Creating value in an environment like no other

2022 ANNUAL REPORT

This report presents an overview of our 2022 results, our achievements and our progress in Québec and around the world.

CDPQ unites constructive capital and dedicated teams carrying out our mission.

Some distinctions

Global SWF

CDPQ was named 2022 Fund of the Year by Global SWF, a global reference that analyzes the activities of around 400 sovereign wealth and public pension funds.

World Benchmarking Alliance

CDPQ ranked 1st among 59 global pension funds in the WBA's sustainable finance rankings.

Best Places to Work

CDPQ placed 16th among the world's top 20 best places to work.

Value across all periods

$401.9 B

NET ASSETS
AS AT DECEMBER 31, 2022

Results over ten years

8.0%	$201.5 B	$30.1 B
ANNUALIZED RETURN	INVESTMENT RESULTS	VALUE ADDED

Results over five years

5.8%	$91.8 B	$17.9 B
ANNUALIZED RETURN	INVESTMENT RESULTS	VALUE ADDED

Results in 2022

-5.6%	-$24.6 B	$10.4 B
RETURN	INVESTMENT RESULTS	VALUE ADDED

Liquidity

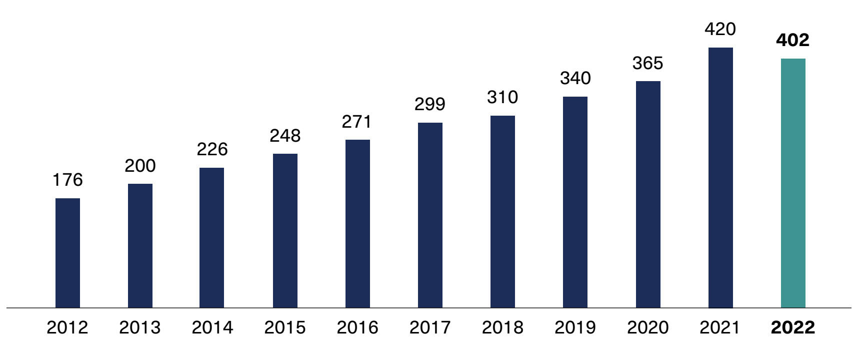
CDPQ has sufficient liquidity to meet its commitments and maintain the flexibility it needs to seize investment opportunities and weather potential crises.

Highest credit ratings reaffirmed

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

Growth in net assets since 2012

(in billions of dollars)



We leverage the full strength of CDPQ to support companies and the economy to give us the edge to go further together.

Our ambition

In 2022, we continued to fulfill our role in Québec in addition to aiming for $100 billion in Québec assets by 2026.

Our priorities

We support local companies based on our priority areas of focus: sustainable growth, global reach and technological change.

Our value proposition

We are focused on our key levers: our capital, the diverse expertise of our teams and our ability to forge connections through our vast network.

Nortera: Targeting the North American market from Brossard

Alongside the Fonds de solidarité FTQ, we acquired a 65% joint stake in this leading canned and frozen vegetables producer.

Following this transformative transaction for Québec's agri-food sector, Nortera will be able to pursue its North American expansion from its Brossard headquarters. Another step toward a greener and more environmentally responsible food sector.

Pomerleau

An additional investment of $150 million to support the pan-Canadian growth plan of this major construction company, among Canada's largest

Impact | Pomerleau acquired ITC Construction Group, a leading residential construction company headquartered in Vancouver

GRYB

Co-investment to accelerate the expansion of this Victoriaville-based heavy machinery specialist and develop its product line

Impact | A major industry player was created following the acquisition of RAD Technologies, Dalkotech and Eco-trak

Plusgrade

Support the company's acquisition of the Points loyalty transaction platform for US$385 million

Impact | The strong growth of this ancillary revenue powerhouse will generate value for over 140 tourism and financial services partners in 60 countries

Haleco

Ivanhoé Cambridge's participation in an investment of nearly $200 million in this project involving 327 residential units and 40 community housing units

Impact | This building, which emphasizes energy efficiency and urban agriculture, will redevelop a site in downtown Montréal

Our work goes beyond the sums invested—we help grow local companies and energize the ecosystem and the next generation.

Support

Our teams work closely with companies to execute their growth and performance projects.

Initiatives

In partnership with numerous organizations, we conduct innovative initiatives adapted to today's business context.

Diversity

We foster the development of a diversified entrepreneurial community to build a more inclusive economy.

Ambition ME: Reaching their full potential

We offer financing and support to propel mid-market companies in Québec to their next growth stage.

"We've been on the ground working alongside mid-sized companies for decades. Personalized assistance, cutting-edge expertise, networking opportunities . . . we do more than invest capital—we provide them with strategic support—which generates tangible results and great success stories."

Geneviève Bouthillier
Managing Director, Private Mid-Market Companies, CDPQ

FLO

Rolling out more than 70,000 charging stations for electric vehicles in North America

Novatech Group

Rising to the top of the door and window industry by quadrupling its annual revenues in 10 years

Metro Supply Chain

Meeting supply chain challenges by managing 1.3 million m² of warehouse space worldwide

Les Cheffes de file

A community of practice with the goal of accelerating the growth of women-owned companies with annual revenues of $5–50 million. Visit Les Cheffes de file web page at www.cdpq.com to find out more about these ambitious leaders.

109	13	11
WOMEN ENTREPRENEURS IN THE COMMUNITY	QUÉBEC REGIONS REPRESENTED	CODEVELOPMENT, NETWORKING AND TRAINING ACTIVITIES IN 2022

Repères numériques

A training and coaching program focused on developing a digital business culture to spur the growth of Québec-based SMEs with annual revenues of $5–35 million. Visit the Repères numériques web page at www.cdpq.com for more information.

50	13	19
COMPANIES COACHED SINCE LAUNCHING IN 2021	QUÉBEC REGIONS REPRESENTED	EVENTS ORGANIZED IN 2022, INCLUDING WORKSHOPS, TRAINING AND EXCLUSIVE CONFERENCES

Visit the Ambition ME web page at www.cdpq.com to read inspirational portraits, including three new company profiles published in 2022.

What drives us: Creating value for Quebecers.

Listening

Because each of our depositors is unique, we factor their realities, objectives and needs into our strategies.

Collaboration

We work closely with their decision-making committees, advising on their investment policy decisions.

Transparency

We engage in productive and open discussions with our depositors covering all aspects of our relationship.

Our motivation

Behind our clients, there are millions of people at different stages of their lives. We always keep this in mind in our day-to-day work.

Our driving force is our 48 depositors, primarily pension and insurance funds in Québec's public and parapublic sectors, who entrust us with their assets to generate sustainable returns.

The results generated by CDPQ over the years provide them with a sound financial position.

Performance of our eight largest depositors

6.4% to 9.1%	4.2% to 6.7%	-8.0% to -3.9%
OVER 10 YEARS	OVER 5 YEARS	IN 2022

We take concrete action to generate positive impacts for people, communities and the environment.

Influence

Drawing on our leadership position on sustainability, we encourage local and international stakeholders to meet the challenges of the transition.

Conviction

We lead by example by making tangible and ambitious ESG commitments.

Awareness

We encourage our portfolio companies and external managers to adopt best practices.

Investing constructive capital

This means continuously innovating and creating opportunities to grow our portfolio companies while contributing to a sustainable and inclusive economy.

