



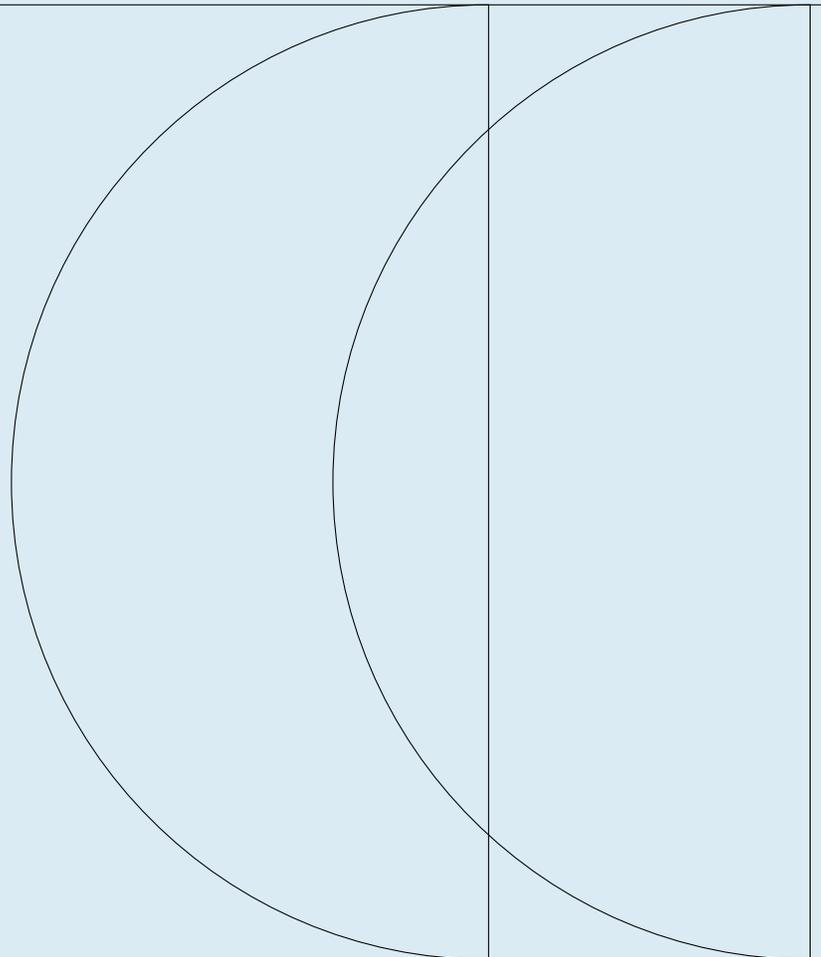
Constructive Capital

2020 ANNUAL REPORT



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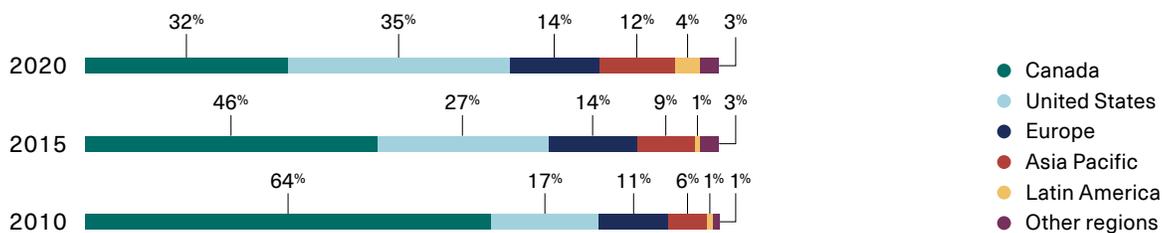
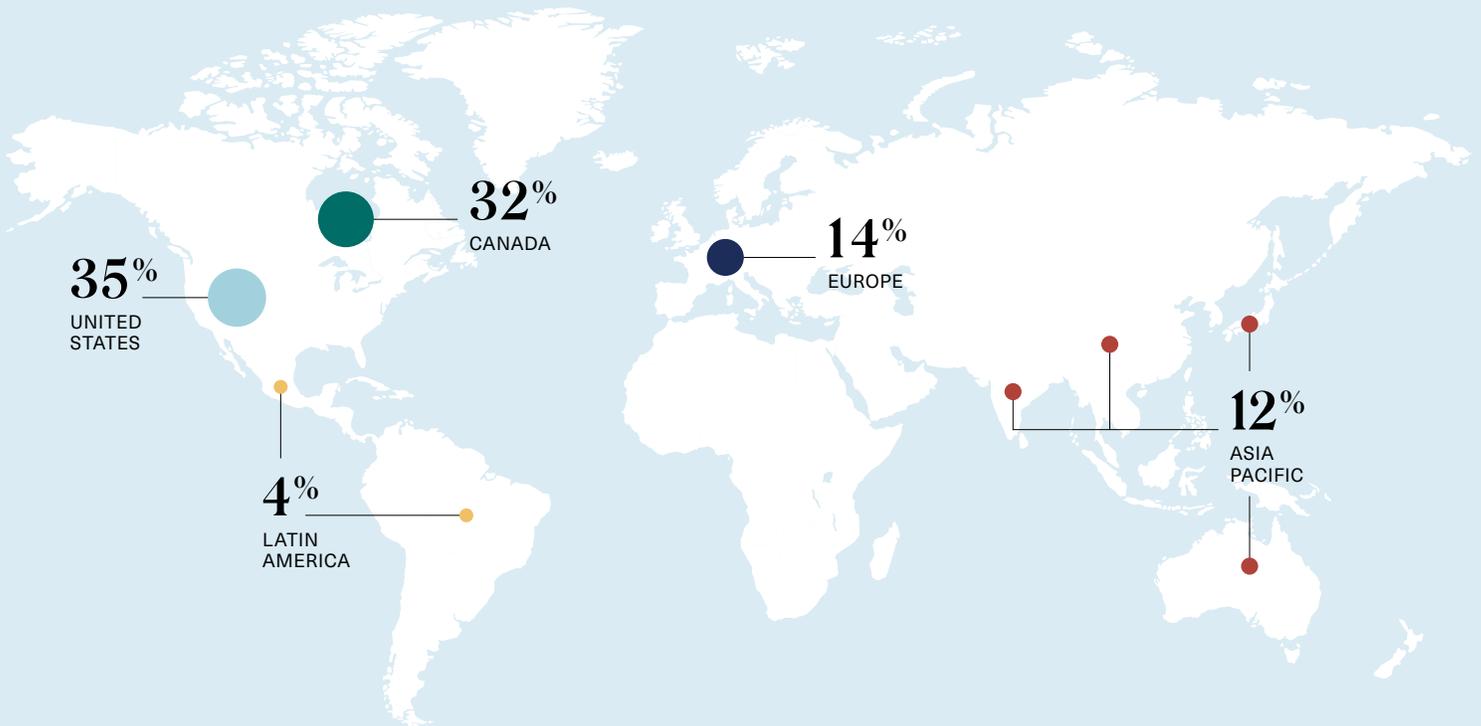
This report presents
an overview of our 2020
results, our achievements
and our progress in Québec
and around the world.



We are a global investment group with assets in all major markets.

Total portfolio geographic exposure

AS AT DECEMBER 31, 2020



Net assets

\$365.5 B

AS AT DECEMBER 31, 2020

2020 results

7.7%

RETURN

\$24.8 B

INVESTMENT RESULTS

Results over five years

7.8%

ANNUALIZED RETURN

\$110.7 B

INVESTMENT RESULTS

Results over ten years

8.6%

ANNUALIZED RETURN

\$198.0 B

INVESTMENT RESULTS

Liquidity

CDPQ has sufficient liquidity to meet its commitments and those of its depositors in addition to maintaining the desired flexibility to act during a crisis, such as to seize investment opportunities.

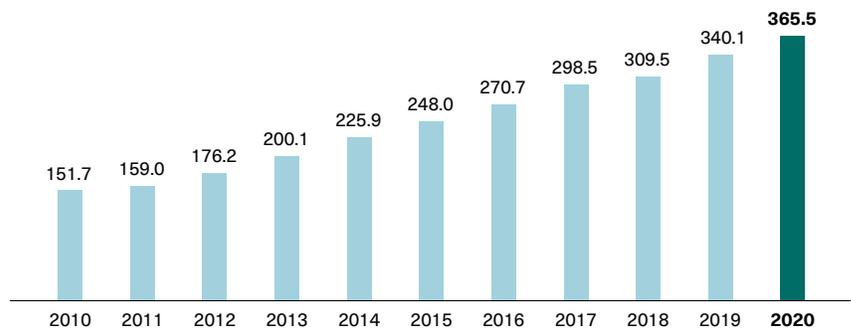
Highest credit ratings reaffirmed

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 2010

(in billions of dollars)



We are actively participating in the recovery and are building a dynamic, competitive and sustainable economy.

Putting Québec at the centre of our priorities. As the leading investment group in Québec, we support our companies and the various stakeholders in our economy, especially in turbulent times.



1. Réseau express métropolitain (REM)

- 2,000 workers on more than 20 active construction sites in Greater Montréal; start of dynamic tests on the first segment
- A proposed \$10-billion project, the REM de l'Est will serve the east and northeast sectors of the city, with 32 km of tracks and 23 stations

2. CAE

- World leader in the aeronautics sector
- Invested \$150 million to support its expansion plans, including the acquisition of Flight Simulation Company, and the development of its training services in Europe

3. Equity 25³

- Creation of a fund to increase diversity and inclusion in Québec and Canadian companies, the largest of its kind in the country
- \$250 million to be deployed over four years through investments of \$5 to \$30 million and support for implementing a diversity plan

4. Medicom

- A key player in the health care industry that manufactures and distributes medical supplies
- Loan to explore new avenues of expansion and increase accessibility of its products

5. Nuvei

- Global provider of payment software
- Support for its listing on the Toronto Stock Exchange, the largest ever for a technology company on the TSX at the time



4



5

Leveraging our advantages in this market that we understand very well.

We support private sector companies in their growth plans, international expansion and technological innovation, while helping create an economy and communities that are more sustainable. Our assets: our teams' know-how and our vast business network.

We partner with the best to expand our reach.

Forging lasting relationships to move forward. Our extensive network of experienced partners around the world is a key distinguishing factor amidst fierce competition for quality assets. We view every partnership as the beginning of a lasting collaboration.



1. LOGOS

- Partner in logistics and industrial real estate since 2015
- Launch of a 4th development vehicle in Asia with US\$800-million of capacity and acquisition of an Australian site to create a \$230-million logistics platform

2. S2G Ventures

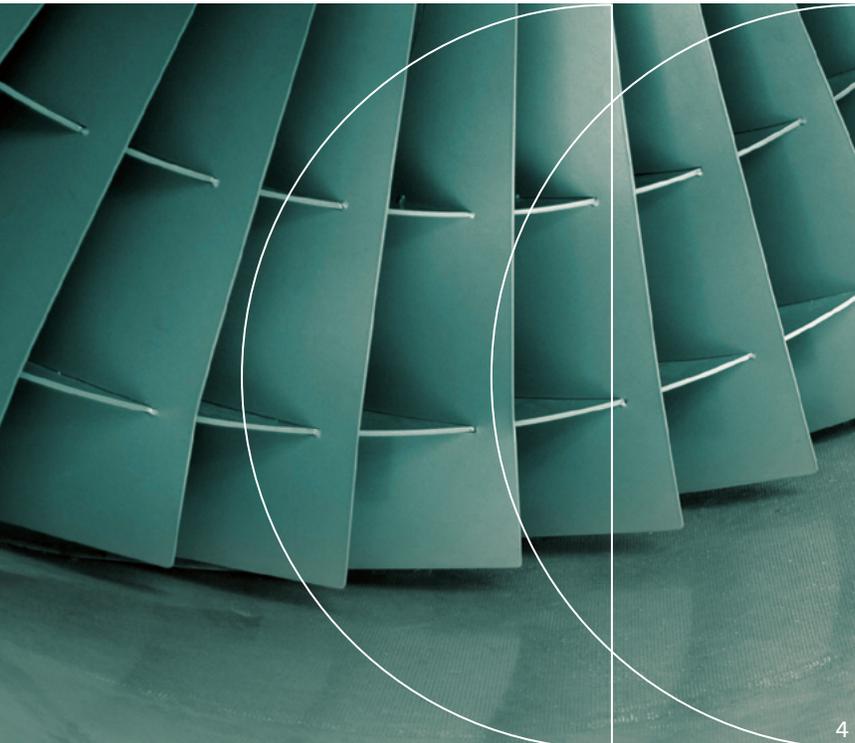
- New partnership with this venture capital fund targeting the agri-food sector
- Investment of up to US\$125 million in climate change opportunities

3. Plenary Group

- Long-standing business relationship with this public-private partnership specialist with operations in Australia, Canada and the United States
- CDPQ acquired Plenary Americas, a North American leader in public infrastructure

4. Ares Management Corporation

- Partnership with this alternative investment manager that owns a global private debt platform
- Participated in a £1.875-billion commitment led by Ares to The Ardonagh Group, a major UK insurance broker



4

Partnering with the best. That means creating new opportunities and multiplying the impact of our projects. Our partners share our long-term investment approach and offer strategies that are complementary to ours.

When they do business with us, they gain access to a global team, high-level expertise and quality investment opportunities that span markets and asset classes.

We invest constructive capital to support sustainable businesses and projects around the world.

Taking on the great challenges of our time. The health crisis, the effects of climate change and growing inequality have shown that we all have a role to play. In 2020, we also saw just how important it is to generate sustainable value to stimulate economies. More than ever, we are united by our purpose to build companies that drive performance and progress.

\$36 B

LOW-CARBON ASSETS IN THE PORTFOLIO,
UP \$18 B SINCE 2017, INCLUDING \$2 B IN 2020

-38%

REDUCTION IN OUR PORTFOLIO'S CARBON INTENSITY SINCE 2017,
COMPARED TO OUR 25% REDUCTION OBJECTIVE BY 2025



Leveraging diversity and inclusion to drive growth

Our conviction is that diversity and inclusion are essential to achieving business objectives—for us and our portfolio companies—as well as being essential to our employees’ talent development and well-being.

In 2020, we joined in key efforts to advance these issues, including the BlackNorth Initiative and, together with the Responsible Investment Association (RIA), the Canadian Investor Statement on Diversity and Inclusion.

Integrating our stewardship investing priorities into our proxy voting policy

We updated our proxy voting policy to include a target of 30% women on our portfolio companies’ Boards and executive committees to be achieved by 2022.

Our climate requirements have also been enhanced, primarily with respect to disclosure and the adoption of clear GHG emission reduction targets.

Providing leadership on international tax matters

Our international tax commitment has been updated to renew our opposition to the abusive use of tax structures and to reflect evolving best practices.

Our position and investment processes allow us to, among other things, evaluate the structure of proposed transactions and to work to influence our partners to limit the use of low-tax jurisdictions as much as possible.

1. Greater Changhua 1

- Offshore wind farm project under construction in Taiwan
- Will provide clean energy to more than 650,000 homes

2. CDPQ Renovables Iberia

- Platform for renewable assets
- Supplies more than 115,000 households in Spain

3. AddÉnergie

- Leader in electric vehicle charging solutions in Canada
- Operates a network of charging stations across North America

4. Azure Power

- Leader in the development and operation of solar energy projects in India
- Participates in the growth of the renewable energy market

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



3



4

We aim to ensure that our depositors' funds and the pensions of millions of people are sustainable.

Delivering optimal performance. With our global reach and experience across asset classes, we can seize opportunities that benefit all Quebecers.

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

6.5% to 9.0%

IN 2020

7.0% to 8.3%

OVER 5 YEARS

8.0% to 9.3%

OVER 10 YEARS

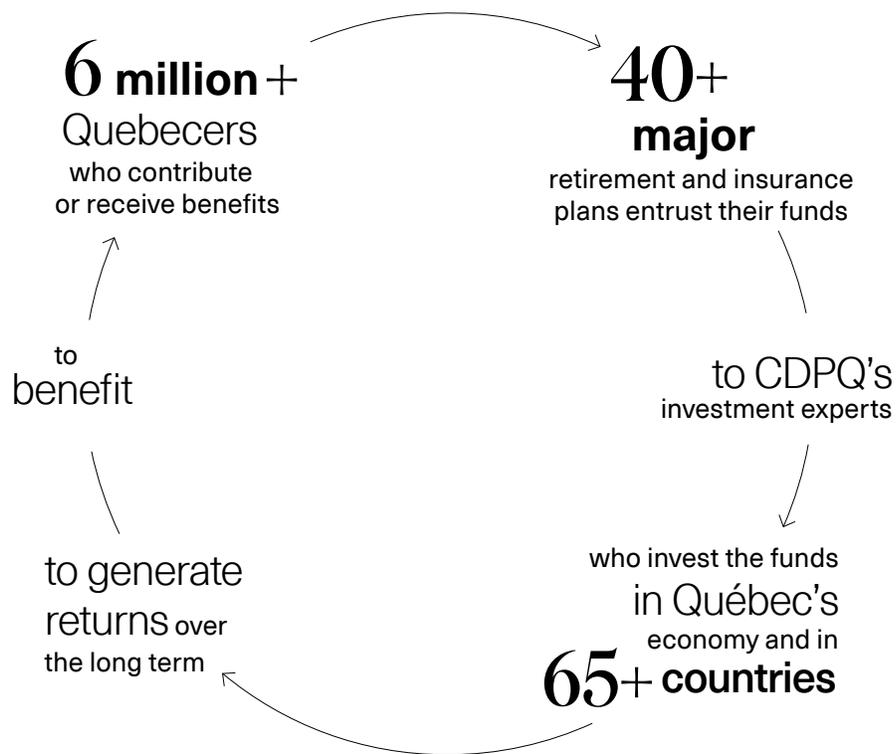


Acknowledging the reality our clients face. Each of our depositors has distinct needs that we take into consideration when establishing our investment strategies.

Collaboration and listening to each other form the foundation of our relationship. This is even more essential in a crisis; with unprecedented markets, we intensified our discussions.

In everything we do, we never lose sight of the fact that we work for the Québec people.

CDPQ at a glance



Our main depositors



Retirement Plans
Sinking Fund



Québec Pension Plan Fund,
base and additional plans

RREGOP

Government and
Public Employee
Retirement Plan



Supplemental Pension Plan
for Employees of the Québec
Construction Industry



Fonds de la santé et
de la sécurité du travail



Fonds d'assurance
automobile du Québec



Generations Fund

PPMP

Pension Plan of
Management Personnel

For the complete list of our depositors, see [page 26](#).

We support companies to drive their growth.

1. Alstom

- World's second-largest player in sustainable mobility following its acquisition of Bombardier Transportation
- Our agreement: \$4 billion for a 17.5% equity stake, with structuring commitments for Québec

2. Colisée

- A retirement home sector leader in Europe
- Our objective: take a stake in the company so it can consider new growth opportunities while consolidating its care and service offering

3. Titan Aircraft Investments

- Leading air cargo solutions provider
- Our value added: leveraging our ability to design innovative financing structures to support new acquisitions



Results by asset class

Equities

12.4% **11.0%**

IN 2020

OVER 5 YEARS

Fixed Income

9.0% **5.3%**

IN 2020

OVER 5 YEARS

Real Assets

-7.0% **4.3%**

IN 2020

OVER 5 YEARS

Net assets

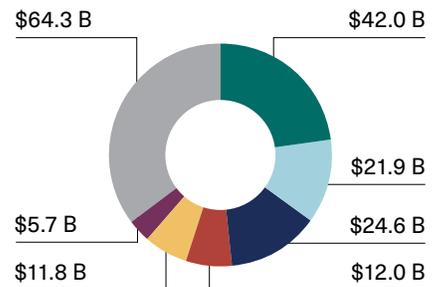
AS AT DECEMBER 31, 2020

Equities

\$182.3 B

NET ASSETS BY PORTFOLIO AND MANDATE

- Global Quality
- Canada
- Growth Markets
- Alternative Beta
- Global Value
- Other
- Private Equity

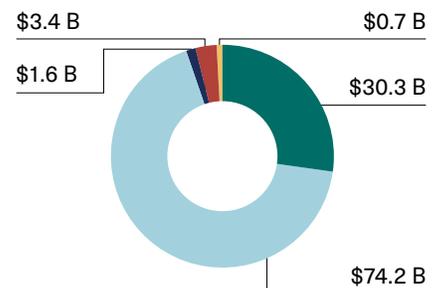


Fixed Income

\$110.2 B

NET ASSETS BY PORTFOLIO

- Rates
- Credit
- Short Term Investments
- Long Term Bonds
- Real Return Bonds

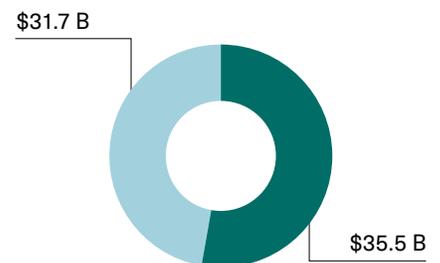


Real Assets

\$67.2 B

NET ASSETS BY PORTFOLIO

- Real Estate
- Infrastructure



Our major accomplishments for the year are in line with our strategic orientations, which evolved in 2020.

Optimal performance

Benefit from diversified sources of return, create value through post-investment management and assess risk thoroughly

- Implementation of measures to address the pandemic, including:
 - Review of all assets
 - Global and coordinated management of strategy, portfolio construction and risks
 - Crisis team to ensure business continuity and keep the organization fully operational
- For Fixed Income, rigorous deployment with a focus on investment-grade bonds and creation of the Capital Solutions team
- For Real Assets:
 - Acceleration of the repositioning of the Real Estate portfolio, with over 70 transactions
 - \$3.5 billion in Infrastructure investments in various countries and sectors
- For Equity Markets, seizing opportunities following the first quarter correction and evolving the portfolio to strongly position it for the next decade
- For Private Equity, value creation through operational support for portfolio companies
- Regular monitoring of liquidity to ensure the level is sufficient to address any eventuality and seize opportunities

Québec economy

Leverage our advantages in Québec to generate returns while helping build a dynamic, competitive and sustainable economy

- \$4-billion envelope to help Québec companies weather the crisis and propel their recovery and growth plans over the longer term
- Growth:
- Support the growth ambitions of several leaders in their field such as WSP, APP Group, Canam Group and Medicom
 - Support for entrepreneurship and the next generation, with specific attention to the growth of businesses owned by women
- Globalization:
- Investments targeting expansion projects in new markets, including Eddyfi/NDT, KDC/ONE and CAE
- Technological leap:
- Investments in companies such as Nuvei, Lightspeed and Dialogue that place technology at the heart of their business model
 - Help accelerate the digital shift of companies such as LCI Education, Monarch and Intact Financial Corporation
- Sustainable economy and communities:
- Progress on the REM, with more than 20 active construction sites, and proposal of a mobility project to serve Montréal's east and northeast sectors
 - For renewable energy, support for a leader in electric vehicle charging stations and Canada's largest agricultural cooperative

Worldwide presence

Increase our exposure to global markets by adopting an integrated approach across regions and partnering with the best

- Creation of CDPQ Global to steer our globalization strategy and to approach the various markets with a cross-functional perspective
- Leading transactions around the world:
 - North America, private debt in the banking and air freight sectors
 - Europe, in promising real estate segments
 - Asia Pacific, in renewable energy infrastructure, including our first investment in Taiwan

Stewardship investing

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

- Since 2017, a 38% decrease in our carbon footprint per dollar invested and an \$18-billion increase in our green assets:
 - Creation of CDPQ Renovables Iberia, a European investment and management platform in renewable energy
 - Co-investment partnership with S2G Ventures to make agri-food more sustainable
- Clear commitments to diversity:
 - Signing of the BlackNorth Initiative
 - Creation of the Equity 25³ fund to increase diversity and inclusion in companies in Québec and Canada
- Active participation in the Investor Leadership Network and the Net-Zero Alliance, and adherence to the Maple 8 declaration for better ESG disclosure

Technology trends

Create value by capitalizing on the acceleration of technology trends, including the impact that a digitizing economy has on businesses and our operations

- Launch of an integrated strategy based on three pillars: seizing technology investment opportunities, taking this factor into account in risk management and pursuing the digital transformation
- Continuation of projects, especially in artificial intelligence, to propel us to the cutting edge of our environment





We entered 2020 knowing that our business environment for the next few years would be different from the previous decade and would pose new challenges. However, we had no idea that a pandemic of this magnitude would test not only the global economy and financial markets, but also society as a whole.

In this context, the Board of Directors worked closely with management to carefully monitor the impact of COVID-19 on the portfolio. In particular, we examined different scenarios and their effect on the strategy and returns, and changes were quickly implemented where needed. Throughout the year, CDPQ has been able to manage risks rigorously while taking advantage of opportunities generated by the crisis.

The Board is fully satisfied with the performance delivered both in 2020 and over the longer term, meeting the expectations of our depositors. Over the past ten years, nearly \$200 billion in investment results have been generated, including over \$9 billion in value added. This is in addition to achievements and initiatives that have been very impactful.

Our organization has adapted its strategic orientations to better navigate an uncertain environment. We must pursue and accelerate the elements of our approach that have been successful in recent years—globalization and the shift to private debt, infrastructure and private equity—while optimizing certain aspects of the strategy to continue moving forward, such as in real estate and equity markets.

More than ever in 2020, CDPQ demonstrated how its constructive capital is making a difference. Here I'm thinking in particular about our quick action to support Québec companies during this turbulent period. With their expertise, our teams helped them prepare for the post-crisis period, with the objective of positioning them for long-term success.

CDPQ's commitment to Québec is also reflected in investments focused on growth, globalization and the technological shift. We launched structuring projects that contribute to a sustainable future by investing significantly in renewable energy and helping companies transition toward achieving low-carbon performance. In addition, despite the challenges caused by the pandemic, construction of the REM project continued to progress, making the arrival of this public transit network in the Greater Montréal area even more tangible.

Our teams completed a significant number of transactions globally across all asset classes. They've been very active in post-investment management of portfolio companies, which has resulted in value creation again this year. Several projects were also carried out to deploy new approaches to better position the organization for the future, both in terms of technology and managing its international activities.

On the climate change front, CDPQ continued to be involved in global investor initiatives and added green assets to our portfolio, consolidating our leadership. The Board also applauds CDPQ's efforts on diversity and inclusion, which are an additional performance lever for companies, firmly believing in the value and timeliness of the Equity 25³ initiative.

On a personal note, I would like to acknowledge the work of my fellow Board members who have played a key role in governance. My sincere thanks to François Joly for his mandate, which ended in 2020, and a warm welcome to Jean-François Blais, who joined us last May.

In closing, on behalf of the Board, I would like to thank CDPQ's teams for all that they've accomplished while working from home in an unusual context. Behind our results, there are people. Mobilized women and men who are proud to contribute to the mission of this unique institution, at the service of Quebecers.

I would be remiss if I didn't highlight the outstanding leadership of Charles Emond, who took over as President and Chief Executive Officer shortly before the pandemic. He took swift action to ensure that the organization remained engaged, productive and innovative.

A handwritten signature in black ink, appearing to read 'R. Tessier'. The signature is fluid and cursive, with a large initial 'R' and a stylized 'Tessier'.

Robert Tessier
Chairman of the Board



History will remember 2020 as a year like no other. In mid-March, the pandemic brought entire sectors of the economy to a halt. For an investor like CDPQ, this unprecedented crisis had its share of challenges and opportunities. It provided an opportunity to confirm our strengths and sharpen the focus of our actions in the coming years.

Our strong risk management culture enabled us to deal with the pandemic from the outset. We implemented a series of measures to protect our clients' capital and seize opportunities when they arise. At the height of the crisis, we took advantage of the market correction by deploying several billion dollars in stock and bond markets.

We were fully operational on the first day of the lockdown. I'd like to sincerely thank our teams for their commitment and for their tremendous work every day, which made all the difference in this challenging context.

In an atypical market environment, we generated returns that meet the long-term needs of our depositors, with attractive value added over five and ten years. Like the markets, however, our performance in 2020 was marked by contrasts—both between and within asset classes.

In Real Estate, with shopping centres and office buildings hard hit by lockdowns and other health measures, we accelerated the repositioning of our portfolio toward promising sectors. We completed over 70 transactions aligned with these priorities, including several in logistics. We also started adapting our Public Equity strategy to expand our investment universe.

In Infrastructure, Credit and Private Equity, our teams were active, with transactions in several sectors and regions. Diversifying our assets has proven to be a key factor in our performance, and we intend to continue on this path. As such, we created CDPQ Global to deploy an integrated approach to maximize our impact and further raise our profile on the international stage.

In Québec, we fully embraced our role during this crucial period. We supported businesses with a \$4-billion envelope and helped to position them for the recovery. There have been many great stories: Nuvei and Lightspeed's successes on the stock market, or the rise of Dialogue and Eddyfi. Québec's economic fabric is undergoing a transformation, and we are proud to contribute to the emergence of champions, both locally and around the world.

This crisis has also revealed how the accelerated digitization of the economy is impacting our investment environment. As such, to remain competitive, we will increasingly rely on the new economy, seek to anticipate the impact of disruptive technologies on business models and integrate AI into our processes.

This will unfold as we continue to execute our strategy and innovate in stewardship investing, something that distinguishes us on the world stage and that will be central to the recovery. For us, it's about providing strong climate leadership in the industry and among our peers and portfolio companies, to advance issues like diversity and inclusion, as well as positioning our portfolio toward sustainable sectors and sectors of the future.

OUR AMBITION AT THE DAWN OF A NEW CYCLE

Persistent impacts from COVID-19, historically low interest rates, high valuations, abundant liquidity and fierce competition for assets: the next few years will be demanding, and targeted returns more challenging to achieve. We must remain vigilant. This new economic cycle doesn't call into question our foundations or our identity, but it does require discipline and agility.

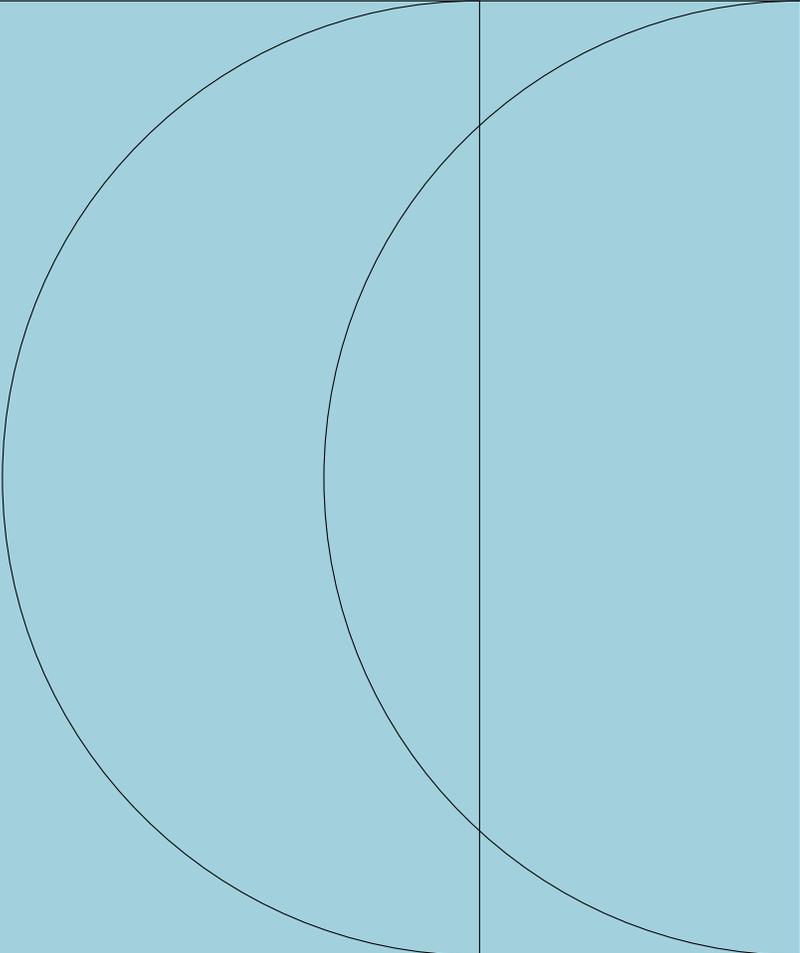
With the lessons learned from the crisis and our strengths, we firmly believe that we are well positioned—to be a successful investor and a partner of choice on a global scale, a source of constructive capital and creator of sustainable value—to benefit our depositors and Québec as a whole.

In short, to be an active, modern organization, driven by the talent of our people and by the quality of our execution.

A handwritten signature in black ink, reading "Charles Emond". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Charles Emond
President and Chief Executive Officer

Our Clients, the Depositors



Our Clients, the Depositors

The year 2020 was characterized by an extraordinary economic environment due to the COVID-19 crisis. In particular, stock markets fell sharply, then rallied strongly in the second quarter, while interest rates, after falling significantly, maintained their downward trend for most of the year.

This situation has affected our depositors' assets and is likely to have an impact on their financial commitment liabilities. Ongoing communication between CDPQ and our depositors throughout the year once again played a key role. Thus, despite the restrictions in place, CDPQ teams conducted even more follow-ups with depositors, resulting in additional work and in-depth discussions.

The levels of return observed as at December 31, 2020, over the one-, five-, and ten-year periods meet depositors' long-term funding needs.

However, questions are emerging about future performance expectations. High valuations in the public and private markets, uncertainty about interest rates rising from very low levels in the future and the pandemic's economic impact could herald lower returns. In this context, diversification, not only within depositors' portfolios, but also in CDPQ's investment strategies, remains a priority for everyone.

CONSTRUCTIVE DISCUSSIONS DURING A CRISIS

The relationship between CDPQ and our depositors is based on a business model characterized by:

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

In 2020, CDPQ teams and depositors' representatives held more discussions on a regular basis covering various topics related to portfolio monitoring, investment strategies, product offerings and their investment policies.

Our Clients, the Depositors (continued)

The year was an opportunity for CDPQ to review the Equity Markets portfolio. This project helped identify its potential exposure biases, whether in style, region or sector. Several discussions were held with the depositors to inform them of the diagnosis and desired improvements. This led to the announcement of changes to the portfolio's structure, its management and its absolute risk level, which will now be equivalent to that of the market. These changes will take effect on July 1, 2021.

CDPQ also pursued work on the Rates and Credit Fixed Income portfolios, as well as on the Asset Allocation portfolio, in order to better present their activities and risk level.

In addition, as is the case every year, the reporting process, the investment policy work and the various forums for discussion with depositors provided an opportunity to consider CDPQ's strategic directions and how they can optimize the risk-return profile of depositors' funds. In addition to the discussions regarding the Equity Markets portfolio, particular emphasis was placed on:

- Progress on implementing the strategic plan for the Real Estate portfolio
- Optimal duration to target for Fixed Income portfolios
- The possibility of offering depositors a financial leverage product

CHANGES IN DEPOSITORS' BUSINESS ENVIRONMENT

Depositors' plans are in good financial shape today, despite a year of public health crisis. This is the result of several years of sizable additional contributions to offset actuarial deficits, as well as the significant returns generated by CDPQ for over ten years.

However, the low interest rate environment as well as the declining return outlooks pose challenges. In the short term, plans must also deal with the economic and financial impacts of the pandemic.

