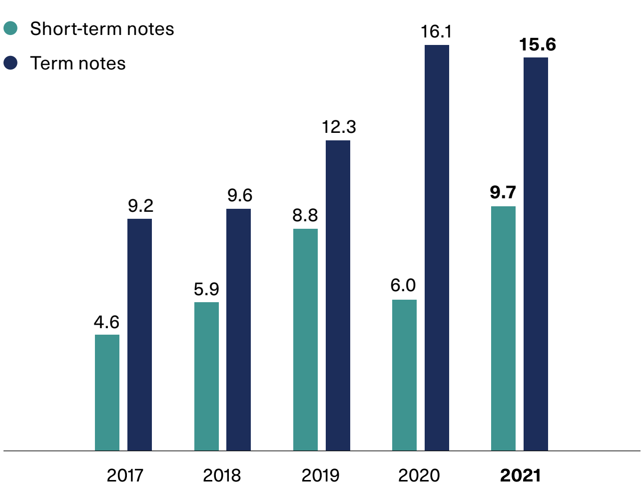
TERM BORROWING

As at December 31, 2021, the fair value of CDP Financial's outstanding term notes totalled $15.6 billion, compared to $16.1 billion at the end of 2020 (see Figure 53). This slight change was mainly attributable to a decline in market value as a result of rising interest rates. The maturing of a US$2 billion note was offset by the issuance of two new notes (US$1 billion and CA$1.25 billion).

In May 2021, CDPQ launched its new green bond program, accompanied by its first issue of US$1 billion. In accordance with its climate change commitments, CDPQ implemented a framework that follows best practices and the Green Bond Principles developed by the International Capital Market Association (ICMA).

FIGURE 53

BREAKDOWN OF BORROWINGS – CDP FINANCIAL
(fair market value as at December 31 – in billions of dollars)



The proceeds of the issues will be allocated to a selection of sustainable investments, such as renewable energies, green transportation and energy efficiency.

CREDIT FACILITY

During the year ended December 31, 2021, CDP Financial renewed a credit facility with an authorized maximum amount of US$4 billion with a banking syndicate formed of ten financial institutions. This credit facility is fully guaranteed, unconditionally and irrevocably, by CDPQ. No amount was drawn on this credit facility during the year.

BREAKDOWN BY CURRENCY

As at December 31, 2021, the financing can be broken down as follows: Debt instruments denominated in U.S. dollars represented 92%, while 8% were denominated in Canadian dollars.

HIGHEST CREDIT RATINGS REAFFIRMED

Dominion Bond Rating Services (DBRS), Fitch Ratings (Fitch), Moody's Investors Service (Moody's) and Standard & Poor's (S&P) reaffirmed their investment-grade credit ratings with a stable outlook in 2021 (see Table 54). The credit ratings of CDP Financial and CDPQ were published in June, July and September 2021.

TABLE 54

CREDIT RATINGS

	Short-term	Long-term
DBRS	R-1 (high)	AAA
Fitch	F1+	AAA
Moody's	Prime-1	Aaa
S&P	A-1+ A-1 (high)	AAA

Significant Accounting Policies

CDPQ's consolidated financial statements include the accounts of the General Fund, of the individual funds, and of the specialized portfolios as well as the accounts of our subsidiaries that exclusively offer services related to financing, administrative and management activities. Net assets attributable to depositors presented in the Consolidated Statements of Financial Position reflect the combined net value of the accounts of each of the depositors of CDPQ. Note 2 to the Audited Consolidated Financial Statements as at December 31, 2021 and 2020 describes the significant accounting policies used by CDPQ.

FINANCIAL REPORTING

CDPQ's consolidated financial statements are prepared in accordance with the prevailing accounting standards, namely International Financial Reporting Standards (IFRS), as stipulated in the Act respecting CDPQ.

EXTERNAL AUDIT

In accordance with the Act respecting CDPQ, the co-auditors audited all of CDPQ's accounting records and issued an unqualified independent auditors' report for each of the 74 financial statements.

Significant IFRS accounting standards applicable to the consolidated financial statements of CDPQ

Investment entities

Under IFRS 10 – *Consolidated Financial Statements*, the subsidiaries that constitute an investment for an investment entity must be presented and measured at fair value. CDPQ, which is qualified as an investment entity, does not consolidate its subsidiaries, particularly its real estate, real estate debt, private equity, infrastructure, fixed income, hedge fund and equity markets subsidiaries. Valuation of these investments is based on a corporate valuation technique in accordance with IFRS.

Fair value measurement

IFRS 13 – *Fair Value Measurement* provides a single source of guidelines for all fair value measurements. Fair value is defined as the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The main techniques for measuring investments, including measuring CDPQ's non-consolidated subsidiaries, are described in Note 6 to the Consolidated Financial Statements on page 163.

Impact of COVID-19 on judgments, estimates and assumptions

The pandemic declared by the World Health Organization in 2020 continues to disrupt global economic activity and create high levels of uncertainty and volatility in financial and stock markets. Although the techniques for measuring the fair value of financial instruments have remained the same, the main estimates and assumptions, as well as the analysis and management of risks, take into account the pandemic-related uncertainties and factors known to date. This allows us to provide our best estimate of the impact of the pandemic on the fair value of these financial instruments. CDPQ's best estimates are reflected in the results presented. CDPQ continues to monitor the evolution of the pandemic and its impact.

Financial measures

As part of issuing certain information included in the Annual Report, CDPQ uses and presents both measures in accordance with IFRS and other non-IFRS financial measures. CDPQ is of the opinion that these measures provide relevant information, complementary to the analysis of its financial reporting (see General Notes 3 and 6 on page 199).

Adoption of new IFRS

In August 2020, the International Accounting Standards Board (IASB) issued amendments to certain IFRS to include changes related to interest rate benchmark reform, which became effective on January 1, 2021. The changes provide for additional disclosure requirements in connection with the replacement of interbank offered rates (IBORs) with new benchmark interest rates. Adoption of the amendments has no impact on the consolidated financial statements.

Fair Value Measurement

FAIR VALUE MEASUREMENT POLICY

Investment valuation is a process whereby a fair value is assigned to each of CDPQ's investments with a view to preparing the consolidated financial statements. Measurement of investments at fair value is performed periodically in accordance with CDPQ's Investment Valuation Policy, which is approved by the Board of Directors. This general policy is further supported by the valuation directive applicable to private investments and the protocols that stipulate the valuation process and methodology for each type of investment. The policy and directive also establish governance for the valuation and reporting process. Application of the policy is the responsibility of the Valuation Committee, which reports to the Executive Committee and is supported by a valuation team. The Valuation Committee approves compliance with the policy and the fair value of CDPQ's investments semiannually. Accordingly, the Valuation Committee recommends these fair values to the Audit Committee. The policy complies with the standards and practices of Canadian and international valuation bodies and demonstrates a rigorous governance framework for financial instrument valuation processes.

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

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

The co-auditors have access to all valuation files as part of the audit of the year-end consolidated financial statements.

CONCEPTUAL FRAMEWORK

IFRS define fair value and provide guidelines on measurement and disclosures related to fair value. Entities are required to maximize the use of relevant observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair value must be established by assuming that the investments are available for sale, that is, that the fair value of investments corresponds to an exit price at the date of the financial statements. The purpose of the accounting standards is to define a single conceptual framework that can be used in all situations requiring fair value measurement.

CDPQ considers that IFRS constitute a coherent framework for fair value measurement. Nevertheless, these standards do not take into account the fact that, in accordance with the very long-term investment horizon adopted by our main depositors, CDPQ has the means and intends to hold certain investments until their optimal value is attained.

As such, the fair value established as at December 31, 2021 for investments in liquid and less-liquid markets reflects the general volatility of the financial markets, and this may differ from the economic value of long-term investments.

Note 6 to the Consolidated Financial Statements, on page 163, describes the fair value measurement techniques.

Consolidated Financial Statements

Management's Responsibility for Consolidated Financial Reporting

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

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

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

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

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

The Auditor General of Québec and Ernst & Young LLP (the "co-auditors") have audited the consolidated financial statements of CDPQ for the years ended December 31, 2021 and 2020 and their report covers the nature and scope of the audit and expresses their opinion. The co-auditors have unrestricted access to the Audit Committee to discuss any matter related to their audit.

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

The Board of Directors approved the consolidated financial statements for the years ended December 31, 2021 and 2020. It is assisted in its responsibilities by the Audit Committee, of which all members are independent directors. This Committee meets with management and the co-auditors, examines the consolidated financial statements, and recommends the approval thereof to the Board of Directors.

CHARLES EMOND

President and Chief Executive Officer

Montréal, February 22, 2022

MAARIKA PAUL, FCPA, FCA, CBV, ICD.D

Executive Vice-President
and Chief Financial and Operations Officer

Independent Auditors' Report

To the National Assembly

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of la Caisse de dépôt et placement du Québec and its subsidiaries (the Group), which comprise the Consolidated Statements of Financial Position as at December 31, 2021 and 2020 and the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Changes in Net Assets Attributable to Depositors and the Consolidated Statements of Cash Flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020 and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Other Information

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

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

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

The 2021 Annual Report is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on the 2021 Annual Report, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

Independent Auditors' Report

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

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

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

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

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

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

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

Auditor General of Québec,

Guylaine Leclerc FCPA Auditor, FCA

Guylaine Leclerc, FCPA auditor, FCA
Canada, Montréal, February 22, 2022

Ernst & Young LLP[1]

Ernst & Young LLP

[1] FCPA auditor, FCA, public accountancy permit no. A114960
Canada, Montréal, February 22, 2022

Consolidated Statements of Financial Position

(in millions of Canadian dollars)	**December 31, 2021**	December 31, 2020
ASSETS		
Cash	**1,073**	1,021
Amounts receivable from transactions being settled	**2,213**	3,116
Advances to depositors	**1,011**	281
Investment income, accrued and receivable	**949**	1,109
Other assets	**963**	588
Investments *(Note 4)*	**466,157**	405,978
Total assets	**472,366**	412,093
LIABILITIES		
Amounts payable on transactions being settled	**3,443**	3,290
Other financial liabilities	**1,839**	1,205
Investment liabilities *(Note 4)*	**47,287**	42,106
Total liabilities excluding net assets attributable to depositors	**52,569**	46,601
Net assets attributable to depositors	**419,797**	365,492

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

On behalf of the Board of Directors,

CHARLES EMOND

President and Chief Executive Officer

ALAIN CÔTÉ, ICD.D, FCPA, FCA

Chair of the Audit Committee

Consolidated Statements of Comprehensive Income

For the years ended December 31

(in millions of Canadian dollars)	**2021**	2020
Investment income	**12,797**	9,548
Investment expense	**(505)**	(653)
Net investment income *(Note 8)*	**12,292**	8,895
Operating expenses *(Note 9)*	**(718)**	(609)
Net income	**11,574**	8,286
Net gains on financial instruments at fair value *(Note 8)*	**37,155**	16,465
Investment result before distributions to depositors *(Note 8)*	**48,729**	24,751
Distributions to depositors	**(21,870)**	(15,994)
Net income and comprehensive income attributable to depositors	**26,859**	8,757