$^{\$}$47 B

LOW-CARBON ASSETS IN THE PORTFOLIO, UP $29 BILLION OVER 5 YEARS

45%

PROPORTION OF WOMEN AT CDPQ, WHERE THEY HOLD MORE THAN ONE QUARTER OF INVESTMENT POSITIONS

54,337

RESOLUTIONS ON VARIOUS TOPICS VOTED ON AT SHAREHOLDER MEETINGS IN 2022

The three pillars of our approach to sustainable investing

Environment

Exercise climate leadership to support the transition toward a more sustainable world

Social

Foster diversity in all its forms and support the adoption of tax best practices

Governance

Encourage industry-wide adherence to rigorous governance and technology risk management practices

For more information on our achievements, see our Sustainable Investing Report at www.cdpq.com.

To go even further, we forge strategic partnerships based on a shared vision.

Complementarity

We join forces with partners who are recognized for their cutting-edge expertise and deep knowledge of target markets.

Reach

We cultivate collaborations that allow us to expand our investment pool to seize promising opportunities worldwide.

Post-investment

We actively monitor investments to generate more value for our partners, our portfolio companies and our depositors.

Invenergy Renewables: Revolutionizing renewable energy

As a shareholder, we have supported the expansion of this leader in North American energy production through various transactions since 2013. Invenergy owns over 100 land and sea wind farms, as well as some 50 solar projects.

This partnership enables us to reduce our portfolio's carbon intensity while contributing to a more sustainable world.

Howden Group Holdings

Since 2017, collaboration with this world-renowned U.K.-based insurance broker

Result | Continued support for the company's acquisition-driven expansion, including Aston Lark in 2022 and TigerRisk in early 2023

NVELOP

New association between Ivanhoé Cambridge and this real estate logistics specialist, which aims to be present along key supply chains

Result | Two acquisitions in Germany in 2022 to develop modern and sustainable logistics spaces

AppDirect

Since 2020, partnership with this global business platform leader headquartered in San Francisco

Result | Strategic backing for the company's organic and acquisition-driven growth, including support for the launch of AppDirect Capital

RXR Realty

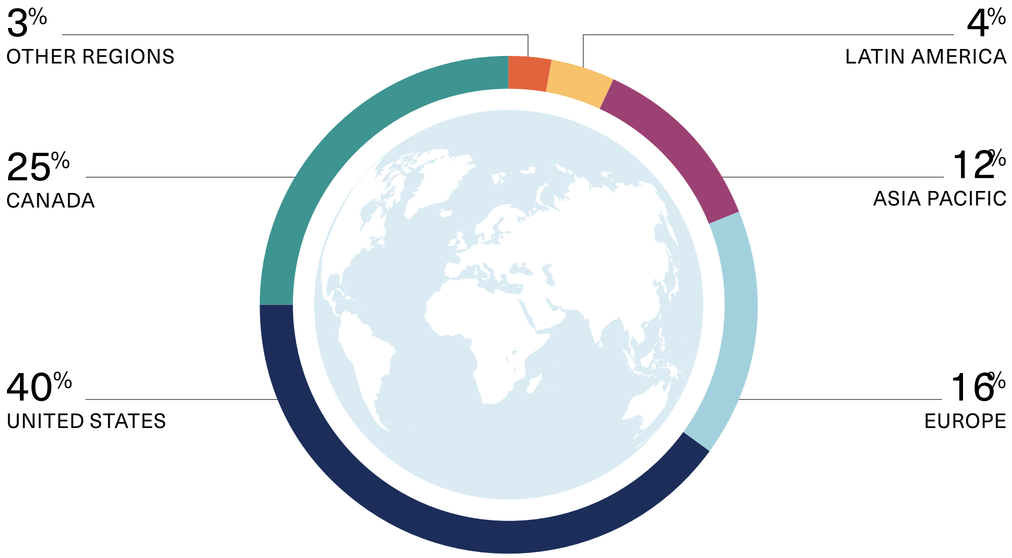
New partnership between Otéra Capital and this U.S.-based real estate company that builds responsible communities

Result | Financing for two multiresidential projects in the New York City region in 2022, including brownfiel rehabilitation and affordable housing

Our strategy seeks to benefit from growing diversified asset classes, regions and sectors.

Total portfolio geographic exposure

AS AT DECEMBER 31, 2022



Medical Solutions
Private Equity | United States
Health care

Fundamental Renewables
Fixed Income | United States
Renewable energy

Akiem
Infrastructure | Europe
Rail transportation

Scape
Real Estate | Australia
Student housing

Returns of our three major asset classes

Fixed Income

0.5%

OVER 5 YEARS

-14.9%

IN 2022

Real Assets

5.4%

OVER 5 YEARS

12.0%

IN 2022

Equities

9.5%

OVER 5 YEARS

-5.7%

IN 2022

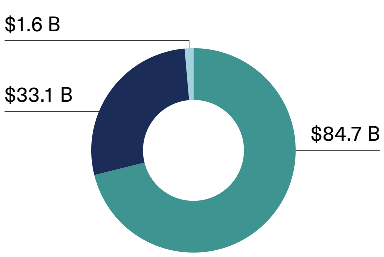
Net assets

AS AT DECEMBER 31, 2022

Fixed Income

$119.4 B

NET ASSETS
BY PORTFOLIO

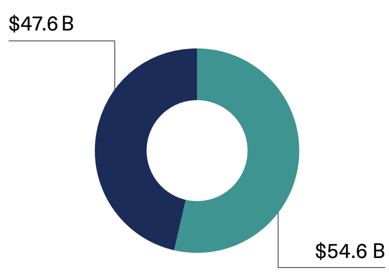


- Credit
- Rates
- Short Term Investments

Real Assets

$102.2 B

NET ASSETS
BY PORTFOLIO

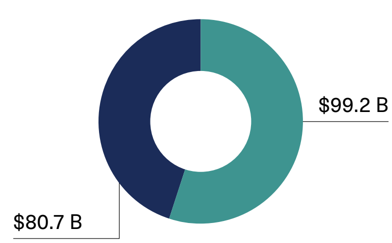


- Infrastructure
- Real Estate

Equities

$179.9 B

NET ASSETS
BY PORTFOLIO



- Equity Markets
- Private Equity

Despite headwinds, we made progress on our priorities in 2022.

Optimal performance

We aim to provide optimal performance for our clients, the depositors.

Total portfolio

- Faced with the worst market conditions in 50 years, our portfolio's annual return of -5.6% outpaced our benchmark portfolio at -8.3%, generating $10.4 billion in value added
- Strongest two-year value-added performance in our history, generated in strongly contrasting market conditions in 2021 and 2022

Fixed Income

- Return of -14.9%, affected by the historic rise in interest rates, but $2.3 billion of value added due to credit activities
- Investments and commitments of over $15 billion in private credit

Real Assets

- Real Estate:
  - Portfolio repositioning delivered for the second year in a row, with a performance of 12.4% and value added of $1.4 billion
  - Over 70 investments and sales totalling $15 billion, with emphasis on promising sectors such as logistics and student housing
- Infrastructure:
  - Return of 11.5% and good protection against inflation, for value added of $4.1 billion
  - $10 billion invested in or committed to various regions and sectors

Equities

- Equity Markets:
  - With a preponderance of Quality mandate securities, the portfolio slightly outperformed its benchmark, with a return of -11.3%
- Private Equity:
  - Good operational performance by private companies in the portfolio, for a return of 2.8% and value added of $1.8 billion

Québec economy

We contribute to Québec's economic development.