In addition, the plans' demographic profiles have changed considerably over the years. Certain depositors will be in a net disbursement situation over the next few years. This reality requires the portfolios to be constructed accordingly. Work on these issues continued in 2020.

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 supports 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 various 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

During the year, several analysis projects were carried out with the depositors. This work permitted the evaluation of the strategic allocation of assets in place and, for certain depositors, adjusting it based on their financial reality, risk tolerance, need for liquidity and changes to CDPQ products. Specific attention was again paid to the management tools used to adjust the sensitivity of their portfolio to interest rate movements. Work continued to examine the possibility of using a leverage product to optimize the plans' risk-return profile.

During the crisis, work was carried out with certain depositors to review their liquidity needs in light of the new economic reality resulting from the pandemic and its impact on their financial flows.

TABLE 1

SPECIALIZED PORTFOLIO OFFERING

(as at December 31, 2020)

	ACTIVELY MANAGED	INDEXED	OBJECTIVES
FIXED INCOME	Rates Credit	Short Term Investments Long Term Bonds Real Return Bonds	Reduce the portfolio's overall risk level 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

Our Clients, the Depositors (continued)

AN ADAPTED PORTFOLIO OFFERING

CDPQ enables its depositors to allocate their funds to specialized portfolios with the same type of securities, with the majority managed actively (see Table 1, page 23). 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 its specialized portfolios, CDPQ provides overlay options to enable each depositor to customize its exposure to interest rates.

In 2020, CDPQ adjusted the activities of some of its portfolios, including:

- **Active Overlay Strategies:** This portfolio, which comprised various absolute-return oriented overlay activities, including hedge funds, was closed on January 1, 2020. In return, the universe of investments eligible for the Equity Markets portfolio and consolidated asset allocation activities was broadened to allow the use of hedge funds when they can contribute to the targeted strategy.
- **Real Return Bonds:** This index-based portfolio is being used less and less by depositors. Changes have been made to reflect the planned gradual divestment of the portfolio. These modifications took effect on April 1, 2020.
- **Infrastructure:** In line with depositors' appetite for this asset class, certain exposure limits have been modified to reflect the significant deployments anticipated in the coming years. Other adjustments have also been made, including to certain geographic and sectoral targets, effective July 1, 2020.

Depositors' returns

Over five years, the various depositors' funds have delivered performance that meets their long-term needs.

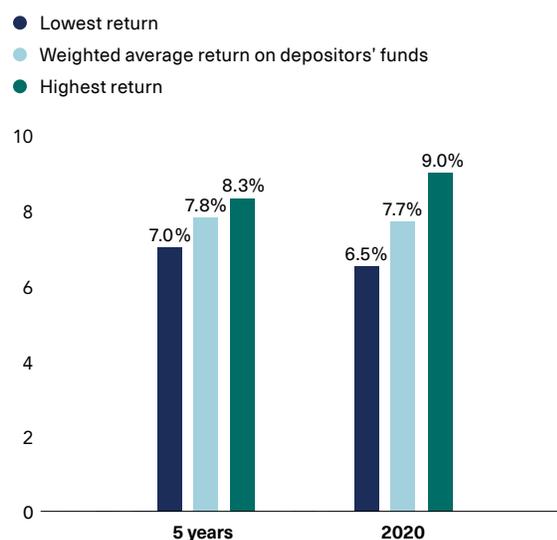
The decisions made on the allocation of assets among the three major asset classes in the total portfolio—Fixed Income, Real Assets and Equities—are reflected in each depositor's return. The depositors make these decisions, with CDPQ's support, based on information including:

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

Over five years, the eight principal depositors posted annualized returns ranging from 7.0% to 8.3%. For one year, their returns varied between 6.5% and 9.0%.

FIGURE 2

THE EIGHT PRINCIPAL DEPOSITORS' RETURNS



Eight principal depositors

Represented 96.3% of net assets as at December 31, 2020

1. Retirement Plans Sinking Fund

\$99.4 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

\$87.8 B NET ASSETS

- Québec Pension Plan Fund, base and additional plans
- 4.2 million contributors
- 2.1 million beneficiaries
- \$15.1 billion in benefits paid annually

3. Government and Public Employees Retirement Plan

\$82.4 B NET ASSETS

- 568,000 contributors
- 296,000 retirees and 20,000 surviving spouses and orphans
- \$6.3 billion in retirement benefits paid annually

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

\$27.6 B NET ASSETS

- 174,000 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

\$18.8 B NET ASSETS

- Fonds de la santé et de la sécurité du travail
- 225,000 contributing employers
- 4.0 million workers covered
- \$2.3 billion in benefits paid annually

6. Société de l'assurance automobile du Québec

\$13.4 B NET ASSETS

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

7. Generations Fund

\$12.0 B NET ASSETS

- Fund used to repay Québec's debt

8. Pension Plan of Management Personnel

\$10.1 B NET ASSETS

- 28,000 contributors
- 33,000 retirees and 2,800 surviving spouses and orphans
- \$1.6 billion in benefits paid annually

TABLE 3

CDPQ'S 42 DEPOSITORS

Comparison of net assets as at December 31, 2019, and as at December 31, 2020

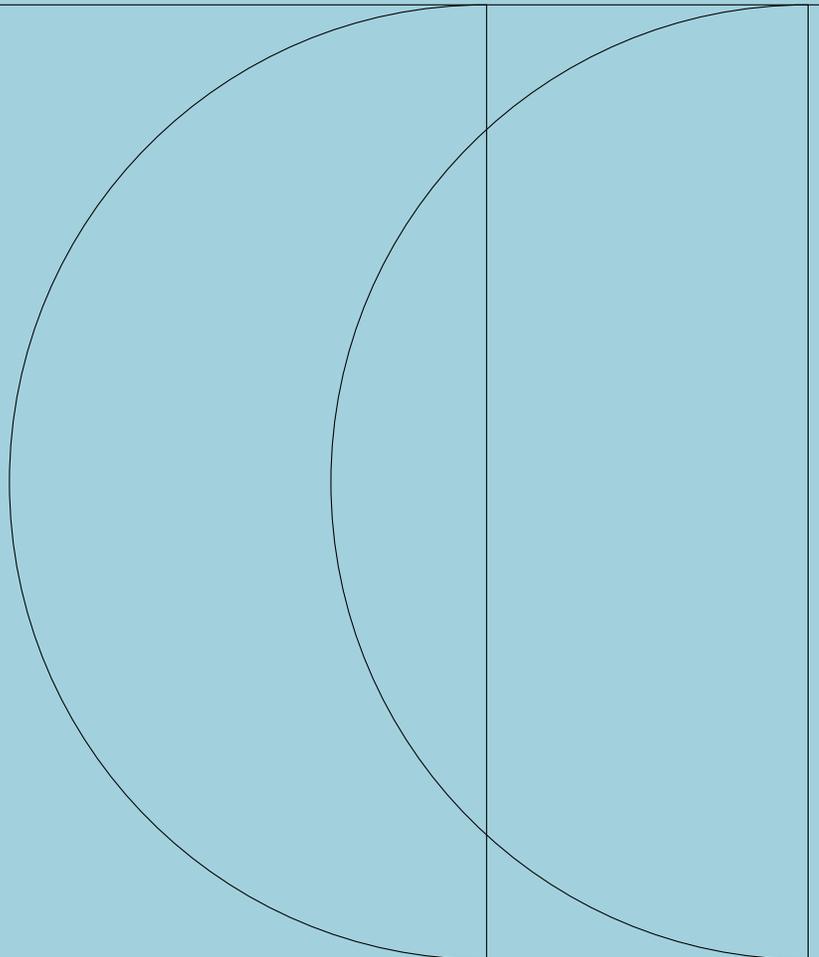
(fair value as at December 31 – in millions of dollars)

	First deposit	Depositors' net assets			
		2020		2019	
		\$	%	\$	%
PENSION PLANS					
Retraite Québec	1966	87,797	24.0	81,643	24.0
Supplemental Pension Plan for Employees of the Québec Construction Industry	1970	27,643	7.6	25,834	7.6
Government and Public Employees Retirement Plan	1973	82,408	22.5	76,804	22.6
Pension Plan of Management Personnel	1973	10,073	2.8	9,110	2.7
Pension Plan for Federal Employees Transferred to Employment with the Government of Québec	1977	289	0.1	281	0.1
Pension Plan of Elected Municipal Officers	1989	316	0.1	296	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	743	0.2	682	0.2
Ministère des Finances, Government of Québec ¹					
Retirement Plans Sinking Fund	1994	99,417	27.2	92,961	27.3
Superannuation Plan for the Members of the Sûreté du Québec – employers' fund	2009	979	0.3	938	0.3
Régime de retraite de l'Université du Québec	2004	695	0.2	680	0.2
Régime de retraite du personnel des CPE et des garderies privées conventionnées du Québec	2005	570	0.2	538	0.2
Régime de retraite pour certains employés de la Commission scolaire de la Capitale	2006	30	–	31	–
Pension Plan of the Non-Teaching Staff of the Commission des écoles catholiques de Montréal	2007	177	–	183	0.1
Superannuation Plan for the Members of the Sûreté du Québec – participants' fund	2007	684	0.2	608	0.2
Régime de retraite des employés de la Ville de Laval	2007	298	0.1	417	0.1
Retirement Plan for Active Members of the Centre hospitalier Côte-des-Neiges	2010	98	–	94	–
Fonds commun de placement des régimes de retraite de l'Université Laval	2012	217	0.1	340	0.1
Fiducie globale Ville de Magog	2012	83	–	78	–
Régime de retraite des employés et employées de la Ville de Sherbrooke	2012	53	–	52	–
Régime de retraite des agents de la paix en services correctionnels	2013	778	0.2	724	0.2
Régime complémentaire de retraite des employés réguliers de la Société de transport de Sherbrooke	2013	94	–	89	–
Régime de retraite de la Corporation de l'École Polytechnique	2014	72	–	73	–
Régime de retraite de la Ville de Terrebonne	2015	104	–	95	–
Régime de retraite des cadres de la Ville de Québec	2016	303	0.1	286	0.1
Régime de retraite des employés manuels de la Ville de Québec	2016	380	0.1	359	0.1
Régime de retraite des fonctionnaires de la Ville de Québec	2016	685	0.2	640	0.2
Régime de retraite du personnel professionnel de la Ville de Québec	2016	279	0.1	252	0.1
Régime de retraite des policiers et policières de la Ville de Québec	2016	587	0.2	530	0.2
Régime de retraite des pompiers de la Ville de Québec	2016	222	0.1	199	0.1
Régime de retraite des employés du Réseau de transport de la Capitale	2016	138	–	143	0.1
Régime de retraite des chauffeurs d'autobus de la Société de transport de Laval	2017	151	–	140	–
La Société des casinos du Québec ²	2020	22	–	–	–
INSURANCE PLANS					
Régie des marchés agricoles et alimentaires du Québec	1967	13	–	12	–
La Financière agricole du Québec	1968	893	0.2	963	0.3
Autorité des marchés financiers	1969	1,069	0.3	962	0.3
Commission des normes, de l'équité, de la santé et de la sécurité du travail	1973	18,828	5.2	18,109	5.3
Société de l'assurance automobile du Québec	1978	13,447	3.7	12,967	3.8
Les Producteurs de bovins du Québec	1989	7	–	6	–
Survivor's Pension Plan	1997	479	0.1	469	0.2
Conseil de gestion de l'assurance parentale	2005	362	0.1	402	0.1
OTHER DEPOSITORS					
Office de la protection du consommateur	1992	161	–	152	0.1
Ministère des Finances, Government of Québec ¹					
Generations Fund	2007	11,982	3.3	9,189	2.7
Accumulated Sick Leave Fund	2008	1,351	0.4	1,362	0.4
Territorial Information Fund	2011	354	0.1	266	0.1
Agence du revenu du Québec	2012	160	–	149	0.1
TOTAL		365,492	100.0	340,109	100.0

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

2. New depositor in 2020.

Management Report



Global Macroeconomic Environment

Following a long cycle of expansion, the world economy has been shaken by a health crisis of both historic proportions and rapid spread.

A LONG ECONOMIC CYCLE WEAKENED BY TRADE TENSIONS

The 2008–2009 financial crisis had persistent negative effects on the global economy, particularly in the labour market, where it took several years to erase the job losses. Improving economic conditions allowed some central banks, including the US Federal Reserve (Fed) to begin normalizing monetary policy in late 2015. This created upward pressure on bond yields through the end of 2018. The Bank of Canada followed suit in 2017, but at a more moderate pace due to headwinds such as:

- Prolonged weakness in oil prices
- Successive introduction of stricter real estate and mortgage rules
- Uncertainty related to the negotiation of the Canada–United States–Mexico Agreement (CUSMA)

In 2019, concerns about the continuity of the global business cycle grew, in part due to tightening financial conditions and rising protectionism. On that front, the sharp deterioration in

trade relations between China and the United States, difficult negotiations between Canada, the United States and Mexico, Brexit and repeated US tariff threats created a great deal of uncertainty.

Against this more complex backdrop, and in the face of difficulties in bringing inflation back to their targets, central banks in several countries made a major shift in 2019 by softening their monetary policy again. This has been the case for the Fed and the European Central Bank, but the Bank of Canada has opted for the status quo to avoid fuelling a rise in household debt and because inflation was close to its target.

In Québec, the economy had managed to perform somewhat better than other provinces prior to 2020, partly because it was not exposed to the continuing difficulties in the oil sector. As a result, private non-residential investment experienced stronger growth from 2016 to 2019. Québec's unemployment rate also fell significantly faster than elsewhere in Canada during this period, hitting an all-time low of 4.5% in early 2020. The labour shortage was a growing issue.

Global Macroeconomic Environment (continued)

AND SUDDENLY A PANDEMIC

The shock that would rattle the global economy and society in 2020 was not on the radar in late 2019. Indeed, a new coronavirus suddenly challenged authorities around the world. Particularly contagious and life-threatening for the most vulnerable, COVID-19's fast global spread put sometimes unsustainable pressure on health care systems.

In response to the health crisis, the authorities had to implement travel restrictions and often severe social distancing rules, which greatly reduced the ability to produce or purchase certain goods and services, causing a sharp decline in economic activity in the spring. Although no country was spared, there were significant geographic disparities in economic growth based on the severity and duration of the restrictive measures (see Figure 4).

China was the first country hit in the first quarter, but managed to quickly control the outbreaks, helping it to be the only major economy to see positive growth over the entirety of 2020. In Europe, the first wave of the pandemic was particularly severe, as it was in India, resulting in deep recessions. In the United States, although the pandemic hit some cities and regions hard, the contraction in economic activity was less

pronounced, in part because of generally less stringent constraints than in other developed countries. In Canada, the drop in oil prices resulting from lower demand amplified the economic shock in 2020 compared to the US and created interprovincial disparities.

The crisis has also had heterogeneous sectoral effects. Restrictions have persistently affected the restaurant, hospitality, entertainment, and airline sectors. Companies in other sectors have been forced to close temporarily or been limited to essential activities, as has been the case in Québec for manufacturing and construction. Sectors where working remotely was more easily deployed, such as finance and insurance, have fared better.

AUTHORITIES RESPOND QUICKLY TO SUPPORT THE ECONOMY

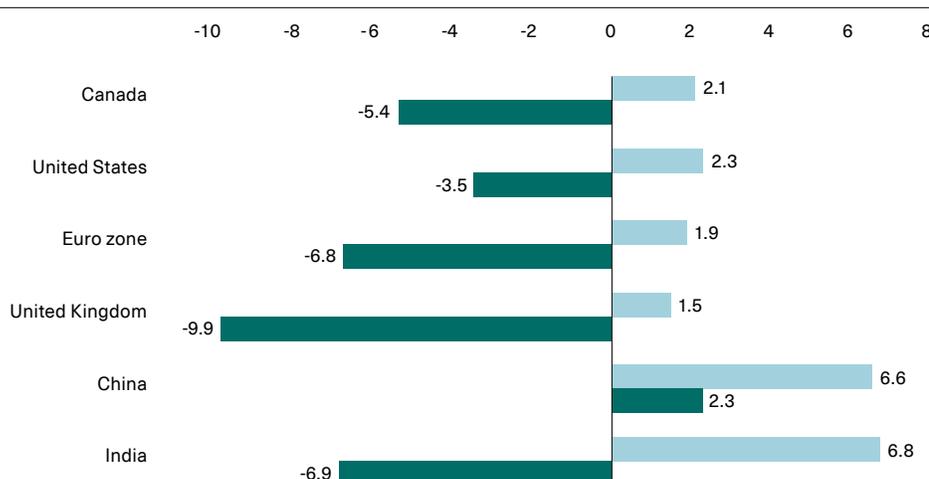
Faced with the historic deterioration in growth prospects caused by the sudden halt in economic activity, central banks took action. Key rates were lowered to their floors in developed economies. In addition, to support the economy and ensure the smooth functioning of financial markets, central banks announced exceptional support measures involving massive

FIGURE 4

AVERAGE ANNUAL GROWTH IN REAL GDP (as a percentage)

- 2020
- 2016 to 2019

Sources: Haver and Bloomberg



injections of liquidity. In addition to purchasing large amounts of government debt, the Fed and the Bank of Canada have also implemented programs to purchase corporate and mortgage debt. In several growth markets, monetary policy was also softened, but there was limited flexibility due to issues of potential capital flight and negative pressure on their currencies.

Governments acted quickly, notably to provide a financial bridge to households and businesses to help them weather the crisis. In countries like Canada and the United States, this has resulted in a significant increase in transfers to households, causing an increase in personal disposable income despite massive job losses and stimulating goods consumption.

Other countries, such as Germany, have instead opted for short-time work-sharing policies, whereby the state pays a portion of employees' wages to prevent layoffs. This massive public spending, coupled with falling government revenues, has created large deficits and pushed global public debt to levels not seen since World War II (see Figure 5).

SHAKEN FINANCIAL MARKETS QUICKLY REASSURED BY THE RECOVERY

As early as February and March 2020, the pandemic had a negative impact on financial markets (see Figure 6, page 32). With the strong rise in risk aversion:

- The S&P 500 lost a third of its value
- 10-year bond yields hit historic lows in many countries
- The US dollar appreciated significantly

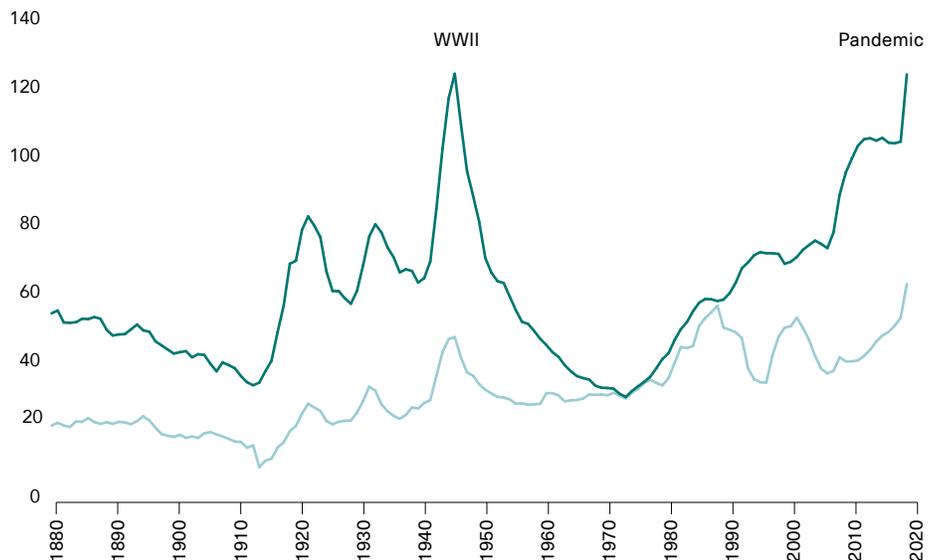
The deconfinement in the spring and summer, as well as the extraordinary measures to support households and businesses, helped the economy to rebound. However, some service sectors, including those associated with tourism, have been unable to recover to the same level. These significant constraints on purchasing services and the strong rise in household incomes created a significant substitution effect from service to goods consumption during this recovery phase. This has specifically stimulated the recovery of the manufacturing sector, especially in goods-exporting countries such as China and some Asian countries.

FIGURE 5

GOVERNMENT DEBT (as a percentage of nominal GDP)

- Developed economies
- Growth markets

Source: IMF Fiscal Monitor, October 2020, page 2. Data for 2020 are the IMF forecasts presented in this publication.



Global Macroeconomic Environment (continued)

Residential real estate also contributed positively to the rebound in several regions of the world, including Québec, where strong demand and low supply drove up home sales prices. In fact, the recovery that accompanied the deconfinement was somewhat more vigorous in Québec than in other Canadian provinces, more quickly erasing some of the initial job losses.

This recovery, the abundance of liquidity, the prospect of ongoing very low interest rates and dissipating fears on worst-case economic scenarios restored confidence in financial markets. Other important factors supported them later in the year, starting with positive news about vaccine effectiveness and the imminent start of mass vaccination campaigns. In addition, Biden's victory in the US presidential election paved the way for a very expansionary fiscal policy.

Thus, despite a particularly severe second wave of the pandemic in late 2020 in several regions, these favourable developments regarding the recovery's viability have resulted in:

- Several stock indexes concluding the year higher than at the end of 2019
- Long-term interest rates starting to rise again
- Corporate bond credit spreads returning to levels observed before the pandemic

STRUCTURAL TRENDS ACCELERATE

In this difficult and restrictive context, society had to adapt very quickly. The pandemic therefore accelerated trends that were already underway, especially the digitization of the economy. E-commerce, already on the rise, has gained in popularity. Working remotely has been democratized. And, in the process, the stocks of digital and technology companies, such as the GAFAM (Google, Apple, Facebook, Amazon and Microsoft), rose sharply in 2020, driving major stock indexes higher. On the other hand, the commercial real estate sector has been negatively and significantly affected by these phenomena, particularly in the major urban centres.

The pandemic also brought to light supply chain issues. The difficulties encountered in gaining access to certain types of goods gave rise to a desire to regionalize the production of goods deemed strategic, in an environment where protectionism had already gained ground.

Lastly, the authorities in many countries are clearly suggesting that they will continue to support the recovery of their economies. For many, this represents an opportunity to make progress on important issues such as fighting climate change, through investments in green infrastructure, and addressing income inequality. Democrats gaining power in the United States is in line with this trend.

Ultimately, the pandemic not only ended a long cycle of expansion, but also set the stage for structural changes that will shape the investment landscape for years to come.

FIGURE 6

CHANGE IN FINANCIAL MARKETS

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

Source: Haver



Analysis of Overall Performance

In an extraordinary year, CDPQ delivered returns that meet the needs of our depositors over one, five and ten years.

\$365.5 B

NET ASSETS

\$110.7 B

INVESTMENT RESULTS
OVER 5 YEARS

7.8%

5-YEAR
ANNUALIZED RETURN

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

FIVE-YEAR RETURN

Total portfolio

Investment results: **\$110.7 B**

Annualized return: **7.8%**

As at December 31, 2020, CDPQ's net assets totalled \$365.5 billion. Since the end of 2015, net assets have grown \$117.5 billion, with \$110.7 billion from investment results and \$6.8 billion from net deposits. This performance reflects the implementation of the pillars of CDPQ's strategy in recent years, including:

- Our international expansion
- Our shift to private credit
- Our increased allocation to infrastructure
- Value creation in our portfolio companies through their operations, notably in private equity

Over five years, the annualized weighted-average return on depositors' funds was 7.8%. Over ten years, it was 8.6%, representing net investment results of \$198.0 billion. Table 7 shows how these longer-term returns compared with those from 2016 to 2020.

Over five years, CDPQ's annualized return was slightly above its benchmark, at 7.6% (see Table 8, page 34). The 0.2% difference represents \$1.7 billion in value added, derived from the Equities and Fixed Income asset classes. Over ten years, the value added amounts to \$9.3 billion.

TABLE 7

CDPQ RETURNS

(for periods ended December 31 – as a percentage)

	Overall return ¹
5 years	7.8
10 years	8.6
2020	7.7
2019	10.4
2018	4.2
2017	9.3
2016	7.6

1. Weighted average return on depositors' funds.

Analysis of Overall Performance (continued)

Fixed Income

Investment results: **\$24.3 B**

Annualized return: **5.3%**

This asset class has made a significant contribution to the investment results of the total portfolio over five years. The majority of its annualized return was due to the current yield of the actively managed Rates and Credit portfolios.

The asset class outperformed its benchmark index, which delivered a 4.3% return. The \$4.5 billion in value added was primarily attributable to Sovereign Credit, Real Estate Debt and Corporate Credit. This shows that the strategic repositioning of Fixed Income activities that started in 2017 has been a success. It should be remembered that since that time, CDPQ has considerably expanded its investments in private credit, a segment that performs better over the long term than traditional bonds.

Real Assets

Investment results: **\$8.7 B**

Annualized return: **4.3%**

The asset class's annualized return fell short of that of the index, which was 7.0%. The Real Estate and Infrastructure portfolios generated annualized 1.1% and 8.9% returns, respectively.

The Real Estate portfolio's performance has been affected by two difficult years: 2019 and 2020. The Infrastructure portfolio performed well due to the quality of the assets held in various sectors, but particularly in renewable energy.

Equities

Investment results: **\$76.9 B**

Annualized return: **11.0%**

This asset class comprises two portfolios with different risk profiles: Equity Markets and Private Equity. Through their complementary exposures, the two portfolios delivered a strong performance over five years, outpacing the 9.9% return of its index. The \$6.8 billion in value added came from the Private Equity portfolio, which outperformed its index with an annualized return of 14.9%.

Equity Markets generated a 9.4% return, slightly less than its index. Over five years, the Equities asset class, the largest in the total portfolio by size, contributed more than two thirds of investment results.

TABLE 8

NET ASSETS AND RETURNS (for periods ended December 31, 2020)

Asset class	Net assets \$B	5 years			1 year		
		Investment results \$M	Return %	Index %	Investment results \$M	Return %	Index %
Fixed Income	110.2	24,272	5.3	4.3	8,742	9.0	8.2
Real Assets	67.2	8,743	4.3	7.0	(4,951)	(7.0)	0.2
Equities	182.3	76,889	11.0	9.9	20,049	12.4	12.7
Total¹	365.5	110,700	7.8	7.6	24,751	7.7	9.2

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

2020 RETURN

Total portfolio

Investment results: \$24.8 B

Return: 7.7%

In an unprecedented market environment, CDPQ's return fell 1.5% short of its benchmark, which delivered 9.2% (see Table 8, page 34). The difference was mainly due to underperformance by the Real Estate portfolio, whose shopping centres and office buildings were severely affected by the pandemic.

For one year, the total portfolio delivered contrasting returns between and within asset classes. Investment results stem from the Equities and Fixed Income classes, as well as the Infrastructure portfolio in Real Assets.

Fixed Income

Investment results: \$8.7 B

Return: 9.0%

The annual performance of this asset class, which had its third-best results since the 2008–2009 financial crisis, was due in particular to:

- The sharp drop in rates in Canada and the United States
- The high current yields on private and real estate debt

The Fixed Income portfolio's 2020 return outperformed the index, which delivered 8.2%. This resulted in \$0.8 billion in value added, to which actively managed portfolios contributed significantly through investments in private credit.

Real Assets

Investment results: -\$5.0 B

Return: -7.0%

This asset class recorded a negative return, while its index ended 2020 at 0.2%. The year was marked by two very different situations in real estate and infrastructure:

- First, the Real Estate portfolio suffered severely from the pandemic
- Second, the Infrastructure portfolio performed well in this environment due to beneficial diversification

In fact, some real assets, including shopping centres in Canada and more traditional office buildings in North America, have been hard hit by confinement measures around the world. As a result, the Real Estate portfolio took a sharp tumble, delivering a return of -15.6% and falling short of its index mainly due to its overweighting in shopping centres. The Infrastructure portfolio and, in particular, transportation infrastructure, was also affected by the crisis but nevertheless returned 5.1%, outperforming its index due to contributions from other sectors such as telecommunications and renewable energy.

Equities

Investment results: \$20.0 B

Return: 12.4%

Given the unprecedented market conditions, this asset class performed well, in line with its index, which delivered a 12.7% return. The Equity Markets portfolio produced an 8.3% return. It nevertheless did not match the performance of its index due to certain style biases in its management that have exposed it to:

- More defensive securities
- Fewer technology and growth stocks

We began optimizing the portfolio in 2020 to position it for the new decade.

The Private Equity portfolio had an excellent year, surpassing its index by a wide margin. The technology, health and services sectors contributed strongly to its 20.7% return. Post-investment management also created more value. As a result, this portfolio provided an attractive complement to the more defensive risk profile of the stock markets.

Analysis of Overall Performance (continued)

GEOGRAPHIC DIVERSIFICATION

In addition to investing in different asset classes, CDPQ's portfolio is diversified geographically. This allows us to:

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

Over five years, the globalization of our operations has increased our exposure to international markets by \$137 billion. Table 9 shows these changes in the main regions from 2015 to 2020. As we can see, the exposure outside Canada grew from 54% to 68%.

CDPQ's exposure to the United States grew the most during this period. It reached 35% at the end of 2020, surpassing our exposure to Canada for the first time. Nevertheless, CDPQ remains very active in Canada—particularly in Québec—which still accounts for close to one third of the portfolio. Exposure to Asia Pacific and Latin America also grew, to 12% and 4% respectively at the end of 2020.

And since attractive opportunities will continue to arise around the world, in 2020 CDPQ adopted an integrated approach across regions.

CURRENCY EXPOSURE AND FOREIGN EXCHANGE HEDGING

Over the last five years, CDPQ's exposure to foreign currencies grew from 31% in 2015 to 47% in 2020 as we globalized our activities.

In 2020, our exposure to foreign currencies fell 3% from 2019 levels following changes in our hedging of certain currencies.

It is worth noting that over five years, our exposure to foreign currencies had a slightly negative impact on overall performance. On the other hand, the impact was favourable for one year due to the relative strength of the euro and the contribution of dynamic hedging on the US dollar. CDPQ believes that currencies tend to have a neutral impact over the long term.

TABLE 9

GEOGRAPHIC EXPOSURE OF THE TOTAL PORTFOLIO¹ (as at December 31 – as a percentage)

	2020	2015
Canada	32	46
United States	35	27
Europe	14	14
Asia Pacific	12	9
Latin America	4	1
Other regions	3	3
Total	100	100

1. The presentation of the portfolio's geographic exposure was revised and is different from that presented in the Consolidated Financial Statements.

BENCHMARK PORTFOLIO

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

The composition of CDPQ's benchmark portfolio reflects depositors' adjustments during the year to the composition of their respective portfolios. Table 10 shows the changes in weighting for one year, which reflect our strategic orientations.

TOTAL PORTFOLIO

The composition of the total portfolio reflects 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-hand side of Table 10 show the total portfolio's allocations in 2019 and 2020.

TABLE 10

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

	Benchmark portfolio			Total portfolio		
	as at December 31, 2020 ¹			as at December 31, 2019 ¹		
	Lower limit %	Benchmark portfolio %	Upper limit %	Benchmark portfolio %	as at December 31, 2020 %	as at December 31, 2019 %
Specialized portfolios						
Fixed Income						
Rates	6.0	11.0	17.4	11.5	8.4	9.2
Credit	12.7	18.0	23.6	17.2	20.6	19.5
Short Term Investments	0.2	1.1	7.8	1.1	0.4	0.3
Long Term Bonds	0.7	0.9	2.7	0.9	0.9	0.9
Real Return Bonds	0.0	0.2	1.9	0.4	0.2	0.4
Total		31.2		31.1	30.5	30.3
Real Assets						
Real Estate	7.7	12.5	15.6	12.7	9.8	11.7
Infrastructure	4.5	8.5	11.4	7.4	8.8	8.2
Total		21.0		20.1	18.6	19.9
Equities						
Equity Markets	22.1	33.2	39.4	35.0	32.6	34.4
Private Equity	9.5	14.6	18.2	13.8	17.8	14.8
Total		47.8		48.8	50.4	49.2
Other						
Asset Allocation	0.0	0.0	1.0	0.0	0.5	0.4
Active Overlay Strategies ²	-	-	-	0.0	-	0.2
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 January 1, 2020.

Fixed Income

This asset class leverages its credit strategy to generate strong results and value added.

\$110.2 B
NET ASSETS



30.5%
OF THE TOTAL PORTFOLIO

5.3%
5-YEAR ANNUALIZED RETURN

5 portfolios: Rates / Credit / Short Term Investments / Long Term Bonds / Real Return Bonds

All the figures in this section are detailed in Table 18 (page 53)

RATES

Since inception

Investment results: **\$5.2 B**

This portfolio, created in 2017, is actively managed. At the end of 2020, it had \$30.3 billion in net assets. Its activities are concentrated in two main mandates:

- Rate management
- Sovereign credit

2020 return

Investment results: **\$2.3 B**

Return: **8.6%**

The portfolio delivered its best return since inception. Its main performance driver was the Bank of Canada's sharp rate cut in response to the economic downturn caused by the pandemic. For one year, the portfolio benefited from a relatively stable current yield compared to that recorded in recent years, enhanced by a price effect.

The portfolio outperformed its benchmark index by 0.4% and generated \$66 million of value added. This results from over-weighting in provincial bonds which was orchestrated at an opportune moment during the crisis.

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
 - Potential to match assets with the long-term financial commitments of depositors
-

CREDIT

Since inception

Investment results: \$15.6 B

With \$74.2 billion in net assets, this portfolio represents over two thirds of the Fixed Income asset class. Its investment activities are grouped into four main mandates:

- Corporate Credit
- Sovereign Credit
- Real Estate Debt
- Specialty Finance
 - Infrastructure Financing
 - Capital Solutions

Since its launch in 2017, the portfolio has added \$3.3 billion in value in relation to its index due to good performance in each of the mandates.

2020 return

Investment results: \$6.0 B

Return: 8.9%

For one year, the portfolio benefited from falling interest rates across the various markets. The high current yield on credit activities accounted for over half of the portfolio's return. All the mandates contributed, particularly Corporate Credit and Real Estate Debt. These activities together with specialty financing activities have proved beneficial. The 1.1% difference with the benchmark index represents \$0.8 billion in value added.

MARKET CONDITIONS

Fixed income portfolios slightly outperformed the Canadian bond market. Table 11 shows the FTSE TMX Canada Universe Bond Index's returns of 8.7% for 2020 and 4.2% over five years.

All segments posted strong one-year returns, which was especially true of provincial bonds, including Québec bonds. This issuer category has also performed well over five years, closely followed by corporate bonds.