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

Consolidated Statements of Changes in Net Assets Attributable to Depositors

For the years ended December 31

(in millions of Canadian dollars)	Demand deposits	Term deposits	Distributions payable to depositors	Participation deposits	Net assets attributable to depositors
Balance as at December 31, 2019	406	6	2,961	336,736	340,109
Attributions and distributions					
Net income and comprehensive income attributable to depositors	–	–	–	8,757	8,757
Distributions to depositors	16,302	–	(308)	–	15,994
Participation deposits					
Issuance of participation deposit units	(14,969)	–	–	14,969	–
Cancellation of participation deposit units	1,672	–	–	(1,672)	–
Net deposits					
Net change in term deposits	(1)	1	–	–	–
Net contributions	632	–	–	–	632
BALANCE AS AT DECEMBER 31, 2020	4,042	7	2,653	358,790	365,492
Attributions and distributions					
Net income and comprehensive income attributable to depositors	**–**	**–**	**–**	**26,859**	**26,859**
Distributions to depositors	**22,684**	**–**	**(814)**	**–**	**21,870**
Participation deposits					
Issuance of participation deposit units	**(32,463)**	**–**	**–**	**32,463**	**–**
Cancellation of participation deposit units	**943**	**–**	**–**	**(943)**	**–**
Net deposits					
Net contributions	**5,576**	**–**	**–**	**–**	**5,576**
BALANCE AS AT DECEMBER 31, 2021	**782**	**7**	**1,839**	**417,169**	**419,797**

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

Consolidated Statements of Cash Flows

For the years ended December 31

(in millions of Canadian dollars)	**2021**	2020
Cash flows from operating activities		
Net income and comprehensive income attributable to depositors	**26,859**	8,757
Adjustments for:		
Unrealized net (gains) losses on short-term promissory notes, term notes and loans payable	**(372)**	291
Foreign exchange (gains) losses on short-term promissory notes, term notes and loans payable	**164**	(642)
Distributions to depositors	**21,870**	15,994
Net changes in operating assets and liabilities		
Amounts receivable from transactions being settled	**903**	3,107
Advances to depositors	**(730)**	679
Investment income, accrued and receivable	**160**	282
Other assets	**(375)**	(4)
Investments	**(60,066)**	(22,250)
Amounts payable on transactions being settled	**153**	1,753
Other financial liabilities	**634**	62
Investment liabilities	**2,686**	(9,268)
	(8,114)	(1,239)
Cash flows from financing activities		
Net change in short-term promissory notes payable	**2,988**	(2,697)
Issuance of short-term promissory notes payable	**10,359**	9,739
Repayment of short-term promissory notes payable	**(9,927)**	(9,738)
Net change in loans payable	**(740)**	573
Issuance of term notes payable	**2,452**	6,166
Repayment of term notes payable	**(2,429)**	(2,148)
Net contributions	**5,576**	632
	8,279	2,527
Net increase in cash and cash equivalents	**165**	1,288
Cash and cash equivalents at the beginning of the year	**2,410**	1,122
Cash and cash equivalents at the end of the year	**2,575**	2,410
Cash and cash equivalents comprise:		
Cash	**1,073**	1,021
Cash equivalents *(Note 4)*	**1,502**	1,389
	2,575	2,410
Supplemental information on cash flows from operating activities		
Interest and dividends received	**8,456**	9,589
Interest paid	**(396)**	(622)

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

Notes to the Consolidated Financial Statements

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

01
CONSTITUTION AND NATURE OF OPERATIONS

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS

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

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

GENERAL FUND

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

INDIVIDUAL FUNDS

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

The individual funds of depositors are as follows:

Fund 300: Base Québec Pension Plan administered by Retraite Québec

Fund 301: Government and Public Employees Retirement Plan, administered by Retraite Québec

Fund 302: Pension Plan of Management Personnel, administered by Retraite Québec

Fund 303: Pension Plan for Federal Employees Transferred to Employment with the Gouvernement du Québec, administered by Retraite Québec

Fund 305: Pension Plan of Elected Municipal Officers (PPEMO), administered by Retraite Québec

Fund 306: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Volet à prestations déterminées, administered by the Comité de retraite

Fund 307: Fonds d'assurance automobile du Québec, administered by the Société de l'assurance automobile du Québec

Fund 309: Fonds des opérations courantes de l'autorité, administered by the Autorité des marchés financiers (created on July 1, 2021)

Fund 310: Régime de retraite des chauffeurs d'autobus de la Société de transport de Laval, administered by the Comité de retraite

Fund 311: Supplemental Pension Plan for Employees of the Québec Construction Industry – General Account, administered by the Commission de la construction du Québec

Fund 312: Supplemental Pension Plan for Employees of the Québec Construction Industry – Retirees Account, administered by the Commission de la construction du Québec

Fund 313: Supplemental Pension Plan for Employees of the Québec Construction Industry – Supplementary Account, administered by the Commission de la construction du Québec

Fund 314: Deposit Insurance Fund, administered by the Autorité des marchés financiers

Fund 315: Dedicated account, administered by La Financière agricole du Québec

CONSTITUTION AND NATURE OF OPERATIONS

INDIVIDUAL FUNDS (continued)

Fund 316: Retirement Plans Sinking Fund – RREGOP (RPSF-RREGOP), administered by the ministère des Finances, Government of Québec

Fund 317: Retirement Plans Sinking Fund – PPMP (RPSF-PPMP), administered by the ministère des Finances, Government of Québec

Fund 318: Retirement Plans Sinking Fund – Others (RPSF-Others), administered by the ministère des Finances, Government of Québec

Fund 319: Régimes de retraite de la Société des casinos du Québec, administered by the Société des casinos du Québec Inc. (created on January 1, 2021)

Fund 322: Régime de retraite HEC, administered by HEC Montréal (created on July 1, 2021)

Fund 326: Crop Insurance Fund, administered by La Financière agricole du Québec

Fund 328: Survivor's Pension Plan, administered by the Secrétariat du Conseil du trésor

Fund 329: Fonds d'assurance-garantie, administered by la Régie des marchés agricoles et alimentaires du Québec

Fund 330: Fonds de la santé et de la sécurité du travail, administered by the Commission des normes, de l'équité, de la santé et de la sécurité du travail

Fund 331: Régime de retraite des employés du Réseau de transport de la Capitale, administered by the Comité de retraite

Fund 332: Fonds des cautionnements des agents de voyages – cautionnements individuels, administered by the Office de la protection du consommateur

Fund 333: Compensation Fund for Customers of Travel Agents, administered by the Office de la protection du consommateur

Fund 334: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Volet à coût partagé, administered by the Comité de retraite

Fund 335: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2020, administered by the Comité de retraite

Fund 336: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2030, administered by the Comité de retraite

Fund 337: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2040, administered by the Comité de retraite

Fund 338: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2050, administered by the Comité de retraite

Fund 339: Fonds d'indemnisation des services financiers, administered by the Autorité des marchés financiers

Fund 340: Régimes de retraite de la Ville de Terrebonne, administered by the Comité de retraite conjoint des Régimes de retraite de la Ville de Terrebonne

Fund 342: Régime de retraite de l'Université du Québec, administered by the Comité de retraite du Régime de retraite de l'Université du Québec

Fund 343: Parental Insurance Fund administered by the Conseil de gestion de l'assurance parentale

Fund 344: Réserve administered by La Financière agricole du Québec

Fund 347: Régime de retraite du personnel des CPE et des garderies privées conventionnées du Québec, administered by the Investment Committee

Fund 351: Generations Fund, administered by the ministère des Finances, Government of Québec

Fund 353: Superannuation Plan for the Members of the Sûreté du Québec – Participants' Fund (SPMSQ-part.), administered by Retraite Québec

Fund 354: Superannuation Plan for the Members of the Sûreté du Québec – Employers' Fund (SPMSQ-empl.), administered by the ministère des Finances, Government of Québec

Fund 361: Pension Plan of the non-teaching Staff of the Commission des écoles catholiques de Montréal, administered by the Secrétariat du Conseil du trésor

Fund 362: Régime de retraite pour certains employés de la Commission scolaire de la Capitale, administered by the Secrétariat du Conseil du trésor

Fund 363: Régime de retraite des employés de la Ville de Laval, administered by the Comité de retraite

CONSTITUTION AND NATURE OF OPERATIONS

INDIVIDUAL FUNDS (continued)

Fund 367: Territorial Information Fund, administered by the ministère des Finances, Government of Québec

Fund 368: Strategic Partnerships Fund, administered by the Autorité des marchés financiers

Fund 369: Accumulated Sick Leave Fund, administered by the ministère des Finances, Government of Québec

Fund 371: Accumulated Sick Leave Fund – ARQ, administered by the Agence du revenu du Québec

Fund 372: Fonds commun de placement des régimes de retraite de l'Université Laval, administered by the Comités de retraite

Fund 373: Retirement Plan for Active Members of the Centre hospitalier Côte-des-Neiges, administered by Retraite Québec

Fund 374: Fiducie globale Ville de Magog, administered by the Comité de retraite mixte

Fund 376: Régime de retraite des employées et employés de la Ville de Sherbrooke, administered by the Comité de retraite des employées et employés de la Ville de Sherbrooke

Fund 378: Pension Plan of Peace Officers in Correctional Services – Employees' Contribution Fund administered by Retraite Québec

Fund 383: Régime complémentaire de retraite des employés réguliers de la Société de transport de Sherbrooke, administered by the Comité de retraite

Fund 384: Régime de retraite des cadres de la Ville de Québec, administered by the Bureau de la retraite

Fund 385: Régime de retraite des employés manuels de la Ville de Québec, administered by the Bureau de la retraite

Fund 386: Régime de retraite des fonctionnaires de la Ville de Québec, administered by the Bureau de la retraite

Fund 387: Régime de retraite du personnel professionnel de la Ville de Québec, administered by the Bureau de la retraite

Fund 388: Régime de retraite des policiers et policières de la Ville de Québec, administered by the Bureau de la retraite

Fund 389: Régime de retraite des pompiers de la Ville de Québec, administered by the Bureau de la retraite

Fund 393: Régime de retraite de la Corporation de l'École Polytechnique, administered by the Comité de retraite

Fund 395: Retirement Plan for the Mayors and Councillors of Municipalities, administered by Retraite Québec

Fund 399: Additional Québec Pension Plan, administered by Retraite Québec

SPECIALIZED PORTFOLIOS

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

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

1. The Real Return Bonds (762) and Long Term Bonds (764) specialized portfolios ceased operations on November 1, 2021 and December 1, 2021, respectively, and were closed on December 31, 2021.