- An active year in a slowing global market, with $4 billion in new investments and commitments
- Announcement of our enhanced ambition to increase our assets in Québec to $100 billion by 2026
- Initiatives to support entrepreneurship and the next generation, including Ambition ME, Repères numériques and Les Cheffes de file, continued

Sustainable growth

- Investments in growth and performance projects of successful companies such as Pomerleau, Énergir and Bouthillette Parizeau
- Implementation of transformative projects for Québec's economy, not only in infrastructure, with various key stages completed for the REM, but also in real estate, with Haleco

Global reach

- Investments in companies with international ambitions, such as WSP, Cozey and Plusgrade
- Nearly 40 connection and networking opportunities were created to help Québec companies go international

Technological change

- Support for tech companies such as Talent.com and firms focused on innovation such as Inovia Capital

Worldwide presence

We take concerted action around the world.

- Increased geographic diversification to benefit from the growth of dynamic economies
- Investments in key sectors in all our major regions:
  - United States: New high-quality assets in real estate, as well as in the renewable energy, insurance and telecommunications sectors
  - Europe: Heightened positioning in sustainable mobility and a partnership targeting logistics real estate in Germany
  - Asia Pacific: First direct investments in renewable energy infrastructure in Japan and in ports in the United Arab Emirates
  - Latin America: Acquisition of an electricity transmission network serving three countries
- Participation in major international meetings, contributing to our organization's international profile

Sustainable investing

We affirm our leadership in sustainable investing, particularly on climate issues.

- Significant progress was made in 2022, paving the way for us to achieve our climate targets to help meet the major challenges of the transition:
  - $47 billion in low-carbon assets, versus a target of $54 billion by 2025
  - The portfolio's carbon intensity was down 53% from 2017, versus a target of 60% by 2030
  - Over $300 billion of assets that are low-carbon or in low-intensity sectors
  - Three transactions in connection with the $10-billion transition envelope to decarbonize the highest-emitting sectors
  - Exit from oil production essentially complete
- Concrete initiatives were implemented to foster diversity, equity and inclusion, and to support the adoption of tax best practices
- Promotion of sound governance and risk management practices

Technology

We are focused on the digital economy.

- Support of CDPQ's transformation into a fully digital organization by focusing on technological innovation
- Careful management of technology risks, including cybersecurity and disruptive technology
- Increased use of data science to optimize investment decisions

In 2022, CDPQ continued executing its orientations by drawing on its constructive capital approach and agile teams, which was even more important in a challenging year, in terms of both the economy and markets, as well as for investors and the broader population. Through its activities, the organization continued to make a vital contribution to Québec's economic development.

Despite challenging conditions, CDPQ created value added over one, five and ten years with its well-diversified portfolio and the strategic adjustments made in recent years, among other things. In addition, depositors' funds remain well capitalized, which is favourable to the over six million Quebecers who contribute to or benefit from them. The returns delivered over time place them in a good financial position. Overall, CDPQ's teams accomplished a great deal across all activities, both in Québec and around the world.

So the Board of Directors is very satisfied with CDPQ's performance in 2022, in such an unusual environment.

The Board rigorously monitored the execution of strategic orientations throughout the year, while ensuring that oversight activities are followed. Board members discussed governance, ethics rules, internal audit, risk management, the market environment, human resources and investment policies: in short, all the areas that ensure the effectiveness and strength of the organization.

We also oversaw other items during the year, including the implementation of an enhanced governance, risk and compliance tool, strengthening cybersecurity, as well as diversity, equity and inclusion efforts. We also paid particular attention to workforce management programs in an environment of fierce competition for talent.

In sum, we supported CDPQ so it could fully play its role, with the ongoing objective of carrying out its dual mandate.

AMBITION AND OUTREACH

The work carried out in 2022 also reflects greater ambitions for the organization in Québec. The Board looks very favourably on CDPQ's intention to hold $100 billion in Québec assets by 2026, a goal at the heart of its mission to which it is fully committed. There was no shortage of accomplishments in 2022, with the completion of multiple transactions, entrepreneurial initiatives and structuring projects. In this regard, we note the progress made on the REM, whose first branch will be commissioned in spring 2023.

Internationally, CDPQ seized many opportunities in various asset classes, leveraging its collaborative approach, business relationships, and the presence of its teams in the field. The organization also put its extensive network to work to help its Québec-based portfolio companies expand globally.

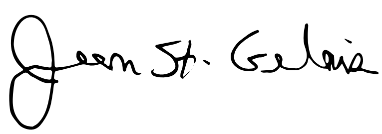
In addition, CDPQ continued making advances on sustainable investing, including on its climate goals: increasing low-carbon assets, reducing the carbon intensity of the total portfolio and working to divest assets related to oil production. Thanks to its innovative approach, CDPQ was ranked first in sustainable finance by the World Benchmarking Alliance. This distinction is one of many prestigious awards received in 2022, including being named Fund of the Year by Global SWF.

MOBILIZED TEAMS

In 2022, the Board composition changed, so I would like to welcome René Dufresne, Olga Farman and Nelson Gentiletti, who arrived in June. I would also like to sincerely thank Michel Després, Jean La Couture and Ravy Por, who left the Board, for their outstanding contributions. I warmly thank all my fellow Board members for their ongoing collaboration.

It is impossible to end this message without highlighting, on behalf of the Board, the work of Charles Emond in this unique year. Through his leadership, he mobilized CDPQ's teams and continued to develop the organization. Under his guidance, CDPQ managed to generate value added for its depositors for a second year in a row, in diametrically opposed markets. This was accomplished while demonstrating an unwavering commitment to Québec.

In closing, we would like to commend the work of all employees of CDPQ and its subsidiaries, competent and dedicated people who, in Québec and internationally, proudly carry out the organization's mission.



Jean St-Gelais

Chairman of the Board

Unprecedented. I have used this word many times since the beginning of the pandemic. And it remains the right one to describe what we went through in 2022. Despite the headwinds, CDPQ demonstrated its capacity to generate value for its clients. Our teams' expertise and commitment really made the difference in a year like no other.

Faced with the worst market conditions in 50 years, CDPQ outperformed its benchmark portfolio over one, five and ten years, adding $10 billion, $18 billion and $30 billion in value, respectively. We also achieved our highest ever value added over a two-year period, in strongly contrasting markets in 2021 and 2022.

Why underscore this in particular? Because while a rising tide lifts all boats, when the tide is low, value added becomes all the more important. We are determined to continue in this direction and show the value we can create for our depositors and the Québec economy.

Every year provides a snapshot of an organization's results, but in today's atypically volatile environment, that picture can change quickly. This was the case at the end of 2022, with considerable variations in performance, sometimes in just a few weeks or even days, depending on when the photo was taken. Yet as a long-term investor, we work with a much longer investment horizon to better stay the course and take full advantage of our constructive capital.

BENEFICIAL STRATEGIC CHANGES

In 2022, each of our main asset classes outperformed its index. The Fixed Income portfolios had a more challenging year due to the historic and rapid rise in rates, but they still created value. Our Equity Markets portfolios resisted more against falling global stock markets, due in part to our focus on quality in the stock markets and a favourable position in resilient Private Equity sectors. Our Real Assets delivered excellent performance and proved their effectiveness in a high-inflation environment. The Real Estate portfolio continued to benefit from the repositioning of its activities toward promising sectors, and the Infrastructure portfolio was buoyed by the good performance of transportation and renewable energy assets.

Clearly, the strategic initiatives deployed in recent years have paid off—demonstrated by the steady increase in our value added over five and ten years—as have the sound diversification of our portfolio and the discipline of our teams.

ENHANCED AMBITION IN QUÉBEC

While there was a pronounced slowdown in transaction volumes around the world, it was an active year in Québec. To give us a clear ambition in the market we know best, we have announced our intention to increase our Québec assets to $100 billion by 2026. This means that we will go further in our role with local businesses and implement leading and benficial projects for our economy.