TABLE 11

FTSE TMX CANADA BOND INDEX RETURNS (as a percentage)

FTSE TMX Canada bond indexes	2020				2019				5 years			
	Short-term	Medium-term	Long-term	Total	Short-term	Medium-term	Long-term	Total	Short-term	Medium-term	Long-term	Total
Federal	4.6	9.3	13.1	7.3	2.1	3.8	8.4	3.7	1.6	2.9	5.2	2.7
Provincial	5.3	10.0	11.6	9.9	3.0	5.8	13.5	9.1	2.3	4.0	6.8	5.1
Québec	5.3	10.0	11.4	9.9	2.9	5.4	12.9	8.7	2.3	4.0	6.9	5.1
Corporate	6.3	11.1	11.1	8.7	4.5	8.4	14.4	8.1	3.2	5.5	8.0	5.0
Universe	5.3	10.1	11.9	8.7	3.1	5.8	12.7	6.9	2.3	4.0	6.8	4.2

Fixed Income (continued)

During the year, CDPQ invested in various industries such as financial services and insurance, both in Canada and internationally, including:

- Sollio Cooperative Group: \$150 million in preferred shares, in partnership with Rabobank Capital, Fonds de solidarité FTQ and Fondaction, in this largest agricultural cooperative in Canada
- Line 5 Condos: Senior funding of \$328 million to finance the construction of two residential towers with 924 condominiums in Toronto, in partnership with West Broadway Group and Reserve Midtown Group, renowned real estate owners and developers
- The Ardonagh Group: Commitment of £1.875 billion alongside other investors to support the United Kingdom's leading independent insurance broker in one of the world's largest unitranche financing transactions
- Titan Aircraft Investments: US\$300-million financing agreement alongside partners with this leading provider of air freight solutions based in the United States
- Piralal Enterprises: Partnership to create a US\$300-million platform in India targeting private credit financing opportunities in various industries (75% commitment from CDPQ)

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: commercial, mortgage and construction loans, mostly senior, on residential and office buildings, shopping centres and industrial buildings
 - Specialty Finance: debt, hybrid or equity securities with certain features of debt instruments, and project financing
 - 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: \$94 M

Annualized return: 1.1%

This indexed portfolio includes liquid short-term investments on the Canadian money market. Its five-year performance reflects the low-rate environment throughout the period.

2020 return

Investment results: \$15 M

Return: 1.0%

The portfolio's performance was entirely due to the current yield of the portfolio's securities. It should be noted that the yield decreased as a result of the sharp drop in Canada's key rate due to the crisis.

LONG TERM BONDS

Five-year return

Investment results: \$957 M

Annualized return: 6.7%

This portfolio, managed using an index-style approach, consists of long-term provincial bonds. Its five-year performance was due to both:

- The significant current yield of the securities
- A favourable price effect due to lower long-term rates in Canada and Québec during the period

2020 return

Investment results: \$341 M

Return: 11.6%

The portfolio once again delivered a strong return in 2020, as securities with long-term maturities benefited from the sustained decline in long-term rates in the first half of the year.

REAL RETURN BONDS

Five-year return

Investment results: \$259 M

Annualized return: 4.8%

This indexed portfolio offers depositors hedging against inflation using Canadian real return bonds. It should be noted that a divestment process is underway, and it is expected to continue until the end of 2021.

Over five years, the performance is mainly due to the falling real rates over the period, while the consumer price index—the measure on which the inflation factor is calculated—has risen. The current yield of securities also played a role, although to a lesser extent, due to low interest rates.

2020 return

Investment results: \$122 M

Return: 12.8%

Real rates continued to slide in 2020 against a backdrop of rising inflation, which stimulated portfolio performance.

Real Assets

This asset class has delivered positive results over five years, while its two portfolios turned in contrasting performances.

\$67.2 B
NET ASSETS



18.6%
OF THE TOTAL PORTFOLIO

4.3%
5-YEAR ANNUALIZED RETURN

2 portfolios: Real Estate / Infrastructure

All the figures in this section are detailed in Table 18 (page 53)

REAL ESTATE

Five-year return

Investment results: \$722 M
Annualized return: 1.1%

This portfolio, managed by Ivanhoé Cambridge, our real estate subsidiary, posted an annualized five-year return of 5.3%, which fell short of its benchmark index. This underperformance was primarily due to its significant exposure to Canadian shopping centres, a sector that has faced challenges in recent years.

The portfolio's return over the period was mainly due to the current yield on assets, with contributions from all sectors. With the exception of shopping centres, all recorded positive performance, with the logistics and industrial sector doing particularly well. However, some of the more traditional sectors experienced significant asset value depreciation in 2019 and 2020, especially in North America. The equities, funds and financing sector did well.

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 such as office buildings and shopping centres, as well as in the residential, logistics and industrial sectors

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
- Some long-term capital protection against inflation due to lease indexing

As can be seen in Figures 12 and 13, the portfolio has changed significantly in recent years, resulting in:

- Less weighting in more traditional assets, including shopping centres
- Greater exposure to the logistics and industrial sector
- Greater exposure to international markets, in particular Asia Pacific and Europe

2020 return

Investment results: -\$6.4 B

Return: -15.6%

In 2020, shopping centres, which represent a significant proportion for the portfolio in Canada, were hard hit by the pandemic. Several trends that were already present in this sector became more pronounced, causing the portfolio to underperform. While shopping centres have suffered more from the crisis, office buildings were also affected by confinement measures around the world and widespread remote working.

These factors explain much of the portfolio's marked difference with the index, which posted a return of -1.7%.

Given this environment, Ivanhoé Cambridge accelerated the implementation of the action plan that was announced in early 2020. During the year, the subsidiary made progress on various aspects of the plan, including:

- Optimizing its structure
- Transforming its shopping centre business unit
- Repositioning its activities in the logistics and industrial sector or in mixed-use projects (commercial, residential and office components)

FIGURE 12

GEOGRAPHIC EXPOSURE – REAL ESTATE
(as a percentage)

- December 31, 2015
- December 31, 2020

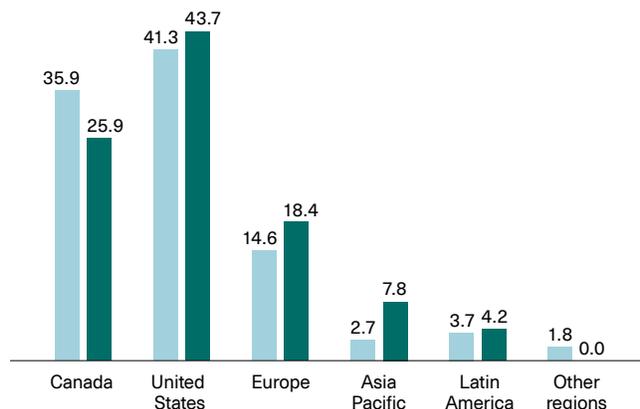
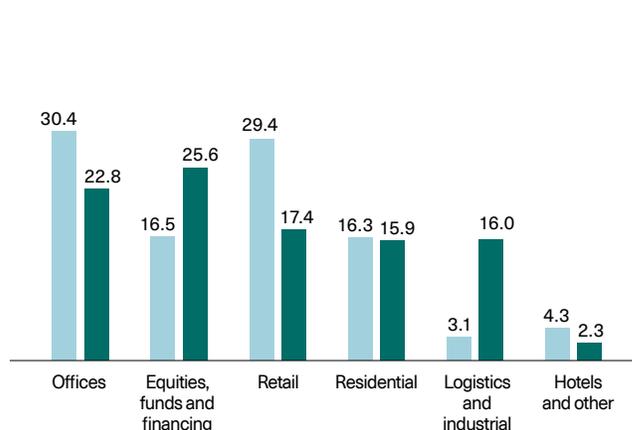


FIGURE 13

SECTORAL EXPOSURE – REAL ESTATE
(as a percentage)

- December 31, 2015
- December 31, 2020



Real Assets (continued)

Over 70 transactions aligned with these priorities were completed, totalling \$8.7 billion. This includes \$5.9 billion in acquisitions and capital investments for development purposes and \$2.8 billion in strategic sales, including the Woodgrove shopping centre on Vancouver Island. Major transactions included:

- **LOGOS:** In partnership with this group of logistics and industrial properties, the launch of a fourth logistics development vehicle in Asia with a capacity of US\$800 million, and the acquisition of a site in Australia to create a \$230-million logistics platform
- **RHP:** With RHP Properties, acquisition of the Chesapeake portfolio, consisting of six modular home communities in the United States, one of the most resilient segments in real estate since the crisis began

In France, key investments were also made in promising sectors:

- **Hub&Flow:** Acquisition of a portfolio of 17 logistics assets in Paris and Lyon—one of the largest transactions in this sector in France in recent years—and a 36,000 square-meter platform in Roye, between Paris and Lille
- **Student housing:** Launch by Ivanhoé Cambridge, Bouwinvest and Greystar of a platform for student and young professional accommodation in Paris, with an investment capacity of €1 billion

- **Joya:** Acquisition of a 50,000 square-meter office campus development in Val de Fontenay to offer occupants fit-out flexibility

INFRASTRUCTURE

Five-year return

Investment results: \$8.0 B

Annualized return: 8.9%

The portfolio delivered performance that closely matched its index's 9.1% return. This was due almost equally to:

- Asset value appreciation, particularly in renewable energy and ports
- A high current yield on investment

All regions and sectors performed well, particularly utilities and energy assets. Since the end of 2015, the portfolio has grown by a factor of almost 2.5, reaching \$31.7 billion at the end of 2020.

FIGURE 14

GEOGRAPHIC EXPOSURE – INFRASTRUCTURE (as a percentage)

- December 31, 2015
- December 31, 2020

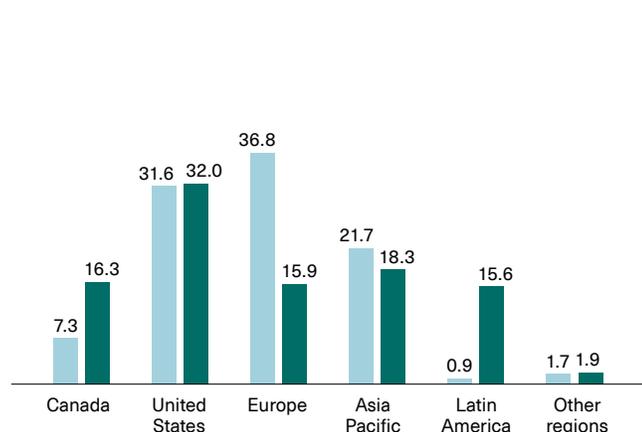
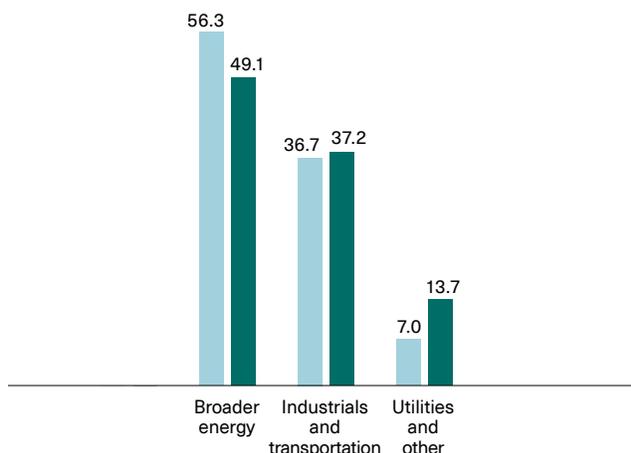


FIGURE 15

SECTORAL EXPOSURE – INFRASTRUCTURE¹ (as a percentage)

- December 31, 2015
- December 31, 2020



1. Data for 2015 were adjusted to reflect the portfolio's new classification.

The infrastructure teams have completed major transactions around the world in a wide range of sectors. During the period, \$16.2 billion in investments were made, compared to materializations of \$1.5 billion.

Figures 14 and 15 on page 44 show the portfolio's increased geographic and sector diversification over the past five years.

2020 return

Investment results: \$1.4 B

Return: 5.1%

The portfolio has demonstrated resilience in the face of the crisis due to its diversification, even though the airport sector—which accounts for almost 10% of its assets—was hard hit by the pandemic, especially in Europe. The portfolio outperformed its index, which delivered 0.5%, creating \$0.9 billion in value added. This difference was due in part to:

- Strong performance by energy sector assets, particularly in renewable energy
- Continued good performance of assets in North America, Asia and growth markets

In addition to renewable energy, the portfolio is exposed to some sectors that grew strongly in 2020, such as telecommunications.

In a competitive market, CDPQ was very active, completing \$3.5 billion in transactions, including:

- DP World: Expansion to US\$8.2 billion of this global platform, which already includes ten port assets, with this leading port operator
- Plenary Americas: Acquisition of this leading North American public infrastructure investor, developer and operator, which has a portfolio of 36 projects
- Colisée: A stake in this group based in France, a key player in Europe's retirement home sector
- Invenergy Renewables: An additional US\$1-billion commitment in this company, the leading private developer, owner and operator of wind and solar projects in the United States
- Greater Changhua 1: First infrastructure investment in Taiwan for this offshore wind farm currently under construction, in partnership with Cathay PE, in a transaction worth \$3.4 billion

During the year, CDPQ Infra continued to build the Réseau express métropolitain (REM) in the Greater Montréal area. Despite the challenges posed by the pandemic, which forced a hiatus of a few months, work has progressed at more than 20 sites with 2,000 workers. In addition, in December the subsidiary presented a proposal for a light rail project for the eastern and northeastern sectors of Montréal, with 32 km of track and 23 new stations.

INFRASTRUCTURE PORTFOLIO

COMPOSITION

- Interests in companies that operate various types of infrastructure: ports, airports, highways, wind and solar farms, energy transmission and distribution networks, passenger transportation systems, and social and telecommunications infrastructure
- Quality companies with lower risk profiles that are less sensitive to changing economic conditions

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
- Some long-term capital protection against inflation

Equities

This asset class delivered performance in line with its index due to the complementary exposures of its portfolios.

\$182.3 B
NET ASSETS



50.4%
OF THE TOTAL PORTFOLIO

11.0%
5-YEAR ANNUALIZED RETURN

2 portfolios: Equity Markets / Private Equity

All the figures in this section are detailed in Table 18 (page 53)

EQUITY MARKETS

Five-year return

Investment results: **\$48.1 B**

Annualized return: **9.4%**

This actively managed portfolio seeks to generate sustained performance over the long term, with an optimal risk-return profile, through seven management mandates. This section includes the results of the main mandates.

Over five years, the performance of the Equity Markets portfolio has benefited in particular from:

- A sustained rise in US corporate stocks
- The portfolio's high exposure to growth markets

The portfolio's annualized return fell slightly short of its benchmark index, which was 9.8%. One reason for this is the gap with its index for 2020, which was due to certain management style biases.

2020 return

Investment results: **\$9.2 B**

Return: **8.3%**

For one year, the performance of the Equity Markets portfolio was:

- Driven by the strong stock market performance in the major Asian countries, which can be seen in the good performance of the Growth Markets mandate
- Held back by its exposure to the Canadian market, which grew less than those of other countries

The 4.6% difference with the index was due, as mentioned previously, to the portfolio's management style bias. As a result, it had less exposure to large technology and high-growth stocks.

MARKET CONDITIONS

From 2016 to 2020, global equity markets were generally bullish (see Figure 16). All the major indexes recorded positive returns over the period. The S&P 500 led the way, closely followed by the MSCI Emerging Markets Index, both of which are driven by their technology sectors. The Canadian index performed well across all sectors, with the exception of energy, which has struggled.

In 2020, despite the initial downturn due to the pandemic, all the major market indexes delivered positive returns. After an unprecedented and extremely sharp plunge in the first quarter, global stock markets rallied quickly in the second quarter, benefiting from the extraordinary measures taken by governments and central banks to keep their economies afloat. The year was marked by the exceptional surge in the stocks of a handful of internet giants, whose performance accounted for almost 70% of the S&P 500 Index's return.

GLOBAL QUALITY MANDATE

Five-year return

Investment results: \$15.8 B
Annualized return: 8.4%

This mandate is the largest in the Equity Markets portfolio. Its five-year performance was driven by the good performance of companies incorporated in the United States.

The index posted a slightly higher annualized return of 9.0%. The difference is mainly attributable to the mandate's lower exposure to:

- The technology sector
- Certain growth stocks

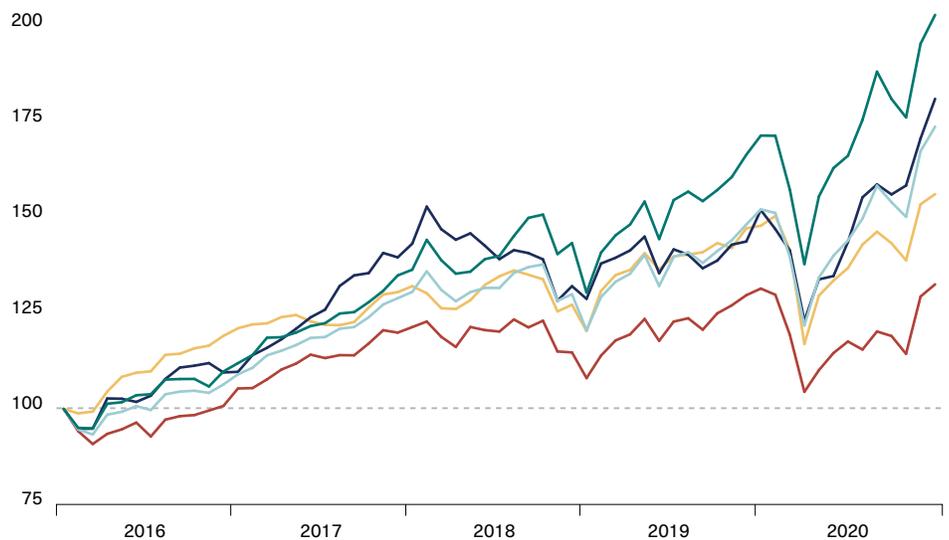
Note that since its inception, this mandate has demonstrated resilience during the main market downturns. As a result, it has outperformed the market while incurring lower risk, even during the extremely sharp tumble global stock markets took in the first quarter of 2020.

FIGURE 16

EQUITY MARKETS PERFORMANCE 2016–2020
 (December 31, 2015 = 100, in local currencies)

- S&P 500
- MSCI ACWI
- MSCI EM
- MSCI EAFE
- S&P/TSX

Source: Rimes



Equities (continued)

2020 return

Investment results: \$1.8 B

Return: 4.4%

Similarly for one year, stocks of US companies contributed the most to the mandate's performance, particularly in the technology and consumer discretionary sectors. The mandate underperformed its index by 7.9% due to:

- A more defensive approach
- A less advantageous stock selection in this particular environment

It should be noted that the mandate performed as expected at the height of the crisis, and during a certain period it generated positive value added compared to its index. This dissipated during the market rally, which was characterized by an emphasis on the high growth potential of companies rather than on stable balance sheets.

CANADA MANDATE

Five-year return

Investment results: \$8.7 B

Annualized return: 7.8%

This mandate benefited from good performance by stocks in the financials and technology sectors. The strategy of capitalizing on the strength of the US economy also proved successful, with certain Canadian companies operating in the United States, such as CN and CGI, contributing significantly to performance.

However, weakness in the oil sector, which plays a large role in the Canadian universe, tempered the mandate's return. The mandate was 1.5% below its index, mainly due to its performance in 2020.

2020 return

Investment results: -\$388 M

Return: -1.7%

For one year, the mandate was strongly affected by declines in energy and insurance stocks. Excellent performance by companies to which the mandate is significantly exposed, such as CN in the industrials sector and Dollarama in the consumer discretionary sector, helped limit losses.

The 5.6% difference with the index is mainly due to a less advantageous positioning in technology and, to a lesser extent, to the portfolio's lower exposure to metals, both of which have appreciated significantly during the crisis.

GLOBAL QUALITY MANDATE

COMPOSITION

- Securities in high-quality companies, exposed to global economic growth and traded on the stock exchanges of the countries included in the MSCI ACWI Index (United States, Canada, Europe, the Pacific, Asia and emerging markets)
- 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
- Protection against inflation over the long term
- Investments that are less sensitive to market fluctuations and provide higher liquidity during periods of market turmoil

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
- Businesses exposed to growth, with fundamental qualities and competitive advantages that will persist over the long term
- The mandate is 36% composed of Québec companies, compared to 16% for the S&P/TSX Index

ADVANTAGES

- Better understanding of investments and a role of influence due to market proximity
- Protection against inflation over the long term

GROWTH MARKETS MANDATE

Five-year return

Investment results: \$11.4 B

Annualized return: 12.6%

This mandate delivered the best performance in the Equity Markets portfolio for both five years and one year. It benefited from the sustained rise in the stock markets of the major growth markets over the period, in particular China, Taiwan, South Korea and Brazil. Among the various sectors, technology stocks performed the best.

The mandate also benefited from its external management activities. With their deep knowledge of these markets, these local specialized investment firms make strong contributions to the five- and one-year performance. That enabled the mandate to outpace its benchmark by 2.6% and create \$2.3 billion of value added over the period.

2020 return

Investment results: \$4.8 B

Return: 23.2%

The mandate benefited from positions taken in the stocks of companies in the major Asian countries. In 2020, their stock markets rose sharply due to:

- The high weighting of their technology sector
- More effective control of the pandemic in general

All management components of the mandate contributed to performance. For this reason, the mandate outperformed its index by 5.6%, allowing it to generate \$1.1 billion in value added. External managers in China, Brazil, Europe, South Africa and India all contributed through judicious sector and stock selection.

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
 - Significant absolute-return management component of the mandate implemented alongside well-established local partners that have deep knowledge of the target markets
-

ALTERNATIVE BETA MANDATE

Five-year return

Investment results: \$6.7 B

Annualized return: 8.0%

The strategy of this mandate is to weight securities based on various fundamental measures such as sales, cash flow, book value and dividends, rather than on their market capitalization.

Over five years, much of the mandate's performance has been due to the stocks of companies incorporated in the United States. Here again, technology stocks performed well, while other sectors provided more modest returns. However, under-weighting in technology and high-growth securities worked against the mandate, which fell short of its index by 2.3%.

2020 return

Investment results: \$697 M

Return: 5.4%

The mandate generated a 5.4% return, compared to the 14.2% return of its benchmark. Also for one year, the difference was due to:

- Less exposure to technology-related securities
- The high weighting of value stocks, which were more affected by the crisis

There were wide disparities in sectoral returns due to the particular nature of the pandemic. The technology, materials and consumer discretionary sectors rose sharply, while the energy, finance and real estate sectors finished the year in negative territory. Geographically, there was growth in all regions except the United Kingdom.

ALTERNATIVE BETA MANDATE

COMPOSITION

- Securities in developed markets included in the MSCI World Index, excluding Canada

ADVANTAGES

- Reduced exposure to securities that the market overvalues, regardless of their fundamental values
 - Investments evenly distributed among the sectors to avoid an overconcentration in any particular sector
-

Equities (continued)

GLOBAL VALUE MANDATE

Since inception

Investment results: \$1.5 B

Launched in 2017, this mandate has both internal and external management components. It targets stocks that appear to be underpriced based on various measures of fundamental value. As at December 31, 2020, it had \$11.8 billion in net assets.

2020 return

Investment results: \$359 M

Return: 0.6%

The mandate underperformed its index, which posted a 14.2% return. The preferred management style, based on value stocks, put it at a disadvantage in a market that favoured growth stocks. This bias resulted in underexposure to the technology sector, which posted the best performance in 2020. However, the mandate was buoyed by the strong performance of the consumer discretionary sector, which plays a key role in the portfolio.

GLOBAL VALUE MANDATE

COMPOSITION

- Market securities included in the MSCI ACWI 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 a potential for normalizing over the long term
 - Behaviour that is complementary to that of the other mandates in the Equity Markets portfolio
-

PRIVATE EQUITY

Five-year return

Investment results: \$28.7 B

Annualized return: 14.9%

As at December 31, 2020, the portfolio had \$64.3 billion in net assets due to excellent results. The favourable 5.0% difference with its index represents \$9.0 billion in value added. In particular, this performance is attributable to:

- Exposure to growth sectors such as technology and services, which were targeted before the crisis
- Post-investment management, which plays a key role in the strategy to create value by providing operational support to our portfolio companies

Direct investments generated a strong return over the period, driven by the quality of assets held in Canada, the United States and Europe. Some of the main contributors to this return were PetSmart, Lightspeed, Nuvei and WSP.

PRIVATE EQUITY PORTFOLIO

COMPOSITION

- Direct interests, primarily in private companies, but also in listed companies
- Companies active in all sectors of the economy, including defensive 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
 - Focus on quality partnerships and long-term value creation, particularly through organic growth, acquisitions and operational efficiency
-

Over the past five years, the Private Equity teams completed numerous transactions, both in Québec and in international markets, that contributed to these results.

Figure 17 shows the changes in the portfolio's geographic exposure over five years, characterized by an increase in assets in Europe, Asia Pacific and Latin America.

Investment funds also contributed considerably to performance. It should be remembered that CDPQ's strategy is based on a rigorous selection of external managers with approaches that complement our own in order to maximize the portfolio's risk-return profile.

2020 return

Investment results: \$10.8 B

Return: 20.7%

The portfolio generated a return well above the 9.9% of its benchmark index, thereby creating \$4.9 billion in value added. Much like the five-year return, the one-year return was due to the strategic choice of sectors, notably technology, finance and health care. Direct investments were the portfolio's driving force, benefiting from factors such as:

- The rise of e-commerce
- Advantageous sectoral positioning
- The strength of certain stocks in the industrial services sector

We should also mention the excellent performance of Lightspeed, Nuvei and PetSmart, which contributed significantly to the value added. Investment funds also performed strongly over the year, particularly those specialized in technology.

During the year, CDPQ made investments totalling \$7.2 billion, compared to \$6.0 billion in materializations. The main international transactions included:

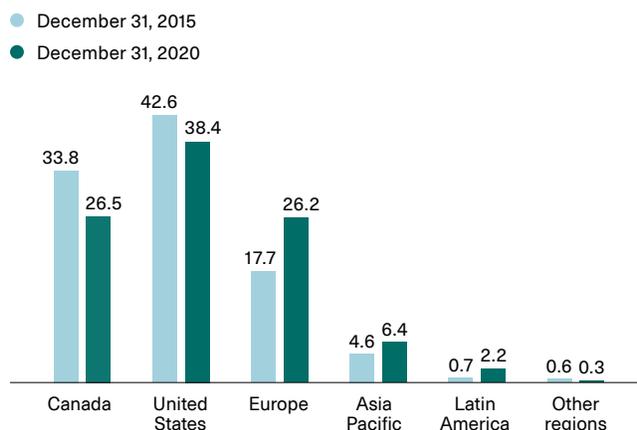
- AppDirect: \$185 million of funding alongside partners to accelerate the global expansion of this leading subscription commerce platform in the United States
- Inigo: Involvement with partners in the launch of this UK insurance group, which enabled it to raise approximately \$800 million in initial capital
- IEX Group: Strategic investment in this New York-based financial technology company, the eighth-largest stock exchange operator globally in terms of the value of shares traded every day
- Zevia: US\$200 million to support the global expansion of this US company, which offers a portfolio of beverages
- Alstom: Major agreement with this world leader in rail transportation in a transaction worth approximately \$4 billion that closed in 2021, for a stake of 17.5%

In Québec, the teams were very active in Private Equity with many large-scale investments, including

- KDC/ONE: Reinvestment in this beauty and personal care products provider to acquire Zobe Group, a leading global manufacturer of home and air care products
- Canam Group: \$840 million in partnership with Placements CMI (Dutil family) and Fonds de solidarité FTQ to acquire the Canadian operations of this construction company as well as certain assets in the United States and overseas
- Eddyfi/NDT: Investment in this innovative private technology group operating in the field of testing and measurement, to support two major acquisitions in Europe
- Dialogue: Participation in a \$43-million round of financing led by Sun Life to enable this Canadian telemedicine specialist to expand its services

FIGURE 17

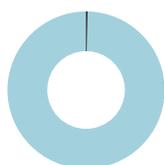
GEOGRAPHIC EXPOSURE – PRIVATE EQUITY (as a percentage)



Other Investments

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

\$1.6 B
NET ASSETS



0.5%
OF THE TOTAL PORTFOLIO

\$26 M
RESULTS OF CONSOLIDATED
ACTIVITIES OVER 5 YEARS

1 portfolio: Asset Allocation

All the figures in this section are detailed in Table 18 (page 53)

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:

- Active strategies within 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: \$26 M**
- Asset Allocation portfolio: **-\$1,005 M**
 - Allocation to other specialized portfolios: **\$1,031 M**

Managing weightings in less-liquid assets contributed positively to performance, while strategies to reduce total portfolio risk reduced value.

Results in 2020

- Results of consolidated activities: \$841 M**
- Asset Allocation portfolio: **-\$514 M**
 - Allocation to other specialized portfolios: **\$1,355 M**

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)
- Consolidated asset allocation activities: 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 management of the total portfolio

The active strategies in the Asset Allocation portfolio posted a negative performance, mainly due to:

- Extreme fluctuations observed in the markets
- The defensive positioning of certain strategies during the market rally in the second half of the year

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

RETURN BY SPECIALIZED PORTFOLIO

Table 18 presents the returns of the specialized portfolios and mandates compared to their benchmark indexes for the five-year and one-year periods ended December 31, 2020.

TABLE 18

SPECIALIZED PORTFOLIO RETURNS IN RELATION TO BENCHMARK INDEXES (for periods ended December 31, 2020)

Specialized portfolios	Net assets \$B	5 years			1 year		
		Investment results \$M	Return %	Index %	Investment results \$M	Return %	Index %
Fixed Income							
Rates ¹	30.3	5,153	N/A	N/A	2,281	8.6	8.2
Credit ¹	74.2	15,612	N/A	N/A	5,983	8.9	7.8
Short Term Investments	1.6	94	1.1	1.0	15	1.0	0.9
Long Term Bonds	3.4	957	6.7	6.6	341	11.6	11.6
Real Return Bonds	0.7	259	4.8	4.8	122	12.8	13.0
Total¹	110.2	24,272	5.3	4.3	8,742	9.0	8.2
Real Assets							
Real Estate	35.5	722	1.1	5.3	(6,390)	(15.6)	(1.7)
Infrastructure	31.7	8,021	8.9	9.1	1,439	5.1	0.5
Total	67.2	8,743	4.3	7.0	(4,951)	(7.0)	0.2
Equities							
Global Quality mandate	42.0	15,799	8.4	9.0	1,842	4.4	12.3
Canada mandate	21.9	8,730	7.8	9.3	(388)	(1.7)	5.6
Growth Markets mandate	24.6	11,397	12.6	10.0	4,838	23.2	17.6
Alternative Beta mandate	12.0	6,685	8.0	10.3	697	5.4	14.2
Relationship Investing mandate	3.2	918	8.9	10.3	18	6.8	13.9
Global Value mandate ²	11.8	1,532	N/A	N/A	359	0.6	14.2
Equity Markets ²	117.9	48,146	9.4	9.8	9,241	8.3	12.9
Private Equity	64.3	28,743	14.9	9.9	10,808	20.7	9.9
Total	182.3	76,889	11.0	9.9	20,049	12.4	12.7
Other Investments							
Consolidated Asset Allocation activities ³	1.6	26	N/A	N/A	841	N/A	N/A
Total⁴	365.5	110,700	7.8	7.6	24,751	7.7	9.2

1. The Rates and Credit specialized portfolios were created on January 1, 2017. The total for Fixed Income includes the history of these portfolios and terminated activities.

2. The Global Value mandate was created on January 1, 2017. The total for the Equity Markets portfolio includes the activities of this mandate and the Strategic mandate.

3. CDPQ has revised this table and now presents the consolidated Asset Allocation activities, which include the Asset Allocation specialized portfolio's -\$1,005 million 5-year results and -\$514 million 1-year results, as well as allocations to other specialized portfolios representing \$1,031 million over 5 years and \$1,355 million for 1 year.

4. The total includes customized overlay operations, cash activities and terminated activities.

Risk management

CDPQ rigorously managed risk in a complex year marked by the pandemic.

HIGHLIGHTS

1

Market risk increased in the past year and is slightly above that of the benchmark portfolio.

2

The pandemic demonstrated our teams' high level of preparedness as they mobilized to manage the crisis and mitigate its impact.

3

Work has been carried out to better manage key issues and portfolio biases.

CHANGES IN RISK MEASUREMENT

For CDPQ, risk is inseparable from performance. That's why risk management is an integral part of everything we do, from portfolio management to business processes.

Each year, a significant number of initiatives are deployed to reinforce this. This commitment to the highest standards of governance, management and risk monitoring has garnered us recognition as a world-class risk manager.

To evaluate risks, teams analyze elements such as:

- Global economic conditions
- Financial markets changes
- Concentrations, specifically sectoral and geographic, of the total portfolio

In 2020, many previously identified risks continued to be monitored, and others were added. The key risks to monitor in 2021, under conditions where current asset class valuations are high, include:

Economic risks

- The COVID-19 pandemic, its impact and the pace of global economic recovery
- Adjustments to central bank monetary policies and coordination with fiscal policies
- The level of government and corporate debt around the world
- 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
- Worsening trade tensions between the United States and China
- The change of government in a polarized United States
- Tensions related to social inequalities around the world and the rise of populist movements
- Instability in Europe

Financial and operational risks

- Protectionist measures, restrictions on foreign direct investment and regulatory changes
- A possible correction in valuations should markets turn risk-averse
- Impact of disruptive technologies on the business environment
- Consequences of possible cyberattacks
- Impact of climate change

Market risk

CDPQ's objective is to build a high-performance and well-diversified portfolio, while seeking to establish an optimum risk-return profile, consistent with its risk assessment and market valuations.

Over the past five years, the total portfolio's market risk remained fairly stable for most of the period before increasing significantly in the wake of the pandemic.

As shown in Figure 19, the total portfolio's absolute risk amounted to 14.0% at December 31, 2020, compared to 13.5% at December 31, 2015.

READY TO FACE THE CRISIS

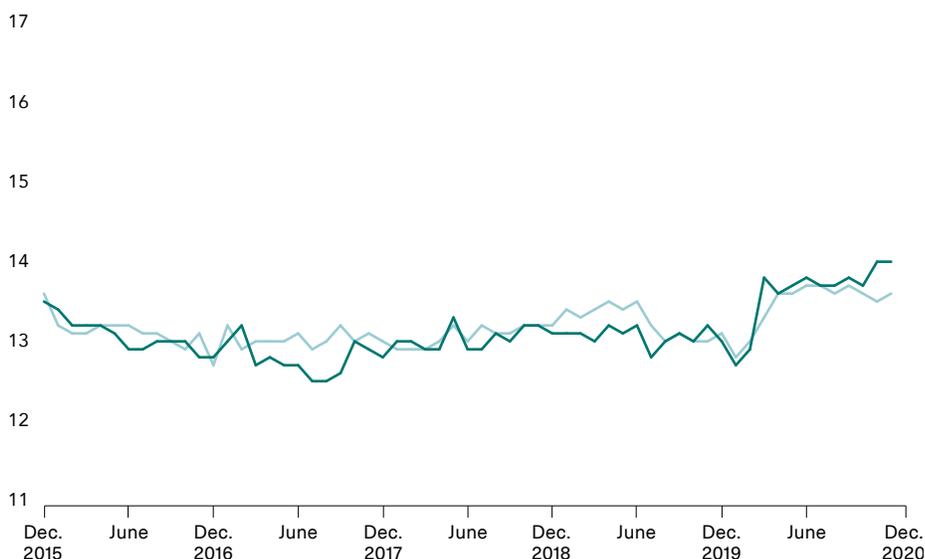
The COVID-19 pandemic has shaken the global economy and markets, testing the total portfolio. CDPQ quickly mobilized all of our teams to mitigate any impacts. We have deployed a series of measures to protect depositors' capital, but also to take advantage of attractive investment opportunities. In addition, we assessed the impact of the pandemic on our overall investments.