02

SIGNIFICANT ACCOUNTING PRINCIPLES

STATEMENT OF COMPLIANCE

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

PRESENTATION AND MEASUREMENT BASIS

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

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

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved CDPQ's consolidated financial statements and the publication thereof on February 22, 2022.

FUNCTIONAL AND PRESENTATION CURRENCY

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

FOREIGN CURRENCY TRANSLATION

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

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

USE OF JUDGMENTS AND ESTIMATES

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

USE OF JUDGMENTS AND ESTIMATES (continued)

JUDGMENT

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

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

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

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

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

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

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

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

ESTIMATES AND ASSUMPTIONS

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

IMPACT OF COVID-19 ON JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The pandemic declared by the World Health Organization in 2020 continues to disrupt global economic activity and create high levels of uncertainty and volatility on financial and stock markets.

The key estimates and assumptions as well as the analysis and management of risks take into account the pandemic-related uncertainties and factors known to date. The key estimates and assumptions include those related to the unobservable inputs used to measure the fair value of financial instruments that are not traded in active markets. The reported results reflect CDPQ's best estimates. CDPQ continues to monitor the evolution of the pandemic and its impact. The fair value valuation techniques and unobservable inputs used are presented in Note 6e, while a sensitivity analysis is presented in Note 6f.

SIGNIFICANT ACCOUNTING PRINCIPLES

FINANCIAL INSTRUMENTS

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

CLASSIFICATION AND MEASUREMENT

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

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

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

FAIR VALUE MEASUREMENT

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

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

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

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

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

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

Variable-income securities comprise listed and unlisted equities. In particular, such securities include hedge funds, exchange-traded funds, investment funds, private investment funds and infrastructure funds. Purchases and sales of equities, hedge funds and investment funds are recorded at the transaction date, whereas purchases and sales of private investment funds and infrastructure funds are recorded at the settlement date.

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

FINANCIAL INSTRUMENTS (continued)

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

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

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

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

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

SIGNIFICANT ACCOUNTING PRINCIPLES

FINANCIAL INSTRUMENTS (continued)

NET ASSETS ATTRIBUTABLE TO DEPOSITORS

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

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

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

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

NET INCOME AND COMPREHENSIVE INCOME

DIVIDEND AND INTEREST INCOME AND EXPENSE

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

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

MANAGEMENT FEES

Investment management fees are costs incurred for external management purposes. These fees, which include both base fees and fees related to financial asset performance, consist of management fees for stock markets and management fees deducted from the fair value of investments. Management fees for stock markets are amounts paid directly to institutional fund managers to manage shares owned by CDPQ. Management fees deducted from the fair value of investments are fees paid to external managers to manage investments on private markets.

The base fees and performance-related management fees paid to external managers for stock markets are presented separately under "Investment expense" and "Net gains on financial investments at fair value", respectively, while management fees deducted from the fair value of investments are presented under "Net gains on financial investments at fair value" in the Consolidated Statements of Comprehensive Income.

TRANSACTION COSTS

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

NET INCOME AND COMPREHENSIVE INCOME (continued)

OPERATING EXPENSES

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

INCOME TAX

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

NET GAINS ON FINANCIAL INSTRUMENTS AT FAIR VALUE

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

DISTRIBUTIONS TO DEPOSITORS

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

03
NEW IFRS STANDARDS

INTEREST RATE BENCHMARK REFORM

In August 2020, the IASB issued amendments to IFRS 9 – *Financial Instruments*, IAS 39 – *Financial Instruments: Recognition and Measurement*, IFRS 7 – *Financial Instruments: Disclosures*, IFRS 4 – *Insurance Contracts*, and IFRS 16 – *Leases* to include amendments arising from interest rate benchmark reform, which came into effect on January 1, 2021. The amendments set out additional disclosure requirements regarding the replacement of interbank offered rates (IBORs) with new interest rate benchmarks. Benchmark interest rates denominated in U.S. dollars will cease to be published as of June 30, 2023, while benchmark interest rates denominated in British pounds ceased being published as of December 31, 2021. The adoption of the amendments has no impact on the consolidated financial statements.

CDPQ set up an organization-wide multidisciplinary committee to identify and manage the changes and risks arising from the IBOR reform. The reform notably includes risks related to the review of IBOR-related contractual clauses and the updating of processes and systems. CDPQ's exposure to IBORs, which are mostly denominated in U.S. dollars, includes $8,109 million of non-derivative financial instruments and $13,190 million of the notional amounts of derivative financial instruments with a maturity after June 30, 2023.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

04

INVESTMENTS AND INVESTMENT LIABILITIES

A) INVESTMENTS

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

		December 31, 2021			December 31, 2020	
	Canada	**Foreign**	**Fair value**	Canada	Foreign	Fair value
Investments						
Cash equivalents						
Short-term investments	**–**	**–**	**–**	200	–	200
Securities purchased under reverse repurchase agreements	**1,502**	**–**	**1,502**	1,189	–	1,189
Total cash equivalents	**1,502**	**–**	**1,502**	1,389	–	1,389
Fixed-income securities						
Short-term investments	**412**	**193**	**605**	395	39	434
Securities purchased under reverse repurchase agreements	**14,255**	**3,446**	**17,701**	4,557	1,026	5,583
Corporate debt	**876**	**1,446**	**2,322**	979	1,380	2,359
Bonds						
Governments	**35,992**	**21,664**	**57,656**	41,917	19,411	61,328
Government corporations and other public administrations	**5,941**	**559**	**6,500**	6,604	591	7,195
Corporate sector	**10,767**	**8,019**	**18,786**	11,826	7,104	18,930
Bond funds	**–**	**2,911**	**2,911**	–	1,401	1,401
Total fixed-income securities	**68,243**	**38,238**	**106,481**	66,278	30,952	97,230
Variable-income securities						
Equities						
Listed	**25,468**	**102,689**	**128,157**	30,746	88,623	119,369
Unlisted	**5,148**	**21,200**	**26,348**	3,305	20,127	23,432
Hedge funds	**–**	**491**	**491**	–	428	428
Total variable-income securities	**30,616**	**124,380**	**154,996**	34,051	109,178	143,229
Interests in unconsolidated subsidiaries						
Investments in real estate holdings	**13,217**	**39,412**	**52,629**	13,380	31,780	45,160
Investments in real estate debt	**16,863**	**3,673**	**20,536**	15,261	2,232	17,493
Private equity investments	**7,783**	**46,633**	**54,416**	7,680	32,819	40,499
Infrastructure investments	**6,298**	**31,437**	**37,735**	5,417	20,164	25,581
Investments in fixed-income securities	**5,090**	**23,627**	**28,717**	4,902	19,234	24,136
Investments in hedge funds	**–**	**4,196**	**4,196**	–	3,886	3,886
Stock market investments	**3,289**	**658**	**3,947**	2,869	1,614	4,483
Total interests in unconsolidated subsidiaries	**52,540**	**149,636**	**202,176**	49,509	111,729	161,238
Derivative financial instruments *(Note 5)*	**7**	**995**	**1,002**	1	2,891	2,892
Total investments	**152,908**	**313,249**	**466,157**	151,228	254,750	405,978

B) INVESTMENT LIABILITIES

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

		December 31, 2021			December 31, 2020	
	Canada	**Foreign**	**Fair value**	Canada	Foreign	Fair value
Investment liabilities						
Non-derivative financial liabilities						
Securities sold under repurchase agreements	**11,543**	**3,447**	**14,990**	11,261	3,455	14,716
Securities sold short						
Equities	**90**	**1,473**	**1,563**	103	26	129
Bonds	**141**	**3,828**	**3,969**	1,610	1,022	2,632
Short-term promissory notes payable	**9,729**	**–**	**9,729**	5,983	–	5,983
Loans payable	**4**	**199**	**203**	514	428	942
Term notes payable	**15,601**	**–**	**15,601**	16,113	–	16,113
Total non-derivative financial liabilities	**37,108**	**8,947**	**46,055**	35,584	4,931	40,515
Derivative financial instruments *(Note 5)*	**–**	**1,232**	**1,232**	3	1,588	1,591
Total investment liabilities	**37,108**	**10,179**	**47,287**	35,587	6,519	42,106

05
DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

	December 31, 2021			December 31, 2020		
	Fair value			Fair value		
	Assets	**Liabilities**	**Notional amount**	Assets	Liabilities	Notional amount
Exchange markets						
Interest rate derivatives						
Futures contracts	**–**	**–**	**105,715**	–	–	56,619
Equity derivatives						
Futures contracts	**–**	**–**	**19,056**	–	–	23,823
Warrants	**–**	**–**	**1**	1	–	53
Commodity derivatives						
Futures contracts	**–**	**–**	**215**	–	–	844
Total exchange markets	**–**	**–**	**124,987**	1	–	81,339
Over-the-counter markets						
Interest rate derivatives						
Swaps	**26**	**7**	**1,189**	250	–	2,128
Swaps settled through a clearing house	**–**	**–**	**48,162**	–	–	46,698
Forward contracts	**7**	**–**	**289**	–	–	–
Options	**142**	**125**	**30,703**	31	32	18,191
Currency derivatives						
Swaps	**109**	**95**	**8,441**	141	130	8,768
Forward contracts	**555**	**790**	**108,873**	1,868	879	97,149
Options	**–**	**–**	**–**	48	151	25,707
Credit default derivatives						
Swaps settled through a clearing house	**–**	**–**	**27,862**	–	–	45,485
Options	**–**	**–**	**–**	12	–	6,406
Equity derivatives						
Swaps	**152**	**210**	**10,313**	156	166	8,127
Forward contracts	**–**	**–**	**–**	160	–	1,091
Options	**–**	**–**	**–**	225	212	21,333
Warrants	**1**	**–**	**1**	–	–	–
Commodity derivatives						
Forward contracts	**10**	**5**	**625**	–	–	–
Options	**–**	**–**	**–**	–	21	1,867
Total over-the-counter markets	**1,002**	**1,232**	**236,458**	2,891	1,591	282,950
Total derivative financial instruments	**1,002**	**1,232**	**361,445**	2,892	1,591	364,289

06
FAIR VALUE MEASUREMENT

A) POLICY, DIRECTIVE, PROTOCOLS AND PROCEDURES RELATED TO FAIR VALUE MEASUREMENT

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

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

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

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

B) FAIR VALUE VALUATION TECHNIQUES

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

SHORT-TERM INVESTMENTS, SECURITIES PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS, SECURITIES SOLD UNDER REPURCHASE AGREEMENTS, SHORT-TERM PROMISSORY NOTES PAYABLE, LOANS PAYABLE, AND TERM NOTES PAYABLE

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

CORPORATE DEBT

The fair value of the corporate debt is determined using a discounted cash flow technique that uses observable and unobservable inputs such as interest rate curves and credit spreads. CDPQ may also use prices published by brokers in active markets for identical or similar instruments.