I would also like to take the opportunity to underscore the colossal work carried out by the builders of the REM as we anticipate the imminent commissioning of its first branch. Considering that work began five years ago and was carried out mainly during a period of unprecedented crisis, this is quite an accomplishment! This electric transit network—one of the largest automated systems in the world—promises to transform people's daily lives and redefine mobility in Greater Montréal. Not to mention that when we take the REM, we will be helping finance our pensions while reducing greenhouse gases.

We also continued our efforts in sustainable investing, including on the climate front. Today, our portfolio has over $300 billion of assets in low-intensity sectors, and we have essentially completed our exit from oil production. As the urgency of the transition becomes ever clearer, we continue to take actions that are making a difference, while being profitable for our depositors. CDPQ's sustainable approach is increasingly recognized internationally, as evidenced by our position at the top of the World Benchmarking Alliance's rankings, which includes some 60 large pension funds. Of the several other awards received in 2022, I am particularly proud of CDPQ being named 2022 Fund of the Year, out of a pool of around 400 sovereign wealth and public pension funds analyzed by Global SWF.

All these awards are, of course, due to our teams, and I would like to thank them for all their work this year. They are our assets. I would also like to take this opportunity to thank the members of the Board of Directors, under the chairmanship of Jean St-Gelais, for their support and contributions.

I firmly believe that we are well equipped to adapt to a fast-changing world and navigate this highly volatile environment, which should continue for some time. Expertise, discipline, ambition: we have what it takes to continue progressing and living up to the trust Quebecers place in us.

Charles Emond

President and Chief Executive Officer

Our Clients, the Depositors

Our Clients, the Depositors

Soaring inflation, interest rate hikes, geopolitical tensions: 2022 was marked by an unprecedented economic and financial environment. This led to in-depth discussions between our teams and our clients. These discussions were a continuation of our regular talks focusing on their needs and risk appetite, as well as on CDPQ's strategies and product offering.

2022 AT A GLANCE

Although this particular year exerted some pressure on our depositors, their financial situation remains advantageous due in part to the significant investment results over the years. It should also be noted that the financing mechanisms in place often include smoothing methods designed to cushion the impact of the annual return from a long-term financing perspective. Over time, the demographic profile of the plans will continue to change as they gain in maturity. Certain depositors will be in a net disbursement situation over the next few years.

The current context also poses challenges associated with high valuations in private markets, rising inflation and various geopolitical issues, with a potential impact on expected returns. This may prompt depositors to adapt their investment choices as well as their funding and benefit policies or their risk tolerance. Adjustments to their long-term allocation targets for CDPQ's specialized portfolios will be made as needed.

Moreover, 2022 enabled our clients to accurately measure the effects of strategic changes related to the product offering, as well as strengthening our collaboration—a key aspect of our relationship.

A well-defined relationship

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

- Collaboration
- Listening
- Transparency
- Clearly defined roles and responsibilities

A fruitful partnership

Over 100

MEETINGS WITH DEPOSITORS IN 2022

6

SEMINARS ORGANIZED

Some 40

ANALYSES CARRIED OUT

A real impact for our clients and their beneficiaries

The returns generated by CDPQ over the past decade have strongly contributed to the financial solidity of our clients' pension and insurance plans. Sound plan management, in combination with CDPQ-generated returns, saw financial charges reduced for the beneficiaries of certain public plans, including:

- Insurance contributions for the Société de l'assurance automobile du Québec
- Contributions to the Government and Public Employees Retirement Plan and to the Commission des normes de l'équité, de la santé et de la sécurité du travail

In addition, the surpluses recorded in recent years by most of the plans mitigated the effect of market volatility in 2022 and make it easier to navigate economic uncertainty in the coming years.

Through our advisory services, we aim to contribute to the financial solidity of our depositors' pension and insurance plans.

To that end, CDPQ's teams support depositors' decision-making committees in establishing their investment policies, drawing on our lengthy investment track record.

"Each of our clients is unique. That's why we work closely with them to gain a clearer understanding of their changing needs and realities. During our discussions, we offer tailored advice that leverages our market knowledge and portfolio management expertise."

Jacques Demers
Senior Vice-President,
Depositor Advisory Services, CDPQ

Our Clients, the Depositors (continued)

Specifically, CDPQ advises on decisions regarding the selection of a target long-term benchmark portfolio (strategic asset allocation). These services include:

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

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

By sharing their realities and perspectives, our clients facilitate CDPQ's strategic reflection process.

This process led to changes in certain strategies in 2022, thus encouraging some depositors to review their allocation targets for various portfolios and their customization activities. In this context, extensive work and analysis was carried out jointly with depositors throughout the year.

AN ADAPTED PORTFOLIO OFFERING

CDPQ enables depositors to allocate their funds to specialized portfolios with the same type of securities, with the vast majority of these portfolios managed actively (see Table 1, page 25).

As a complement to the specialized portfolios, CDPQ offers customized activities that give each depositor the opportunity to adjust its portfolio construction and its strategic risk level based on its needs, or to establish customized exposure to interest rates.

Investment policy

Each specialized portfolio is managed based on rules set out in an investment policy specifying the:

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

This management exercise is subject to stringent compliance monitoring.

2022 HIGHLIGHTS

Recent strategic product changes

Fixed Income

The deployment of CDPQ's strategic orientations within the Credit portfolio continued throughout the year, including an increase in private credit.

In addition, the execution of the strategic plan involving duration adjustments within the Rates and Credit portfolios was completed in the first half of the year. It should be noted that this plan is intended to better meet our depositors' needs, particularly in fund diversification and management of the interest rate risk inherent in their plans' actuarial liabilities.

Several of these orientations were gradually integrated into the benchmark index and are now fully reflected, effective July 1, 2022.

Real Assets

This asset class, whose allocation has risen significantly among the vast majority of our clients in recent years, facilitates greater diversification of the various funds while offering good protection against inflation. Both of these attributes proved useful in the atypical context of 2022.

TABLE 1

PRODUCT OFFERING
(as at December 31, 2022)

	PRODUCTS	OBJECTIVES
FIXED INCOME	Rates[1] Credit[1] Short Term Investments[1,2]	Reduce the total portfolio's risk level Provide an important source of liquidity Partially match depositors' assets and liabilities Generate attractive returns, notably through the Credit portfolio
REAL ASSETS	Real Estate[1] Infrastructure[1]	Diversify risk Partially hedge inflation risk through exposure to assets, including some generating investment income indexed to inflation, like the liabilities of certain depositors
EQUITIES	Equity Markets[1] Private Equity[1]	Increase depositors' long-term target returns
CUSTOMIZED ACTIVITIES	Leverage product Rates COA[2, 3]	Modulate portfolio construction and strategic risk level (Leverage product) Calibrate exposure to interest rates (Rates COA)
OTHER INVESTMENTS	Asset Allocation[1]	Achieve diversification and complementarity of activities with those of other portfolios

1. Specialized Portfolio
2. Index Management
3. COA (Customized Overlay Activities)

Equities

The Equity Markets portfolio continued to evolve in 2022, with enhanced quantitative investment strategies and the creation of a global equities strategy based on corporate profitability. It bears repeating that the strategic changes launched in 2021 resulted in a more balanced portfolio.

In addition, in light of increased risks of various types appearing in emerging markets, in-depth reviews were undertaken regarding the weighting of the Growth Markets mandate's activities and the recommended management approach to bring them to completion. Against that backdrop, the Equity Markets portfolio architecture underwent changes that are slated to take effect in 2023.

Customized Activities

The leverage product enables certain clients to invest additional amounts in CDPQ's specialized portfolios. This product provides the possibility of enhancing their portfolio construction and optimizing their funds' long-term risk-return profile. In addition to promoting better diversification, the leverage product can help improve the expected return.