A crisis unit ensured that business continuity is maintained and that operational risks are reduced (see details of the actions taken on page 58). From the outset, our organization was fully operational. Our teams also reviewed all assets in the portfolio to identify areas of opportunity and potential risk.

FIGURE 19

CDPQ ABSOLUTE RISK AND BENCHMARK PORTFOLIO RISK¹ (as a percentage)

- CDPQ absolute risk
- Benchmark portfolio risk



1. The risk figures preceding January 2020 were adjusted to reflect the changes in the risk calculation methodology that occurred in 2020 (see Note 11 to the Consolidated Financial Statements, page 176).

Risk management (continued)

The increase in market risk is mainly due to:

- The effects of the March 2020 market downturn in the risk calculation
- An increase in the weighting of Private Equity compared to the benchmark portfolio
- Additional risk-taking within the Equity Markets portfolio during the year to take advantage of attractive opportunities
- A generally less defensive positioning in the Asset Allocation portfolio

As for the benchmark portfolio, absolute risk was 13.6% at the end of 2015, close to the level of the total portfolio. At the end of 2020, however, while still at 13.6%, the benchmark portfolio was lower than the total portfolio.

Figure 20 illustrates how this difference translates into the absolute risk ratio for the total portfolio compared to that of the benchmark portfolio. Over the period, the ratio rose from 0.99 to 1.03, reflecting greater risk-taking to generate value added. Note that absolute risk remains well within set limits.

Table 21, on page 57, shows that for the one-year period, the market risk level increased in all asset classes. The greatest change was in the Equities class due to an increase in the weighting of the Private Equity portfolio, which includes riskier assets.

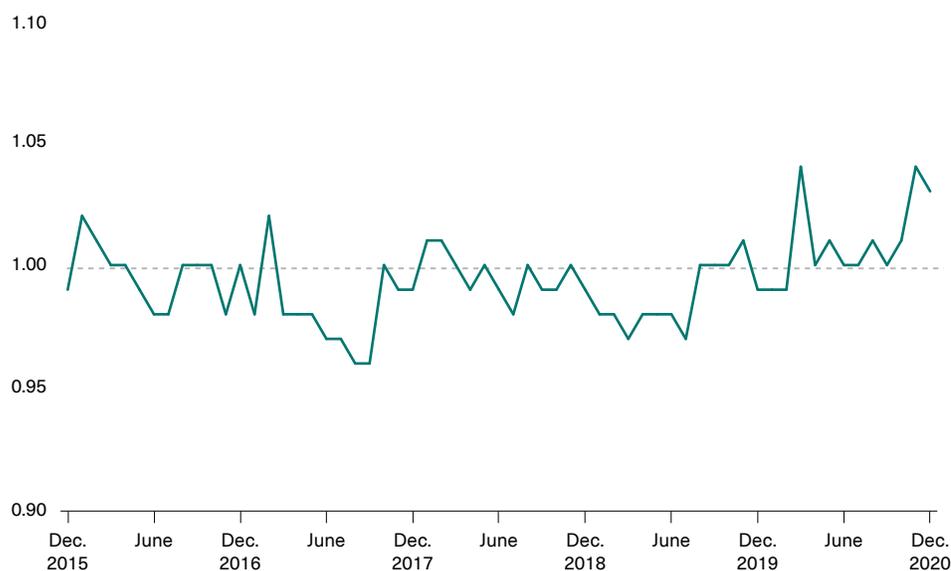
MARKET RISK MEASUREMENT

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.

FIGURE 20

CHANGE IN ABSOLUTE RISK RATIO¹

● Absolute risk ratio



1. The risk figures preceding January 2020 were adjusted to reflect the changes in the risk calculation methodology that occurred in 2020 (see Note 11 to the Consolidated Financial Statements, page 176).

Credit risk

Credit risk ended the year at a similar level to the beginning of the year. The level of risk was increased during the crisis to take advantage of business opportunities.

In assessing credit risk, teams consider both:

- The potential capital loss risk: This quantitative measurement integrates the probability of an issuer default, 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 follows the ratings closely, including any differences with credit agency ratings, and may be required to review them periodically. In 2020, it reviewed 230 issuers in the portfolio.

Concentration risk

Concentration risk in the total portfolio has increased as a result of the appreciation of certain less-liquid assets. It should be noted that the contribution to market risk for CDPQ's 30 largest issuers was 20% in 2020, compared to 15% in 2019.

To mitigate this risk, CDPQ ensures both the geographic and sectoral diversification of its assets. This does not prevent us from taking more concentrated positions in certain promising assets.

Counterparty risk

The counterparty risk posed by the use of over-the-counter derivative financial instruments remained low compared to the previous year. 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 of a series of indicators to assess their financial health and detect any change in the quality of their credit

Liquidity risk

CDPQ was able to maintain an adequate level of liquidity throughout the year. At the height of the crisis, commitments were always met and our proactive liquidity management allowed for additional risk-taking to seize market opportunities.

TABLE 21

MARKET RISK – ABSOLUTE¹ (as at December 31 – as a percentage)

Asset class	2020	2019
Fixed Income	6.2	5.8
Real Assets	17.5	17.0
Equities	23.5	21.5
Other Investments	0.8	0.5
Overall	14.0	13.0

1. The risk figures preceding January 2020 were adjusted to reflect the changes in the risk calculation methodology that occurred in 2020 (see Note 11 to the Consolidated Financial Statements, page 176).

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

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

Risk management (continued)

REVIEW OF OVERSIGHT AND PROCESSES

At CDPQ, risk management is based on guidelines (see note 11 to the Consolidated Financial Statements, page 176). It also relies on the strength of our oversight and processes, which are continuously strengthened. In fact, the teams have completed several initiatives to that end in 2020.

Influence of the Risk Management function on investment

The Risk Management group continued to play a leading role in CDPQ's investment activities. In addition to ensuring sound governance of risk processes, its influence can be seen in:

- An active presence on many committees, including the Investment-Risk, Strategy and Execution, Operational Risk, Investment, Research and Currency Committees
- An ongoing role in analyzing and preparing the strategic plan to fully understand the challenges of the proposed strategies and determine 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 on each investment team
- An independent assessment of portfolio issues presented in each portfolio's reporting

Identification of portfolio issues and biases

In 2020, CDPQ reviewed all of its portfolio assets to analyze their solidity and identify any issues. This exercise highlighted some style biases in the Equity Markets portfolio.

In an effort to optimize the portfolio, the investment teams, in collaboration with Risk Management, proposed solutions so that the Equity Markets portfolio could better benefit from the performance of certain growth stocks to which it was less exposed. This work, which began in 2020, will allow it to broaden its investment universe and provide more exposure to complementary styles.

Relative risk management

In recent years, there has been an emphasis on absolute risk management. The unique market environment during 2020 prompted the teams to explore other aspects to better anticipate adverse performance variances from the benchmark portfolio. While risks are still managed primarily in absolute terms, since 2020, particular attention has been paid to monitoring relative risks, which has led to the development of new indicators.

Mitigation of operational risks during the crisis

Operational risks may result from transactional activities, as well as from organizational transformations related to strategic objectives. The Operational Risk Committee is responsible for identifying and prioritizing these risks and determining the options and means to mitigate them. A priority operational risk map is also regularly updated to measure their impact and probability.

In the context of COVID-19, a crisis unit was set up, bringing together teams from various sectors. Its goal: to manage the crisis and the transition to working remotely to ensure business continuity. It made recommendations concerning the closure of CDPQ offices—and re-openings, when allowed—both in Québec and internationally.

Key actions taken to mitigate operational risk include:

- Developing pandemic evolution scenarios in order to adapt CDPQ's response according to various assumptions (severity, duration, vaccination, etc.)
- Reassessing key business processes and controls to ensure they are effective even when working remotely
- Closely monitoring CDPQ's critical suppliers to verify their financial and operational soundness, as well as their ability to cope with the crisis
- Monitoring 2020 business plans to review priorities and prevent any overload of non-essential work for teams already affected by the situation
- Adapting office layouts to meet government health guidelines to accommodate employees who need to return to the office
- Conducting regular employee surveys to take the pulse of the organization and account for changing needs

Technology risk

In 2020, CDPQ deployed an integrated technology strategy, including a component to evaluate the impact of innovations and disruptive technologies on its portfolio companies. The technology risk function was therefore implemented to better take this factor into account in risk management. A committee grouping several teams monitors this risk.

CYBERSECURITY

CDPQ pays close attention to cybersecurity. It employs significant security measures by applying recognized frameworks, the aspects of which are continuously tested, both internally and by independent third parties. Ongoing efforts are made to monitor changes in technology and be able to counter emerging threats. In addition, several lines of defence, both internal and external, are established to ensure that the measures in place are effective.

Over the past few years, through its continuous cybersecurity improvement program, CDPQ has integrated state-of-the-art technologies into its environment to rapidly detect abnormal behaviours and irregularities, and thus counter various threats. This program includes a component that raises awareness among CDPQ employees about safe behaviours to adopt. Cybersecurity risks are regularly reviewed by the Operational Risk Committee, as well as policies and guidelines related to cybersecurity.

The management of cybersecurity risks also applies to the service providers that host CDPQ's data. All such suppliers 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.

IMPROVED RISK MANAGEMENT METHODOLOGIES AND TOOLS

During the year, CDPQ continued to refine its methodologies and quantitative analysis tools, to:

- Propose risk assessment methodologies adapted to the portfolios and to 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 2020, several stress tests focused specifically on the crisis and its impact on the portfolio. The teams also conducted an in-depth review of the latter, security by security, sector by sector.

ESG risk assessment

In 2020, CDPQ performed more than 200 ESG analyses in order to prevent associated risks, for both new transactions and existing assets.

In line with the strategy to address climate change, the teams measured the carbon intensity of nearly 300 files and analyzed their impact on the total portfolio's carbon footprint. A climate risk measurement tool has also been developed to make the data accessible to the entire organization.

For more information, see our Stewardship Investing Report at www.cdpg.com.

KEY WORK COMPLETED IN 2020

- Implementation of new risk tools regarding biases and their potential impact on portfolios
- Improvement of the tools used to analyze portfolio risk management
- Enhanced risk measures to improve monitoring of the Credit portfolio
- Post-investment analyses to identify risks and issues that may arise after the transaction is completed
- Work on contextualizing the measurement of market risk to take further into account the valuation level in determining risk

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 subsidiaries, has developed harmonized ethics and compliance practices aligned with the highest standards.

3

The Ethics and Compliance team provided interactive ethics and compliance training to teams in our international offices as part of a virtual tour.

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 2020, 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. In addition, compliance systems were improved in line with CDPQ's strategic focus on stewardship investing.

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, all employees must complete a declaration on compliance with the Code and provide the documents required to confirm information on the holdings in their personal portfolios. Employees are required to declare any actual or potential conflicts of interest, and report situations where there is a reasonable likelihood of a breach of CDPQ's Code or policies. In 2020, a new online platform was developed and implemented for completing these declarations. When employees wish to carry out personal transactions, they must first use the pre-authorization system provided for this purpose, which is accessible to everyone at all times.

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

- Two mandatory training sessions for new employees, one of which was a new session specifically on preventing and detecting corruption
- 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

In the fall of 2020, CDPQ conducted a virtual tour of our international offices to provide employees in those offices with interactive ethics and compliance training. The purpose of this training was to introduce the Ethics and Compliance team, to convey ethics rules and best practices, and to clearly express the organization's expectations regarding the behaviour to be adopted. The topics covered included: conflicts of interest, gifts and entertainment, personal transactions, the confidentiality of information, respect in the workplace, as well as the reporting and handling of complaints and penalties.

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 was created in 2019 and consists of the ethics and compliance officers of CDPQ, Otéra Capital, Ivanhoé Cambridge and CDPQ Infra, has developed a harmonized ethics and compliance vision and practices that are 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.

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 2020, CDPQ processed 64 requests for access to documents, including:

- 50 for CDPQ
- 5 for CDPQ and CDPQ Infra
- 9 for CDPQ Infra

All of the requests were handled within the legally prescribed time limit. Of these 64 requests:

- 19 were accepted
- 15 were accepted in part
- 5 were referred to another entity
- 23 were refused
- 2 were withdrawn

The requests received concerned issues such as expenses incurred by the members of the Board of Directors, the number of employees and the payroll for communications, minutes of meetings, the Réseau express métropolitain (REM) and several other subjects of an administrative or budgetary nature. Three requests were 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.

Compliance (continued)

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.

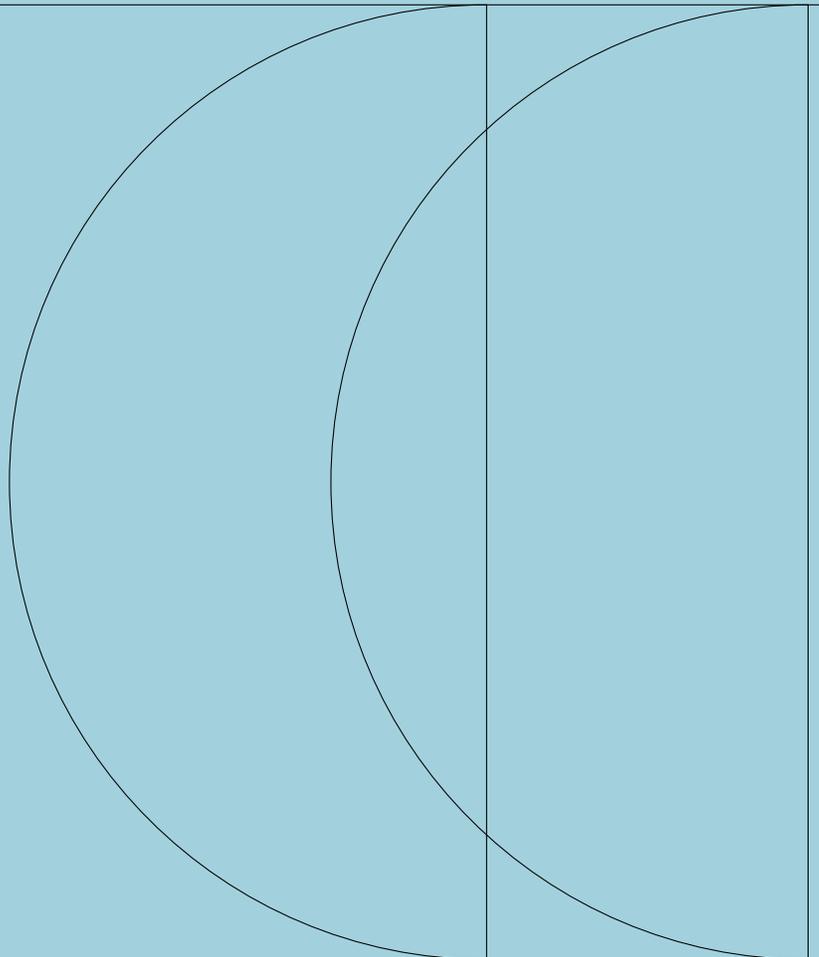
In 2020, several articles on the proper use of expressions and idioms were published regularly on the intranet. Employees are also encouraged to use the tools and references provided on the website of the *Office québécois de la langue française* (OQLF), as well as other language tools available to them.

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

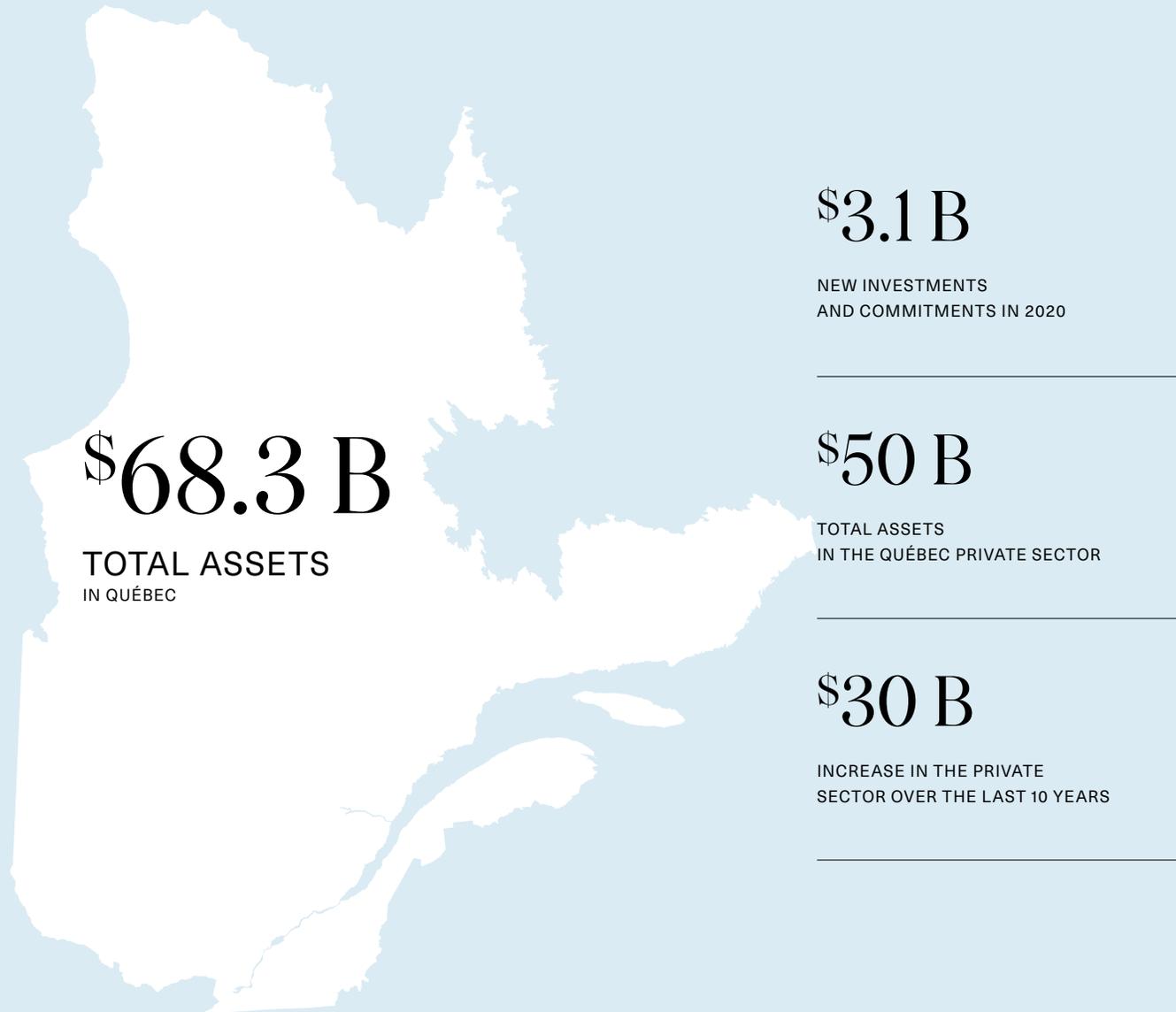
COMPLAINT MANAGEMENT

CDPQ has designated Me Bruno Duguay, Vice-President, Head of Ethics and Compliance, to receive complaints and analyze them with all due attention. Complaints may be addressed to him by phone (514 673-1630), fax (514 281-9334) or email (gestiondesplaintes@cdpq.com).

CDPQ in Québec



Building a dynamic, competitive and sustainable Québec economy



CDPQ's commitment to Québec businesses and economic stakeholders is based on four pillars:

Growth

Propelling
Québec companies

15%

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

Globalization

Navigating
international markets

285

International acquisitions
by portfolio companies over the last
five years

Technological leap

Accelerating
the digital shift

\$11.6 B

Assets in Québec related to the technology
and new economy sectors

Sustainable economy and communities

Focusing on projects
of the future

\$10 B

Total investments in low-carbon assets
in Québec

Stimulating Québec's economy

As a global investment group managing funds for public pension and insurance plans, CDPQ aims to generate optimal returns while contributing to the development of the Québec economy, where we are a key player. By deploying constructive capital, we generate benefits for all Quebecers.

Our support for private sector companies seeking to grow and navigate international markets fosters economic activity. We finance and support innovative projects that accelerate the technological leap essential to Québec's economic competitiveness. In addition, the structuring projects we undertake help create an economy and communities that are sustainable.

CDPQ's strength lies in our strategic advantages: our teams' know-how, our multi-sector expertise across asset classes, and our vast business network in Québec and around the world. Our impact extends well beyond the sums we invest.

For several years, CDPQ has concentrated the majority of our investments in the private sector, where our assets reached \$50 billion in 2020, up \$30 billion over ten years.

Our public and private investments in Québec are structured around five investment activities:

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

Note that a summary of each investment activity is presented on page 84.



COVID-19: Actions to weather the crisis

\$4 BILLION TO RECOVER AND BUILD FOR THE LONG TERM

CDPQ mobilized at the beginning of the pandemic, creating a \$4-billion envelope to support Québec companies temporarily affected by the crisis. This support, which complements the measures announced by other financial and governmental institutions, was accompanied by personalized support that drew on the financial, strategic and operational expertise of our teams.

With half of the funds allocated or in the process of being allocated, this initiative has helped businesses weather this turbulent period while propelling their recovery and longer-term growth plans.

- Company selection criteria:
 - Were profitable before the onset of the pandemic
 - Demonstrate promising growth prospects
 - Seek funding of \$5 million or more

- Some companies supported through this envelope:
 - Hopper, a leader in online travel, to fuel the growth of its travel app and expand its work in artificial intelligence
 - CAE, a world leader in the aerospace industry, to fund future expansion and acquisition opportunities

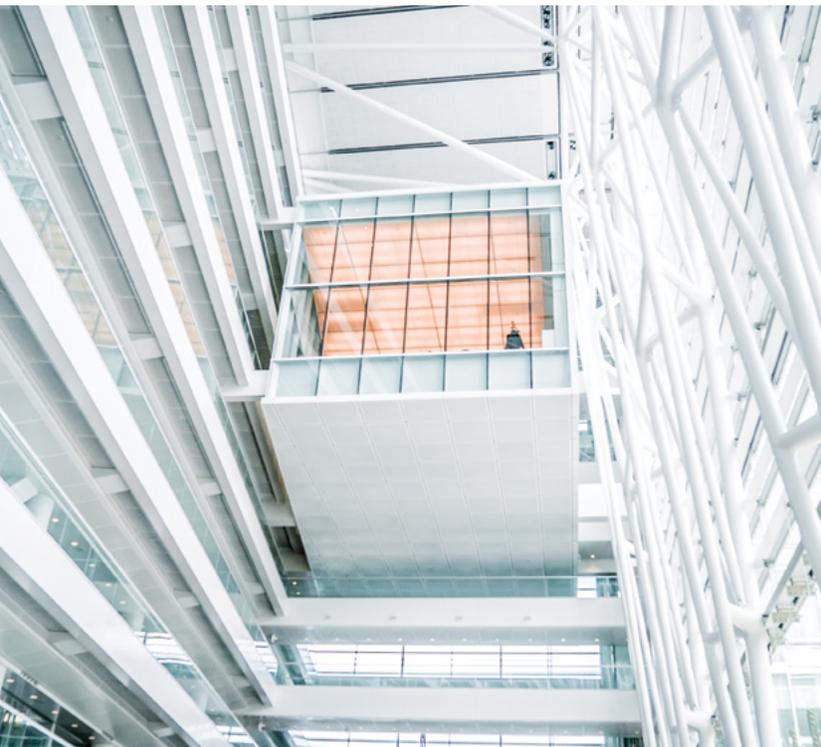
IVANHOÉ CAMBRIDGE AND OTÉRA CAPITAL SUPPORT MEASURES

Ivanhoé Cambridge, CDPQ's real estate subsidiary, worked with the various levels of government and took into account the needs of its tenants to offer exceptional recovery and support solutions, such as rent deferrals.

It also partnered with Lightspeed, a leader in cloud-based sales services for businesses. The goal: to offer tenants and restaurateurs in its Canadian shopping centres one year of free access to integrated sales software, as well as real-time inventory management and delivery service optimization modules.

To promote the well-being of merchants and customers and to provide them with a safe environment, Ivanhoé Cambridge also implemented a virtual queue management system in its properties, which it offers free of charge to its tenants.

Otéra Capital, CDPQ's real estate debt subsidiary, granted relief measures to allow several Québec companies, particularly in the hotel and commercial sectors, to defer loan payments.



Growth

Propelling Québec companies

CDPQ partners with Québec companies and actively helps them achieve their growth ambitions by sharing our leading-edge expertise and the strength of our network. We develop and support impactful initiatives for economic leaders, as well as promote entrepreneurship and support the next generation.

Investments in 2020

1. WSP

Private placement of \$64 million with CPP Investments, with \$44 million from CDPQ, to support this world-renowned engineering and construction services firm in financing acquisitions.

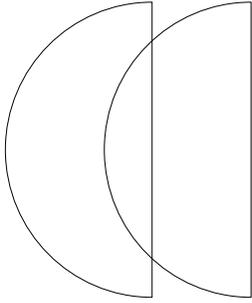
2. Canam Group

Participation in the repatriation of this leading construction company's Canadian operations and the acquisition of assets in the United States and overseas. This transaction of more than \$840 million enabled the company to become entirely Québec-owned again and to continue its expansion.

3. Medicom

Loan used by this leading medical supplies manufacturer and distributor to explore new avenues of expansion and increase accessibility to its products.





“Thanks to CDPQ’s support, Canam continues to grow with the same standards of quality and reliability that our reputation is built on. CDPQ has partnered with us for more than a quarter of a century, and we are pleased to continue to grow alongside them.”

Marcel Dutil
Chairman of the Board of Canam Group

Equity25³

Diversity issues, both gender and ethno-cultural, are part of CDPQ’s strategic priorities. It starts with equity, but it goes even deeper, because diversity is an important performance driver for companies.

The launch of the Equity 25³ fund in October 2020 is one of the tangible results of this commitment. Its objective: to encourage growing SMEs and successful technology companies in Québec and Canada to increase diversity and inclusion in their teams using a measurable objective. The selected companies commit to achieving, within five years of confirmation of funding, at least 25% diversity (women, visible minorities or Indigenous peoples) within their:

- Board of Directors
- Management team
- Shareholding

The Equity 25³ fund offers \$5 to \$30 million in investments as well as operational guidance to implement and execute a customized diversity and inclusion plan. Over four years, \$250 million will be deployed, making Equity 25³ the largest fund created nationally that directly targets diversity as a lever for development and expansion.



Espace CDPQ: Catalyst for the growth of innovative companies

Espace CDPQ is an investment and support hub aiming to drive the development of promising Québec technology companies, generate synergies between various players and stimulate innovation within the economy.

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

- 14 multi-sector venture capital firms
- 5 organizations dedicated to development and support
- 3 Canadian or international stopover partners

Together, these partners pool capital, networks and expertise to accelerate the growth and globalization of companies with high growth potential.

Espace CDPQ has set clear ambitions for the coming years:

- Encourage innovation in the Québec economy by stimulating discussions between investors and technology companies.
- Foster collaborations by partnering with other global innovation ecosystems and facilitating relationships between local and international venture capital firms.

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



SUPPORT, NETWORKING AND EXPERTISE: THE KEYS TO FIVE YEARS OF SUCCESS

Since its inception, Espace CDPQ has played an important role in helping local technology companies access the financing solutions and resources they need to grow.

Over five years, the 14 investor partners—representing more than 800 companies and \$6.6 billion in capital under management—have completed more than 480 investments and reinvestments in Québec and 81 co-investment transactions.

From 2016 to 2020, nearly 17,000 business events, meetings and activities were also organized and facilitated, benefiting over 76,000 visitors.

2020 HIGHLIGHTS

Espace CDPQ quickly adapted to the new reality imposed by COVID-19 by offering its activities to entrepreneurs virtually. Two flagship initiatives were pursued:

Axe IA

A product of the strategic partnership with Mila, the Québec Artificial Intelligence Institute, this initiative is designed to accelerate the commercialization of new artificial intelligence products. In 2020, the program supported 18 start-ups, offered 13 events and training sessions, and created 33 financial or expertise networking matches.

Regional hubs

Entrepreneurs from two technology accelerators associated with Espace CDPQ, based in Québec City and Sherbrooke, participated virtually in the third edition of Bootcamp. This personalized three-day event allowed the 14 participating companies to obtain financing advice and talk to experts, entrepreneurs and investors, creating about 20 matches.

**espace
cdpq**



Stimulating entrepreneurship and encouraging the next generation

Because Québec's economy depends on the vitality of its businesses, CDPQ devotes substantial effort to promoting entrepreneurship and supporting the next generation of entrepreneurs. With diversity as one of our priorities, we also pay particular attention to seeing a greater number of women join the ranks of management in successful companies.

WOMEN AND ENTREPRENEURSHIP

In 2020, CDPQ renewed its support for several initiatives targeting women-owned businesses:

1. Québec women's business awards

At the beginning of the year, the organization participated in the unveiling of the first-ever list of winners, in partnership with *Premières en affaires* magazine. This compilation of 75 inspiring examples, of which nearly ten have sales of over \$50 million, is intended to encourage women in business to share their successes to encourage the next generation of women entrepreneurs.

2. RFAQ+ platform

This database of women-owned businesses, the result of a collaboration with the Réseau des Femmes d'affaires du Québec (RFAQ), aims to increase the visibility of women entrepreneurs and allow them to more easily reach the supply chains of large corporations.

3. Femmessor

Active in 17 regions of Québec, Femmessor is an organization that supports the creation, growth and acquisition of businesses run and owned by women. A new component was added to this partnership in 2020: Femmessor Émergence cells, which were designed to meet the specific needs of start-ups.



4. Cheffes de file

Throughout the year, the Cheffes de file initiative continued its momentum and now supports the growth of 76 women entrepreneurs in 11 regions of Québec, with sales between \$5 and \$20 million. Inaugurated in 2018, this program is based on three pillars:

- Creation of a community of practice
- Access to CDPQ's network of partners here and abroad
- A team of experts to support the participants

In 2020, event programming began a digital shift, and about 15 virtual events were held, including discussion groups, hands-on workshops, and expert lectures. Topics included planning for post-pandemic growth for their company, improving their customer experience, and building their employer brand, among others.

5. Devenir entrepreneur

The Devenir entrepreneur platform continued its activities, faithful to its mission of raising awareness and providing information on entrepreneurship as a profession. In this unique year, it has helped entrepreneurs to better weather the crisis by highlighting on their platform the multiple initiatives they have taken to meet the challenges of the situation.

In addition, it contributed to their visibility through numerous portraits, articles and podcasts, with a special focus on entrepreneurs and diversity.

ENTREPRENEURSHIP INITIATIVES WITH UNIVERSITIES

The Académie de la relève entrepreneuriale, in partnership with Université Laval, began phase two of its coaching program in 2020. Its mission: to increase the entrepreneurial skills of students and recent graduates involved in starting high-potential businesses.

In addition, the Stratégies d'expansion initiative, in collaboration with Université de Sherbrooke, continued to support the growth and internationalization of companies in leading-edge technology sectors by making CDPQ's network and expertise available to them. Over time, 20 companies will benefit from this support.

As a founding partner of HEC Montréal's Creative Destruction Lab, CDPQ also continued to focus on artificial intelligence and data science to leverage Montréal's expertise in these areas. The program includes intensive sessions with mentors, the opportunity to raise capital and access to a network of world-class experts.

Lastly, the Carrefour d'entrepreneuriat et d'innovation program at Université du Québec à Trois-Rivières continued to serve as a talent incubator.



Globalization

Navigating international markets

In addition to our role as an investor, CDPQ is committed to being a long-term partner to Québec companies by supporting their projects to expand into new markets. Our integrated approach is based on personalized support at every stage of their development, thanks to the strength of our network in Québec and around the world.

Investments in 2020

1. KDC/ONE

Support for this provider of manufacturing and packaging solutions for beauty, personal care and household products for the acquisition of Zobebe Group, a leading global manufacturer of home and air care products.

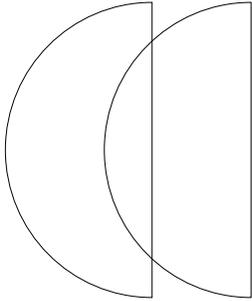
2. Eddyfi/NDT

Investment in this leader in non-destructive inspection technologies in the Québec City area to support two major acquisitions: NDT Global, an Irish-based company, and Halfwave, a Norwegian company active worldwide.

3. CAE

Investment of \$150 million to support this aviation industry leader's expansion plans, including the acquisition of Flight Simulation Company to expand its training services in Europe.





“Because one component of our growth plan involves strategic international acquisitions, it is essential for us to partner with an investor like CDPQ, who shares our ambitions and has teams in Québec and around the world to support our continued development.”

Martin Thériault

President and Chief Executive Officer of Eddyfi/NDT



Technological leap

Accelerating the digital transition

Aware of technology’s crucial contribution to economic growth and the competitiveness of Québec companies both today and tomorrow, CDPQ is actively involved in this area. We encourage companies to accelerate their digital shift and invest in those that leverage technology to deploy innovative business models.

Investments in 2020—Digital shift

1. LCI education

Loan to this large Québec network of post-secondary institutions to strengthen its digital presence, accelerate its international expansion and support the success of the family business succession process.

2. Monarch

Commitment of \$5 million to help restart gold production at the Beaufor mine in Val-d’Or and to enable the company to integrate artificial intelligence and advanced analytics into its operations.

3. Intact Financial Corporation

Investment in this insurance provider to assist in the acquisition of the Canadian, UK and international operations of RSA Insurance Group. This agreement will generate significant benefits for the

Québec economy, including a \$1.5-billion investment by the company in technology, growth of its teams in this sector and expansion of its asset management activities.



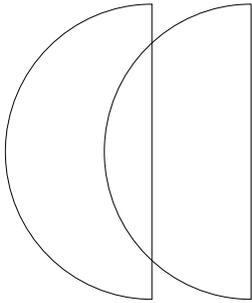
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2



3



“We are privileged to have an institutional partner of CDPQ’s quality. Their funding and support allow us to further develop our technology and continue to grow in order to offer integrated virtual health care services to a rising number of employers in Canada and around the world.”

Cherif Habib
CEO and Co-Founder of Dialogue

Support and investments in 2020— Technology companies

1. Nuvei

Support for this global payment software provider in its IPO on the Toronto Stock Exchange, the largest ever for a technology company on the TSX at the time.

2. Logibec

Lead lender in the acquisition by Novacap and Investissement Québec of this specialist in health care application software and solutions. This transaction allows the company to become a Québec company again, to consolidate its leadership position in Canada and to support its growth.

3. Lightspeed

Support for this leader recognized for its integrated cloud management solution—and first Québec unicorn to go public in Toronto in 2019—in being listed on the New York Stock Exchange.

4. Dialogue

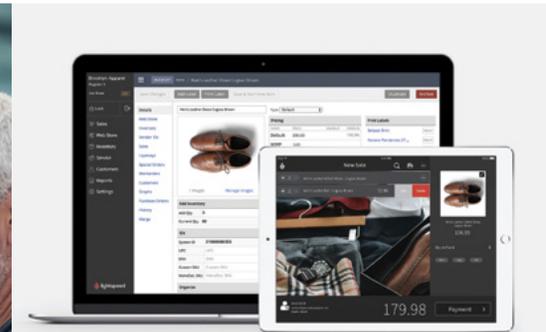
Participation in a \$43-million financing round to enable this Canadian telemedicine leader to expand its range of services and pursue its international growth.