BONDS

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

EQUITIES

Listed

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

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

FAIR VALUE VALUATION TECHNIQUES (continued)

Unlisted

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

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

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

FUNDS

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

INTERESTS IN UNCONSOLIDATED SUBSIDIARIES

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

Investments in real estate holdings

The fair value of ownership interests in real estate subsidiaries reflects the fair value of the assets and liabilities held directly by these subsidiaries. In particular, these assets and liabilities include investment property and associated liabilities, real estate funds and ownership interests held in companies.

The fair value of investment property, which is measured according to the highest and best use, is determined and certified semi-annually by external, recognized, and independent chartered real estate appraisers. Valuations are carried out in compliance with the valuation standards in effect in each market. CDPQ selects the fair value it deems most representative within the ranges provided by the external valuators. The valuation techniques used are based primarily on two recognized methodologies, namely, the discounted cash flow technique and the capitalization of revenue technique. These techniques use observable and unobservable inputs such as lease terms and conditions, operating expenses, residual value and rates of return, discount rates, and capitalization rates. Values observed for comparable transactions are used to determine the representative fair value range and support the fair value determined.

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

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

Investments in real estate debt

The fair value of interests in real estate debt subsidiaries reflects the fair value of the assets held directly by these subsidiaries, which mainly include commercial mortgages and an interest in a mortgage lending subsidiary. The fair value of commercial mortgages is determined using the discounted cash flow technique that are divided into risk categories, according to the loan-to-value ratio, for which an appropriate discount rate is determined. Commercial mortgage valuations are reviewed annually by an independent external firm. The fair value of the interest in a mortgage lending subsidiary is determined using the discounted cash flow technique. This technique uses unobservable inputs such as discount rates that take into account the risk associated with the subsidiary as well as future cash flows.

FAIR VALUE VALUATION TECHNIQUES (continued)

Private equity, infrastructure, fixed-income securities, hedge funds, and stock markets
Enterprise value reflects the fair value of assets held directly by these subsidiaries, which include bonds, corporate debt, listed and unlisted equities as well as funds whose valuation techniques are described above.

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

SECURITIES SOLD SHORT

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

NET ASSETS ATTRIBUTABLE TO DEPOSITORS

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

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

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

C) FAIR VALUE HIERARCHY

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

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

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

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

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

The determination of the fair value hierarchy levels of financial instruments is influenced by prevailing market conditions on the valuation date. Consequently, the classifications by level can vary significantly from one year to the next.

FAIR VALUE MEASUREMENT

FAIR VALUE HIERARCHY (continued)

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

				December 31, 2021
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts receivable from transactions being settled	–	2,213	–	2,213
Advances to depositors	–	1,011	–	1,011
Investment income, accrued and receivable	–	949	–	949
Investments				
Cash equivalents	–	1,502	–	1,502
Short-term investments	–	605	–	605
Securities purchased under reverse repurchase agreements	–	17,701	–	17,701
Corporate debt	–	–	2,322	2,322
Bonds	62,384	22,770	699	85,853
Equities				
Listed	127,645	512	–	128,157
Unlisted	–	8,230	18,118	26,348
Hedge funds	–	434	57	491
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	–	10,503	42,126	52,629
Investments in real estate debt	–	16,148	4,388	20,536
Private equity investments	–	492	53,924	54,416
Infrastructure investments	–	–	37,735	37,735
Investments in fixed-income securities	–	5,254	23,463	28,717
Investments in hedge funds	–	4,196	–	4,196
Stock market investments	–	3,947	–	3,947
Derivative financial instruments	–	1,002	–	1,002
	190,029	97,469	182,832	470,330
Financial liabilities excluding net assets attributable to depositors				
Amounts payable on transactions being settled	–	3,443	–	3,443
Other financial liabilities	–	1,839	–	1,839
Investment liabilities				
Securities sold under repurchase agreements	–	14,990	–	14,990
Securities sold short	5,519	13	–	5,532
Short-term promissory notes payable	–	9,729	–	9,729
Loans payable	–	203	–	203
Term notes payable	–	15,601	–	15,601
Derivative financial instruments	–	1,232	–	1,232
	5,519	47,050	–	52,569
Net assets attributable to depositors				
Demand deposits	–	782	–	782
Term deposits	–	7	–	7
Distributions payable to depositors	–	1,839	–	1,839
Participation deposits	–	417,169	–	417,169
	–	419,797	–	419,797

FAIR VALUE MEASUREMENT

FAIR VALUE HIERARCHY (continued)

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

FAIR VALUE MEASUREMENT

FAIR VALUE HIERARCHY (continued)

TRANSFERS BETWEEN LEVELS OF THE FAIR VALUE HIERARCHY

As at December 31, 2021, due to changes in the characteristics of financial instruments and changes in the availability of observable inputs given changing market conditions, financial instruments with a value of $1,872 million were transferred from Level 1 to Level 2, $2,470 million from Level 2 to Level 1, $63 million from Level 2 to Level 3, and $2,129 million from Level 3 to Level 2.

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

D) LEVEL 3: RECONCILIATION BETWEEN OPENING AND CLOSING BALANCES

For financial instruments classified in Level 3 of the hierarchy, reconciliations between the opening and closing balances as at December 31, 2021 and 2020 are as follows:

2021

	Opening balance (assets / (liabilities))	Gains (losses) recognized in comprehensive income[1]	Purchases	Sales	Settlements	Transfers	Closing balance (assets / (liabilities))	Unrealized gains (losses) on financial instruments held at year-end[1, 2]
Corporate debt	**2,359**	**2**	**303**	**(54)**	**(288)**	**–**	**2,322**	**92**
Bonds	**225**	**112**	**311**	**(1)**	**(11)**	**63**	**699**	**106**
Equities	**16,750**	**1,691**	**1,612**	**(1,621)**	**–**	**(257)**	**18,175**	**2,139**
Interests in unconsolidated subsidiaries	**125,838**	**26,967**	**21,393**	**(10,690)**	**–**	**(1,872)**	**161,636**	**27,577**

2020

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

1. Presented under "Net gains on financial instruments at fair value" in the Consolidated Statements of Comprehensive Income.
2. Includes the change in fair value resulting from measuring financial instruments denominated in their original currency and excludes the amounts of gains (losses) resulting from translating financial instruments denominated in foreign currencies.
3. The assets and liabilities related to derivative financial instruments are presented on a net basis.

E) LEVEL 3: FAIR VALUE MEASUREMENT BASED ON REASONABLY POSSIBLE ALTERNATIVE ASSUMPTIONS

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

LEVEL 3: FAIR VALUE MEASUREMENT BASED ON REASONABLY POSSIBLE ALTERNATIVE ASSUMPTIONS (continued)

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

	Fair value	Valuation techniques	Unobservable inputs	December 31, 2021 Range (weighted average)
Included in the sensitivity analysis				
Corporate debt	**2,023**	**Discounted cash flows**	**Credit spreads**	**0.7% to 3.5% (1.9%)**
			Discount rates	**6.0% to 11.0% (8.4%)**
Equities				
Private equity investments	**5,150**	**Comparable company multiples**	**EBITDA multiples**	**7.6 to 16.0 (12.6)**
Infrastructure investments	**5,190**	**Discounted cash flows**	**Discount rates**	**6.5% to 13.3% (9.9%)**
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	**42,126**	**Discounted cash flows**	**Discount rates**	**4.2% to 13.8% (6.4%)**
			Credit spreads	**0.0% to 8.6% (1.8%)**
		Capitalization of revenue	**Capitalization rate**	**2.7% to 11.1% (5.3%)**
		Net real estate assets	**Discounts to net asset value**	**0.0% to 22.3% (4.9%)**
Investments in real estate debt	**1,621**	**Discounted cash flows**	**Discount rates**	**14.0% (n.a.)**
Private equity investments	**18,969**	**Comparable company multiples**	**EBITDA multiples**	**7.0 to 15.5 (11.9)**
Infrastructure investments	**20,591**	**Discounted cash flows**	**Discount rates**	**6.0% to 14.0% (9.2%)**
Investments in fixed-income securities	**17,770**	**Discounted cash flows**	**Discount rates**	**7.3% (n.a.)**
			Credit spreads	**1.1% to 10.1% (4.5%)**
	113,440			
Excluded from the sensitivity analysis				
		Recent transactions[2]	**n.a.**	**n.a.**
		Broker quotes[3]	**n.a.**	**n.a.**
		Net assets[3]	**n.a.**	**n.a.**
Net financial instruments classified in Level 3	**182,832**			

n.a.: not applicable

1. The fair value of financial instruments presented in this item includes corporate debt, bonds, equities, and interests in unconsolidated subsidiaries.
2. When fair value is determined based on recent transaction information, this value is the most representative indication of fair value. Consequently, CDPQ did not conduct a sensitivity analysis.
3. When fair value is determined using broker quotes or net asset value, this value is the only reasonable indication of fair value. Consequently, CDPQ is unable to conduct a sensitivity analysis.

FAIR VALUE MEASUREMENT

LEVEL 3: FAIR VALUE MEASUREMENT BASED ON REASONABLY POSSIBLE ALTERNATIVE ASSUMPTIONS (continued)

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

n.a.: not applicable

1. The fair value of financial instruments presented in this item includes corporate debt, bonds, equities, and interests in unconsolidated subsidiaries.
2. When fair value is determined based on recent transaction information, this value is the most representative indication of fair value. Consequently, CDPQ did not conduct a sensitivity analysis.
3. When fair value is determined using broker quotes or net asset value, this value is the only reasonable indication of fair value. Consequently, CDPQ is unable to conduct a sensitivity analysis.

F) SENSITIVITY ANALYSIS OF FAIR VALUE

The following analysis shows the sensitivity of fair value measurements to reasonably possible alternative assumptions for the significant unobservable inputs shown in the preceding tables of Note 6e. CDPQ identified reasonably possible alternative assumptions using its judgment and knowledge of the markets. The following table shows the increases and decreases in fair value that would result from these alternative assumptions for the main financial instruments classified in Level 3 of the fair value hierarchy that are subject to a sensitivity analysis:

	December 31, 2021		December 31, 2020	
	Increase	**Decrease**	Increase	Decrease
Sensitivity of fair value	**7,803**	**(7,033)**	6,324	(6,099)

As at December 31, 2021, the fair value sensitivity analysis above shows an increase in fair value of $3,225 million ($2,551 million as at December 31, 2020) and a decrease in fair value of $2,535 million ($2,325 million as at December 31, 2020) attributable to investments in real estate holdings.