In addition, Rates Customized Overlay Activities (COA) enable depositors to calibrate their funds' exposure to interest rates without allocating additional capital. Customizing the interest rate exposure ensures better diversification and more effective management of the interest rate risk inherent in their actuarial liabilities.

Depositors' returns

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

Decisions concerning 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 their:

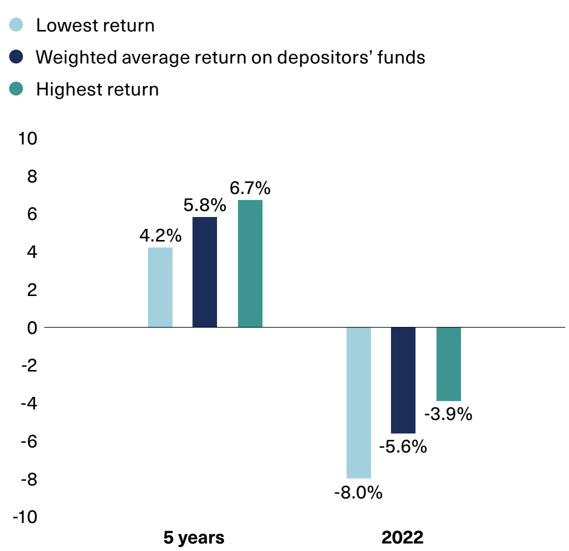
- Target returns
- Risk tolerance
- Investment horizon

As shown in Figure 2, the eight principal depositors generated annualized returns ranging from 4.2% to 6.7% over five years. Their returns varied between -8.0% and -3.9% for one year.

It should be noted that in 2022, performance differences among clients were more pronounced than in prior years. This underscores depositors' increasingly varied investment policy choices, reflecting individual realities that differ depending on the type of underlying plan or funding, the level of financial health or plan maturity.

FIGURE 2

THE EIGHT PRINCIPAL DEPOSITORS' RETURNS



Eight principal depositors

Represented 96.4% of net assets as at December 31, 2022

	NET ASSETS		
Finances Québec	$107.5 B	**Retirement Plans Sinking Fund** Fund used by the Government of Québec to capitalize the employer's portion of retirement benefits of employees in the public and parapublic sectors	
Retraite Québec	$106.8 B	**Retraite Québec for the Québec Pension Plan** Québec Pension Plan Fund, base and additional plans	• 4.2 million contributors • 2.2 million beneficiaries • $16.0 billion in benefits paid annually
RREGOP	$83.3 B	**Government and Public Employees Retirement Plan**	• 613,000 contributors • 319,000 retirees and 22,000 surviving spouses and orphans • $7.3 billion in retirement benefits paid annually
Commission de la construction du Québec	$28.5 B	**Supplemental Pension Plan for Employees of the Québec Construction Industry**	• 190,000 contributors • 101,000 retirees or surviving spouses • $1.0 billion in benefits paid annually
CNESST	$19.3 B	**Commission des normes, de l'équité, de la santé et de la sécurité du travail** Fonds de la santé et de la sécurité du travail	• 226,000 contributing employers • 4 million workers covered • $2.6 billion in benefits paid annually
Finances Québec	$17.8 B	**Generations Fund** Fund used to repay Québec's debt	
Société de l'assurance automobile Québec	$13.4 B	**Société de l'assurance automobile du Québec** Fonds d'assurance automobile du Québec	• 5.7 million driver's licence holders • 7 million registered vehicles • $1.1 billion paid in benefits annually
PPMP	$10.9 B	**Pension Plan of Management Personnel**	• 31,000 contributors • 35,000 retirees and 3,000 surviving spouses and orphans • $1.6 billion in benefits paid annually

TABLE 3

CDPQ'S 48 DEPOSITORS

Comparison of net assets as at December 31, 2021, and as at December 31, 2022

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

	First deposit	Depositors' net assets 2022 $	2022 %	2021 $	2021 %
PENSION PLANS					
Retraite Québec for the Régime de rentes du Québec	**1966**	**106,808**	**26.6**	105,912	25.3
Supplemental Pension Plan for Employees of the Québec Construction Industry	**1970**	**28,498**	**7.1**	30,498	7.3
Government and Public Employees Retirement Plan	**1973**	**83,252**	**20.7**	91,519	21.8
Pension Plan of Management Personnel	**1973**	**10,857**	**2.7**	11,577	2.8
Pension Plan for Federal Employees Transferred to Employment with the Government of Québec	**1977**	**275**	**0.1**	306	0.1
Pension Plan of Elected Municipal Officers	**1989**	**333**	**0.1**	356	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**	**769**	**0.2**	827	0.2
Ministère des Finances, gouvernement du Québec[1]					
Retirement Plans Sinking Fund	**1994**	**107,499**	**26.8**	112,943	26.9
Superannuation Plan for the Members of the Sûreté du Québec – employers' fund	**2009**	**1,225**	**0.3**	1,311	0.3
Régime de retraite de l'Université du Québec	**2004**	**767**	**0.2**	886	0.2
Régime de retraite du personnel des CPE et des garderies privées conventionnées du Québec	**2005**	**779**	**0.2**	720	0.2
Régime de retraite pour certains employés de la Commission scolaire de la Capitale	**2006**	**25**	**–**	30	–
Pension Plan of the Non-Teaching Staff of the Commission des écoles catholiques de Montréal	**2007**	**143**	**–**	173	0.1
Superannuation Plan for the Members of the Sûreté du Québec – participants' fund	**2007**	**870**	**0.2**	843	0.2
Régime de retraite des employés de la Ville de Laval	**2007**	**312**	**0.1**	399	0.1
Retirement Plan for Active Members of the Centre hospitalier Côte-des-Neiges	**2010**	**93**	**–**	103	–
Fonds commun de placement des régimes de retraite de l'Université Laval[2]	**2012**	**–**	**–**	217	0.1
Fiducie globale Ville de Magog	**2012**	**87**	**–**	94	–
Régime de retraite des employées et employés de la Ville de Sherbrooke	**2012**	**45**	**–**	65	–
Régime de retraite des agents de la paix en services correctionnels	**2013**	**783**	**0.2**	860	0.2
Régime complémentaire de retraite des employés réguliers de la Société de transport de Sherbrooke	**2013**	**93**	**–**	101	–
Régime de retraite de la Corporation de l'École Polytechnique	**2014**	**79**	**–**	92	–
Régime de retraite de la Ville de Terrebonne	**2015**	**106**	**–**	118	–
Régime de retraite des cadres de la Ville de Québec	**2016**	**306**	**0.1**	337	0.1
Régime de retraite des employés manuels de la Ville de Québec	**2016**	**365**	**0.1**	415	0.1
Régime de retraite des fonctionnaires de la Ville de Québec	**2016**	**668**	**0.2**	747	0.2
Régime de retraite du personnel professionnel de la Ville de Québec	**2016**	**285**	**0.1**	308	0.1
Régime de retraite des policiers et policières de la Ville de Québec	**2016**	**575**	**0.2**	649	0.2
Régime de retraite des pompiers de la Ville de Québec	**2016**	**224**	**0.1**	249	0.1
Régime de retraite des employés du Réseau de transport de la Capitale	**2016**	**187**	**0.1**	169	–
Régime de retraite des chauffeurs d'autobus de la Société de transport de Laval	**2017**	**164**	**–**	171	–
La Société des casinos du Québec	**2020**	**83**	**–**	66	–
Régime de retraite de HEC	**2021**	**33**	**–**	33	–
Fiducie globale de la Ville de Longueuil	**2021**	**81**	**–**	77	–
Régime de retraite des policiers de la Ville de Longueuil	**2021**	**34**	**–**	34	–
Fonds commun des cols bleus et pompiers de la Ville de Longueuil	**2021**	**25**	**–**	25	–
Fiducie globale des régimes de retraite des employés de la Ville de Lévis[3]	**2022**	**24**	**–**	–	–
Régime de retraite pour les employés de la Ville de Saint-Jean-sur-Richelieu[3]	**2022**	**22**	**–**	–	–