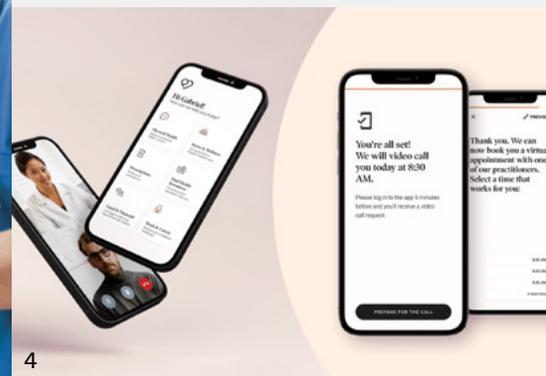
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4

Sustainable economy and communities

Focusing on projects of the future

CDPQ invests in projects that support the sustainability of the Québec economy and promote its long-term prosperity. Thanks to our financial capacity and expertise, we can execute structuring projects—in infrastructure, real estate and renewable energy—that improve Quebecers' daily lives and communities.

Investments in 2020

1. AddÉnergie

New round of investment in this Québec-based operator of electric vehicle charging stations to continue its development plan and North American expansion.

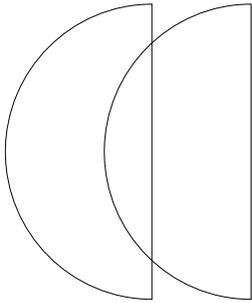
2. Sollio Cooperative Group

\$150 million in private credit, in partnership with Rabobank and Fonds de solidarité FTQ, to enable this Québec-based agricultural cooperative—the largest in Canada—to modernize its production activities and increase its impact in Québec.

3. MKB

Support for this Montréal-based private equity firm in the launch of a \$150-million fund focused on accelerating the energy transition for companies working in clean energy and sustainable transportation.





“AddÉnergie has experienced strong expansion in Canada and a successful entry into the US market, thanks in part to CDPQ's support. We are well positioned to accelerate our growth in North America as the transition toward electric vehicles speeds up and is increasingly recognized as a key factor in the fight against climate change.”

Louis Tremblay
President and Chief Executive Officer of AddÉnergie



CDPQ Infra: Infrastructure projects for sustainable mobility

CDPQ Infra’s mission is to build sustainable transportation infrastructure for communities. It acts as a developer for major projects and is responsible for all phases, from planning to financing to implementation to operation.

CDPQ Infra is currently overseeing the construction of the Réseau express métropolitain (REM), a 100% automated electric light rail system in Greater Montréal. It has also proposed the REM de l’Est to serve the city’s east and northeast sectors. The subsidiary is conducting feasibility studies and pursuing discussions on other public transit projects here and around the world. In Québec, according to established governance, the government proposes the projects for which CDPQ Infra is asked to formulate a recommendation, in addition to developing technical and financial proposals.

REM, THE NEW NETWORK FOR GREATER MONTRÉAL

The REM is the largest public transit project in Québec in 50 years. It will connect several areas in Greater Montréal, including downtown, universities, the South Shore, the North Shore, the West Island and the Montréal-Trudeau Airport. With a network of 67 km, 26 stations and frequent service, it will transport users 20 hours a day, 7 days a week. They will be able to transfer to the main Montréal metro lines at Bonaventure, McGill and Édouard-Montpetit stations.



The REM project generates major spinoffs in Québec:

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

30,000+ direct and indirect jobs during construction

Nearly **\$2 B** paid in wages

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

Work advances despite challenges

With more than 20 construction sites and 2,000 workers, work on the REM moved forward in 2020 despite the challenges caused by COVID-19. However, its impacts have caused the schedule to be revised by a few months. As such, the commissioning of the first branch—Brossard station to Central Station—is now expected in spring/summer 2022.

In 2020, several milestones were achieved, including:

- The laying of some 11 km of tracks
- The installation of more than half of the aerial structure in the West Island
- The construction of about twenty stations
- The unveiling of the first four cars

At the end of the year, one car made its first outing to conduct dynamic testing. Then, in early 2021, a car made its maiden voyage on an entire 3.5-km segment. Testing of the automated system components will continue throughout the year on the South Shore.

REM DE L'EST, A NEW PROJECT FOR EXPANDED MOBILITY

This new \$10-billion project, announced at the end of 2020, represents an additional 32 km and 23 stations in the east and northeast of Montréal. The REM de l'Est will contribute to the revitalization of this area of the city, improve mobility for users and generate major economic and environmental benefits.

Its development phase will take place in 2021 and 2022, and will include:

- The collection and analysis of information regarding the various sites
- Public consultations with project stakeholders
- Completion of the environmental impact study
- Holding of BAPE public hearings

A committee of independent experts from various backgrounds will also be created in early 2021 to make recommendations on the architectural quality of the network and its urban integration prior to the design stage. Their contribution will be major, since the consortia selected for construction will be required to follow the architectural and urban planning signature guidelines they develop.



Ivanhoé Cambridge: Shaping sustainable living environments

Ivanhoé Cambridge actively manages its real estate portfolio in Québec and develops projects that will meet the needs of users for years to come. Its ambition: to offer urban solutions focused on people’s well-being, as well as an improved experience for work and services for everyone.

During this unusual year, Ivanhoé Cambridge implemented exceptional recovery and support solutions for its tenants and clients while continuing to manage its properties, particularly those located in downtown Montréal. The real estate subsidiary has signed agreements with several tenants for its office towers in the heart of the city, including:

- Behavox at Maison Manuvie
- Dentons, Mercer, Marsh and Oliver Wyman at 1 PVM
- SAP at 5 PVM

These agreements represent 215,000 square feet (20,000 square meters) of world-class office space, designed to enhance flexibility of the spaces and encourage innovative ways of working together.

PROJET NOUVEAU CENTRE: EXPERIMENTING TO BETTER INNOVATE

This ambitious \$1-billion revitalization plan aims to transform downtown Montréal into a vibrant and accessible place that is full of experiences. To successfully complete this immense project, Ivanhoé Cambridge is focusing on a vision of innovation and sustainable development based on users’ needs for its spaces. This project is a sort of laboratory: a field of experimentation in design, construction and professional services. The know-how acquired will then benefit other properties elsewhere in the world.

Projet Nouveau Centre is built around four flagship projects, two of which have been completed:

- The transformation of the Fairmont The Queen Elizabeth Hotel, crowned with Espace C2 and its breathtaking view of downtown, as well as the CoLab 3 business campus, which offers multifunctional rooms to encourage creativity and innovation
- The construction of Maison Manuvie, a LEED Gold certified building for its sustainable and environmentally friendly architecture, which has a 98% occupancy rate

The other two projects progressed in 2020 despite the upheaval caused by the crisis:

- The revitalization of the PVM Esplanade, which will regain its primary purpose as an urban meeting place, as well as the opening of the Cathcart Restaurants and Biergarten. This food court provides a unique and varied culinary offering—three full-service restaurants, nine counters and two cafés—all in a prime location: a huge indoor garden bathed in natural light, under the Esplanade’s glass pavilion. As a result of the pandemic, pick-up and delivery services have been set up
- The complete redevelopment of the Montreal Eaton Centre, which welcomed major banners such as Uniqlo in 2020 and Decathlon in 2019. Time Out Market, the long-awaited food market unveiled in 2019, brings the city’s best chefs and restaurants together under one roof. Since the pandemic, they also offer delivery and take-out services



Leveraging our talent by supporting local research and expertise

CDPQ is actively involved in creating a pool of qualified experts by establishing various partnerships with Québec universities, including two new agreements in sustainable investment and in ethics and compliance. Our research and training support strategy extends to several regions of Québec. Determined to develop the next generation, we also welcome many interns each year.

ETHICS AND COMPLIANCE

Launched in 2020 in collaboration with HEC Montréal, the Ethics and Compliance program provides participants with an overview of best practices in this area. It offers them tools and workshops to implement an ethics and compliance program adapted to their organization, acquire expertise on leading-edge issues and activate their business network.

STEWARDSHIP INVESTING

In 2020, the new Sustainability Ecosystem program, in partnership with Concordia University, created opportunities for students, academics, investors, businesses and political organizations to meet and exchange information, experiences, and ideas for co-operation on sustainability topics.

In addition, CDPQ renewed its support for Polytechnique Montréal's responsible investment program, which explores the issue of climate change and the development of indicators and scenarios.

FINANCE AND ECONOMICS

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

The first Chair is dedicated to portfolio management research and the training of talent specialized in this field. Its objectives include:

- Development of cutting-edge scientific research
- Analysis of new practices and different risk and return factors
- Knowledge sharing

The second Chair conducts research in macroeconomics and forecasting while preparing the next generation of top economists. It has established multiple partnerships with public and private institutions in Canada as well as with national and international research institutes. Its purpose is to promote the development of methodologies to:

- Construct a vulnerability index of economic activity and climate change
- Incorporate climate forecasts into macroeconomic forecasting models
- Analyze the macroeconomic impact of natural disasters and carbon pricing

INTERNSHIPS

CDPQ offers internships in finance and other key areas each year. In 2020, we hosted 140 students and interns for periods of four to eight months. These internships represent an enriching experience in a large organization and help train a competent next generation.

A large network of suppliers throughout Québec

CDPQ and our subsidiaries rely on the services of numerous Québec companies to carry out our activities, requiring the contribution of approximately 2,200 Québec-based suppliers. In 2020, expenditures in Québec by CDPQ and its subsidiaries, including CDPQ Infra, amounted to more than \$2 billion, a level comparable to 2019, despite the pandemic and the slowdown in certain expenditures.

As stipulated in our Policy on Contracts for the Acquisition or Leasing of Goods and Services, CDPQ favours Québec suppliers, provided they satisfy cost and quality criteria.

Investments in Québec

Overview by investment activity

As at December 31, 2020, CDPQ's total assets in Québec were \$68.3 billion, of which \$50 billion were in the private sector. During the year, the investment teams in Québec were very active, with \$3.1 billion in new investments and commitments.

The teams have completed significant transactions in each investment activity based on the four pillars of the approach in Québec, many of which have already been presented in the previous pages. This section provides an overview of each investment activity at the end of fiscal 2020.

Table 24, on page 85, lists CDPQ's 20 largest investments in Québec in the Private Equity, Infrastructure and Equity Markets portfolios.

PRIVATE EQUITY AND INFRASTRUCTURE

In 2020, CDPQ's Private Equity assets in Québec totalled \$16.4 billion (see Table 22). Private Equity investments include direct investments in private companies as well as shares of publicly traded companies from initial public offerings and major transactions. We also invest in small-capitalization publicly traded Québec companies, which stimulates their growth as well as that of Québec's equity market.

In 2020, CDPQ's Infrastructure assets in Québec totalled \$4.7 billion (see Table 23).

TABLE 22

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

	2020			2019		
	Assets	Undisbursed commitments	Assets and undisbursed commitments	Assets	Undisbursed commitments	Assets and undisbursed commitments
Small- and medium-sized businesses	2,334	711	3,045	1,863	713	2,576
Large businesses	14,105	144	14,249	11,174	179	11,353
Total	16,439	855	17,294	13,037	892	13,929

TABLE 23

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

	2020			2019		
	Assets	Undisbursed commitments	Assets and undisbursed commitments	Assets	Undisbursed commitments	Assets and undisbursed commitments
Large businesses	4,671	980	5,651	4,233	1,363	5,596

Investment funds

Over the last five years, we have significantly increased our stake in venture and development capital and leveraged buyouts. In 2020, we invested in:

- MKB, which targets growth companies focused on transportation electrification and renewable energy
- Novacap, a renowned investment firm in the field of private equity and buyouts

These partnerships with specialized funds allow us to broaden the scope of our investments. This also gives us access to a pipeline of promising companies from which potential targets for direct investments often emerge. Several investments from the last few years have resulted from this strategy, including those in Hopper, Lightspeed, Dialogue, TrackTik and AlayaCare.

EQUITY MARKETS

The share of Québec securities in the Equity Markets portfolio was \$8.6 billion as at December 31, 2020. Securities in Québec companies accounted for 36% of the total assets in the Canada mandate. This is more than double the weighting of these securities in the S&P/TSX index, which was 16% at the end of the year.

REAL ESTATE AND REAL ESTATE DEBT

CDPQ has a subsidiary specializing in real estate, Ivanhoé Cambridge, and a real estate debt subsidiary, Otéra Capital. The assets and commitments for both are detailed in Table 26 on page 86, while the ten largest Real Estate portfolio investments in Québec are shown in Table 25 on page 86. As at December 31, 2020, CDPQ's real estate and real estate debt assets in Québec totalled \$9.3 billion.

Ivanhoé Cambridge

Ivanhoé Cambridge develops, acquires and manages properties and major real estate projects. The subsidiary is one of the largest property owners and managers in Québec and a world leader in real estate.

As at December 31, 2020, it owned 67 buildings in Québec, totalling \$4.8 billion in value. Its portfolio included:

- 47 logistic and industrial buildings
- 8 office buildings
- 6 shopping centres
- 3 prestigious hotels
- 3 residential buildings (approximately 300 units)

In total, its logistics and industrial properties, shopping centres and office buildings in Québec cover more than 15 million square feet (1.4 million square meters).

TABLE 24

TOP 20 INVESTMENTS IN QUÉBEC – PRIVATE EQUITY, INFRASTRUCTURE AND EQUITY MARKETS (as at December 31, 2020)

- | | |
|----------------------------|-----------------------------|
| • Alimentation Couche-Tard | • iA Financial Group |
| • Boralex | • Innergex Renewable Energy |
| • BRP | • KDC/ONE |
| • CAE | • Lightspeed |
| • CDPQ Infra (REM) | • Nuvei |
| • CGI | • Osisko Gold Royalties |
| • CN | • SNC-Lavalin |
| • Cogeco Communications | • Stella-Jones |
| • Dollarama | • Trencap (Énergir) |
| • Gildan | • WSP |
-

Otéra Capital

A leading lender in Canada, Otéra Capital also issues loans in the United States. As at December 31, 2020, its operations in Québec represented:

- 196 commercial properties in 11 regions
- \$4.5 billion in assets
- About ten new loans and refinancing granted in 2020

TABLE 25

TOP TEN QUÉBEC INVESTMENTS – REAL ESTATE PORTFOLIO

(as at December 31, 2020)

- Édifice Jacques-Parizeau, Montréal
- Fairmont Le Château Frontenac, Québec City
- Fairview Pointe-Claire, Pointe-Claire
- Galeries d'Anjou, Montréal
- Laurier Québec, Québec City
- Le 1000 De La Gauchetière, Montréal
- Montreal Eaton Centre, Montréal
- Place Ste-Foy, Québec City
- Place Ville Marie, Montréal
- Pure Industrial Real Estate Trust (PIRET)

TABLE 26

ASSETS AND COMMITMENTS IN QUÉBEC – REAL ESTATE AND REAL ESTATE DEBT

(as at December 31 – in millions of dollars)

	2020			2019		
	Assets	Undisbursed commitments	Assets and undisbursed commitments	Assets	Undisbursed commitments	Assets and undisbursed commitments
Shopping centres	2,367	89	2,456	2,945	190	3,135
Offices	4,595	49	4,644	4,899	51	4,950
Multiresidential	856	530	1,386	845	734	1,579
Other	1,439	108	1,547	2,396	41	2,437
Total	9,257	776	10,033	11,085	1,016	12,101

FINANCING AND FIXED INCOME

Since its creation, CDPQ has played a key role in financing in Québec, in both the private and public sectors.

As at December 31, 2020, CDPQ's holdings of private and public-sector bonds totalled \$29.3 billion (see Table 27).

Private sector

Over the past decade, our private sector activities have grown considerably, reaching \$10.9 billion in 2020. Since private companies stimulate growth, financing their projects helps us support Québec's economy while generating attractive long-term returns for our depositors.

Over the years, CDPQ has financed many Québec companies, both publicly traded and unlisted. As a long-standing partner, we support their plans for growth and expansion in local and international markets.

The Fixed Income teams work closely with the Private Equity teams to provide financing packages tailored to the specific projects and needs of companies. This teamwork resulted in the integration of a financing component in certain equity investments.

Public sector

CDPQ has always been a major holder of Québec public sector bonds. This includes securities issued by:

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

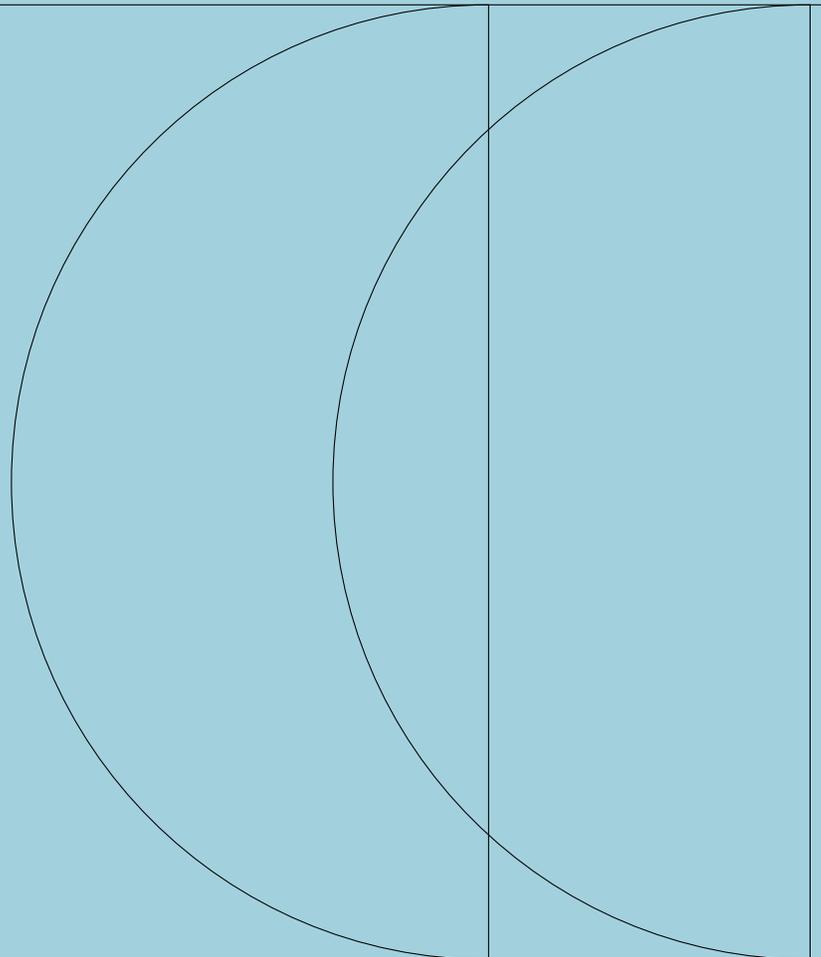
In 2020, public sector assets decreased slightly from the previous year, reflecting the Fixed Income portfolios' shift toward private debt.

TABLE 27

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

	2020	2019
Private sector: corporate securities	10.9	10.4
Québec public sector		
Government of Québec	11.7	12.6
Hydro-Québec	5.7	5.6
Other government corporations	0.8	0.8
Municipalities and para-governmental corporations	0.2	0.1
Subtotal	18.4	19.1
Total	29.3	29.5

Reports of the Board of Directors and Board Committees



Report of the Board of Directors

HIGHLIGHTS

1
Reviewed and confirmed CDPQ's strategic directions and team execution priorities.

2
Monitored developments in the COVID-19 pandemic, including reviewing economic and financial scenarios and their impacts on changes to the strategy and returns.

3
Approved and monitored investment proposals under its authority.

THE BOARD OF DIRECTORS

MANDATE

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.

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

COMPOSITION (as at December 31, 2020)

The Board consisted of 14 members out of a maximum of 15. During the year, the Government of Québec, after having consulted the Board, appointed as an independent member Jean-François Blais, Corporate Director, and confirmed the renewal of the mandates of Wendy Murdock, Corporate Director and Gilles Godbout, Corporate Director.

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 independent members and of the Board as a whole.

Gender diversity is also 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 to their representation in our portfolio companies and investment partners. As at December 31, 2020, 43% of the members of the Board were women.

Table 28, on page 91, summarizes the various profiles of Board members. In particular, it presents the main areas of expertise of its external directors as well as their age range, number of years on the Board and place of residence.

TABLE 28

DIVERSITY ON THE BOARD OF DIRECTORS

Directors ¹	Age			Mandate Years on the Board	Place of residence			Diversity		Top 5 specialties or expertise								
	< 40	40 to 65	≥ 65		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		•		3			•	F	•		•	•		•			•	•
Sylvain Brosseau		•		2	•			M		•	•	•					•	•
Alain Côté		•		1	•			M		•		•	•				•	
Michel Després		•		4	•			M			•	•	•					•
Gilles Godbout			•	7	•			M		•	•	•	•					
Lynn Jeannot		•		1	•			F				•	•	•			•	•
Maria S. Jelescu Dreyfus		•		1		•		F	•	•		•	•					•
Jean La Couture			•	7	•			M		•		•	•				•	•
Diane Lemieux		•		6	•			F			•	•	•				•	•
Wendy Murdock			•	4		•		F	•	•		•					•	•
Ravy Por	•			1	•			F	•			•					•	•
Robert Tessier			•	11	•			M			•	•		•			•	•

1. Charles Emond, as President and Chief Executive Officer, is a Board member by virtue of office. He has held his position for less than 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.

TABLE 29

COMPENSATION PAID TO INDEPENDENT DIRECTORS
UNDER ORDER-IN-COUNCIL¹

(in dollars)

Directors	Annual compensation	Compensation as Committee Chair	Attendance fees	Total compensation
Jean-François Blais ²	12,275	–	14,010	26,285
Ivana Bonnet-Zivcevic ³	19,947	6,235	27,086	53,268
Sylvain Brosseau	19,947	–	37,360	57,307
Alain Côté ⁴	19,947	4,762	33,624	58,333
Gilles Godbout	19,947	–	31,090	51,037
Lynn Jeannot	20,760	–	26,152	46,912
Maria S. Jelescu Dreyfus	22,602	–	28,954	51,556
François Joly ⁴	4,713	1,473	8,406	14,592
Jean La Couture ³	19,947	6,235	29,888	56,070
Wendy Murdock	19,947	4,762	28,954	53,663
Ravy Por ²	19,947	–	27,086	47,033
Total	199,979	23,467	292,610	516,056

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 teleconference, is half of the attendance fee allowed for a regular meeting.
 - Up to March 31, 2020, members who are retired from the public sector received total reduced compensation.
- These directors received attendance fees for attending a committee meeting as an observer.
 - These directors received attendance fees for attending a meeting of CDPQ's Selection Committee.
 - These directors received attendance fees for attending the Audit Committee meetings of CDPQ's real estate and real estate debt subsidiaries.

Report of the Board of Directors (continued)

DIRECTOR COMPENSATION

The compensation of CDPQ's directors is determined by an order-in-council of the Government of Québec. Their compensation for 2020 is provided in Table 29 on page 91. The directors are also entitled to be reimbursed for their travel and living expenses.

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.

ACTIVITY REPORT

The Board carries out its responsibilities directly or through four committees:

- The Audit Committee
- The Governance and Ethics Committee
- The Investment and Risk Management Committee
- The Human Resources Committee

The activity report of each of these committees is presented on the following pages. The main responsibilities discharged by the Board during the year are also presented on the following pages.

TABLE 30

DIRECTOR ATTENDANCE AT BOARD AND COMMITTEE MEETINGS IN 2020¹

Directors	Board of Directors		Audit Committee	Investment and Risk Management Committee		Governance and Ethics Committee		Human Resources Committee		Selection Committee
	6 reg.	12 spec.	6 reg.	6 reg.	5 spec.	6 reg.	3 spec.	7 reg.	4 spec.	1 reg.
Jean-François Blais	4/4	5/5	3/3	–	–	–	–	–	–	–
Ivana Bonnet-Zivcevic	5	12	–	–	–	–	–	6	4	1
Sylvain Brosseau	6	12	–	6	5	–	–	7	4	–
Alain Côté	6	12	6	5/5	5	–	–	–	–	–
Michel Després	6	11	–	–	–	–	–	–	–	–
Gilles Godbout	6	12	6	6	5	–	–	–	–	–
Lynn Jeannot	6	12	–	–	–	–	–	6	4	–
Maria S. Jelescu Dreyfus	6	12	–	6	5	–	–	–	–	–
François Joly	1/1	3/3	2/2	1/1	–	–	–	–	–	–
Jean La Couture	6	12	–	6	5	–	–	–	–	1
Diane Lemieux	6	11	–	–	–	–	–	–	–	–
Wendy Murdock	6	11	4/4	1/1	–	6	3	–	–	–
Ravy Por	6	12	–	–	–	6	3	–	–	–
Michael Sabia	–	1/1	–	–	–	–	–	–	–	–
Charles Emond	6	11/11	–	–	–	–	–	–	–	–
Robert Tessier	6	12	–	–	–	6	3	7	4	1

1. Directors justify their absences from regular meetings of a Committee or the Board to CDPQ's Secretariat. During 2020, directors were not able to attend certain meetings, due to health reasons or to obligations related to family or work commitments, or to our rules governing potential conflicts of interest.

Strategic directions

The Board reviewed and approved CDPQ's strategic directions and the annual budget, as well as the execution priorities of each team. During the year, the Board received and reviewed regular management reports on the monitoring and advancement of these priorities.

COVID-19 pandemic

Concerning the pandemic, the Board reviewed with management various economic and financial scenarios and their impacts on the evolution of the strategy and returns.

The Board also approved the support program for Québec businesses and community organizations, which was added to other initiatives as a contribution to the collective effort.

In addition, in the context of the transition to having all employees work remotely, the Board reviewed the digital environment and CDPQ's cybersecurity posture, in addition to paying particular attention to the overall health of employees and the initiatives implemented to support them. The Board reviewed scenarios for returning to working in the office and discussed with management the evolution of the post-COVID-19 work environment, particularly with respect to schedules, ways of working and office layout.

Financial results, internal controls and risk management oversight

With assistance from the Audit Committee, the Board fulfilled its responsibilities with respect to financial results, internal controls and risk management, notably by:

- Reviewing and approving the consolidated financial statements as at June 30 and December 31.
- Evaluating the integrity of all the controls applied to the various types of data used to prepare these financial statements and related notes.
- Reviewing the returns of the investment units and approving the news releases on financial results.

- Reviewing and approving CDPQ's Annual Report.
- Approving reviews of several policies, including:
 - The Policy – Internal Controls
 - The Financial Information Disclosure Policy
 - The Policy on Contracts for the Acquisition or Leasing of Goods and Services
- Monitoring progress on technological projects to update the financial reporting system.
- Approving the review of delegations of authority.

See the Report of the Audit Committee on page 96 for more information on the responsibilities discharged by the Committee and the Board.

Investment and risk management

Assisted by the Investment and Risk Management Committee, the Board ensured that an effective and rigorous risk management framework and the related processes were applied throughout the year. As such, the Board:

- Approved investment proposals under its authority, 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.
- Monitored progress in the construction of the Réseau express métropolitain (REM).
- Approved the review of the investment policies of certain specialized portfolios.
- Approved the review of the Integrated Risk Management Policy.
- Approved liquidity risk oversight and ensured that CDPQ's overall strategy for managing this risk was followed.

See the Report of the Investment and Risk Management Committee on page 117 for more information on the responsibilities discharged by the Committee and the Board.

Report of the Board of Directors (continued)

Corporate governance

The Board met in the absence of members of senior management and held discussions with the President and Chief Executive Officer in the absence of other members of senior management. It also received an activity report from each committee at each meeting, so that it could review and express an opinion on their recommendations. In addition, on the recommendation of the Governance and Ethics Committee, the Board:

- Reviewed the composition of its committees.
- Approved the expertise and experience profile of its independent members.
- Approved the Policy – Fraud and Corruption Prevention and Detection
- Approved the review of the Policy on Donations and Sponsorships.
- Approved the review of the Policy on the Principles Governing the Exercise of Voting Rights of Public Companies.
- Approved the review of the Code of Ethics and Professional Conduct applicable to officers and employees, as well as the Code of Ethics and Professional Conduct for Directors of CDPQ and its real estate and real estate debt subsidiaries.

Orientation and continuing education program

The Board recognizes the importance of providing its members with the necessary training and support to enable them to carry out their roles in accordance with the provisions of the Act respecting CDPQ, the mandate 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 Code of Ethics and Professional Conduct for Directors, the governance framework, the expertise and experience profile of the independent members, 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 by representatives of various CDPQ teams and, from time to time, by outside representatives 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 2020, members received training on various subjects, including:

- Risk management
- The economy
- Stewardship investing
- The impact of the COVID-19 pandemic on internal audit and financial reporting activities
- Strategic partnerships
- Tax matters
- Governance

See the Report of the Governance and Ethics Committee on page 99 for more information on the responsibilities discharged by the Committee and the Board regarding governance and ethics.

Human resources management

At the beginning of 2020, with the approval of the government, the Board appointed Charles Emond as President and Chief Executive Officer. Following his appointment and with the support of the Human Resources Committee, the Board adopted his objectives for 2020 and assessed his performance, as well as his total compensation conditions.

In addition, the Board approved changes to the organizational structure, which resulted in several important appointments during the year. Kim Thomassin, who served as Executive Vice-President, Legal Affairs and Secretariat, was appointed Executive Vice-President and Head of Investments in Québec and Stewardship Investing. Helen Beck, who was a member of the Equity Markets team, became Executive Vice-President and Head of Equity Markets, while Ève Giard was appointed Executive Vice-President, Talent and Performance. In addition, Vincent Delisle was appointed Executive Vice-President and Head of Liquid Markets, Marc-André Blanchard was appointed Executive Vice-President and Head of CDPQ Global, and Michel Lalande was appointed Executive Vice-President, Legal Affairs and Secretariat.

Further to these changes to the organizational structure, the Board also reviewed the assignment of additional responsibilities to certain members of senior management, including responsibility for global strategy given to Martin Coiteux, who was appointed Head of Economic Analysis and Global Strategy, and the leadership of the new cross-functional approach in technology to Alexandre Synnett, who was appointed Executive Vice-President and Chief Technology Officer.

At the end of 2020, the Board approved the appointment of Jean-Marc Arbaud as President and Chief Executive Officer of CDPQ Infra, as well as Martin Laguerre as Executive Vice-President and Head of Private Equity and Capital Solutions.

The Board also approved the performance evaluations and total compensation conditions for senior executives.

See the Report of the Human Resources Committee on page 101 for more information on the responsibilities discharged by the Committee and the Board.

Report of the Audit Committee

HIGHLIGHTS

1

Reviewed and monitored preparation of the financial statements.

2

Approved the three-year internal audit plan and monitored activities under the plan.

3

Monitored and analyzed the effects of all activities implemented to ensure optimal use of resources.

THE AUDIT COMMITTEE

MANDATE

The Audit Committee sees that the financial statements accurately reflect CDPQ's financial position. It also ensures, among other things, that CDPQ has adequate and effective internal control mechanisms and a risk management process.

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

COMPOSITION (as at December 31, 2020)

The composition of the Committee was reviewed in 2020. The Committee consisted of four independent members, including the Chair of the Committee:

- Chair: Alain Côté (guest member at meetings of the Investment and Risk Management Committee)
- Members: Jean-François Blais, Gilles Godbout and Wendy Murdock

The Chairman of the Board attends the Committee meetings.

It should be noted that the Committee consisted 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.

ACTIVITY REPORT

Number of meetings in 2020: 6

The Audit Committee plays an essential role in the sound financial governance of CDPQ, including in oversight of financial reporting, risk management and internal controls, internal auditors and external auditors.

During the year, the Committee discharged the following responsibilities:

Financial reporting

In 2020, the Committee:

- With the Finance group and the co-auditors, being the Auditor General of Québec and EY, reviewed and recommended to the Board for approval the consolidated financial statements. As part of this review, the Committee reviewed, among other things, the process used to prepare the financial statements and to value investments as well as treasury items, including liquidity, leverage and financing.
- Reviewed the report on the financial certification process that enables the President and Chief Executive Officer and the Executive Vice-President and Chief Financial and Operations Officer to certify publicly that the disclosure controls and procedures and the internal financial reporting controls are adequate and effective.

- Discussed with the co-auditors their reports following the interim review as at June 30 and the audit as at December 31.
- Reviewed and recommended to the Board for approval the news releases announcing CDPQ's 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 CDPQ's financial statements and their internal quality control procedures.
- Monitored application of the Policy – Independence of External Auditors and approved EY's fees.
- Received follow-up reports on projects related to changes in the financial reporting systems.
- Held regular discussions with the Executive Vice-President and Chief Financial and Operations Officer without the presence of other members of management.
- Discussed with the co-auditors, in the absence of members of management, various aspects of their mandate.
- Received reports from the Chair of the Committee following his attendance at meetings of the audit committees of the real estate and real estate debt subsidiaries.

Internal audit

In 2020, the Committee:

- Approved the Internal Audit Charter.
- Approved the 2020–2022 Internal Audit Plan and reviewed the internal audit plans of the real estate and real estate debt subsidiaries and CDPQ Infra.
- 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 implementation by senior management of Internal Audit's recommendations.
- Monitored activities carried out by the Internal Audit units of the real estate and real estate debt subsidiaries.
- Validated that the Internal Audit team was able to act independently from management.
- Held regular discussions with the Vice-President, Internal Audit, without the presence of management.

Report of the Audit Committee (continued)

Internal controls and plan for the optimal use of resources

In 2020, the Committee:

- 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 results of work to assess the design and effectiveness of internal financial reporting controls and disclosure controls and procedures, including those of the real estate and real estate debt subsidiaries and CDPQ Infra.
- Reviewed CDPQ's insurance coverage.

Risk management

In 2020, the Committee:

- Discussed, with members of Legal Affairs and Secretariat:
 - Reports on compliance with the Act respecting CDPQ, depositors' investment policies and the specialized portfolios' investment policies.
 - Reports on legal proceedings involving CDPQ or its subsidiaries.

- Received copies of the minutes of the Investment and Risk Management Committee's meetings.
- Reviewed the measures implemented in the context of the COVID-19 pandemic and employees' transition to working remotely.
- Monitored international tax management activities.
- Reviewed the digital technology security program.
- Reviewed delegations of authority and recommended them to the Board for approval.
- Reviewed and recommended to the Board for approval the Policy on Contracts for the Acquisition or Leasing of Goods and Services, the Internal Control Policy, and the Financial Information Disclosure Policy.

USE OF EXTERNAL EXPERTS

The Audit Committee did not use the services of external experts in 2020. It nevertheless endorsed management's use of external firms for an independent review of the fair value of certain investments.

Report of the Governance and Ethics Committee

HIGHLIGHTS

1

Reviewed the Codes of Ethics and Professional Conduct of CDPQ and some of its operating subsidiaries.

2

Reviewed the governance rules applicable to CDPQ and some of its operating subsidiaries.

3

Reviewed the composition of the Board and its committees.

GOVERNANCE AND ETHICS COMMITTEE

MANDATE

The Committee ensures that CDPQ adheres to the highest standards of governance and ethics.

For a full description of the Governance and Ethics Committee's mandate, consult the Governance section at www.cdpq.com.