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

07
OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

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

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

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

						December 31, 2021
	Gross amounts recognized	**Amounts offset**	**Net amounts presented in the Consolidated Statements of Financial Position[1]**	**Amounts subject to master netting agreements**	**Collateral received/ pledged[2]**	**Net amounts**
Financial assets						
Amounts receivable from transactions being settled	**2,213**	**–**	**2,213**	**(458)**	**–**	**1,755**
Securities purchased under reverse repurchase agreements[3]	**21,920**	**(2,716)**	**19,204**	**(10,472)**	**(8,732)**	**–**
Derivative financial instruments[3]	**1,009**	**–**	**1,009**	**(809)**	**(22)**	**178**
	25,142	**(2,716)**	**22,426**	**(11,739)**	**(8,754)**	**1,933**
Financial liabilities						
Amounts payable on transactions being settled	**3,443**	**–**	**3,443**	**(458)**	**–**	**2,985**
Securities sold under repurchase agreements[3]	**17,708**	**(2,716)**	**14,992**	**(10,472)**	**(4,520)**	**–**
Derivative financial instruments[3]	**1,238**	**–**	**1,238**	**(809)**	**(345)**	**84**
	22,389	**(2,716)**	**19,673**	**(11,739)**	**(4,865)**	**3,069**

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

1. Net amounts presented in the Consolidated Statements of Financial Position or in Notes 4a and 4b.
2. The financial collateral received or pledged cannot include a net amount per counterparty less than zero. The total amounts of financial collateral received or pledged are disclosed in Notes 13 and 14.
3. The amounts presented in this item include amounts receivable and payable presented, respectively, under “Investment income, accrued and receivable” and “Other financial liabilities”.

08

INVESTMENT RESULT BEFORE DISTRIBUTIONS TO DEPOSITORS

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

			2021			2020
	Net investment income	**Net gains (losses)**	**Total**	Net investment income	Net gains (losses)	Total
Cash management activities	**3**	**1**	**4**	14	2	16
Investing activities						
Short-term investments	**–**	**2**	**2**	–	2	2
Securities purchased under reverse repurchase agreements	**40**	**112**	**152**	58	106	164
Corporate debt	**92**	**3**	**95**	105	174	279
Bonds	**2,377**	**(5,381)**	**(3,004)**	2,438	5,024	7,462
Equities	**3,569**	**16,225**	**19,794**	3,573	10,454	14,027
Interests in unconsolidated subsidiaries	**6,697**	**26,764**	**33,461**	3,352	(406)	2,946
Net derivative financial instruments	**–**	**72**	**72**	–	2,052	2,052
Other	**19**	**(173)**	**(154)**	8	(28)	(20)
	12,797	**37,625**	**50,422**	9,548	17,380	26,928
Investment liability activities						
Securities sold under repurchase agreements	**(42)**	**(1)**	**(43)**	(154)	(492)	(646)
Securities sold short	**(42)**	**(604)**	**(646)**	(36)	(340)	(376)
Financing activities						
Short-term promissory notes payable	**–**	**(19)**	**(19)**	–	(6)	(6)
Loans payable	**(1)**	**1**	**–**	(2)	(23)	(25)
Term notes payable	**(322)**	**535**	**213**	(387)	236	(151)
Other						
Management fees – stock markets	**(98)**	**(76)**	**(174)**	(74)	(74)	(148)
Transaction costs	**–**	**(306)**	**(306)**	–	(216)	(216)
	(505)	**(470)**	**(975)**	(653)	(915)	(1,568)
	12,292	**37,155**	**49,447**	8,895	16,465	25,360
Operating expenses *(Note 9)*			**(718)**			(609)
Investment result before distributions to depositors			**48,729**			24,751

External audit fees for audit services, audit-related services and tax services amount to $4 million for the year ended December 31, 2021 ($4 million for the year ended December 31, 2020).

09
OPERATING EXPENSES

The following table shows the operating expenses:

	2021	2020
Salaries and employee benefits	**510**	391
Information technology and professional services	**83**	68
Maintenance, equipment and amortization	**33**	64
Data services and subscriptions	**30**	29
Rent	**20**	19
Other expenses	**21**	19
	697	590
Safekeeping of securities	**21**	19
	718	609

10
SEGMENT INFORMATION

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

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

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

	December 31, 2021	December 31, 2020
Fixed Income	**129,433**	110,237
Real Assets	**87,406**	67,176
Equities	**201,195**	182,257
Other[1]	**1,763**	5,822
Net assets attributable to depositors	**419,797**	365,492

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

	2021	2020
Fixed Income	**(521)**	8,742
Real Assets	**10,017**	(4,951)
Equities	**40,526**	20,049
Other[1]	**(1,293)**	911
Investment result before distributions to depositors	**48,729**	24,751

1. The Other item includes the Asset Allocation specialized portfolio, cash activities, and the customized operations of individual funds, which consist of direct holdings of derivative financial instruments by the individual funds for the customized management of the desired exposure of each depositor.

11
RISK IDENTIFICATION AND MANAGEMENT

RISK MANAGEMENT POLICIES, DIRECTIVES AND PROCEDURES RELATED TO INVESTMENT ACTIVITIES

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

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

Specifically, this policy aims to:

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

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

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

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

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

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

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

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

RISK IDENTIFICATION AND MANAGEMENT

MARKET RISK

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

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

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

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

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

A risk factor observation history over a period from 2006 to the reporting date is being used to assess the volatility of returns and the correlation between the performance of financial instruments.

Two risk measures are calculated and analyzed:

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

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

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

		December 31, 2021			December 31, 2020	
	Absolute risk of the actual portfolio %	**Absolute risk of the benchmark portfolio %**	**Absolute risk ratio**	Absolute risk of the actual portfolio %	Absolute risk of the benchmark portfolio %	Absolute risk ratio
Value at risk	**14.9**	**14.5**	**1.03**	14.0	13.6	1.03

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

MARKET RISK (continued)

CURRENCY RISK

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

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

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

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

	December 31, 2021	December 31, 2020
	%	%
Canadian dollar	**45**	53
U.S. dollar	**29**	23
Euro	**6**	4
Brazilian real	**2**	2
Chinese yuan	**2**	2
Hong Kong dollar	**1**	1
Indian rupee	**1**	2
Mexican peso	**1**	2
Pound sterling	**5**	4
Yen	**2**	1
Other	**6**	6
	100	100

INTEREST RATE RISK

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

PRICE RISK

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

CONCENTRATION RISK

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

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

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

	December 31, 2021	December 31, 2020
	%	%
United States	**44**	35
Canada	**26**	32
Europe	**13**	14
Asia Pacific[1]	**11**	12
Latin America[1]	**4**	4
Other[1]	**2**	3
	100	100

1. Comparative information has been restated to conform to the new geographical grouping presented.

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

	December 31, 2021	December 31, 2020
	%	%
Industry sector		
Real estate	**14**	14
Industrials	**11**	11
Financials	**9**	10
Information technologies	**10**	7
Consumer discretionary	**6**	6
Utilities	**5**	5
Health care	**5**	5
Consumer staples	**3**	4
Real estate debt	**4**	4
Communication services	**5**	4
Energy	**2**	3
Materials	**2**	2
Other	**2**	2
Government sector		
Government of the United States	**13**	9
Government of Canada	**4**	7
Government of Québec	**2**	3
Government corporations and other public administrations in Québec	**1**	2
Other	**2**	2
	100	100

RISK IDENTIFICATION AND MANAGEMENT

CREDIT RISK

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

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

The following table shows the maximum exposure to credit risk:

	December 31, 2021	December 31, 2020
Cash	**1,073**	1,021
Amounts receivable from transactions being settled	**2,213**	3,116
Advances to depositors	**1,011**	281
Investment income, accrued and receivable	**949**	1,109
Investments		
Cash equivalents	**1,502**	1,389
Fixed-income securities	**106,481**	97,230
Interests in unconsolidated subsidiaries in the form of debt instruments	**32,767**	30,525
Derivative financial instruments	**1,002**	2,892
	146,998	137,563
Other items		
Commitments and financial guarantees *(Note 18)*	**2,918**	1,976
	149,916	139,539

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

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

CREDIT RISK (continued)

CONCENTRATION OF CREDIT RISK

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

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

	December 31, 2021 **%**	December 31, 2020 %
Credit rating		
AAA – AA	**64**	61
A	**4**	5
BBB	**11**	13
BB or lower	**16**	17
No credit rating	**5**	4
	100	100

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

COUNTERPARTY RISK RELATED TO DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

As at December 31, 2021 and 2020, the legal agreements and the collateral received helped reduce exposure to the counterparty risk of over-the-counter derivative financial instruments. The maximum exposure to this risk is $421 million as at December 31, 2021 ($385 million as at December 31, 2020).

LIQUIDITY RISK

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

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

To ensure that sources of liquidity and potential liquidity requirements are properly aligned, CDPQ has a number of sources of liquidity in addition to its cash and cash equivalents, including receipt of investment income, the sale of bonds, sales under repurchase agreements, and liquid money market securities. In addition, CDPQ may issue short-term promissory notes and term notes payable as well as a committed credit facility totalling US$4 billion to meet its contractual commitments and financial obligations. As at December 31, 2021, CDPQ has close to $50 billion in liquidity in the form of government bonds and money market securities ($50 billion as at December 31, 2020).

Furthermore, to manage liquidity risk, CDPQ conducts simulations of scenarios over different horizons and examines events that could lead to a liquidity crisis. CDPQ rigorously and frequently monitors its potential liquidity needs and proactively ensures permanent access to stable and resilient sources of liquidity.