TABLE 3

CDPQ'S 48 DEPOSITORS (continued)

Comparison of net assets as at December 31, 2021, and as at December 31, 2022
(fair value as at December 31 – in millions of dollars)

		Depositors' net assets			
		2022		2021	
	First deposit	**$**	**%**	$	%
INSURANCE PLANS					
Régie des marchés agricoles et alimentaires du Québec	**1967**	**12**	**–**	13	–
La Financière agricole du Québec	**1968**	**780**	**0.2**	867	0.2
Autorité des marchés financiers	**1969**	**1,213**	**0.3**	1,230	0.3
Commission des normes, de l'équité, de la santé et de la sécurité du travail	**1973**	**19,279**	**4.8**	20,710	4.9
Société de l'assurance automobile du Québec	**1978**	**13,373**	**3.3**	14,858	3.5
Les Producteurs de bovins du Québec	**1989**	**6**	**–**	7	–
Survivor's Pension Plan	**1997**	**465**	**0.1**	518	0.1
Conseil de gestion de l'assurance parentale	**2005**	**238**	**0.1**	175	0.1
Régie du bâtiment du Québec[3]	**2022**	**30**	**–**	–	–
OTHER DEPOSITORS					
Office de la protection du consommateur	**1992**	**138**	**–**	171	–
Ministère des Finances, Government of Québec[1]					
Generations Fund	**2007**	**17,766**	**4.4**	16,049	3.8
Accumulated Sick Leave Fund	**2008**	**1,156**	**0.3**	1,365	0.3
Territorial Information Fund	**2011**	**520**	**0.1**	455	0.1
Agence du revenu du Québec	**2012**	**136**	**–**	148	–
TOTAL		**401,887**	**100.0**	419,797	100.0

1. The Ministère des Finances entrusts CDPQ with a total of five funds.
2. Depositor until March 2022.
3. New depositor in 2022.

Management Report

Global Macroeconomic Environment

AN UNUSUAL PERIOD

Just a few years ago, some aspects of the global economy seemed immutable: an environment of low and stable inflation, trade globalization, and China's expanded role in the international economic landscape. In the wake of the fairly tepid recovery that followed the 2008–2009 financial crisis, central banks struggled to normalize monetary policy. At the time, a return to a higher interest rate environment seemed unlikely.

However, these long-standing conditions were tested in recent years by surging protectionism, geopolitical tensions, the pandemic, and inflation's strong comeback. The elevated inflationary pressures triggered rapid and pronounced monetary tightening in 2022, raising concerns about the sustainability of the post-pandemic recovery and shaking the bond and stock markets.

FROM PANDEMIC TO INFLATIONARY ENVIRONMENT

When the pandemic began at the start of 2020, it sent a historic shock wave through the global economy. The public health restrictions that were abruptly rolled out curbed production and consumption capacity, causing economic activity to contract sharply. In the financial markets, the many uncertainties touched off a mass migration toward less risky assets and safe-haven securities. The major stock indexes plummeted and the Canadian dollar depreciated.

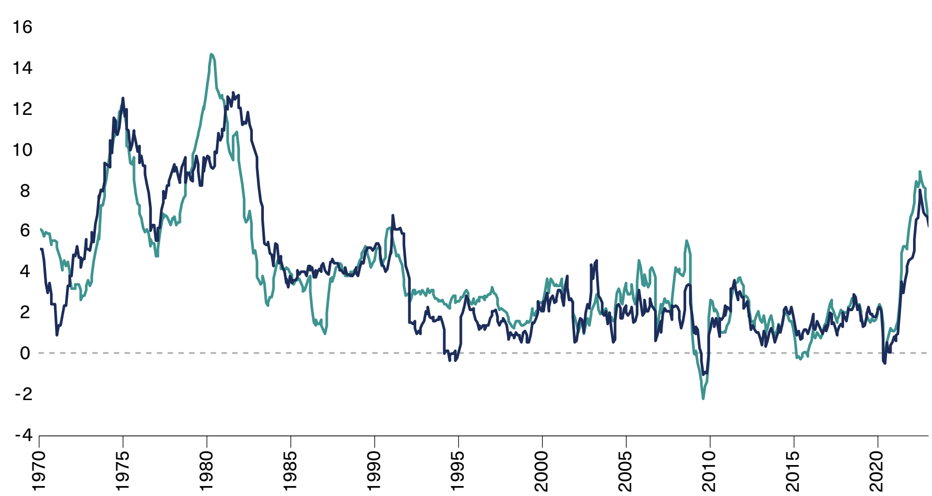
In response to this major shock, authorities around the world intervened extensively. In the major developed nations, central banks moved key rates to their lower bounds—for those not already there—deployed huge quantitative easing programs, and signalled that interest rates would remain low for a long time. This context drove bond yields down; 10-year U.S. and Canadian sovereign yields held below 1.0% from the end of March to December 2020.

FIGURE 4

INFLATION
(as a percentage)

- United States
- Canada

Source: Haver



To help them through the challenging period, governments substantially increased transfers to businesses and households. Thanks to these measures, total disposable personal income shot up in the United States and Canada during the pandemic, which was unusual given the context.

Together with the reopening of the economy and public vaccination, the extraordinary support from government and monetary authorities allowed the global economy to bounce back quickly, paving the way for renewed optimism in the stock markets, which persisted to the end of 2021. The S&P/TSX, Canada's main stock index, ended 2021 with a gain of 18% from its pre-pandemic peak. The U.S. S&P 500 index did even better, rising more than 40% over the same period, driven by tech giants and other securities. Against the U.S. dollar, the Canadian dollar also benefited from this environment, seeing its value rise from a low of US$0.69 in March 2020 to US$0.79 at the end of 2021. However, the unique nature of the pandemic's shock to the economy was not limited to its scope or the speed of the ensuing recovery. Numerous factors triggered a resurgence in inflationary pressures that had not been seen in many decades.

The support for households and shift from consumption of services to goods put strong pressure on supply chains, which were themselves affected by the ongoing public health measures. Manufacturing and transportation companies were unable to cope with the demand for goods. Ports became congested and inventories declined quickly. This situation exerted heavy upward pressure on prices for many goods.

The substantial increase in commodity prices associated with rebounding demand and the sluggish response from supply also stimulated inflation. In addition, the war in Ukraine triggered a spectacular surge in natural gas and food prices in Europe. Robust housing prices also magnified inflationary pressures in North America.

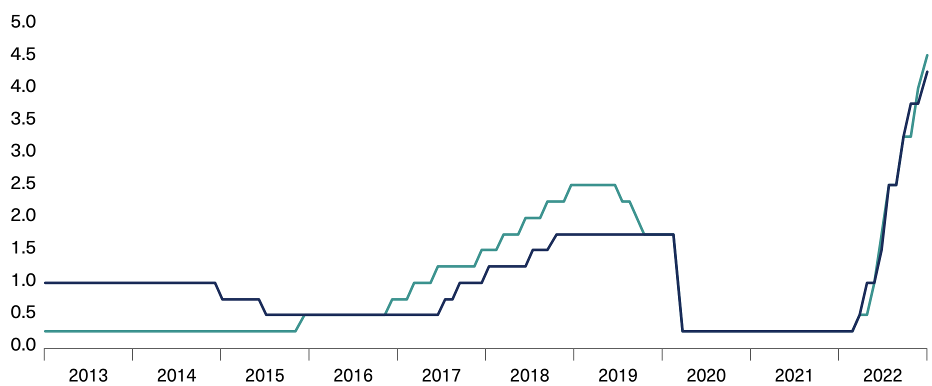
In June 2022, total inflation as measured by CPI hit a peak of 9.1% in the United States and 8.1% in Canada, the highest levels recorded since the early 1980s (see Figure 4, page 33).