COMPOSITION (as at December 31, 2020)

The composition of the Committee was reviewed in 2020. The Committee consisted of four independent members, including the Chair of the Committee:

- Chair: Wendy Murdock
- Members: Gilles Godbout, Ravy Por and Robert Tessier

ACTIVITY REPORT

Number of meetings in 2020: 9

The Committee assists the Board, and makes recommendations for its approval, regarding determining the composition of the Board and its committees, implementing the annual process for assessing the functioning of the Board and its committees, developing corporate governance and ethics rules, and overseeing the application of policies on CDPQ's business conduct.

During the year, the Committee discharged the following responsibilities:

Composition, performance and operations of the Board and its committees

In 2020, the Committee:

- 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, in collaboration with the Human Resources Committee, the expertise and experience profile for the selection of independent members.
- Evaluated the functioning of the Board and its committees.
- Reviewed the reporting on training activities attended by Board members and developed the training plan.
- Reviewed the orientation program for new directors to ensure the harmonious and swift integration of new members.
- Saw to the establishment and maintenance of structures and procedures that would enable the Board to act independently of management.

In particular, the Committee ensured that discussion sessions are held at each regular meeting without the presence of members of management.

Report of the Governance and Ethics Committee (continued)

Governance and ethics policies and practices

In 2020, the Committee:

- Reviewed the governance rules for CDPQ and some of its operating subsidiaries.
- Studied the review of the Policy on Donations and Sponsorships and reviewed the report on philanthropic and institutional sponsorship activities.
- Studied the review of the Policy on the Principles Governing the Exercise of Voting Rights of Public Companies.
- Reviewed the Policy – Fraud and Corruption Prevention and Detection.
- Reviewed the reports on stewardship investing activities.
- Reviewed the report on designating members to the Boards of Directors of companies in which CDPQ invests.

- Reviewed amendments to the rules on ethics and professional conduct applicable to Board members and CDPQ officers and employees, to its real estate and real estate debt subsidiaries, and to its wholly owned subsidiaries.
- Reviewed the report on the application of the Code of Ethics and Professional Conduct for Directors and ensured that each member disclosed their interests in accordance with the provisions of the Code and the Act respecting CDPQ.
- Reviewed reports on transactions involving securities of companies that have ties with CDPQ directors.

USE OF EXTERNAL EXPERTS

The Governance and Ethics Committee did not use the services of external experts in 2020.

Report of the Human Resources Committee

HIGHLIGHTS

1

Management during a crisis and support for all CDPQ's teams in the context of a pandemic and an extended period of working remotely.

2

Further developed the diversity and inclusion strategy to provide an inclusive experience for all employees.

3

Prepared CDPQ and its talent to seize opportunities and rise to future challenges as the organization and the labour market evolve.

HUMAN RESOURCES COMMITTEE

MANDATE

The mandate of the Committee is to review 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 human resources management practices.

For a full description of the Human Resources Committee's mandate, please consult the Governance section at www.cdpq.com.

COMPOSITION (as at December 31, 2020)

The Committee is composed of four independent members, including the Chair of the Committee:

- Chair: Ivana Bonnet-Zivcevic
- Members: Sylvain Brosseau, Lynn Jeannot and Robert Tessier

ACTIVITY REPORT

Number of meetings in 2020: 11

President and Chief Executive Officer

Following the appointment of Charles Emond as President and Chief Executive Officer, the Committee reviewed his objectives for 2020 and recommended them to the Board of Directors for approval. Consequently, the Committee reviewed the performance evaluation and total compensation conditions for the President and Chief Executive Officer and recommended them to the Board of Directors for approval.

Senior executives

The Committee reviewed changes to the organizational structure in the context of a new President and Chief Executive Officer taking up his duties, and recommended the changes to the Board of Directors for approval. These changes led to several key appointments during the year. Kim Thomassin, who served as Executive Vice-President, Legal Affairs and Secretariat, was appointed Executive Vice-President and Head of Investments in Québec and Stewardship Investing. Helen Beck, who was a member of the Equity Markets team, became Executive Vice-President and Head of Equity Markets, while Ève Giard was appointed Executive Vice-President, Talent and Performance. In addition, Vincent Delisle was appointed Executive Vice-President and Head of Liquid Markets, Marc-André Blanchard was appointed Executive Vice-President and Head of CDPQ Global, and Michel Lalande was appointed Executive Vice-President, Legal Affairs and Secretariat.

Report of the Human Resources Committee (continued)

Further to these changes to the organizational structure, the Board also reviewed the assignment of additional responsibilities to certain members of senior management, including responsibility for global strategy given to Martin Coiteux, who was appointed Head of Economic Analysis and Global Strategy, and the leadership of the new cross-functional and integrated approach in technology to Alexandre Synnnett, who was appointed Executive Vice-President and Chief Technology Officer.

At the end of 2020, following the departure of Macky Tall, the Committee reviewed the appointment of Jean-Marc Arbaud as President and Chief Executive Officer of CDPQ Infra, as well as Martin Laguerre as Executive Vice-President and Head of Private Equity and Capital Solutions, and recommended them both to the Board for approval.

In addition, the Committee reviewed senior executive performance evaluations and total compensation and recommended both to the Board for approval.

Given the exceptional economic context related to the COVID-19 pandemic, CDPQ decided to freeze the salaries of all the organization's leaders for 2020.

Key strategies and policies for integrated talent management

In 2020, the Committee focused on several initiatives concerning integrated talent management. The Committee reviewed:

- Measures implemented to support employees in the context of a pandemic and an extended period of working remotely.
- The follow-up on priority talent management targets by reviewing key indicators, including hires, gender and generational diversity, the management ratio and internal mobility.
- The strategy and monitoring of diversity and inclusion initiatives.
- The revamped mentoring program.
- The process for identifying key skills for the future and implementing the related development levers.
- The exercise to maintain pay equity.
- In collaboration with the Governance and Ethics Committee, the expertise and experience profile used to appoint independent members to the Board.

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 takes Hugessen Consulting's recommendations into account but makes its own decisions, which may be based on information other than the firm's recommendations.

COMPENSATION POLICY

Committee's work on compensation

During 2020, 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 management and depositors. The Committee reviewed how CDPQ's Compensation Policy was applied. It analyzed the proposed variable compensation and proposals for the application of the co-investment program and ensured that the proposals were aligned with 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 compensation market trends with regard to salary reviews in the context of the COVID-19 pandemic. It also discussed the salary conditions of CDPQ's employees for 2021 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 and 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 levels¹

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 35 on page 110. 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 34 organizations listed in Table 37 on page 111. 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 17 firms whose assets under management are greater than \$20 billion. The list is provided in Table 36 on page 110.

For non-investment positions, the Québec market serves as the reference, and must notably include public-sector jobs. It therefore contains a representative sample of large public- and private-sector Québec firms and financial-sector companies. The current sample comprises the 54 organizations listed in Table 38 on page 111. For these positions, total compensation must be within the third quartile (75th percentile) of the reference market.

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

In 2020, CDPQ retained the services of Willis Towers Watson for benchmarking its reference markets and engaged McLagan's services regarding positions outside Canada.

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 the profitable opportunities arising from the energy transition.

2. Offer competitive compensation: to attract, motivate and retain the employees with experience and expertise who will enable CDPQ to achieve its strategic objectives, within the guidelines in the Internal Bylaw, as described above.

3. Link the interests of management and depositors: to ensure that their individual and team efforts are conducive to CDPQ's long-term success.

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.

Report of the Human Resources Committee (continued)

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 2020, the Board of Directors approved the following recommendations made by CDPQ's senior management:

- Maintain 2020 salary scales close to the median of the reference markets, as measured by recognized external firms; and
- Grant a budget for increases that is at the median of the market increase forecasts.

Given the exceptional economic context related to the COVID-19 pandemic, CDPQ decided to freeze the salaries of all leaders in the organization and its subsidiaries for 2020.

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 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 33 on page 107). This mechanism continues to link the interests 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. This allows placing increased emphasis on the quality of the transactions completed by internal private equity teams, year after year, in 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

Variable compensation is never guaranteed; it always depends on the evaluation of performance criteria as established by the variable compensation program. Accordingly, employees receive variable compensation based on the three components outlined in Figure 31.

Regarding the Return component, namely the return on the specialized portfolios, the objective of all 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 2016

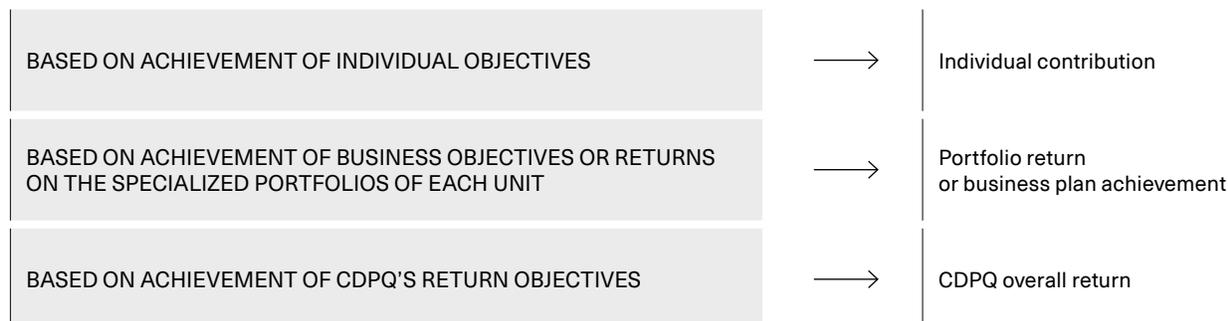
Over the past five years, CDPQ has invested constructive capital in numerous projects, businesses and initiatives. The Human Resources Committee highlights some of these achievements, including those in 2020, with several of them presented in this report.

- Over five years, CDPQ has generated investment results of \$110.7 billion through an annualized return of 7.8%. This performance is 0.2% greater than that of its benchmark index, creating \$1.7 billion in value added.

- In 2020, in an extraordinary environment characterized by major contrasts between the asset classes, CDPQ delivered a 7.7% return that, overall, meets the needs of its depositors. This result is 1.5% short of its index, mainly due to under-performance by the Real Estate portfolio, which was hard hit by the pandemic. Total investment results were \$24.8 billion.
- In Québec, CDPQ is helping build a dynamic, competitive and sustainable economy. It had \$50 billion in assets in the private sector at the end of 2020, representing a \$30-billion increase over ten years. To help Québec companies weather the crisis, CDPQ created a \$4-billion envelope that will also enable them to drive their recovery and growth plans over the longer term. During the year, \$3.1 billion in new investments and commitments were made in alignment with the four pillars of CDPQ’s strategy: the growth of companies, their globalization, the acceleration of the technological shift and the development of a sustainable economy and communities—including by building the REM.
- In recent years, in addition to completing numerous transactions across all asset classes, the teams have implemented the organization’s main orientations, with compelling results:
 - In Fixed Income, repositioning toward private credit has proven profitable, generating \$3.3 billion in added value since 2017.
 - The Private Equity portfolio also generated considerable value added (\$9.0 billion over five years, including \$4.9 billion in 2020) due to the excellent results of portfolio companies and increased post-investment support.

FIGURE 31

VARIABLE COMPENSATION COMPONENTS



Report of the Human Resources Committee (continued)

- The Equity Markets portfolio delivered a good return, posting \$48.1 billion in net investment results over five years.
 - The Infrastructure portfolio totalled \$31.7 billion in net assets due to consistent results for the period and for having weathered the crisis well as a result of its diversification.
 - In Real Estate, the last two years have been difficult, but the portfolio repositioning accelerated in the wake of the pandemic. Over 70 transactions totalling \$8.7 billion were concluded in profitable sectors such as logistics and mixed-use projects. In addition, exposure to shopping centres was significantly diminished and Ivanhoé Cambridge took measures to optimize its structure and lower its costs.
- Over the past five years, CDPQ has continued to globalize operations, taking advantage of attractive opportunities in several countries. Its exposure to international markets grew by \$137 billion, to 68%, with marked increases in the United States, Asia Pacific and Latin America. In order to better coordinate its activities across the various regions and our business relationships around the world, CDPQ Global was created in 2020.
 - CDPQ has become one of the world's largest investors in sustainable assets. Since 2017, its low-carbon investments have grown \$18 billion and its carbon footprint per dollar invested is down 38%. CDPQ has also been actively promoting diversity, notably with the creation of a \$250-million fund aimed at increasing diversity and inclusion in companies in Québec and Canada.
 - In addition, to improve its impact in technology and make it a real performance driver, CDPQ implemented an integrated technology strategy in 2020.
 - Lastly, over five years, CDPQ's net assets increased by \$117.5 billion, bringing the total as at December 31, 2020, to \$365.5 billion.

2020 variable compensation

Taking into account variable compensation both paid and deferred, employees' total compensation in 2020 was below the median of the reference markets for a 7.8% performance over five years. Variable compensation for CDPQ employees in Québec and the international offices totalled \$158.7 million in 2020, compared with \$156.8 million in 2019. This represents an average decrease of nearly 8% per employee due to variations in the number of personnel.

More specifically, a study by Willis Towers Watson showed that the employees' total compensation ranked between the 14th and 68th percentiles of the reference markets, and on average at the 35th percentile (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 (see Table 32).

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

"We reviewed CDPQ's returns and benchmark indexes for 2020, 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 2020 return multiples, the 2016–2020 average return multiples and the 2020 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 2020 is reasonable in the prevailing market conditions and given CDPQ's performance in 2016, 2017, 2018, 2019 and 2020."

TABLE 32

POSITIONING OF TOTAL COMPENSATION BY POSITION TYPE

Position type	Maximum total compensation under the Bylaw ¹	Average positioning of the total compensation awarded in 2020 relative to the reference markets under the Bylaw
Investment positions	90th percentile	Between the 14th to 68th percentile and, on average, at the 35th percentile
Non-investment positions	75th percentile	

1. Maximum total compensation refers to percentile positions found in Schedule A of the Internal Bylaw.

Co-investment: deferred variable compensation

The purpose of co-investment is to better align the interests of those employees 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 33 below illustrates this mechanism.

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

Given the exceptional economic environment in 2020 due to the COVID-19 pandemic, the members of the Executive Committee postponed and co-invested the maximum possible of their 2019 variable compensation for a period of three years—i.e. until 2022—as of January 1, 2020. These postponed amounts will rise and fall in tandem with CDPQ’s returns, showing their commitment to executing the organization’s mission and their full alignment with results that will be delivered to depositors in an unprecedented time.

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 employees, the minimum threshold is 35%. Lastly, for managers and high-level professionals, the minimum threshold is 25%.

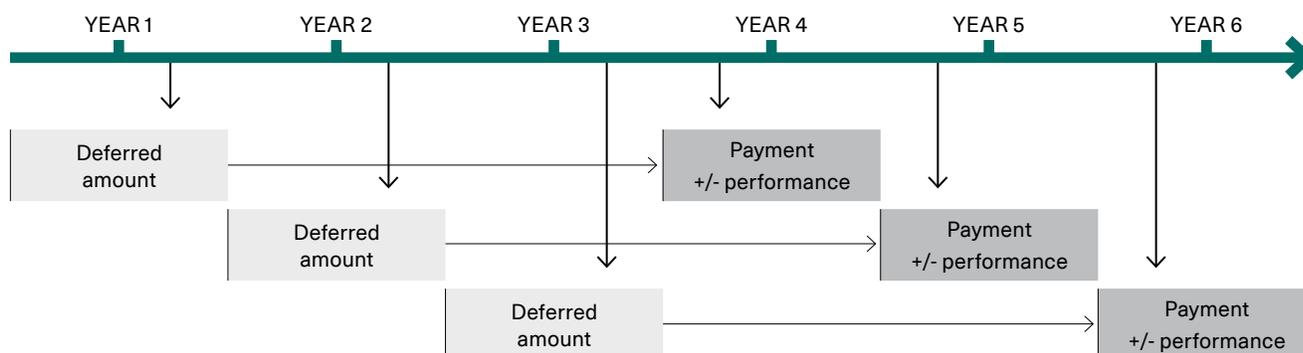
CDPQ offers employees the option of deferring and co-investing an additional portion of their variable compensation into the co-investment account. Since 2020, this offer has been extended to employees outside Canada, where permitted by law.

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 increase the proportion of direct investments in its Private Equity portfolio. This allows placing increased emphasis on the quality of the transactions completed by internal private equity teams, year after year, in 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.

FIGURE 33

DEFERRED AND CO-INVESTED VARIABLE COMPENSATION



Report of the Human Resources Committee (continued)

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 or the Pension Plan of Management Personnel. 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

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 beginning of his mandate, the Committee recommended to the Board a series of individual objectives proposed by the President and Chief Executive Officer. The context of the pandemic, declared one month after Mr. Emond took office, required that his main objectives be adapted to reflect the priorities that such an environment demands.

- A first objective was to minimize the risks to the physical and psychological health of our employees and to maintain the commitment of our teams in this extraordinary context and keep them mobilized.
- A second objective was to see to the overall management of the portfolio in a pandemic market environment and, more specifically, to: tightly manage liquidity, rebalance portfolios, monitor portfolio assets and maintain an ongoing dialogue with CDPQ's key stakeholders to provide support as needed, and position CDPQ for the recovery.
- A third objective was to establish the new organizational structure to support the execution of CDPQ's strategy over the next few years, particularly internationally and with respect to technology.
- A fourth objective was to ensure a specific presence to support Québec companies that are well positioned for the future, despite the challenges posed by the pandemic.

Review of total compensation

The Board decided to appoint Charles Emond as President and Chief Executive Officer, effective February 1, 2020. 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 2019, presented in Figure 34 on page 109.

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 2016 to 2020. The annualized return for this period is 7.8%, with \$110.7 billion of value added in relation to the benchmark portfolio. This return represents solid performance over five years.

As for the component based on the organization's objectives, under Mr. Emond's leadership since February 1, 2020, CDPQ:

- Ensured strict management of the risks posed by the exceptional market environment, including by maintaining a good level of liquidity, prudently adjusting the values of the less-liquid assets most affected by the pandemic, providing strong support to our portfolio companies, and beginning to reposition some of CDPQ's activities to reflect the new environment.
- Continued to play a leading role with Québec companies, including by creating an envelope to help them get through the pandemic and be positioned for the recovery, as well as through sustained investments in Québec's private sector, including in new economy companies.
- Provided rigorous follow-up of the REM project and the related and ongoing work on extension projects, including the REM de l'Est, announced at the end of the year.

- Strengthened the management and value of post-investment activities to enhance CDPQ's impact on portfolio companies and create more value for our depositors.
- Reviewed the governance model for CDPQ's operating subsidiaries.
- Continued to deploy the investment strategy to address climate change, with major transactions, in particular in renewable energy, and by actively participating in major global initiatives to promote transitioning the economy, such as the Net-Zero Asset Owner Alliance and the Investor Leadership Network (ILN).

To conclude, Mr. Emond exercised unifying leadership to mobilize teams and maintain their level of commitment and performance in an extraordinary environment. CDPQ was therefore able to continue implementing its strategy to generate solid long-term results for the benefit of depositors, in addition to having carried out the work required to strongly position its portfolio for the future. The Committee and the Board believe that Mr. Emond delivered remarkable performance that has greatly surpassed the objectives set for him.

The Board of Directors has awarded Mr. Emond variable compensation of \$2,750,000 and, of this amount, he has elected to defer an amount of \$1,512,500 into the co-investment account. In 2023, 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 2021 to 2023.

FIGURE 34

VARIABLE COMPENSATION COMPONENTS OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



Report of the Human Resources Committee (continued)

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 2020, contributions to the mandatory basic plan represented an annual cost to CDPQ of \$19,002. 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 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 2018–2020

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 39, page 112).

TABLE 35

REFERENCE MARKET – PRESIDENT AND CHIEF EXECUTIVE OFFICER

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

TABLE 36

REFERENCE MARKET – INVESTMENT EXECUTIVE VICE-PRESIDENT POSITIONS

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

TABLE 37

REFERENCE MARKET – INVESTMENT POSITIONS

• Addenda Capital	• Export Development Canada (EDC)	• Ontario Teachers' Pension Plan (OTPP)
• Alberta Investment Management Corporation (AIMCo)	• Fiera Capital Corporation	• OPTrust
• ATB Financial	• Government of Nova Scotia	• Otéra Capital
• Axiom Infrastructure	• Healthcare of Ontario Pension Plan (HOOPP)	• Provident10
• Bimcor	• HRM Pension Plan	• Public Sector Pension Investment Board (PSP Investments)
• British Columbia Investment Management Corporation (BCI)	• Hydro-Québec Pension Plan	• Richardson Wealth
• Canada Post Pension Plan	• iA Financial Group	• Sun Life Financial
• CN Investment Division	• Intact Investment Management	• TELUS Pension Plan
• Connect First Credit Union	• Investment Management Corporation of Ontario (IMCO)	• The Civil Service Superannuation Board of Manitoba
• Connor, Clark & Lunn Financial Group	• Mawer Investment Management	• Vestcor
• CPP Investments	• Ontario Municipal Employees Retirement System (OMERS)	• Workplace Safety and Insurance Board (Ontario)
• Desjardins Global Asset Management		

TABLE 38

REFERENCE MARKET – NON-INVESTMENT POSITIONS

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

Report of the Human Resources Committee (continued)

TABLE 39

SUMMARY OF THE COMPENSATION OF THE PRESIDENT AND CEO AND THE FIVE MOST HIGHLY COMPENSATED EXECUTIVES FOR 2018–2020

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	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
	2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Macky Tall ⁵ Head of Real Assets and Private Equity, CDPQ President and Chief Executive Officer, CDPQ Infra	2020	\$ 500,000	\$1,755,000	N/A	\$1,755,000	\$ 90,000	\$ 41,900	\$2,386,900
	2019	\$ 500,000	\$ 593,900	\$1,854,100	\$2,448,000	\$ 90,000	\$ 42,100	\$3,080,100
	2018	\$ 485,000	\$1,113,700	\$ 811,300	\$1,925,000	\$ 92,200	\$ 42,000	\$2,544,200
Emmanuel Jaclot ⁶ Executive Vice-President and Head of Infrastructure	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
	2018	€ 248,000	€ 504,900	€ 617,100	€1,122,000	€ 10,000	€ 5,600	€1,385,600
Claude Bergeron Chief Risk Officer and Head of Depositor Relationships	2020	\$ 440,000	\$ 447,300	\$ 546,700	\$ 994,000	\$ 136,400	\$ 40,100	\$1,610,500
	2019	\$ 440,000	\$ 0	\$1,244,000	\$1,244,000	\$ 136,400	\$ 40,600	\$1,861,000
	2018	\$ 431,000	\$ 400,000	\$ 600,000	\$1,000,000	\$ 137,900	\$ 41,900	\$1,610,800
Kim Thomassin ⁷ Executive Vice-President and Head of Investments in Québec and Stewardship Investing	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
	2018	\$ 400,000	\$ 154,000	\$ 616,000	\$ 770,000	\$ 128,000	\$ 38,800	\$1,336,800
Maarika Paul Executive Vice-President and Chief Financial and Operations Officer	2020	\$ 440,000	\$ 0	\$ 795,000	\$ 795,000	\$ 237,600	\$ 41,400	\$1,514,000
	2019	\$ 440,000	\$ 0	\$ 806,000	\$ 806,000	\$ 237,600	\$ 41,200	\$1,524,800
	2018	\$ 415,000	\$ 202,500	\$ 607,500	\$ 810,000	\$ 240,700	\$ 42,500	\$1,508,200

- As mentioned on page 107 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.
- 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.
- Amounts indicated include employer contributions to group insurance premiums, perquisites and health assessments. This category may also include other allocated amounts, depending on the executive.
- For Mr. Emond, total compensation reflects what he was awarded in his role as Executive Vice-President up to February 2020. In addition to his total compensation, he receives compensatory amounts related to his hiring as Executive Vice-President (\$1,482,000 in 2020 and \$1,769,000 in 2021).
- Mr. Tall stepped down on December 31, 2020.
- For Mr. Jaclot, in addition to total compensation awarded, he receives a temporary allowance of €280,000 in annual instalments until May 2023 and a compensatory amount of €300,000 in 2020. His compensation is presented in euros.
- Ms. Thomassin's compensation reflects what she was awarded in her role as Executive Vice-President, Legal Affairs and Secretariat up to April 2020.

TABLE 40

SUMMARY OF THE DEFERRED AND CO-INVESTED COMPENSATION OF THE PRESIDENT AND CEO AND OF THE FIVE MOST HIGHLY COMPENSATED EXECUTIVES FOR 2017–2020

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 2020 ²
Charles Emond President and Chief Executive Officer	2020	\$ 1,512,500		
	2019	\$ 2,200,000		
	2018	N/A		
	2017	N/A	N/A	N/A
Macky Tall Head of Real Assets and Private Equity, CDPQ President and Chief Executive Officer, CDPQ Infra	2020	N/A		
	2019	\$ 1,854,100		
	2018	\$ 811,300		
	2017	\$ 646,300	\$ 80,083	\$ 726,383
Emmanuel Jaclot Executive Vice-President and Head of Infrastructure	2020	€ 526,900		
	2019	€ 1,114,300		
	2018	€ 617,100		
	2017	N/A	N/A	N/A
Claude Bergeron Chief Risk Officer and Head of Depositor Relationships	2020	\$ 546,700		
	2019	\$ 1,244,000		
	2018	\$ 600,000		
	2017	\$ 528,000	\$ 65,424	\$ 593,424
Kim Thomassin Executive Vice-President and Head of Investments in Québec and Stewardship Investing	2020	\$ 726,000		
	2019	\$ 965,000		
	2018	\$ 616,000		
	2017	\$ 560,000	\$ 69,389	\$ 629,389
Maarika Paul Executive Vice-President and Chief Financial and Operations Officer	2020	\$ 795,000		
	2019	\$ 806,000		
	2018	\$ 607,500		
	2017	\$ 600,000	\$ 74,346	\$ 674,346

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.
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.

Report of the Human Resources Committee (continued)

TABLE 41

PENSION SUMMARY OF THE PRESIDENT AND CEO AND THE FIVE MOST HIGHLY COMPENSATED EXECUTIVES¹

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

Name and main position	Years of credited service ²	Annual benefits payable ³			Supplemental plan		
		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	1.9	21,000	201,600	142,000	181,500	63,400	386,900
Macky Tall Head of Real Assets and Private Equity, CDPQ President and Chief Executive Officer, CDPQ Infra	16.5	121,800	0	1,562,800	71,700	(341,000)	1,293,500
Emmanuel Jaclot Executive Vice-President and Head of Infrastructure	1.4	17,800	311,700	72,500	193,100	76,400	342,000
Claude Bergeron Chief Risk Officer and Head of Depositor Relationships	40.0	365,000	386,500	3,461,300	152,100	489,400	4,102,800
Kim Thomassin Executive Vice-President and Head of Investments in Québec and Stewardship Investing	3.9	47,000	239,100	562,800	159,300	144,200	866,300
Maarika Paul Executive Vice-President and Chief Financial and Operations Officer	9.6	217,000	310,700	3,674,900	159,400	590,700	4,425,000

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 \$19,002 per executive in 2020.
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 42

**SUMMARY OF SEVERANCE PAY FOR THE PRESIDENT AND CEO
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	\$2,681,000
Macky Tall ² Head of Real Assets and Private Equity, CDPQ President and Chief Executive Officer, CDPQ Infra	Non-voluntary termination	\$1,250,000
Emmanuel Jaclot ³ Executive Vice-President and Head of Infrastructure	Non-voluntary termination	€ 638,000
Claude Bergeron ⁴ Chief Risk Officer and Head of Depositor Relationships	Non-voluntary termination	\$1,097,000
Kim Thomassin ⁵ Executive Vice-President and Head of Investments in Québec and Stewardship Investing	Non-voluntary termination	\$ 830,000
Maarika Paul ⁶ Executive Vice-President and Chief Financial and Operations Officer	Non-voluntary termination	\$ 995,000

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 his annual base salary, increased by an amount equal to his annual target variable compensation and, if applicable for the current year, the amount of his annual target variable compensation and the average of the annual target variable compensation for the last three years corresponding to his responsibilities as President and Chief Executive Officer of CDPQ Infra, prorated to the months worked during the months 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 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.
4. In the event of dismissal without just and sufficient cause, this executive's employment contract provides for severance pay equal to his annual base salary, increased by an amount equivalent to his annual target variable compensation and the annual amount related to perquisites.
5. 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.
6. In the event of dismissal without just and sufficient cause, this executive's employment contract provides for severance pay equal to 15 months of her annual base salary, increased by an amount equivalent to 15 months of her annual target variable compensation, up to a maximum of \$995,000.

Report of the Human Resources Committee (continued)

TABLE 43

REFERENCE MARKETS AND CDPQ TOTAL COMPENSATION FOR 2020 FOR THE PRESIDENT AND CEO AND THE FIVE MOST HIGHLY COMPENSATED EXECUTIVES¹

Main position	Maximum total compensation based on reference market ²	Total compensation awarded in 2020 ³
President and Chief Executive Officer	\$6,030,000	\$3,450,100
Head of Real Assets and Private Equity, CDPQ President and Chief Executive Officer, CDPQ Infra	\$4,137,000	\$2,386,900
Executive Vice-President and Head of Infrastructure	€4,067,000	€1,466,300
Chief Risk Officer and Head of Depositor Relationships	\$2,713,000	\$1,610,500
Executive Vice-President and Head of Investments in Québec and Stewardship Investing	\$3,536,000	\$1,525,500
Executive Vice-President and Chief Financial and Operations Officer	\$2,060,000	\$1,514,000

1. Willis Towers Watson, Compensation of the President and Chief Executive Officer Study and Global Market Compensation Study, CDPQ, 2020.

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 positions.

3. These amounts reflect the total compensation awarded in 2020 (Table 39, column G). This compensation was awarded for a 7.8% five-year annualized return (2016 to 2020).

Report of the Investment and Risk Management Committee

HIGHLIGHTS

1

Reviewed risk-return reports.

2

Reviewed reports on specialized portfolio reporting.

3

Reviewed investment proposals under the Board's authority.

THE INVESTMENT AND RISK MANAGEMENT COMMITTEE

The Board established the Investment and Risk Management Committee to help the Audit Committee fulfill its duty to implement a risk management process.

MANDATE

The Committee's mandate is to ensure that risk management policies are in place with the objective of achieving an optimal risk-return relationship.

For a full description of the Investment and Risk Management Committee's mandate, consult the Governance section at www.cdpq.com.

COMPOSITION (as at December 31, 2020)

The composition of the Committee was reviewed in 2020. The Committee consisted of four independent members, including the Chair of the Committee:

- 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 meetings.

ACTIVITY REPORT

Number of meetings in 2020: 11

In addition to supporting the Audit Committee in its risk management oversight role, the Committee reviews and recommends to the Board for approval key policies related to its activities and investment proposals requiring the Board's authorization.

During the year, the Committee discharged the following responsibilities:

Risk management guidelines and policies

In 2020, the Committee:

- Used various mechanisms to provide the Audit Committee and the Board with the necessary assurance regarding the implementation of a risk management process. This included reporting on its activities to the Board after each meeting, making its meeting minutes available to the Audit Committee and the Board, and inviting 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 performance objectives for the specialized portfolios and major mandates.

Report of the Investment and Risk Management Committee (continued)

- 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.
- Reviewed the Risk Management and Depositor Relationships group's business plan.
- Received follow-up reports on investment proposals authorized by the Board as well as investments that were authorized by CDPQ's senior management but that did not come under the Board's purview.
- Reviewed reports on specialized portfolio reporting.

Depositors

In 2020, the Committee analyzed the certificates of compliance with the depositors' investment policies and the specialized portfolios' investment policies.

Investment

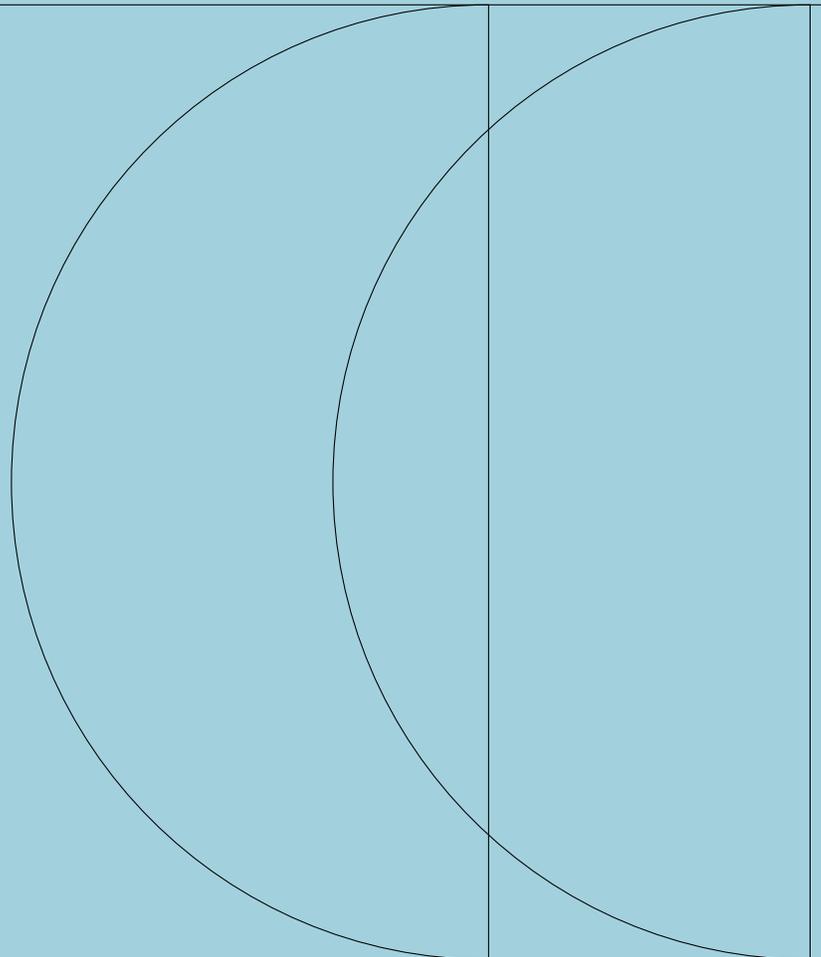
In 2020, the Committee:

- Studied the investment files under the authority of the Board, 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.
 - Compliance of the investment with risk management policies and guidelines.

USE OF EXTERNAL EXPERTS

The Investment and Risk Management Committee did not use the services of external experts in 2020.