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

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

					December 31, 2021
	On demand	Less than 1 year	1 year to 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Amounts payable on transactions being settled	–	3,443	–	–	3,443
Other financial liabilities	–	1,226	133	563	1,922
Investment liabilities					
Securities sold under repurchase agreements	–	14,998	–	–	14,998
Securities sold short	–	5,532	–	–	5,532
Short-term promissory notes payable	–	9,735	–	–	9,735
Loans payable	–	203	–	–	203
Term notes payable	–	2,814	11,575	2,722	17,111
Net assets attributable to depositors					
Demand and term deposits	782	7	–	–	789
Distributions payable to depositors	–	1,839	–	–	1,839
	782	39,797	11,708	3,285	55,572
Derivative financial instruments					
Derivative financial instruments with net settlement	–	(287)	5	(3)	(285)
Derivative financial instruments with gross settlement					
Contractual cash flows receivable	–	(101,832)	(7,717)	(3,373)	(112,922)
Contractual cash flows payable	–	102,036	7,729	3,453	113,218
	–	(83)	17	77	11
Other items					
Commitments *(Note 18)*	8	21,864	67	411	22,350
Financial guarantees *(Note 18)*	–	1,928	834	156	2,918
	8	23,792	901	567	25,268
	790	63,506	12,626	3,929	80,851

LIQUIDITY RISK (continued)

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

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

LIQUIDITY RISK (continued)

FINANCING-LIQUIDITY RISK

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

				December 31, 2021
	Currency	Nominal value[1]	Maturity	Interest rate %
Loans payable	**USD**	**199**	**Less than one year**	**0.07**
	CAD	**4**	**Less than one year**	**0.17**
		203		
Short-term promissory notes payable	**CAD**	**662**	**Less than one year**	**0.23**
	USD	**9,070**	**Less than one year**	**0.17**
		9,732		
Term notes payable[2]	**USD**	**2,526**	**March 2022**	**2.75**
	USD	**2,526**	**April 2023**	**1.00**
	USD	**2,526**	**July 2024**	**3.15**
	USD	**3,158**	**June 2025**	**0.88**
	USD	**1,263**	**May 2026**	**1.00**
	CAD	**1,250**	**October 2026**	**1.50**
	USD	**1,579**	**November 2039**	**5.60**
		14,828		

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

1. The amounts shown are translated into Canadian dollars and are amounts to be repaid at maturity.
2. As at December 31, 2021, term notes include $1,263 million in green bonds that will be allocated to a selection of investments that are compliant with the eligible project categories established under CDPQ's Green Bond Framework, which is aligned with the Green Bond Principles of the International Capital Market Association (nil as at December 31, 2020).

LIQUIDITY RISK (continued)

FINANCING-LIQUIDITY RISK (continued)

Short-term promissory notes are issued at fixed rates, with maturities not exceeding 12 months, and are guaranteed by CDPQ's assets. In accordance with the limit prescribed in the short-term promissory notes issuance information document, the nominal value of all such outstanding notes may never exceed US$10 billion for the U.S. program, and the equivalent of CA$3 billion for short-term promissory notes issued in Canada and abroad, excluding the United States.

Term notes payable are repayable at maturity and secured by CDPQ's assets.

Furthermore, during the year ended December 31, 2021, CDPQ renewed the credit facility that it arranged with a banking syndicate for a total amount of approximately CA$5 billion, i.e., two US$2 billion tranches that are renewable annually for terms of two and three years, respectively. The credit facility bears interest at a variable rate and is entirely secured, unconditionally and irrevocably, by CDPQ. As at December 31, 2021 and 2020, no amount had been drawn on this credit facility.

12
CAPITAL MANAGEMENT

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

CDPQ is not subject to external capital requirements.

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

13
FINANCIAL ASSETS TRANSFERRED BUT NOT DERECOGNIZED

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

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

	December 31, 2021	December 31, 2020
Financial assets transferred but not derecognized		
Bonds	**31,607**	36,388
Equities	**9,719**	7,476
	41,326	43,864
Associated financial liabilities		
Loans payable[1]	**203**	942
Securities sold under repurchase agreements[2]	**17,708**	24,072
	17,911	25,014

1. The amount presented corresponds to cash received as collateral on securities lending transactions and derivative financial instrument transactions.
2. The net amount is disclosed in Notes 4 and 7.

14
GUARANTEES

FINANCIAL ASSETS PLEDGED AS COLLATERAL

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

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

	December 31, 2021	December 31, 2020
Securities borrowing	**369**	98
Securities sold under repurchase agreements	**18,309**	24,539
Exchange-traded derivative financial instruments	**2,329**	1,384
Over-the-counter derivative financial instruments	**1,872**	1,112
	22,879	27,133

FINANCIAL ASSETS RECEIVED AS COLLATERAL

CDPQ receives financial assets as collateral for transactions involving securities lending, securities purchased under reverse repurchase agreements, and derivative financial instruments. If the fair value of the collateral received decreases, CDPQ may, in certain cases, request additional collateral. CDPQ is authorized to sell or repledge as collateral these securities in the absence of default by the counterparty. However, no security received as collateral was sold or repledged as collateral for the years ended December 31, 2021 and 2020.

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

	December 31, 2021	December 31, 2020
Securities lending	**22,954**	20,091
Securities purchased under reverse repurchase agreements	**22,174**	16,217
Over-the-counter derivative financial instruments	**22**	1,050
	45,150	37,358

15
RELATED PARTY DISCLOSURES

RELATED PARTY TRANSACTIONS

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

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

RELATED PARTY DISCLOSURES

COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

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

	2021	2020
Salaries and other short-term employee benefits	**12**	10
Post-employment benefits	**1**	1
Other long-term employee benefits	**7**	4
	20	15

OTHER RELATED PARTIES

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

16
INTERESTS IN OTHER ENTITIES

SUBSIDIARIES

CONSOLIDATED SUBSIDIARY

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

UNCONSOLIDATED SUBSIDIARIES

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

INTERMEDIATE SUBSIDIARIES

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

INTERESTS IN OTHER ENTITIES

SUBSIDIARIES (continued)

The following table shows the ownership interests held in the main consolidated and unconsolidated subsidiaries as at December 31, 2021 as well as the comparative ownership interests as at December 31, 2020:

	Principal place of business	**December 31, 2021 Ownership interest %**	December 31, 2020 Ownership interest %
Consolidated subsidiary			
CDP Financial Inc	Canada	**100.0**	100.0
Unconsolidated subsidiaries			
Real estate debt			
Otéra Capital Inc[1]	Canada	**97.5**	97.5
Energy			
Azure Power Global Ltd	India[5]	**50.2**	50.5
Southern Star Acquisition Corporation	United States	**79.9**	79.9
Tenedora de Energía Renovable Sol y Viento S.A.P.I. de C.V.[2]	Mexico	**67.1**	67.1
Trencap LP (Énergir)[3]	Canada	**71.0**	64.7
Velto Renewables S.L. (formerly CDPQ Renovables Iberia S.L.)	Spain	**100.0**	100.0
Financials			
KKR FSK Co-Invest (Unlev) LP, KKR FSK II Co-Invest (Unlev) LP	United States	**83.0**	83.0
Hedge funds			
EMN CDM Fund LP	United States	**–**	100.0
EMN CNM Fund LP	United States	**–**	100.0
GMAC ASO Fund Inc	Singapore[6]	**100.0**	100.0
MS LPR Fund LP	United States	**100.0**	100.0
Debt funds			
Franklin Emerging Market Debt Opportunities Fund III	Canada	**100.0**	100.0
Global Credit Opportunities (Canada) LP	Canada	**100.0**	100.0
HC Direct Lending Fund LP	Canada	**100.0**	–
Private Debt SMA (C) SLP	Luxembourg	**100.0**	100.0
Private investment funds			
Apollo Hercules Partners LP	United States[6]	**97.6**	97.6
EC Partners LP	Singapore	**100.0**	100.0
KKR-CDP Partners LP	United States[6]	**90.1**	90.1
Real estate - Ivanhoé Cambridge Group			
Careit Canada DCR GP	Canada	**96.0**	95.5
Careit Canada GP	Canada	**96.0**	95.5
IC Australia Trust	Australia	**96.0**	95.5
IC Investments US GP	Canada	**96.0**	95.5
IC Multi Equities LP	Canada	**96.0**	95.5
Ivanhoé Cambridge Inc	Canada	**96.0**	95.5
SITQ E.U. LP	United States	**95.9**	95.4
Industrials			
CDPQ Infra Inc	Canada	**100.0**	100.0
Einn Volant Aircraft Leasing Holdings Ltd	Ireland[7]	**90.5**	90.5
Patina Rail LLP[4]	United Kingdom	**75.0**	75.0
Spinner US AcquireCo Inc (Student Transportation of America)	United States	**79.9**	79.9
Utilities			
Plenary Americas Holdings Ltd (Plenary Group Canada)	Canada	**100.0**	100.0
***Information* technology**			
Wizeline Inc	United States	**56.5**	–

1. Otéra Capital Inc indirectly holds 78.0% of MCAP Commercial LP as at December 31, 2021 (78.5% as at December 31, 2020).
2. Voting rights amount to 60.0%.
3. As at December 31, 2021, Trencap LP holds 100.0% of Noverco Inc (61.1% as at December 31, 2020), which indirectly holds 100.0% of Énergir LP.
4. Patina Rail LLP holds 40.0% of Eurostar International Limited.
5. Constituted in Mauritius.
6. Constituted in the Cayman Islands in accordance with the structure of the limited partner.
7. Constituted in Bermuda.

INTERESTS IN OTHER ENTITIES

JOINT VENTURES

The following table shows the ownership interests held in the main joint ventures as at December 31, 2021 as well as the comparative ownership interests as at December 31, 2020:

	Principal place of business	**December 31, 2021** **Ownership interest** **%**	December 31, 2020 Ownership interest %
Consumer discretionary			
ICR Opco LLC[1]	United States	**45.0**	–
Energy			
Invenergy Renewables Holdings LLC[1]	United States	**59.4**	64.4
Transportadora Associada de Gas SA[1]	Brazil	**35.0**	35.0
Financials			
Greenstone Ltd[2]	Australia	**34.0**	44.0
USI Advantage Corp[1]	United States	**25.0**	26.4
Industrials			
Delachaux SA[1]	France	**43.0**	43.0
DP World Australia B.V.[3]	Australia[4]	**45.0**	45.0
DP World Canada Investment Inc[3]	Canada	**45.0**	45.0
DP World Caucedo (Caucedo Investments Inc, Caucedo Services Inc)[3]	Dominican Republic[5]	**45.0**	45.0
DP World Holding UK Limited (UK)[3]	Chile[6]	**44.6**	44.6
Ermewa Holding[1]	France	**49.7**	–
Health			
Medical Solutions LLC[1]	United States	**41.4**	–
Information technology			
Kiwi Holdco Cayco, Ltd (FNZ)[1]	United Kingdom[7]	**69.1**	72.0

1. Voting rights amount to 50.0%.
2. Presented in the 'Associates' category as at December 31, 2020.
3. Voting rights amount to 50.0%. CDPQ has joint control over investment decisions that require unanimous shareholder agreement.
4. Constituted in the Netherlands.
5. Constituted in the British Virgin Islands.
6. Constituted in the United Kingdom.
7. Constituted in the Cayman Islands.