FIGURE 5

KEY RATES
(as a percentage)

- U.S. Federal Reserve (upper limit of the federal funds target range)
- Bank of Canada

Source: Haver



AGGRESSIVE MONETARY TIGHTENING DESTABILIZES MARKETS

Initially, the surge in inflation was seen by many as temporary. At the end of 2021, inflation concerns were starting to intensify, but the markets expected the U.S. Federal Reserve (Fed) and Bank of Canada (BoC) to only increase their key rates by approximately 75 and 125 basis points respectively in 2022.

However, persistent inflationary pressures eroded the patience of central banks, which were forced to terminate the ongoing accommodative policies much earlier than expected. In less than one year, from March to the end of December 2022, the Fed moved its key rate from 0.25%—the top of the target range for the federal funds rates—to 4.50%. During the same period, the BoC rose its key rate from 0.25% to 4.25% (see Figure 5, page 34).

The two central banks' actions put substantial upward pressure on bond yields. The 10-year rate on U.S. government bonds, which had ended 2021 at around 1.50%, temporarily went over 4.20% in fall 2022, a level not seen since 2008, before settling at around 3.90% at the end of 2022 (see Figure 6). Skyrocketing bond yields resulted in a decline in bond values.

Tighter financial conditions helped stoke fears about the survival of the recovery. The sectors most sensitive to interest rate fluctuations quickly fell, particularly residential real estate. In North America, the volume of existing home sales declined, putting downside pressure on prices. In tandem, consumer confidence deteriorated, along with business's economic sentiment.

In the context of a labour shortage, North America's labour market remained resilient, given the ongoing expansion. Job creation was robust and, in 2022, the unemployment rate remained at very low levels, historically.

Despite fears about the economy, the central banks remained fully committed to reining inflation in closer to target and preventing a repeat of the problems experienced in the 1970s and 1980s, when they lost control of inflation expectations.

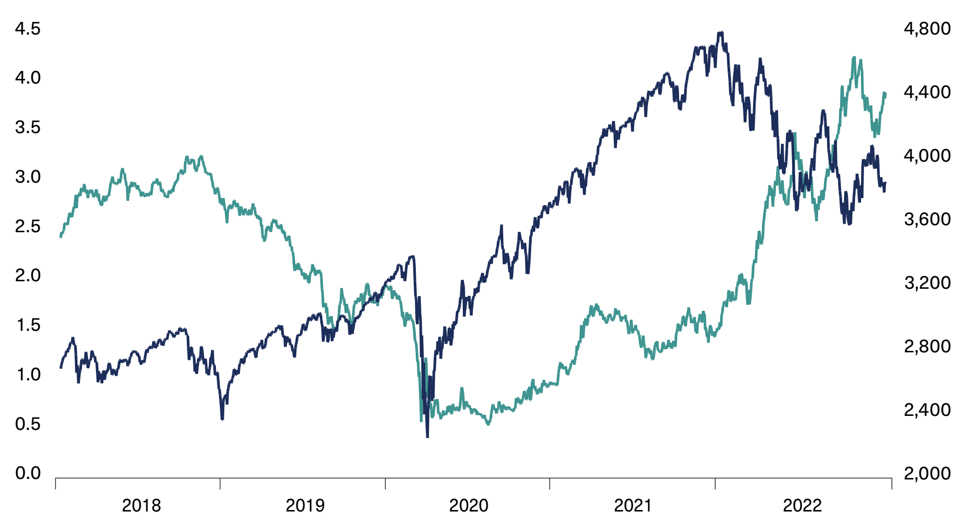
Monetary tightening was not the only shock to hit the global economy in 2022. The war in Ukraine had sizeable repercussions, especially in Europe, where surging energy prices reduced household buying power and hindered the industrial sector. In China, economic activity slowed substantially in 2022 due to difficulties in the real estate market and its "zero-COVID" policy, which disrupted consumption, travel and production.

FIGURE 6

FINANCIAL MARKETS

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

Source: Haver



Markets were not unaffected by the uncertainties associated with the interest rate increases and the continuity of the economic cycle. In the United States, the S&P 500 tumbled 19.4% in 2022 (see Figure 6, page 35). In Canada, the S&P/TSX fell 8.7%, as robust commodity prices curbed the magnitude of the correction. As for currencies, the U.S. dollar, in addition to acting as a safe-haven security, was buoyed by the growing view that the Fed needed to be slightly more incisive than the BoC in its monetary tightening cycle. The Canadian dollar therefore depreciated, slipping from US$0.79 at the end of 2021 to US$0.74 at the end of 2022.

Between them, the combination of the surge in bond yields, which triggered capital losses for bond holders, and the stock market correction made 2022 an especially tough year for investors.

GEOPOLITICAL TENSIONS AND A FRAGMENTING GLOBAL ECONOMY

In addition to having to grapple with the return of high inflation, for the last few years, the global economy has been faced with a more challenging context for trade relations and geopolitical issues. Increasingly, the global economy is fragmenting around two main centres of influence: the United States and China. These challenges are encouraging—and sometimes forcing—companies to adapt to keep supply chains and production robust.

Before the pandemic, rising protectionism was already a major concern. The reassessment of the North American Free Trade Agreement, Brexit and the rise in tariff barriers in many countries accurately illustrated the change of course following several decades of growing trade globalization.

Not to mention the escalating tensions between the two leading world powers, which show no signs of abating. Beyond ideological and political questions, the points of contention are expressed on persisting trade issues and technological competition, particularly in the field of semiconductors. In fall 2022, the United States imposed new restrictions on exporting these products, which are vital to the digital economy, to China.

The war in Ukraine, the dominant event of the year with its dramatic humanitarian consequences, the destruction of the country's production capacity and the energy crisis it triggered in Europe, is another source of division, this time between the West and Russia.

For the global economy, 2022 therefore concluded in a climate of uncertainty. The fight against inflation is not over and could disrupt the post-pandemic recovery, geopolitical issues remain tense and the global economy continues to fracture into two camps.

Analysis of Overall Performance

Faced with the worst market in 50 years, CDPQ posted a -5.6% return and outperformed our benchmark portfolio, with value added across all periods.

Net assets

$401.9 B

5.8%

5-YEAR ANNUALIZED RETURN

$17.9 B

VALUE ADDED OVER 5 YEARS

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

FIVE-YEAR RETURN

Total portfolio

Investment results: $91.8 B
Annualized return: 5.8%

As at December 31, 2022, CDPQ's net assets stood at $401.9 billion, up from $298.5 billion as at December 31, 2017. The $103.4-billion increase over five years stemmed from:

- Investment results totalling $91.8 billion
- Net deposits totalling $11.6 billion

The Equities and Real Assets classes contributed significantly to the results.

During the period, the annualized weighted average return on depositors' funds was 5.8%. Table 7 shows how this performance compares to the five- and ten-year figures.

Table 8 on page 38 presents the net assets and returns of the main asset classes compared to the benchmark indexes. Over five years, the total portfolio's annualized return outperformed the benchmark's 4.9% by 0.9%, generating $17.9 billion in value added. This performance was attributable to the Equities and Fixed Income classes.