Board of Directors and Executive Committee



Organizational Structure

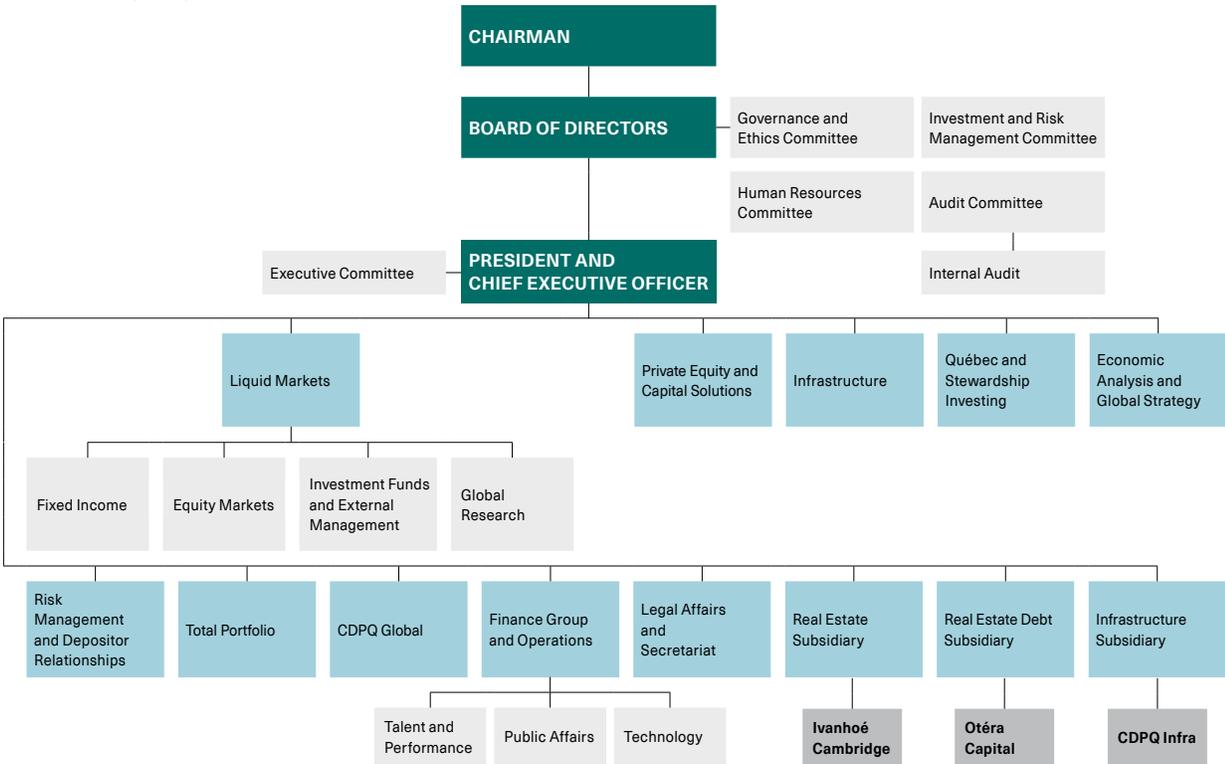
CDPQ's Board of Directors consists of the Chairman, the President and Chief Executive Officer, executives from depositor organizations and independent members. The Act respecting CDPQ stipulates that at least two thirds of the directors, including the Chairman, must be independent.

The Executive Committee is composed of the President and Chief Executive Officer and senior officers from CDPQ's various units (see Figure 44). As at December 31, 2020, CDPQ employed 1,391 employees in all of its offices. Of this number, 1,216 employees were located in its offices in Québec. To support its globalization strategy and generate

promising investment opportunities, CDPQ also opened offices in several countries over the past few years. As at December 31, 2020, 175 employees worked in these international offices.

At the end of 2020, CDPQ also had a real estate subsidiary, Ivanhoé Cambridge, that had over 1,000 employees, a real estate debt subsidiary, Otéra Capital, that had 135 employees, and an infrastructure subsidiary, CDPQ Infra, which acts as owner-operator of infrastructure projects and had around 90 employees. These subsidiaries are overseen by their own Boards of Directors (see Figures 45 and 46, page 121).

FIGURE 44
ORGANIZATIONAL STRUCTURE
(as at December 31, 2020)



REAL ESTATE AND REAL ESTATE DEBT SUBSIDIARIES

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. Real estate activities are divided into two categories: real estate and real estate debt. 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 leading lender in Canada that also issues loans in the United States.

Figure 45 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 46 presents its organizational structure. More information on CDPQ Infra's operations can be found at www.cdpqinfra.com.

FIGURE 45

ORGANIZATIONAL STRUCTURE – REAL ESTATE AND REAL ESTATE DEBT SUBSIDIARIES (as at December 31, 2020)

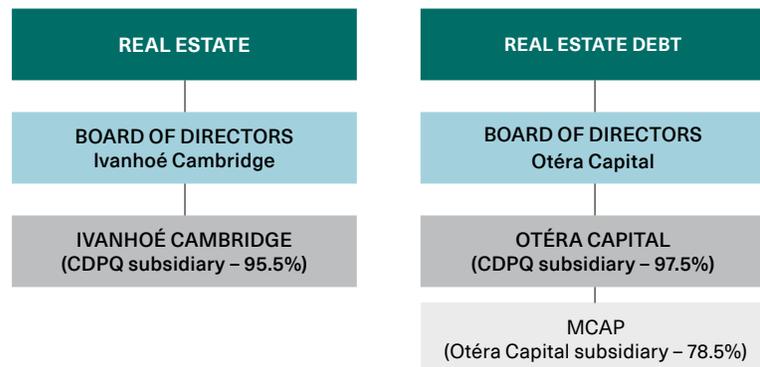
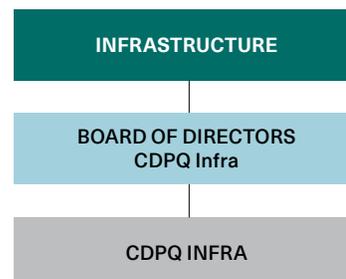


FIGURE 46

ORGANIZATIONAL STRUCTURE – INFRASTRUCTURE SUBSIDIARY (as at December 31, 2020)



Board of Directors

ROBERT TESSIER

Chairman of the Board
CDPQ

Committees: Governance and Ethics,
Human Resources
Member since March 2009
End of term: October 2021

JEAN-FRANÇOIS BLAIS

Corporate Director

Committees: Audit,
Investment and Risk Management
Member since May 2020
End of term: May 2024

IVANA BONNET-ZIVCEVIC

President and Chief Executive Officer
Crédit Agricole CIB in Italy

Committee: Human Resources (Chair)
Member since December 2017
End of term: December 2021

SYLVAIN BROUSSEAU

President and Chief Executive Officer
Walter Global Asset Management

Committees: Investment and Risk Management,
Human Resources
Member since July 2018
End of term: July 2022

ALAIN CÔTÉ

Corporate Director

Committee: Audit (Chair)
Member since August 2019
End of term: August 2023

MICHEL DESPRÉS

President and Chief Executive Officer
Retraite Québec

Member since March 2016
End of term: March 2020

GILLES GODBOUT

Corporate Director

Committees: Audit,
Governance and Ethics
Member since January 2013
End of term: January 2023

LYNN JEANNIOT

Corporate Director

Committee: Human Resources
Member since December 2019
End of term: December 2023

MARIA S. JELESCU DREYFUS

Chief Executive Officer
Ardinall Investment Management

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

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
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

Committee: Governance and Ethics
Member since August 2019
End of term: August 2022

CHARLES EMOND

President and Chief Executive Officer
CDPQ

Member since February 2020
End of term: January 2025

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

Executive Committee^{1, 2, 3}

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

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

ÈVE GIARD

Executive Vice-President
Talent and Performance

EMMANUEL JACLOT

Executive Vice-President
and Head of Infrastructure

MARTIN LAGUERRE²

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

MICHEL LALANDE³

Executive Vice-President
Legal Affairs and Secretariat

MAARIKA PAUL

Executive Vice-President
and Chief Financial and Operations Officer

ALEXANDRE SYNNETT

Executive Vice-President
Chief Technology Officer

KIM THOMASSIN

Executive Vice-President
and Head of Investments in Québec
and Stewardship Investing

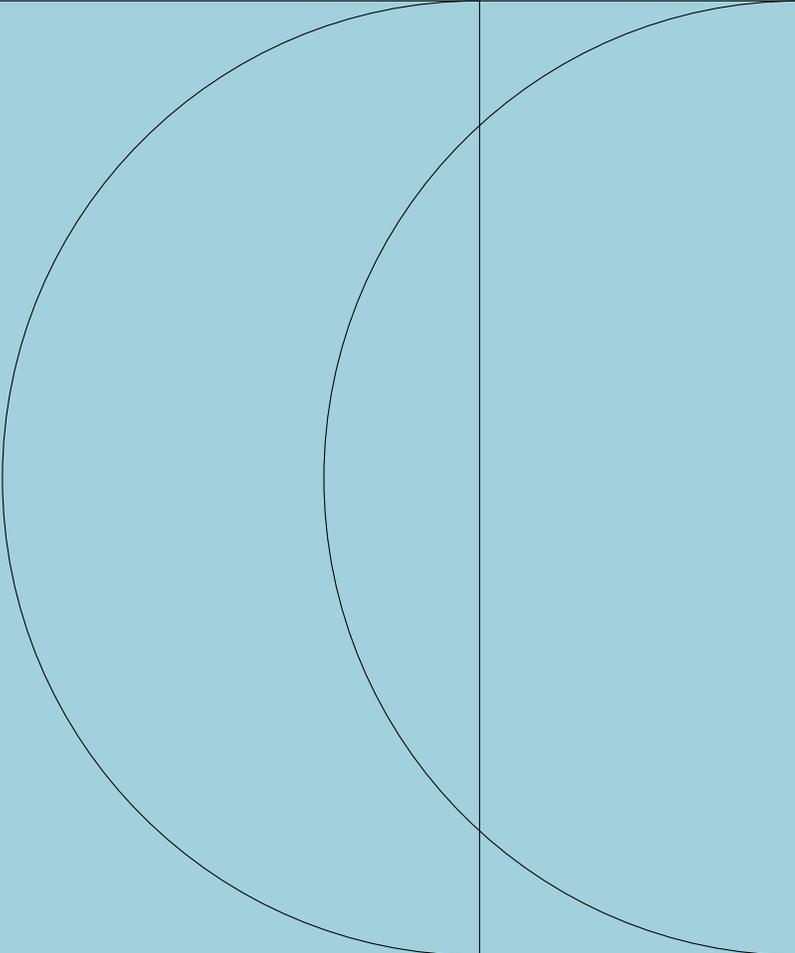
The biographies of the members of the Executive Committee can be found on CDPQ's website at www.cdpq.com.

1. Macky Tall left his position in December 2020.

2. Martin Laguerre started in his role in January 2021.

3. Michel Lalande started in his role in January 2021.

Sustainable Development Report



Sustainable Development Report

2019–2020 ACTION PLAN

In 2019, CDPQ published its Sustainable Development Action Plan, comprising 27 actions to be completed over a two-year period.

These actions address five of the government's eight major sustainable development priorities. Our 2019–2020 Sustainable Development Action Plan can be consulted at <https://www.cdpq.com>.

In 2020, CDPQ accomplished numerous activities that resulted in positive and sustainable social and environmental changes. This report presents a summary of these actions. Detailed information on measures completed before 2020 can be found in previous CDPQ reports.

Direction: Strengthen sustainable development governance

OBJECTIVE: Strengthen eco-responsible practices

ACTION 1: Carry out eco-responsible actions related to current material resource management operations

Measure / Foster concluding agreements with social economy companies

Indicator / Take stock of the number of social economy enterprises with which CDPQ has agreements

✓ This action was completed in 2019 as part of the first year of the 2019–2020 Action Plan.

ACTION 2: Apply best practices in material resource and waste management (Ivanhoé Cambridge)

Measure / Set objectives for increasing the waste diversion rate at Canadian managed properties

Indicator / Achieve a reclamation rate of at least 60% by 2020

✓ The overall waste reclamation rate at Ivanhoé Cambridge reached 61% in 2019 and remained at the same level in 2020.

Indicator / Obtain a waste diversion rate at Édifice Jacques-Parizeau that is higher than the average for properties managed by Ivanhoé Cambridge

✓ In 2020, the Édifice Jacques-Parizeau's reclamation rate was 59.7%, higher than the property average of 51.5%.

ACTION 3: Encourage the adoption of eco-responsible practices in document management

Measure / Continue reducing the mass of paper documents

Indicator / Destroy at least 600 boxes of paper documents per year

- ✔ In 2020, 604 boxes of paper documents were destroyed and 84 new boxes were sent to the warehouse. The number of boxes stored was therefore reduced by 520.

Measure / Raise employee awareness on adopting document management best practices

Indicator / Execute a communications plan regarding document management best practices

- ✔ A communications plan addressing document management best practices was developed and implemented in 2019. In 2020, the Document and Subscriptions Management section of the intranet was revised to strengthen the adoption of best practices. Several articles were also published on the intranet to raise awareness. In addition, training workshops were offered to all employees.

Measure / Train new employees on document management best practices

Indicator / At least six training sessions per year for new employees

- ✔ In 2020, 25 orientation sessions (5 face-to-face and 20 virtual) were held for new employees. They specifically provided information regarding document management best practices and the best tools to use for their documents.

ACTION 4: Encourage employees to adopt sustainable mobility

Measure / Develop a communications plan targeting employees' work-related and personal travel habits

Indicator / Complete a communications plan targeting employees' work-related and personal travel habits

- ✔ This action was completed in 2019 as part of the first year of the 2019–2020 Action Plan.

Measure / Create an action plan on employee business travel, including sections related to GHG emissions in calls for tender for travel agencies and offsetting GHG emissions related to CDPQ employee air travel

Indicator / Include GHG emission-related clauses in calls for tender

- ✔ This action was completed in 2019 as part of the first year of the 2019–2020 Action Plan.

ACTION 5: Carry out construction, renovation and leasehold improvement work in an eco-responsible manner (Ivanhoé Cambridge)

Measure / Foster eco-responsible practices when developing and redeveloping commercial buildings

Indicator / Percentage of environmental certification renewals

- ✔ In 2020, 100% of the buildings managed by Ivanhoé Cambridge renewed their environmental certification.

Indicator / Maximize the percentage of properties managed by Ivanhoé Cambridge that have at least one environmental certification

- ✔ In 2020, 94% of properties managed by Ivanhoé Cambridge held environmental certifications.

LEGEND

- 🔄 Ongoing
 - ✔ Completed
-

Sustainable Development Report (continued)

ACTION 6: Improve eco-responsible management of CDPQ's IT infrastructure

Measure / Reduce internal kWh consumption for IT services

Indicator / Reduction of the number of cabinets in data centres

- ✓ The number of cabinets remains stable despite growth. Increased data volume has led to increased power consumption.

Action / Ensure that an eco-responsible process is used for dealing with IT equipment that has reached its end of life

Indicator / Percentage of outdated computer equipment that is sent to non-profit organizations

- ✓ In 2020, all IT equipment identified as outdated was given to non-profit organizations.

ACTION 7: Adopt best practices for organizing eco-responsible events at CDPQ

Measure / Create an action plan to implement best practices, including removing water bottles, raising awareness among administrative personnel and handing out a checklist regarding organizing events

Indicator / Removal of water bottles from meetings held at CDPQ

- ✓ This action was completed in 2019 as part of the first year of the 2019–2020 Action Plan.

OBJECTIVE: Strengthen consideration of sustainable development principles

ACTION 8: Improve how sustainable development principles are taken into account in CDPQ activities

Measure / Integrate sustainable development elements into CDPQ's intranet

Indicator / At least two articles published each year on the intranet

- ✓ In 2020, several articles promoting CDPQ's sustainable development initiatives and commitments were published on the intranet. These items cover three categories:

1. Overall employee health

- Health measures during COVID-19
- Tips and techniques to break isolation
- Ergonomics while working remotely
- Measures to promote employee well-being and work-life balance
- Mental health
- Stress management

2. Equity, diversity and inclusion and stewardship investing

- Women's business awards
- Update on the Action Plan for Persons with Disabilities
- Impact of women in finance
- Diversity within investment committees
- Diversity at CDPQ
- Investor Leadership Network
- Energy transition
- Pay equity at CDPQ
- BlackNorth Initiative
- Equity 25³ fund, a fund dedicated to SMEs to increase diversity and inclusion
- Diversity as a growth driver for our companies

3. Supporting the community

- The Canadian Red Cross's Emergency Support When You Need It Most fundraising campaign
- Hooked on School Days campaign
- Centraide campaign
- Food security for vulnerable workers
- Local organic vegetable baskets

ACTION 9: Develop a new generation of business leaders by facilitating access to knowledge

Measure / Develop the program for new finance graduates for a 12-month period (various sectors)

Indicator / Launch of a rotation program

- ✓ In 2020, 12 people participated in the rotation program.

Measure / Continue enhancing the internship program, offering quality jobs at CDPQ

Indicator / Number of interns hired and combining of the internship program and summer jobs

- ✓ In 2020, 140 interns were hired.

ACTION 10: Develop the diversity and representation of women in all CDPQ activities

Measure / Provide development and networking opportunities for women at CDPQ, notably by pursuing our participation in the Effet A program

Indicator / Number of women participating in the Effet A's Défi 100 jours program or a similar program

- ✓ Twenty-four women participated in the Défi 100 jours program and three women completed Effet A's Défi Leadership in Montréal. Two activities bringing together the Défi 100 jours cohort of 24 participants and their two ambassadors, a CDPQ senior executive and a woman member of the CDPQ Board of Directors, were organized to share experiences and consolidate their achievements.

In addition, CDPQ led a mentorship program with experienced managers for 13 women from the investment sector, which ended mid-2020. CDPQ also designed a mentoring program for all its employees that will start in 2021.

CDPQ has also implemented two co-development cohorts for women in assistant positions.

Measure / Develop a strategy on diversity and inclusion and a concrete action plan to support gender diversity at CDPQ

Indicator / Launching a strategy on diversity and inclusion and updating of the annual action plan

- ✓ Deployment of a multi-year strategy and the annual action plan continued in 2020, with a focus on women in investment and senior leadership positions. Progress has also been made in the area of ethnocultural diversity.

In line with the three-part strategy set out in the 2019 Sustainable Development Report, tangible commitments have been made as part of the action plan update:

- In 2020, CDPQ joined several key initiatives to advance diversity and inclusion in both companies and society. These include the BlackNorth Initiative, signed by more than 300 businesses in Québec and Canada, and the Canadian Investor Statement on Diversity and Inclusion, coordinated by the Responsible Investment Association (RIA).
- For its Québec workforce, CDPQ conducted a representation analysis for five groups designated by the *Act respecting equal access to employment in public bodies*. Subsequently, we set quantitative goals to reduce the representation gap.

OBJECTIVE: Continue developing knowledge and skills regarding sustainable development

ACTION 11: Engage employees' interest and enhance their knowledge on sustainable development

Measure / Organize internal activities on various subjects related to sustainable development

Indicator / Organize at least one sustainable development related activity each year for employees

- ✓ Two tree planting activities were held in 2019 in collaboration with Soverdi, and almost one hundred employees participated. Due to the COVID-19 pandemic, no activities were held in 2020.

Sustainable Development Report (continued)

OBJECTIVE: Strengthen access to and participation in cultural life as a lever of social, economic and territorial development

ACTION 12: Give pride of place to Québec arts and culture by promoting CDPQ's art collection and providing greater access to it

Measure / Organize guided visits for employees and members of the greater community

Indicator / Organize at least ten guided visits each year

 In 2019, 21 tours were conducted for employees and the outside community. In 2020, due to the COVID-19 pandemic, several virtual activities were proposed, including:

- Four podcasts about CDPQ's art collection on the intranet
- Webconference presenting the collection to McGill art history students
- Guided tour of the Ivanhoé Cambridge collection at the Fairmont The Queen Elizabeth Hotel
- Internal guided tour for the Centraide organization

Measure / Hold luncheons on visual arts-related topics

Indicator / Organize at least one luncheon each year

 One visit to the exhibition of works from the Pierre Bourgie collection was organized.

ACTION 13: Raise awareness of Québec's cultural heritage among national and international partners

 Completed as part of the 2016–2018 Action Plan.

ACTION 14: Recognize the role played by art and culture as a driver of democracy

 Completed as part of the 2016–2018 Action Plan.

ACTION 15: Improve the cultural quality of the environments we live in by appropriately presenting and protecting Québec's cultural heritage and by showcasing public art, architecture, design and distinctive landscapes (Ivanhoé Cambridge)

Measure / Integrate cultural considerations into decisions on leasehold improvements and property modernizations and restorations

Indicator / At least one initiative implemented to promote cultural considerations among the general public

 In 2020, due to the COVID-19 pandemic, initiatives to promote the cultural dimension to the general public have been more limited. However, Ivanhoé Cambridge collaborated with Art Souterrain to implement a friendly and fun virtual and in-person project at its Place Ville Marie, Montreal Eaton Centre and Fairmont The Queen Elizabeth properties.

Measure / Develop partnerships with various organizations in order to protect and showcase our cultural heritage

Indicator / At least one collaborative project implemented

 In 2020, Ivanhoé Cambridge maintained its partnership with Heritage Montreal to adapt some of their activities to the reality of the COVID-19 pandemic, such as the ArchitecTours. The organization was thus able to offer half-in-person, half-virtual programming.

OBJECTIVE: Co-operate on sustainable development nationally and internationally, in particular within the Francophonie

ACTION 16: Participate in collective responsible investment initiatives with other investors or groups in the financial community

Measure / Identify relevant initiatives for CDPQ and participate in them

Indicator / Take stock of initiatives and become a member of those that are the most relevant for CDPQ

- ✓ CDPQ is a member of:
 - The Québec Colloquium on Responsible Investment's organizing committee.
 - The Principles for Responsible Investment's (PRI) – Québec Network Advisory Committee.
 - The Principles for Responsible Investment's (PRI) – Francophonie Network Advisory Committee.
 - The Investor Leadership Network (ILN), as a founding member. This investor coalition supports three key initiatives: development of sustainable infrastructure skills, investment diversity and climate disclosure.
 - The Canadian Coalition for Good Governance, where we have contributed to collaborative commitments dealing with environmental, social and governance (ESG) matters, and the publication of an article on executive compensation and the integration of ESG criteria.
 - An investor group that promotes the adoption of an advisory vote on executive compensation. This group contacts Canadian companies to encourage them to adopt the vote on a voluntary basis.
 - The Net-Zero Alliance, whose members aim to be carbon neutral by 2050, in addition to encouraging their portfolio companies to reduce their carbon footprint over the same period.
 - The Canadian Chapter of the Accounting for Sustainability (A4S) CFO Leadership Network, which works to integrate economic, environmental and social issues into business strategies, processes and decision-making.

ACTION 17: Participate in collective initiatives with other actors in the industry and take part in various sustainable development associations

- ✓ Completed as part of the 2016–2018 Action Plan.

Direction: Sustainably develop a prosperous economy that is green and responsible

OBJECTIVE: Support the development of green and responsible business practices and models

ACTION 18: Encourage Québec companies to develop or continue a sustainable development process

Measure / Support the development of an ecosystem that supports businesses in the social economy

Indicator / Support at least five organizations in their social economy or sustainable development initiatives.

- ✓ CDPQ supports over ten social economy or sustainable development organizations such as Soverdi and the Appalachian Corridor. We are continuing our partnership with the Fonds d'action québécois pour le développement durable (FAQDD), thereby providing guidance for NPOs in their sustainable development initiatives.

ACTION 19: Help increase the number of businesses that embark on a sustainable development process

- ✓ Completed as part of the 2016–2018 Action Plan.

Sustainable Development Report (continued)

OBJECTIVE: Foster investment and financial support to ease the transition to a green and responsible economy

ACTION 20: Promote stewardship investing

Measure / Continue implementing the actions of the Investor Leadership Network (ILN)

Indicator / Consolidation of ILN activities

- ✓ CDPQ teams continue to be actively involved in the ILN, which promotes sustainable and inclusive economic growth. They have participated in working meetings with their peers as well as meetings with external partners to ensure expansion of this international collaborative initiative, to structure it and to consolidate its activity outreach. In 2020, a secretariat was also established to support ILN's operations.

Direction: Manage natural resources responsibly while respecting biodiversity

OBJECTIVE: Efficiently manage natural resources in a concerted manner to support economic vitality and maintain biodiversity

ACTION 21: Adopt responsible practices and approaches to natural resource management (Ivanhoé Cambridge)

Measure / Improve how water is managed in buildings managed by Ivanhoé Cambridge

Indicator / Establish reduction targets for each property

- ✓ New reduction targets were established for 47% of buildings managed by Ivanhoé Cambridge in conjunction with environmental certification renewals.

Measure / Share water, energy and air management policies with business partners

- ✓ This measure was completed as part of the 2016–2018 Action Plan.

OBJECTIVE: Conserve and promote biodiversity, ecosystems and ecological services by improving society's interventions and practices

ACTION 22: Sustainably restore, build and promote ecosystems and favour their diversity (Ivanhoé Cambridge)

Measure / In partnership with CDPQ, participate in greening and biodiversity initiatives (e.g. volunteer tree-planting activities, greening a schoolyard or lot)

Indicator / Complete at least two greening projects

- ✓ In 2020, Ivanhoé Cambridge hosted beehives on the roofs of about 20 of its properties. In addition to optimizing unused space in some buildings and highlighting environmental issues, these projects support biodiversity in urban areas. This year, jars of honey were donated to food banks.

Ivanhoé Cambridge has also partnered with MicroHabitat to renovate the roofs of the Montreal Eaton Centre into biodiversity-rich vegetable gardens. In addition to contributing to the greening of the downtown area, this initiative supported young people in need by donating all of the harvest to the Dans la rue organization.

Direction: Promote social inclusion and reduce social and economic inequalities

OBJECTIVE: Help recognize, develop and maintain skills, particularly among the most vulnerable

ACTION 23: Foster access to work for the most vulnerable members of society (Ivanhoé Cambridge)

Measure / Continue social reintegration initiatives

Indicator / Support at least two organizations with missions to foster social reintegration

- ✓ In 2020, Ivanhoé Cambridge partnered with about forty organizations that help homeless people. Its contribution of over \$300,000 in 2020 provided more than 20,000 people with clothes, food and a place to sleep.

OBJECTIVE: Support and promote the activities of community organizations and social economy enterprises that make a contribution to social inclusion and reduce inequalities

ACTION 24: Raise the profile of Collectivité, an initiative to encourage and recognize employee engagement in the community

Measure / Recognize employees' involvement through visibility on the intranet or through a donation of up to \$1,000 directly to the organization

Indicator / At least 40 donations by CDPQ were linked to employee involvement

- ✓ In 2020, CDPQ made 39 donations, for total contributions of almost \$35,000 to various organizations as a result of the donation program to causes supported by employees through their involvement (BoD, fundraising campaign, etc.). As a result, CDPQ made 88 donations related to employee involvement over the entire duration of the 2019–2020 Action Plan.

Measure / Encourage employees to share their expertise with organizations through the Bénévoles d'affaires platform

Indicator / At least 100 employees who are members of NPO Boards of Directors

- ✓ Almost 150 employees are members of NPO Boards of Directors.

Measure / Create opportunities for collective commitment in support of causes by encouraging employees who organize team volunteering activities

Indicator / Organize at least one volunteer activity per year

- ✓ Six expertise volunteer missions with NPOs were organized by Impact 20-35, an initiative of young CDPQ professionals aged 20 to 35.

ACTION 25: Strengthen support for and promotion of community and social economy organizations that help achieve social inclusion and reduce inequalities by encouraging employee engagement (Ivanhoé Cambridge)

Measure / Implement a volunteer program in partnership with NPOs

Indicator / Propose a volunteer program through donation and sponsorship partnerships

- ✓ The concept of employee volunteers is included in our agreements with community organizations. Given the health restrictions related to the pandemic, no volunteer activities were undertaken in 2020 for Ivanhoé Cambridge employees, with the exception of one initiative in January.

Ivanhoé Cambridge employees participated in the construction of an InnovHaus project, one of Habitat for Humanity Québec's most recent projects, in collaboration with University de Sherbrooke.

In addition, the employees decided to convert a portion of the budget for year-end activities into donations to food banks. As a result, just over \$100,000 was donated to these organizations on behalf of Ivanhoé Cambridge employees.

Sustainable Development Report (continued)

Direction: Support sustainable mobility

OBJECTIVE: Support the electrification of various means of transportation and improve energy efficiency in this sector to develop the economy and reduce greenhouse gas emissions

ACTION 26: Expand the application of the Sustainable Development Plan to all CDPQ subsidiaries

Measure / Develop an action plan specific to CDPQ Infra's activities and its Réseau Express Métropolitain (REM) project

Indicator / Plant 250,000 trees to offset the greenhouse gases emitted during construction of the REM

-  To date, the mandated organization (Earth Day) has planted 140,000 trees in the Communauté métropolitaine de Montréal's Greenbelt. No planting occurred in 2020 due to COVID-19.

Direction: Encourage the production and use of renewable forms of energy as well as energy efficiency to reduce greenhouse gas emissions

OBJECTIVE: Optimize the production of renewable forms of energy for the benefit of all Quebecers

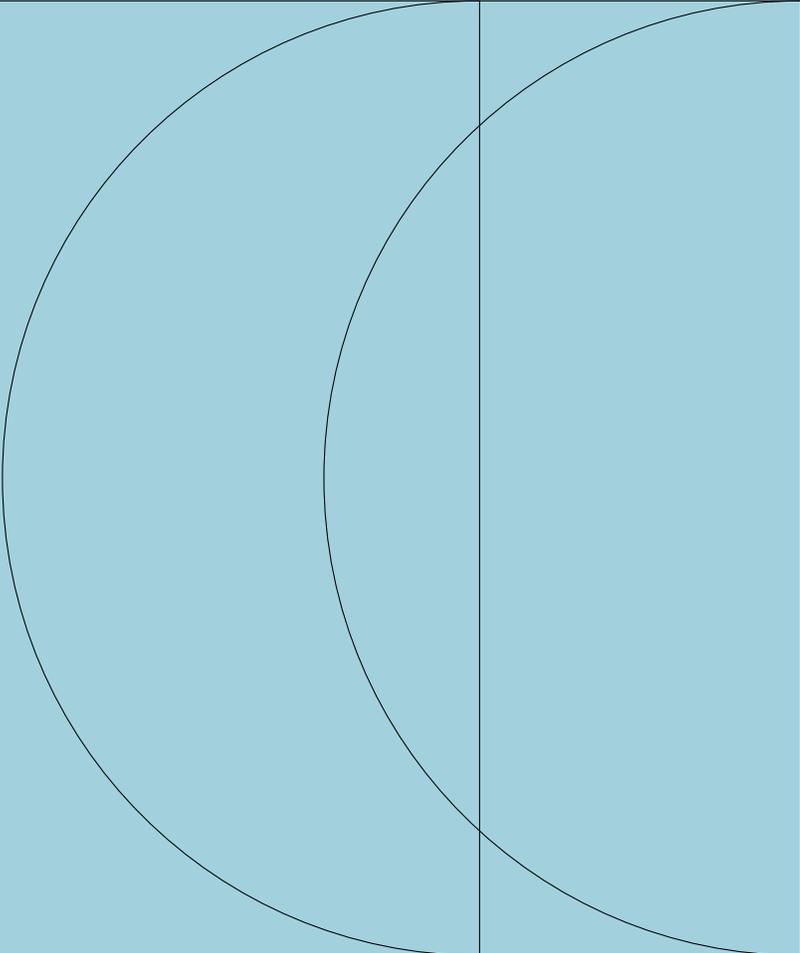
ACTION 27: Carry out projects that optimize the production of renewable forms of energy (Ivanhoé Cambridge)

Measure / Propose a strategy on renewable energy

Indicator / Complete a feasibility study

-  A study exploring the potential for renewable energy projects in the US industrial portfolio is still underway and is targeting the states with the greatest potential. Ivanhoé Cambridge will continue the process in 2021.

Financial Report



Change in Assets

NET ASSETS ATTRIBUTABLE TO DEPOSITORS

Net assets attributable to depositors grew from \$248.0 billion as at December 31, 2015, to \$365.5 billion as at December 31, 2020, an increase of \$117.5 billion over five years. This growth was primarily due to investment results of \$110.7 billion, in addition to depositors' net contributions of \$6.8 billion (see Table 50, page 137).

During 2020, net assets attributable to depositors increased by \$25.4 billion to \$365.5 billion, compared to \$340.1 billion as at December 31, 2019. This increase was due to \$24.8 billion of investment results and \$0.6 billion in depositors' net contributions.

TOTAL ASSETS

As at December 31, 2020, total assets reached \$412.1 billion, compared to \$392.6 billion at the end of 2019 (see Table 47). The \$19.5-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 fell to 11% as at December 31, 2020, compared to 13% as at December 31, 2019. 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, 2020, CDPQ's assets under management and administered assets totalled \$127.1 billion, up \$3.2 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 \$106.0 billion of Canadian residential, commercial and construction mortgages.

TABLE 47

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

	2020	2019
ASSETS		
Investments	405,978	382,467
Other assets	6,115	10,152
Total assets	412,093	392,619
LIABILITIES		
Investment liabilities	42,106	49,830
Other liabilities	4,495	2,680
Total liabilities	46,601	52,510
Net assets	365,492	340,109

TABLE 48

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

	2020	2019
Total assets	412,093	392,619
Assets under management	19,603	20,581
Assets under administration	107,493	103,303
Assets under management and assets under administration	127,096	123,884
Total assets under management	539,189	516,503

INVESTMENT RESULTS

Over five years, investment results amounted to \$110.7 billion. The Equities asset class contributed the most, generating results of \$76.9 billion, including \$48.1 billion from the Equity Markets portfolio and \$28.7 billion from the Private Equity portfolio. In addition, the Fixed Income and Real Assets asset classes contributed \$24.3 billion and \$8.7 billion, respectively.

The contribution by asset class to the \$24.8 billion in investment results (see Table 49) for 2020 is as follows: Equities at \$20.0 billion; Fixed Income at \$8.7 billion and Real Assets at -\$5.0 billion.

NET CONTRIBUTIONS BY DEPOSITORS

As at December 31, 2020, depositors' net contributions totalled \$0.6 billion, mainly due to \$2.2 billion in net contributions from the Government of Québec's Generations Fund, which was offset by net withdrawals of \$1.1 billion by the Government and Public Employees Retirement Plan and \$0.4 billion by the Fonds de la santé et de la sécurité du travail.

TABLE 49

FINANCIAL INFORMATION – INVESTMENT RESULTS

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

	2020	2019
Net investment income	8,895	9,893
Operating expenses	(609)	(630)
Net income	8,286	9,263
Net gains on financial instruments at fair value	16,465	21,883
Investment results	24,751	31,146

TABLE 50

FINANCIAL INFORMATION – SUMMARY OF CHANGES IN NET ASSETS

(for the period from 2016 to 2020 – in billions of dollars)

	2020	2019	2018	2017	2016	5 years
Net assets, beginning of year	340.1	309.5	298.5	270.7	248.0	248.0
Investment results	24.8	31.1	11.8	24.6	18.4	110.7
Net contributions (net withdrawals) by depositors	0.6	(0.5)	(0.8)	3.2	4.3	6.8
Net assets, end of year	365.5	340.1	309.5	298.5	270.7	365.5

Analysis of Operating Expenses and External Management Fees

Operating expenses represent portfolio management and administration costs. External management fees are amounts paid to institutional fund managers, active in the stock markets, to manage securities belonging to CDPQ. For 2020, operating expenses totalled \$609 million, compared to \$630 million in 2019. The decrease was due to expense reduction efforts and a slowdown in spending caused by the COVID-19 pandemic.

External management fees totalled \$148 million, up \$21 million from 2019, mainly due to an increase in the value of the investments managed externally in certain markets. Operating expenses and external management fees amounted to \$757 million in 2020, the same amount as in 2019. This amount represents 23 cents per \$100 of average net assets (see Figure 51).