INTERESTS IN OTHER ENTITIES

ASSOCIATES

The following table shows the ownership interests held in the main associates as at December 31, 2021 as well as the comparative ownership interests as at December 31, 2020:

	Principal place of business	**December 31, 2021** **Ownership interest %**	December 31, 2020 Ownership interest %
Consumer discretionary			
Cogeco Communications USA Inc	United States	**21.0**	21.0
SGU Holdings LP	United States[12]	**46.7**	46.7
Energy			
Fluxys SA	Belgium	**20.0**	20.0
IPALCO Enterprises Inc	United States	**30.0**	30.0
London Array Ltd, London Array Unincorporated JV	United Kingdom	**25.0**	25.0
NSW Electricity Networks Assets Holding Trust, NSW Electricity Networks Operations Holding Trust (TransGrid)	Australia	**22.5**	22.5
Suez Water Technologies and Solutions S.A.	France	**30.0**	30.0
Techem GmbH	Germany	**24.5**	24.5
Financials			
Avison Young (Canada) Inc	Canada	**33.3**	33.3
First Lion Holdings Inc[1]	Canada	**30.0**	25.7
Howden Group Holding Limited	United Kingdom	**22.3**	29.1
Industrials			
Airport Holding Kft	Hungary	**21.2**	21.2
Alix Partners LLP[2]	United States	**16.2**	21.0
Allied Universal Holdco LLC[3]	United States	**27.7**	35.3
Alvest International Equity SAS[1]	France	**39.9**	39.9
Barrette Outdoor Living[1]	United States	**34.0**	34.0
Clarios Power Solutions Holdings LP	United States[12]	**30.0**	30.0
Groupe Keolis SAS	France	**30.0**	30.0
Groupe Solmax Inc	Canada	**33.3**	30.0
Knowlton Development Corporation Inc[4]	Canada	**24.7**	24.7
NDT Québec Inc (formerly Eddyfi NDT Inc)[5]	Canada	**34.0**	34.7
Organización de Proyectos de Infraestructura, S.A.P.I. de C.V. (OPI), OPCEM, S.A.P.I. de C.V. (OPCEM)	Mexico	**45.5**	45.5
QPH Hold Trust, QPH Hold Co PTY Limited (Port of Brisbane)	Australia	**26.7**	26.7
Zevia PBC[6]	United States	**34.1**	36.4
Health care			
ANZ Hospital Topco	Australia	**21.3**	21.3
Sanfer Farma S.A.P.I. de C.V. (formerly Invekra S.A.P.I. de C.V.)	Mexico	**22.7**	22.7
Services			
Datamars SA[7]	Switzerland	**30.0**	64.8
Utilities			
Apraava Energy Private Limited (formerly CLP India Pvt Ltd)	India	**40.0**	40.0
Real estate services			
Groupe Foncia[8]	France	**11.9**	29.1
Information technology			
Nuvei Corporation[9]	Canada	**12.4**	16.3
Telecommunications			
ATC Europe C.V.[10]	Germany[13]	**28.6**	–
Vertical Bridge Reit LLC[11]	United States	**37.3**	34.7
Rail transport			
Bombardier Transportation (Investment) UK Limited	Germany[14]	**–**	34.1

1. Voting rights amount to 28.6%.
2. Voting rights amount to 25.0%.
3. Voting rights amount to 23.0%.
4. Voting rights amount to 27.8%.
5. Voting rights amount to 34.5%.
6. Following the initial public offering, the shares held in Zevia LLC were converted into shares in Zevia PBC. The voting rights amount to 30.0% as at December 31, 2021 (25.0% as at December 31, 2020).
7. Presented in the 'Subsidiaries' category as at December 31, 2020. The voting rights amount to 22.2% as at December 31, 2021 (55.0% as at December 31, 2020).
8. As at December 31, 2021, CDPQ no longer had significant influence.
9. Voting rights amount to 21.3% as at December 31, 2021 (22.1% as at December 31, 2020).
10. Voting rights amount to 33.3% as at December 31, 2021.
11. Voting rights amount to 33.3% as at December 31, 2021 (20.0% as at December 31, 2020).
12. Constituted in Canada.
13. Constituted in the Netherlands.
14. Constituted in the United Kingdom.

INTERESTS IN OTHER ENTITIES

NON-CONTROLLED STRUCTURED ENTITIES

CDPQ holds interests in non-controlled structured entities, the majority of which represent private investment funds or investments in the form of equities held through limited partnerships. The interests held by CDPQ do not give it power over the relevant activities of these entities, as control is established by contractual agreement that is generally in favour of a general partner or administrator. The fair value of investments held by CDPQ in non-controlled structured entities was $45,496 million as at December 31, 2021 ($34,003 million as at December 31, 2020). These entities are held as investments and do not expose CDPQ to greater risks than the interests held in the non-structured entities.

17

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

			Non-cash changes		
	December 31, 2020	**Cash flows from financing activities**	**Changes in foreign exchange**	**Changes in fair value**	**December 31, 2021**
Short-term promissory notes payable	**5,983**	**3,420**	**329**	**(3)**	**9,729**
Loans payable	**942**	**(740)**	**1**	**–**	**203**
Term notes payable	**16,113**	**23**	**(166)**	**(369)**	**15,601**
	23,038	**2,703**	**164**	**(372)**	**25,533**

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

18
COMMITMENTS AND FINANCIAL GUARANTEES

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

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

Commitments and financial guarantees are detailed as follows:

	December 31, 2021	December 31, 2020
Investment purchase commitments	**21,853**	21,002
Commitments under leases	**497**	520
Financial guarantees	**2,918**	1,976
	25,268	23,498

LITIGATION

In the normal course of business, CDPQ may be subject to legal actions. Although CDPQ cannot predict the outcomes of any ongoing legal proceedings as at December 31, 2021, it has no reason to believe that the settlement of any one of these proceedings could have a material impact on its financial position.

19

SUPPLEMENTARY INFORMATION

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

	SHORT TERM INVESTMENTS (740)		RATES (765)		CREDIT (766)		LONG TERM BONDS[1] (764)	
Statement of financial position	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Total assets	**1,584**	1,580	**66,535**	49,135	**104,999**	103,172	**–**	4,104
Total liabilities excluding net assets attributable to holders of participation units	**–**	1	**22,567**	18,856	**21,353**	29,418	**–**	760
Net assets attributable to holders of participation units	**1,584**	1,579	**43,968**	30,279	**83,646**	73,754	**–**	3,344

Statement of comprehensive income	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Net income	**5**	15	**640**	530	**2,044**	2,711	**47**	87
Net gains (losses) on financial instruments at fair value	**–**	–	**(1,536)**	1,751	**(1,369)**	3,272	**(319)**	254
Investment result before recoveries from (distributions to) holders of participation units	**5**	15	**(896)**	2,281	**675**	5,983	**(272)**	341
Recoveries (distributions)	**(5)**	(15)	**(640)**	(530)	**(2,044)**	(2,711)	**(47)**	(87)
Net income and comprehensive income attributable to holders of participation units	**–**	–	**(1,536)**	1,751	**(1,369)**	3,272	**(319)**	254

Statement of changes in net assets attributable to holders of participation units	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Balance at beginning of the year	**1,579**	881	**30,279**	31,191	**73,754**	65,930	**3,344**	3,064
Net change in participation units for the year	**5**	698	**15,225**	(2,663)	**11,261**	4,552	**(3,025)**	26
Net income and comprehensive income attributable to holders of participation units	**–**	–	**(1,536)**	1,751	**(1,369)**	3,272	**(319)**	254
Balance at end of the year	**1,584**	1,579	**43,968**	30,279	**83,646**	73,754	**–**	3,344

1. The Real Return Bonds (762) and Long Term Bonds (764) specialized portfolios ceased operations on November 1, 2021 and December 1, 2021, respectively, and were closed on December 31, 2021.

	REAL RETURN BONDS[1] (762)		INFRASTRUCTURE (782)		REAL ESTATE (710)		EQUITY MARKETS (737)	
Statement of financial position	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Total assets	**–**	972	**46,792**	34,120	**50,197**	44,821	**127,060**	122,528
Total liabilities excluding net assets attributable to holders of participation units	**–**	236	**1,630**	2,798	**8,105**	9,342	**8,667**	4,832
Net assets attributable to holders of participation units	**–**	736	**45,162**	31,322	**42,092**	35,479	**118,393**	117,696

Statement of comprehensive income	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Net income	**6**	21	**756**	1,084	**59**	144	**2,145**	2,429
Net gains (losses) on financial instruments at fair value	**(39)**	101	**4,649**	355	**4,553**	(6,534)	**14,832**	6,812
Investment result before recoveries from (distributions to) holders of participation units	**(33)**	122	**5,405**	1,439	**4,612**	(6,390)	**16,977**	9,241
Recoveries (distributions)	**(6)**	(21)	**(756)**	(1,084)	**(59)**	(144)	**(2,145)**	(2,429)
Net income and comprehensive income attributable to holders of participation units	**(39)**	101	**4,649**	355	**4,553**	(6,534)	**14,832**	6,812

Statement of changes in net assets attributable to holders of participation units	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Balance at beginning of the year	**736**	1,280	**31,322**	27,375	**35,479**	39,699	**117,696**	116,687
Net change in participation units for the year	**(697)**	(645)	**9,191**	3,592	**2,060**	2,314	**(14,135)**	(5,803)
Net income and comprehensive income attributable to holders of participation units	**(39)**	101	**4,649**	355	**4,553**	(6,534)	**14,832**	6,812
Balance at end of the year	**–**	736	**45,162**	31,322	**42,092**	35,479	**118,393**	117,696

1. The Real Return Bonds (762) and Long Term Bonds (764) specialized portfolios ceased operations on November 1, 2021 and December 1, 2021, respectively, and were closed on December 31, 2021.

	PRIVATE EQUITY (780)		ASSET ALLOCATION (771)	
Statement of financial position	**2021**	2020	**2021**	2020
Total assets	**83,078**	64,569	**8,568**	5,094
Total liabilities excluding net assets attributable to holders of participation units	**1,257**	485	**6,637**	3,482
Net assets attributable to holders of participation units	**81,821**	64,084	**1,931**	1,612

Statement of comprehensive income	**2021**	2020	**2021**	2020
Net income	**5,834**	1,169	**(5)**	(1)
Net gains (losses) on financial instruments at fair value	**17,715**	9,639	**(190)**	(476)
Investment result before recoveries from (distributions to) holders of participation units	**23,549**	10,808	**(195)**	(477)
Recoveries (distributions)	**(5,834)**	(1,169)	**5**	1
Net income and comprehensive income attributable to holders of participation units	**17,715**	9,639	**(190)**	(476)

Statement of changes in net assets attributable to holders of participation units	**2021**	2020	**2021**	2020
Balance at beginning of the year	**64,084**	49,133	**1,612**	1,638
Net change in participation units for the year	**22**	5,312	**509**	450
Net income and comprehensive income attributable to holders of participation units	**17,715**	9,639	**(190)**	(476)
Balance at end of the year	**81,821**	64,084	**1,931**	1,612

FINANCIAL CERTIFICATE OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

I, Charles Emond, President and Chief Executive Officer of Caisse de dépôt et placement du Québec (CDPQ), certify that:

1. **Review:** I have reviewed the consolidated financial statements, the tables of returns, the press release announcing the annual results and the Annual Report (hereafter referred to as the "Annual Filings") of CDPQ for the year ended December 31, 2021.