Operating expenses and external management fees, at 23 cents per \$100 of average net assets, compare favourably with the industry. Operating expenses and external management fees in cents per \$100 of average net assets

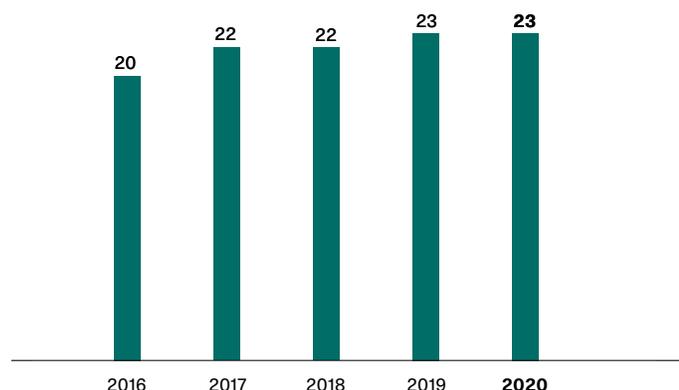
increased slightly over the last five years. This increase was due to an increase in the value of externally managed securities and the implementation of an investment strategy focused on globalization, less-liquid assets and credit activities. In 2020, operating expenses and external management fees remained stable compared to the prior period.

OPERATIONAL EFFICIENCY

CDPQ periodically reviews our processes to maintain tight control over our operating expenses. We aim to maintain such expenses at a level comparable to that of institutional fund managers of the same size with similar operations. CDPQ has been benchmarking costs by asset class for many years. In addition, an annual benchmarking conducted with CEM Benchmarking, an independent provider of cost and performance benchmarking information for pension funds and other institutional asset owners around the world, ranks us favourably among our peers.

FIGURE 51

OPERATING EXPENSES AND EXTERNAL MANAGEMENT FEES EXPRESSED PER \$100 OF DEPOSITORS' AVERAGE NET ASSETS (for periods ended December 31 – in cents)



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, 2020, short-term financing totalled \$6.0 billion (see Figure 52), with \$0.7 billion denominated in Canadian dollars and \$4.1 billion denominated in US dollars. In 2020, the average maturity of the borrowings denominated in Canadian dollars was 105 days, and transactions totalled \$2.9 billion. The average maturity for borrowings denominated in US dollars was 136 days, with transactions totalling US\$11.0 billion.

TERM BORROWING

As at December 31, 2020, the fair value of CDP Financial's outstanding term notes totalled \$16.1 billion, compared to \$12.3 billion at the end of 2019. The \$3.8-billion increase over 2019 is mainly due to the issuance of two new notes totalling US\$4.5 billion, which were partially offset by the repayment of €750 million and CA\$1 billion in notes that had matured.

CREDIT FACILITY

During the year ended December 31, 2020, 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, 2020, the financing can be broken down as follows: Debt instruments denominated in US dollars represented 97%, while 3% 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 2020 (see Table 53). The credit ratings of CDP Financial and CDPQ were published in January, July and November 2020.

FIGURE 52

BREAKDOWN OF BORROWINGS – CDP FINANCIAL
(fair market value as at December 31 – in billions of dollars)

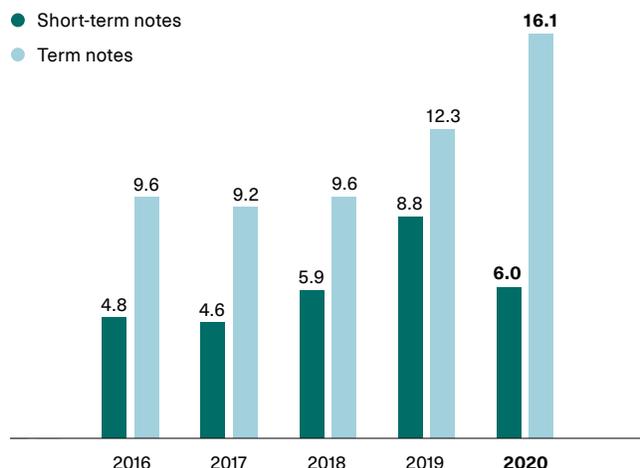


TABLE 53

CREDIT RATINGS

	Short-term	Long-term
DBRS	R-1 (high)	AAA
Fitch Ratings	F1+	AAA
Moody's	Prime-1	Aaa
S&P	A-1+	AAA
	A-1 (high)	

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, 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 auditors' report for each of the 71 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 COVID-19 pandemic generated high levels of uncertainty and volatility in equity and financial markets in 2020. Although the techniques used to measure the fair value of financial instruments have remained the same, CDPQ has adjusted the unobservable inputs used based on information and data available at the date of the consolidated financial statements. This allows us to provide our best estimate of the impact of the pandemic on the fair value of these financial instruments. Uncertainties around the pandemic could result in significant adjustments to fair value and net assets attributable to depositors over the coming year.

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

No issued or amended standard not yet effective on the reporting date is expected to have an 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 valuers 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 valuers.

The co-auditors have access to all valuation files as part of the audit of the year-end consolidated financial statements.

CONCEPTUAL FRAMEWORK

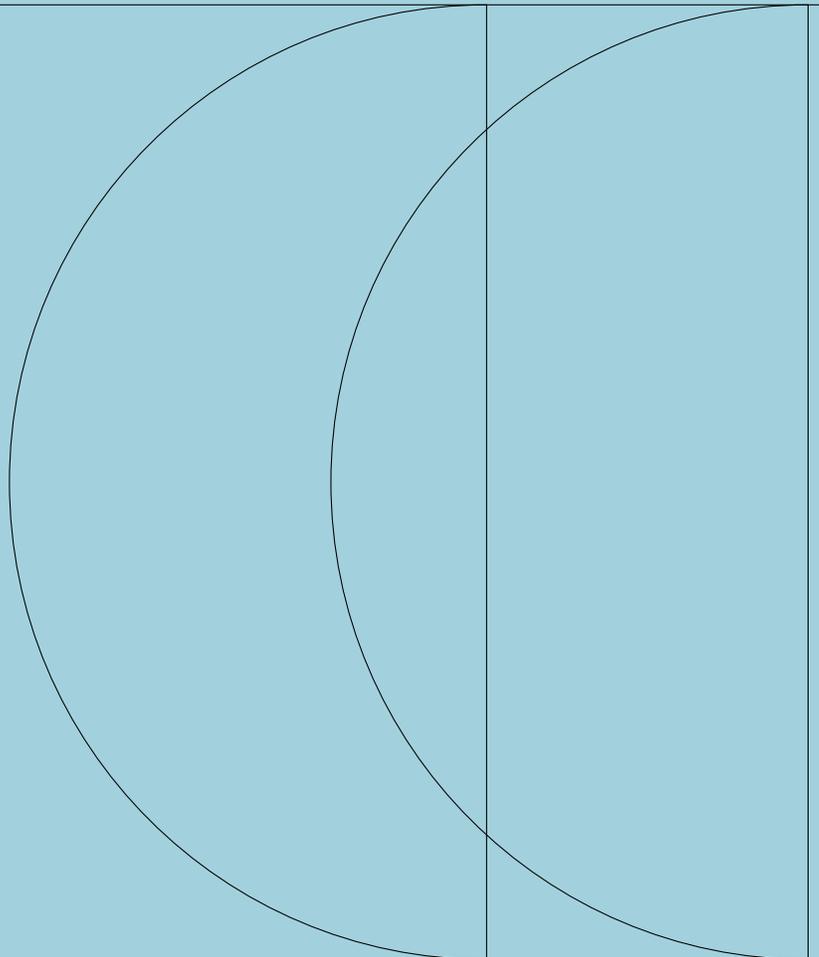
IFRS define fair value and provide guidelines on measurement and disclosures related to fair value. Entities are required to maximize the use of relevant observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair value must be established by assuming that the investments 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, 2020, 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, 2020 and 2019 and their report covers the nature and scope of the audit and expresses their opinion. The co-auditors have unrestricted access to the Audit Committee to discuss any matter related to their audit.

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

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



CHARLES EMOND

President and Chief Executive Officer

Montréal, February 23, 2021



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, 2020 and 2019 and the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Changes in Net Assets Attributable to Depositors and the Consolidated Statements of Cash Flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

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

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
Canada, Montréal, February 23, 2021

Ernst & Young LLP¹



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

Consolidated Statements of Financial Position

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

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

On behalf of the Board of Directors,



CHARLES EMOND

President and Chief Executive Officer



ALAIN CÔTÉ, ICD.D, FCPA, FCA

Chair of the Audit Committee

Consolidated Statements of Comprehensive Income

For the years ended December 31

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

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

Consolidated Statements of Changes in Net Assets Attributable to Depositors

For the years ended December 31

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

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

Consolidated Statements of Cash Flows

For the years ended December 31

(in millions of Canadian dollars)	2020	2019
Cash flows from operating activities		
Net income and comprehensive income attributable to depositors	8,757	16,407
Adjustments for:		
Unrealized net losses on short-term promissory notes, term notes and loans payable	291	258
Foreign exchange gains on short-term promissory notes, term notes and loans payable	(642)	(772)
Distributions to depositors	15,994	14,739
Net changes in operating assets and liabilities		
Amounts receivable from transactions being settled	3,107	(1,636)
Advances to depositors	679	(57)
Investment income, accrued and receivable	282	(39)
Other assets	(4)	(102)
Investments	(22,250)	(40,695)
Amounts payable on transactions being settled	1,753	424
Other financial liabilities	62	(29)
Investment liabilities	(9,268)	5,938
	(1,239)	(5,564)
Cash flows from financing activities		
Net change in short-term promissory notes payable	(2,697)	365
Issuance of short-term promissory notes payable	9,739	9,844
Repayment of short-term promissory notes payable	(9,738)	(7,078)
Net change in loans payable	573	85
Issuance of term notes payable	6,166	5,313
Repayment of term notes payable	(2,148)	(2,330)
Net contributions (net withdrawals)	632	(548)
	2,527	5,651
Net increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	1,122	1,035
Cash and cash equivalents at the end of the year	2,410	1,122
Cash and cash equivalents comprise:		
Cash	1,021	994
Cash equivalents (Note 4)	1,389	128
	2,410	1,122
Supplemental information on cash flows from operating activities		
Interest and dividends received	9,589	10,433
Interest paid	(622)	(855)

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

Notes to the Consolidated Financial Statements

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

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 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 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 (created on April 1, 2019)
- Fund 335:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2020, administered by the Comité de retraite
- Fund 336:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2030, administered by the Comité de retraite
- Fund 337:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2040, administered by the Comité de retraite
- Fund 338:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2050, administered by the Comité de retraite
- Fund 339:** Fonds d'indemnisation des services financiers, administered by the Autorité des marchés financiers
- Fund 340:** Régimes de retraite de la Ville de Terrebonne, administered by the Comité de retraite conjoint des Régimes de retraite de la Ville de Terrebonne
- Fund 342:** Régime de retraite de l'Université du Québec, administered by the Comité de retraite du Régime de retraite de l'Université du Québec
- Fund 343:** Parental Insurance Fund, administered by the Conseil de gestion de l'assurance parentale (reactivated on May 1, 2019)
- Fund 344:** Réserve, administered by La Financière agricole du Québec
- Fund 347:** Régime de retraite du personnel des CPE et des garderies privées conventionnées du Québec, administered by the Investment Committee
- Fund 351:** Generations Fund, administered by the ministère des Finances, Government of Québec
- Fund 353:** Superannuation Plan for the Members of the Sûreté du Québec – Participants' Fund (SPMSQ-part.), administered by Retraite Québec
- Fund 354:** Superannuation Plan for the Members of the Sûreté du Québec – Employers' Fund (SPMSQ-empl.), administered by the ministère des Finances, Government of Québec
- Fund 361:** Pension Plan of the non-teaching Staff of the Commission des écoles catholiques de Montréal, administered by the Secrétariat du Conseil du trésor
- Fund 362:** Régime de retraite pour certains employés de la Commission scolaire de la Capitale, administered by the Secrétariat du Conseil du trésor
- Fund 363:** Régime de retraite des employés de la Ville de Laval, administered by the Comité de retraite
- Fund 367:** Territorial Information Fund, administered by the ministère des Finances, Government of Québec
- Fund 368:** Strategic Partnerships Fund, administered by the Autorité des marchés financiers

CONSTITUTION AND NATURE OF OPERATIONS

INDIVIDUAL FUNDS (continued)

- Fund 369:** Accumulated Sick Leave Fund, administered by the ministère des Finances, Government of Québec
- Fund 371:** Accumulated Sick Leave Fund – ARQ, administered by the Agence du revenu du Québec
- Fund 372:** Fonds commun de placement des régimes de retraite de l'Université Laval, administered by the Comités de retraite
- Fund 373:** Retirement Plan for Active Members of the Centre hospitalier Côte-des-Neiges, administered by Retraite Québec
- Fund 374:** Fiducie globale Ville de Magog, administered by the Comité de retraite mixte
- Fund 376:** Régime de retraite des employées et employés de la Ville de Sherbrooke, administered by the Comité de retraite des employées et employés de la Ville de Sherbrooke
- Fund 378:** Pension Plan of Peace Officers in Correctional Services – Employees' Contribution Fund, administered by Retraite Québec
- Fund 383:** Régime complémentaire de retraite des employés réguliers de la Société de transport de Sherbrooke, administered by the Comité de retraite
- Fund 384:** Régime de retraite des cadres de la Ville de Québec, administered by the Bureau de la retraite
- Fund 385:** Régime de retraite des employés manuels de la Ville de Québec, administered by the Bureau de la retraite
- Fund 386:** Régime de retraite des fonctionnaires de la Ville de Québec, administered by the Bureau de la retraite
- Fund 387:** Régime de retraite du personnel professionnel de la Ville de Québec, administered by the Bureau de la retraite
- Fund 388:** Régime de retraite des policiers et policières de la Ville de Québec, administered by the Bureau de la retraite
- Fund 389:** Régime de retraite des pompiers de la Ville de Québec, administered by the Bureau de la retraite
- Fund 393:** Régime de retraite de la Corporation de l'École Polytechnique, administered by the Comité de retraite
- Fund 395:** Retirement Plan for the Mayors and Councillors of Municipalities, administered by Retraite Québec
- Fund 399:** Additional Québec Pension Plan, administered by Retraite Québec (created on February 1, 2019)

SPECIALIZED PORTFOLIOS

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

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

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

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 23, 2021.

FUNCTIONAL AND PRESENTATION CURRENCY

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

FOREIGN CURRENCY TRANSLATION

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

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

USE OF JUDGMENTS AND ESTIMATES

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

SIGNIFICANT ACCOUNTING PRINCIPLES

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 related. However, CDPQ nonetheless qualifies as an investment entity, as management believes that having depositors related to the investment entity does not compromise CDPQ's mission of investing for returns from capital appreciation, investment income, or both, for its depositors.

Fair value hierarchy of financial instruments

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

Interests in entities

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

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

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

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

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

ESTIMATES AND ASSUMPTIONS

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

IMPACT OF COVID-19 ON JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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.

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

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

FAIR VALUE MEASUREMENT

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

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

Cash

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

Investments

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

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

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

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

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

SIGNIFICANT ACCOUNTING PRINCIPLES

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

DIVIDEND AND INTEREST INCOME AND EXPENSE

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

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

EXTERNAL MANAGEMENT FEES

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

INCOME TAX

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

OPERATING EXPENSES

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

SIGNIFICANT ACCOUNTING PRINCIPLES

NET GAINS ON FINANCIAL INSTRUMENTS AT FAIR VALUE

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

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

DISTRIBUTIONS TO DEPOSITORS

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

03

NEW IFRS STANDARDS

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

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

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

EQUITIES IN GROWTH MARKETS

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

INVESTMENTS AND INVESTMENT LIABILITIES

B) INVESTMENT LIABILITIES

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

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

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

06

FAIR VALUE MEASUREMENT

A) POLICY, DIRECTIVE, PROTOCOLS AND PROCEDURES RELATED TO FAIR VALUE MEASUREMENT

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

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

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

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

B) FAIR VALUE VALUATION TECHNIQUES

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

SHORT-TERM INVESTMENTS, SECURITIES PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS, SECURITIES SOLD UNDER REPURCHASE AGREEMENTS, SHORT-TERM PROMISSORY NOTES PAYABLE, LOANS PAYABLE AND TERM NOTES PAYABLE

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

CORPORATE DEBT

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

BONDS

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

EQUITIES

Public companies

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

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

FAIR VALUE MEASUREMENT

FAIR VALUE VALUATION TECHNIQUES (continued)

Private companies

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

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

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

FUNDS

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

INTERESTS IN UNCONSOLIDATED SUBSIDIARIES

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

Investments in real estate holdings

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

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

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

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

Investments in real estate debt

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

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

FAIR VALUE MEASUREMENT

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, equities of private companies, equities of public companies as well as funds whose valuation techniques are described above.

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

SECURITIES SOLD SHORT

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

FAIR VALUE MEASUREMENT

FAIR VALUE HIERARCHY (continued)

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts receivable from transactions being settled	–	6,223	–	6,223
Advances to depositors	–	960	–	960
Investment income, accrued and receivable	–	1,391	–	1,391
Investments				
Cash equivalents	–	128	–	128
Short-term investments	–	138	–	138
Securities purchased under reverse repurchase agreements	–	3,536	–	3,536
Corporate debt	–	–	2,015	2,015
Bonds	63,550	26,409	718	90,677
Equities				
Public companies	115,487	616	1,082	117,185
Private companies	–	2,722	16,596	19,318
Hedge funds	–	1,078	243	1,321
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	–	9,304	39,690	48,994
Investments in real estate debt	–	12,386	3,101	15,487
Private equity investments	–	–	31,917	31,917
Infrastructure investments	–	–	22,904	22,904
Investments in fixed-income securities	–	3,273	16,128	19,401
Investments in hedge funds	–	4,422	–	4,422
Stock market investments	–	1,039	2,230	3,269
Derivative financial instruments	8	1,747	–	1,755
	179,045	75,372	136,624	391,041
Financial liabilities excluding net assets attributable to depositors				
Amounts payable on transactions being settled	–	1,537	–	1,537
Other financial liabilities	–	1,143	–	1,143
Investment liabilities				
Securities sold under repurchase agreements	–	23,527	–	23,527
Securities sold short	1,167	2,614	6	3,787
Short-term promissory notes payable	–	8,794	–	8,794
Loans payable	–	368	–	368
Term notes payable	–	12,332	–	12,332
Derivative financial instruments	3	1,007	12	1,022
	1,170	51,322	18	52,510
Net assets attributable to depositors				
Demand deposits	–	406	–	406
Term deposits	–	6	–	6
Distributions payable to depositors	–	2,961	–	2,961
Participation deposits	–	336,736	–	336,736
	–	340,109	–	340,109

FAIR VALUE MEASUREMENT

FAIR VALUE HIERARCHY (continued)

TRANSFERS BETWEEN LEVELS OF THE FAIR VALUE HIERARCHY

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

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

D) LEVEL 3: RECONCILIATION BETWEEN OPENING AND CLOSING BALANCES

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

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

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

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

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

FAIR VALUE MEASUREMENT

LEVEL 3: RECONCILIATION BETWEEN OPENING AND CLOSING BALANCES (continued)

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

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

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

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

E) LEVEL 3: FAIR VALUE MEASUREMENT BASED ON REASONABLY POSSIBLE ALTERNATIVE ASSUMPTIONS

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

FAIR VALUE MEASUREMENT

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 financial instruments classified in Level 3 of the fair value hierarchy that are subject to the sensitivity analysis in Note 6f as well as those that are excluded from the analysis:

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

n.a.: not applicable

- The fair value of financial instruments presented in this item includes corporate debt, bonds, equities and interests in unconsolidated subsidiaries.
- 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.
- 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, 2019
	Fair value	Valuation techniques	Unobservable inputs	Range (weighted average)
Included in the sensitivity analysis				
Corporate debt	1,713	Discounted cash flows	Credit spreads	0.4% to 2.4% (1.5%)
			Discount rates	6.0% to 9.3% (6.9%)
Equities				
Private equity investments	6,833	Comparable company multiples	EBITDA multiples	8.7 to 16.0 (11.7)
Infrastructure investments	5,311	Discounted cash flows	Discount rates	6.0% to 9.8% (8.7%)
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	39,690	Comparable company multiples	Price-to-book value ratios	1.05
		Discounted cash flows	Discount rates	4.0% to 13.5% (6.4%)
			Credit spreads	0.0% to 9.8% (1.6%)
		Capitalization of revenue	Capitalization rate	2.7% to 10.5% (5.3%)
		Net real estate assets	Discounts to net asset value	0.0% to 8.0% (2.3%)
Private equity investments	12,001	Comparable company multiples	EBITDA multiples	9.0 to 17.0 (12.4)
Infrastructure investments	16,983	Discounted cash flows	Discount rates	6.0% to 13.8% (9.2%)
Investments in fixed-income securities	9,894	Discounted cash flows	Discount rates	6.9%
			Credit spreads	1.1% to 8.5% (3.6%)
	92,425			
Excluded from the sensitivity analysis				
Financial instruments ¹	44,181	Recent transactions ²	n.a.	n.a.
		Broker quotes ³	n.a.	n.a.
		Net assets ³	n.a.	n.a.
Net financial instruments classified in Level 3				
	136,606			

n.a.: not applicable

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

F) SENSITIVITY ANALYSIS OF FAIR VALUE

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

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

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

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

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

07

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

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, 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

	December 31, 2019					
	Gross amounts recognized	Amounts offset	Net amounts presented in the Consolidated Statements of Financial Position ¹	Amounts subject to master netting agreements	Collateral received/ pledged ²	Net amounts
Financial assets						
Amounts receivable from transactions being settled	6,223	–	6,223	(602)	–	5,621
Securities purchased under reverse repurchase agreements ³	8,502	(4,865)	3,637	(3,622)	(13)	2
Derivative financial instruments ³	1,777	(5)	1,772	(930)	(475)	367
	16,502	(4,870)	11,632	(5,154)	(488)	5,990
Financial liabilities						
Amounts payable on transactions being settled	1,537	–	1,537	(602)	–	935
Securities sold under repurchase agreements ³	28,414	(4,865)	23,549	(3,622)	(19,866)	61
Derivative financial instruments ³	1,062	(5)	1,057	(930)	(108)	19
	31,013	(4,870)	26,143	(5,154)	(19,974)	1,015

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

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

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

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INVESTMENT RESULT BEFORE DISTRIBUTIONS TO DEPOSITORS

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

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

09

OPERATING EXPENSES

The following table shows the operating expenses:

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

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SEGMENT INFORMATION

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

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

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

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

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

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

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

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RISK IDENTIFICATION AND MANAGEMENT

RISK MANAGEMENT POLICIES, DIRECTIVES AND PROCEDURES RELATED TO INVESTMENT ACTIVITIES

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

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

Specifically, this policy aims to:

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

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

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

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

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

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

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

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

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 uses derivative financial instruments to manage market risks.

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

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

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

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

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

Two risk measures are calculated and analyzed:

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

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

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

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

RISK IDENTIFICATION AND MANAGEMENT

MARKET RISK (continued)

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.

CURRENCY RISK

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

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

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

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

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

INTEREST RATE RISK

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

PRICE RISK

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

RISK IDENTIFICATION AND MANAGEMENT

CONCENTRATION RISK

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

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

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

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

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

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

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

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

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

RISK IDENTIFICATION AND MANAGEMENT

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

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

COUNTERPARTY RISK RELATED TO DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

RISK IDENTIFICATION AND MANAGEMENT

LIQUIDITY RISK

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

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

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

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

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

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

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

RISK IDENTIFICATION AND MANAGEMENT

LIQUIDITY RISK (continued)

	December 31, 2019				
	On demand	Less than 1 year	1 year to 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Amounts payable on transactions being settled	–	(1,537)	–	–	(1,537)
Other financial liabilities	–	(677)	(59)	(465)	(1,201)
Investment liabilities					
Securities sold under repurchase agreements	–	(23,577)	–	–	(23,577)
Securities sold short	–	(3,787)	–	–	(3,787)
Short-term promissory notes payable	–	(8,822)	–	–	(8,822)
Loans payable	–	(368)	–	–	(368)
Term notes payable	–	(2,487)	(8,648)	(2,955)	(14,090)
Net assets attributable to depositors					
Demand and term deposits	(406)	(6)	–	–	(412)
Distributions payable to depositors	–	(2,961)	–	–	(2,961)
	(406)	(44,222)	(8,707)	(3,420)	(56,755)
Derivative financial instruments					
Derivative instruments with net settlement	–	(57)	62	109	114
Derivative instruments with gross settlement					
Contractual cash flows receivable	–	102,277	4,143	1,342	107,762
Contractual cash flows payable	–	(101,694)	(4,102)	(1,491)	(107,287)
	–	526	103	(40)	589
Other items					
Commitments (<i>Note 18</i>)	(9)	(19,713)	(74)	(411)	(20,207)
Financial guarantees (<i>Note 18</i>)	–	(106)	(305)	(205)	(616)
	(9)	(19,819)	(379)	(616)	(20,823)
	(415)	(63,515)	(8,983)	(4,076)	(76,989)

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

RISK IDENTIFICATION AND MANAGEMENT

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

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

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

RISK IDENTIFICATION AND MANAGEMENT

LIQUIDITY RISK (continued)

FINANCING-LIQUIDITY RISK (continued)

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

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

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

12 CAPITAL MANAGEMENT

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

CDPQ is not subject to external capital requirements.

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

13 FINANCIAL ASSETS TRANSFERRED BUT NOT DERECOGNIZED

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

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

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

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

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

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GUARANTEES

FINANCIAL ASSETS PLEDGED AS COLLATERAL

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

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

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

FINANCIAL ASSETS RECEIVED AS COLLATERAL

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

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

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

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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:

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

OTHER RELATED PARTIES

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

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INTERESTS IN OTHER ENTITIES

SUBSIDIARIES

CONSOLIDATED SUBSIDIARY

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

UNCONSOLIDATED SUBSIDIARIES

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

INTERMEDIATE SUBSIDIARIES

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

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, 2020 as well as the comparative ownership interests as at December 31, 2019:

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

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

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

3. Voting rights amount to 60.0%.

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

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

6. Voting rights amount to 55.0%.

7. Constituted in Mauritius.

8. Constituted in the United States.

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

10. Constituted in Bermuda.

INTERESTS IN OTHER ENTITIES

JOINT VENTURES

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

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

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

2. Voting rights amount to 50.0%.

3. Constituted in the Netherlands.

4. Constituted in the British Virgin Islands.

5. Constituted in the United Kingdom.

6. Constituted in the Cayman Islands.

INTERESTS IN OTHER ENTITIES

ASSOCIATES

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

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

1. Voting rights amount to 40.0%.

2. Voting rights amount to 25.0%.

3. Voting rights amount to 28.6%.

4. Voting rights amount to 20.3%.

5. Voting rights amount to 27.8%.

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

7. Voting rights amount to 37.5%.

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

9. Constituted in Canada.

10. Constituted in the United Kingdom.

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

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RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

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

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

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COMMITMENTS AND FINANCIAL GUARANTEES

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

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

Commitments and financial guarantees are detailed as follows:

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

LITIGATION

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

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SUPPLEMENTARY INFORMATION

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

	SHORT TERM INVESTMENTS (740)		RATES (765)		CREDIT (766)		LONG TERM BONDS (764)	
	2020	2019	2020	2019	2020	2019	2020	2019
Statement of financial position								
Total assets	1,580	1,566	49,135	61,244	103,172	96,714	4,104	3,572
Total liabilities excluding net assets attributable to holders of participation units	1	685	18,856	30,053	29,418	30,784	760	508
Net assets attributable to holders of participation units	1,579	881	30,279	31,191	73,754	65,930	3,344	3,064
Statement of comprehensive income	2020	2019	2020	2019	2020	2019	2020	2019
Net income	15	15	530	666	2,711	2,355	87	96
Net gains (losses) on financial instruments at fair value	-	-	1,751	790	3,272	3,879	254	266
Investment result before recoveries from (distributions to) holders of participation units	15	15	2,281	1,456	5,983	6,234	341	362
Recoveries (distributions)	(15)	(15)	(530)	(666)	(2,711)	(2,355)	(87)	(96)
Net income and comprehensive income attributable to holders of participation units	-	-	1,751	790	3,272	3,879	254	266
Statement of changes in net assets attributable to holders of participation units	2020	2019	2020	2019	2020	2019	2020	2019
Balance at beginning of the year	881	866	31,191	32,784	65,930	55,675	3,064	2,845
Net change in participation units for the year	698	15	(2,663)	(2,383)	4,552	6,376	26	(47)
Net income and comprehensive income attributable to holders of participation units	-	-	1,751	790	3,272	3,879	254	266
Balance at end of the year	1,579	881	30,279	31,191	73,754	65,930	3,344	3,064

SUPPLEMENTARY INFORMATION

	REAL RETURN BONDS (762)		INFRASTRUCTURE (782)		REAL ESTATE (710)		EQUITY MARKETS (737)	
	2020	2019	2020	2019	2020	2019	2020	2019
Statement of financial position								
Total assets	972	1,282	34,120	30,613	44,821	48,651	122,528	118,393
Total liabilities excluding net assets attributable to holders of participation units	236	2	2,798	3,238	9,342	8,952	4,832	1,706
Net assets attributable to holders of participation units	736	1,280	31,322	27,375	35,479	39,699	117,696	116,687
Statement of comprehensive income								
Net income	21	26	1,084	964	144	19	2,429	2,633
Net gains (losses) on financial instruments at fair value	101	72	355	724	(6,534)	(1,147)	6,812	15,053
Investment result before recoveries from (distributions to) holders of participation units	122	98	1,439	1,688	(6,390)	(1,128)	9,241	17,686
Recoveries (distributions)	(21)	(26)	(1,084)	(964)	(144)	(19)	(2,429)	(2,633)
Net income and comprehensive income attributable to holders of participation units	101	72	355	724	(6,534)	(1,147)	6,812	15,053
Statement of changes in net assets attributable to holders of participation units								
Balance at beginning of the year	1,280	1,195	27,375	22,550	39,699	38,226	116,687	108,015
Net change in participation units for the year	(645)	13	3,592	4,101	2,314	2,620	(5,803)	(6,381)
Net income and comprehensive income attributable to holders of participation units	101	72	355	724	(6,534)	(1,147)	6,812	15,053
Balance at end of the year	736	1,280	31,322	27,375	35,479	39,699	117,696	116,687

SUPPLEMENTARY INFORMATION

	PRIVATE EQUITY (780)		ASSET ALLOCATION (771)		ACTIVE OVERLAY STRATEGIES (773) ¹	
	2020	2019	2020	2019	2020	2019
Statement of financial position						
Total assets	64,569	52,018	5,094	2,725	-	6,058
Total liabilities excluding net assets attributable to holders of participation units	485	2,885	3,482	1,087	-	5,381
Net assets attributable to holders of participation units	64,084	49,133	1,612	1,638	-	677
Statement of comprehensive income						
Net income	1,169	2,297	(1)	5	-	(33)
Net gains (losses) on financial instruments at fair value	9,639	2,186	(476)	(255)	-	239
Investment result before recoveries from (distributions to) holders of participation units	10,808	4,483	(477)	(250)	-	206
Recoveries (distributions)	(1,169)	(2,297)	1	(5)	-	33
Net income and comprehensive income attributable to holders of participation units	9,639	2,186	(476)	(255)	-	239
Statement of changes in net assets attributable to holders of participation units						
Balance at beginning of the year	49,133	42,142	1,638	1,624	677	529
Net change in participation units for the year	5,312	4,805	450	269	(677)	(91)
Net income and comprehensive income attributable to holders of participation units	9,639	2,186	(476)	(255)	-	239
Balance at end of the year	64,084	49,133	1,612	1,638	-	677

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

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, 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 Caisse de dépôt et placement du Québec (CDPQ) for the year ended December 31, 2020.
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, 2020 and ending on December 31, 2020 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 9, 2021

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, 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 Caisse de dépôt et placement du Québec (CDPQ) for the year ended December 31, 2020.
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, 2020 and ending on December 31, 2020 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, FCPA, FCA, CBV, ICD.D

April 9, 2021

CONCLUSIONS ABOUT THE DESIGN AND EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

In 2020, 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, 2020, 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 2020 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 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 2020 Annual Report Additional Information is an integral part of the 2020 Annual Report and presents, in the first section, the Tables of Returns as at December 31, 2020, for composites of CDPQ's depositors' accounts. These tables and calculations have been audited as at December 31, 2020 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 related to investment 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 2020 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 2020 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, in the case of real estate, the location of the property. 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.

INTERNATIONAL OFFICES

AUSTRALIA

CDPQ SYDNEY

Deutsche Bank Place, Suite 2201
126 Phillip Street
Sydney NSW 2000
Australia

Telephone: +61 2 8316 3800

BRAZIL

CDPQ BRASIL

Av. Brigadeiro Faria Lima 3477
5th Floor, Suite 51, North Tower
Itaim Bibi, São Paulo, SP
Brazil 04538-133

Telephone: +55 11 46 32 01 90

INDIA

CDPQ INDIA

5th Floor, Worldmark 3
Suite No. 507
Aerocity, New Delhi
Delhi 110037
India

Telephone: +91 11 4957 7802

MEXICO

CDPQ MÉXICO

Torre Virreyes
Pedregal 24, 9th Floor, Suite 902
Colonia Molino del Rey
Delegación Miguel Hidalgo
11040 Mexico, CDMX
Mexico

Telephone: +52 55 4170 9625

NEW YORK

CDPQ US (NEW YORK)

1211 Avenue of the Americas
Suite 3001
New York, NY 10036
USA

Telephone: +1 212 596-6300

PARIS

CDPQ PARIS

28-32, avenue Victor-Hugo
6th Floor
75116 Paris
France

Telephone: +33 1 56 69 25 30

SHANGHAI

CDPQ SHANGHAI

One Corporate Avenue
Unit 1504, 15th Floor
222 Hubin Road, Huang Pu District
Shanghai, 200021
China

Telephone: +86 21 6390 0100

SINGAPORE

CDPQ SINGAPORE

One Raffles Quay
#21-01 North Tower
Singapore 048583
Singapore

Telephone: +65 6800 4870

UNITED KINGDOM

CDPQ LONDON

11 Charles II Street
2nd Floor
London, SW1Y 4QU
United Kingdom

Telephone: +44 207 024 8186

WASHINGTON, DC

CDPQ US (WASHINGTON, DC)

1775 Pennsylvania Avenue NW
Suite 200
Washington, DC 20006
USA

Telephone: +1 202 730-8010

The 2020 Annual Report and the 2020 Annual Report Additional Information are available at www.cdpq.com.

For information: 514 842-3261, info@cdpq.com

Le Rapport annuel 2020 et le document Renseignements additionnels au Rapport annuel 2020 sont aussi accessibles en français au www.cdpq.com.

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BUSINESS OFFICE

1000, place Jean-Paul-Riopelle
Montréal, Québec H2Z 2B3
Telephone: +1 514 842-3261
Toll free: +1 866 330-3936
Fax: +1 514 842-4833

HEAD OFFICE

65, rue Sainte-Anne, 14th floor
Québec, Québec G1R 3X5
Telephone: +1 418 684-2334
Fax: +1 418 684-2335

www.cdpq.com