2. **No false or misleading information:** To the best of my knowledge, having exercised reasonable diligence, the Annual Filings do not contain any untrue statement of a material fact or omit to state any material fact that is required to be stated or necessary to make a statement that is not misleading in light of the circumstances in which it was made, with respect to the period covered by the Annual Filings.

3. **Fair presentation:** To the best of my knowledge, having exercised reasonable diligence, the consolidated financial statements and the other financial information included in the Annual Filings present fairly, in all material respects, the financial position of CDPQ as at the closing dates of the periods presented in the Annual Filings, as well as its comprehensive income, changes in net assets attributable to depositors, and cash flows for those years.

4. **Responsibility:** I am responsible for the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR) for CDPQ.

5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, at fiscal year-end, I have:

   a) Designed, or caused to be designed under my supervision, DC&P to provide reasonable assurance that:

      i) Material information relating to CDPQ is made known to me by others, particularly during the period in which the Annual Filings are prepared; and that

      ii) Information required to be disclosed by CDPQ in its Annual Filings filed or submitted by it under the legislation is recorded, processed, summarized and reported within the time periods prescribed by the legislation.

   b) Designed, or caused to be designed under my supervision, ICFR to provide reasonable assurance that financial information is reliable and that the consolidated financial statements have been prepared, with a view to publication of financial information, in accordance with International Financial Reporting Standards (IFRS).

5.1. **Control framework:** The control framework that I have used to design the ICFR is that proposed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013).

5.2. **ICFR material weakness relating to design:** Not applicable.

5.3. **Limitation of scope and design:** Not applicable.

6. **Evaluation:** I have:

   a) Evaluated or caused to be evaluated under my supervision, the effectiveness of the DC&P of CDPQ at fiscal year-end and CDPQ disclosed in its Annual Report my conclusions based on this evaluation.

   b) Evaluated or caused to be evaluated under my supervision, the effectiveness of the ICFR of CDPQ at fiscal year-end and CDPQ disclosed in its Annual Report the following information:

      i) My conclusions about the effectiveness of the ICFR at fiscal year-end based on that evaluation; and

      ii) Description of any material weaknesses relating to current operation at fiscal year-end: Not applicable.

7. **Reporting changes to the ICFR:** CDPQ disclosed in its Annual Report any change made to the ICFR that occurred during the accounting period beginning on January 1, 2021 and ending on December 31, 2021 that has had, or is likely to have, a material impact on the ICFR.

8. **Reporting to co-auditors and the Board of Directors or Audit Committee of CDPQ:** I have disclosed, based on our most recent valuation of the ICFR, to the co-auditors and the Board of Directors of CDPQ or its Audit Committee, any fraud that involves management or other employees who have a significant role in the ICFR.

President and Chief Executive Officer

CHARLES EMOND
April 8, 2022

FINANCIAL CERTIFICATE OF THE EXECUTIVE VICE-PRESIDENT AND CHIEF FINANCIAL AND OPERATIONS OFFICER

I, Maarika Paul, Executive Vice-President and Chief Financial and Operations Officer of Caisse de dépôt et placement du Québec (CDPQ), certify that:

1. **Review:** I have reviewed the consolidated financial statements, the tables of returns, the press release announcing the annual results and the Annual Report (hereafter referred to as the "Annual Filings") of CDPQ for the year ended December 31, 2021.

2. **No false or misleading information:** To the best of my knowledge, having exercised reasonable diligence, the Annual Filings do not contain any untrue statement of a material fact or omit to state any material fact that is required to be stated or necessary to make a statement that is not misleading in light of the circumstances in which it was made, with respect to the period covered by the Annual Filings.

3. **Fair presentation:** To the best of my knowledge, having exercised reasonable diligence, the consolidated financial statements and the other financial information included in the Annual Filings present fairly, in all material respects, the financial position of CDPQ as at the closing dates of the periods presented in the Annual Filings, as well as its comprehensive income, changes in net assets attributable to depositors, and cash flows for those years.

4. **Responsibility:** I am responsible for the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR) for CDPQ.

5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, at fiscal year-end, I have:

   a) Designed, or caused to be designed under my supervision, DC&P to provide reasonable assurance that:

      i) Material information relating to CDPQ is made known to me by others, particularly during the period in which the Annual Filings are prepared; and that

      ii) Information required to be disclosed by CDPQ in its Annual Filings filed or submitted by it under the legislation is recorded, processed, summarized and reported within the time periods prescribed by the legislation.

   b) Designed, or caused to be designed under my supervision, ICFR to provide reasonable assurance that financial information is reliable and that the consolidated financial statements have been prepared, with a view to publication of financial information, in accordance with International Financial Reporting Standards (IFRS).

5.1. **Control framework:** The control framework that I have used to design the ICFR is that proposed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013).

5.2. **ICFR material weakness relating to design:** Not applicable.

5.3. **Limitation of scope and design:** Not applicable.

6. **Evaluation:** I have:

   a) Evaluated or caused to be evaluated under my supervision, the effectiveness of the DC&P of CDPQ at fiscal year-end and CDPQ disclosed in its Annual Report my conclusions based on this evaluation.

   b) Evaluated or caused to be evaluated under my supervision, the effectiveness of the ICFR of CDPQ at fiscal year-end and CDPQ disclosed in its Annual Report the following information:

      i) My conclusions about the effectiveness of the ICFR at fiscal year-end based on that evaluation; and

      ii) Description of any material weaknesses relating to current operation at fiscal year-end: Not applicable.

7. **Reporting changes to the ICFR:** CDPQ disclosed in its Annual Report any change made to the ICFR that occurred during the accounting period beginning on January 1, 2021 and ending on December 31, 2021 that has had, or is likely to have, a material impact on the ICFR.

8. **Reporting to co-auditors and the Board of Directors or Audit Committee of CDPQ:** I have disclosed, based on our most recent valuation of the ICFR, to the co-auditors and the Board of Directors of CDPQ or its Audit Committee, any fraud that involves management or other employees who have a significant role in the ICFR.

Executive Vice-President and Chief Financial and Operations Officer

Maarika Paul

MAARIKA PAUL, FCPA, FCA, CBV, ICD.D
April 8, 2022

CONCLUSIONS ABOUT THE DESIGN AND EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

In 2021, the Chief Financial and Operations Officer oversaw work to update existing documentation and to evaluate the design and effectiveness of internal control over financial reporting, and the Executive Committee approved the methodology for evaluating key controls. The purpose of this evaluation of internal control over the main financial processes was to ensure that CDPQ could meet its quality objectives related to financial reporting, in all material respects.

The evaluation of the design and effectiveness of internal control over financial reporting was carried out with the framework usually adopted by North American companies, namely that of the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013). This work enabled the Executive Committee to conclude that the design of control over financial reporting is adequate and effective, and that it provides reasonable assurance that the financial information presented in the Annual Filings, as defined by CDPQ's Financial Certification Policy, is reliable, and that CDPQ's consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

CONCLUSIONS ABOUT THE DESIGN AND EFFECTIVENESS OF FINANCIAL REPORTING CONTROLS AND PROCEDURES

Under CDPQ's Financial Certification Policy, the design and effectiveness of disclosure controls and procedures pertaining to the Annual Filings, namely the consolidated financial statements, the tables of returns, the press release announcing the annual results and the Annual Report, must be evaluated.

As with the evaluation of internal control over financial reporting, the Chief Financial and Operations Officer also oversaw efforts to update existing documentation and to evaluate the design and effectiveness of disclosure controls and procedures, and the Executive Committee also approved the methodology for evaluating key controls.

As at December 31, 2021, the evaluation confirmed that the disclosure controls and procedures are adequate and effective, and provide reasonable assurance that all relevant information is gathered and submitted in a timely fashion to senior management, in particular to the President and Chief Executive Officer and to the Chief Financial and Operations Officer, so as to ensure that appropriate decisions concerning disclosure can be made.

The Board of Directors also approved the 2021 Annual Filings before their public disclosure.

General Notes

1. CDPQ's operations comply with the requirements of the Act respecting the Caisse de dépôt et placement du Québec[1] and investment industry practices. Its consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Each year, CDPQ's co-auditors, the Auditor General of Québec and Ernst & Young LLP, audit the financial statements, the compliance of operations with laws, regulations, policies and guidelines, to the extent they deem appropriate.
2. The 2021 Annual Report Additional Information is an integral part of the 2021 Annual Report and presents, in the first section, the Tables of Returns as at December 31, 2021, for composites of CDPQ's depositors' accounts. These tables and calculations have been audited as at December 31, 2021 by Deloitte LLP for compliance with the Global Investment Performance Standards (GIPS®).
3. In this Annual Report, net assets and investment results are defined as being, in the consolidated financial statements, net assets attributable to depositors and investment results before distributions to depositors.
4. The returns of the specialized portfolios use the time-weighted rate of return formula.
5. The benchmark indexes for the asset classes and total portfolio are based on the weighted average of the benchmark indexes for the specialized portfolios that comprise them.
6. Unless otherwise stated, returns, which are expressed as a percentage, are presented net of transaction fees, external management fees – Private Markets and other funds and unconsolidated real estate subsidiaries fees, but before operating expenses and other fees. They are annualized for periods of more than one year. They include the return on cash and cash equivalents and they take into account any foreign exchange hedging. The ratio of operating expenses to the average net assets of each specialized portfolio is presented in the notes in the 2021 Annual Report Additional Information.
7. Unless otherwise stated, investment results and net assets attributable to depositors are presented net of operating expenses and other fees.
8. Some returns are expressed in basis points (bps). One hundred basis points equal 1.00% and one basis point equals 0.01%.
9. Unless otherwise stated, all figures are in Canadian dollars. The letters M and B used with dollar amounts designate millions and billions, respectively.
10. Totals (figures or percentages) may vary because of rounding of figures.
11. Unless otherwise stated, all data in the tables and figures are from studies carried out by CDPQ.
12. The tables listing the principal investments present, in alphabetical order, the main cash positions based on information shown in tables 7, 8, 9 and 10 of the 2021 Annual Report Additional Information.
13. To determine whether an asset is classified as a Québec investment, CDPQ uses the location of the head office of the company or of the issuer, or the location of the real estate. This classification system is widely used in the fund management industry but involves biases. Some companies are included even though their core operations are outside Québec. Similarly, companies with extensive operations in Québec are excluded if their head office is outside the province.

1. The Act respecting the Caisse de dépôt et placement du Québec is available on CDPQ's website at www.cdpq.com.

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The 2021 Annual Report and the 2021 Annual Report Additional Information are available at www.cdpq.com.
For information: 514 842-3261, info@cdpq.com
Le Rapport annuel 2021 et le document Renseignements additionnels au Rapport annuel 2021 sont aussi accessibles en français au www.cdpq.com.
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