Among the factors underpinning the total portfolio's performance, CDPQ's sound diversification remains key. It should also be noted that the effect of the strategic initiatives undertaken in recent years, combined with our teams' disciplined execution, served to increase the value added generated for depositors over five years and ten years.

TABLE 7

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

	Overall return[1]
10 years	**8.0**
5 years	**5.8**
2022	(5.6)
2021	13.5
2020	7.7
2019	10.4
2018	4.2

1. Weighted average return on depositors' funds.

TEN-YEAR RETURN

Over 10 years, the total portfolio's annualized return was 8.0%, compared to 7.0% for the benchmark portfolio. This 1.0% difference represents $30.1 billion in value added. The investment results were $201.5 billion, while net deposits were $24.2 billion.

Fixed Income

Investment results: -$1.8 B
Annualized return: 0.5%

Over five years, this asset class's annualized return is positive, although it was strongly affected by challenges encountered in 2022 amid rising interest rates. This asset class outperformed its benchmark's -0.5%, creating $5.9 billion in value added. This performance is attributable to the good showing of CDPQ's credit activities, combined with the high current yield of the portfolio securities.

Real Assets

Investment results: $20.9 B
Annualized return: 5.4%

Over five years, this asset class's annualized return was lower than the benchmark's 6.2%, primarily due to the pandemic's impact on the Real Estate portfolio in early 2020. Both portfolios contributed to the results:

- Real Estate posted an annualized return of 2.3%, attributable to pandemic-related factors and to the historic preponderance of shopping centres, a sector hard hit by COVID-19. This sector's weighting was halved following the repositioning of real estate activities in 2020, falling from 22% to 11% of the portfolio
- Infrastructure generated an annualized return of 9.8%, thanks to the portfolio's exposure to growth segments, particularly renewable energy

Equities

Investment results: $75.5 B
Annualized return: 9.5%

This asset class's sustained performance during the period made it the biggest contributor to the total portfolio's investment results, as well as to its value added. Its annualized return outperformed the benchmark, which delivered an 8.3% return. As such, $10.2 billion in value added was generated, due in particular to:

- The excellent 17.3% showing of the Private Equity portfolio, with contributions by both direct investments and investment funds
- The contribution of the Quality mandate, the largest in the Equity Markets portfolio, whose securities are focused on the quality of company fundamentals and proved resilient to market fluctuations

The negative return in 2022 weighed on the five-year performance of the Equity Markets portfolio, which stood at 5.3%, as did the portfolio's style biases prior to mid-2021. It should be noted that we subsequently changed our approach, resulting in a more balanced portfolio.

TABLE 8

NET ASSETS AND RETURNS
(for periods ended December 31, 2022)

		5 years			1 year		
Asset class	Net assets $B	Investment results $M	Return %	Index %	Investment results $M	Return %	Index %
Fixed Income	**119.4**	**(1,847)**	**0.5**	**(0.5)**	(20,130)	(14.9)	(16.4)
Real Assets	**102.2**	**20,889**	**5.4**	**6.2**	10,492	12.0	5.2
Equities	**179.9**	**75,466**	**9.5**	**8.3**	(12,118)	(5.7)	(6.9)
Total[1]	**401.9**	**91,804**	**5.8**	**4.9**	(24,612)	(5.6)	(8.3)

1. The total includes the Asset Allocation portfolio, customized overlay activities, cash activities and terminated activities.

2022 RETURN

Total portfolio

Investment results: -$24.6 B
Return: -5.6%

Numerous challenges marked 2022, including soaring inflation, historic interest rate hikes by central banks and heightened geopolitical tensions. The first half of the year saw the worst simultaneous correction in the stock and bond markets in 50 years, with negative returns ranging from -10% to -30%.

In these unusual conditions, the weighted average return on depositors' funds was -5.6% for one year, compared to -8.3% for the benchmark (see Table 8, page 38). This favourable difference represents $10.4 billion in value added—the third best in CDPQ's history after 2010 and 2021. This is the second consecutive year in which significant value added was generated, despite strongly contrasting markets.

The $17.9-billion decrease in CDPQ's net assets was largely due to:

- The fall in value of the Fixed Income asset class, which saw a sharp decline due to the fastest monetary tightening in decades
- The negative return of the Equities asset class, which nevertheless resisted better thanks to:
  - The good operational performance of companies held in the Private Equity portfolio
  - The preponderance of Quality mandate securities in the Equity Markets portfolio

The Real Assets class contributed positively to the results, thanks to the excellent performance of the Real Estate and Infrastructure portfolios amid rising inflation. All asset classes outperformed their benchmarks, even though there were few places where investors could hide.

Fixed Income

Investment results: -$20.1 B
Return: -14.9%

Within the total portfolio, this asset class had the most difficult year. Its strongly negative return was primarily due to:

- The rapid rise in interest rates during the year, combined with widening credit spreads
- The lengthy duration of the Fixed Income portfolios, which allows for better diversification and better matching with depositors' liabilities; the duration was favourable in recent years, but affected the 2022 performance in the context of rising interest rates

However, the asset class outperformed its benchmark's -16.4%. CDPQ's credit activities continued to make the difference and primarily accounted for the $2.3 billion in value added for one year. The value added was derived from all Credit portfolio mandates, in particular Sovereign Debt and Corporate Credit. The expected return of the portfolio securities is higher today, which should make it possible to offset the drop in value in the future.

Real Assets

Investment results: $10.5 B
Return: 12.0%

For one year, this asset class largely outperformed its benchmark's 5.2%. Both of its portfolios delivered excellent results in an inflationary environment, outpacing their respective benchmarks and generating $5.5 billion in value added. The returns of:

- Real Estate stood at 12.4%, driven by the portfolio's repositioning in 2020 in favour of promising sectors such as logistics and residential
- Infrastructure was 11.5%, due in part to the high current yield of the portfolio's assets and the contributions of the transportation and renewable energy sectors

It should be noted that the Real Assets class fully demonstrated its diversifying role amid rising inflation by limiting the negative impact on the total portfolio.

Equities

Investment results: -$12.1 B
Return: -5.7%

In an atypical and volatile year when the leading indexes of the major global stock markets experienced a severe correction, the Equities asset class posted a negative return. This asset class, however, proved more resilient thanks to:

- The good operational performance of companies held in the Private Equity portfolio, which finished the year with a 2.8% return
- The preponderance of Quality mandate securities in the Equity Markets portfolio

This asset class's return outpaced that of its benchmark's -6.9%, resulting in $1.8 billion in value added.

GEOGRAPHIC DIVERSIFICATION

Portfolio diversification is a central pillar of CDPQ's strategy in terms of asset classes, sectors and geographic markets. Investing internationally makes it possible to:

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

Over five years, CDPQ's exposure to global markets increased by $169 billion and now accounts for three quarters of the total portfolio. Table 9 shows the portfolio's geographic allocation in 2017 and 2022. CDPQ maintains a major presence in Canada, particularly in Québec. We ramped up our investments in nearly all main regions, with the United States showing the largest increase.

TABLE 9

GEOGRAPHIC EXPOSURE OF THE TOTAL PORTFOLIO[1]
(as at December 31 – as a percentage)

	2022	2017
Canada	**25**	42
United States	**40**	28
Europe	**16**	13
Asia Pacific	**12**	11
Latin America	**4**	2
Other regions	**3**	4
Total	**100**	100

1. In 2022, CDPQ reviewed its methodology for calculating concentrations to better reflect its geographic exposure (see Note 11 to the Consolidated Financial Statements).

As a global investment group, CDPQ seeks to engage in concerted international action by leveraging CDPQ Global, an integrated structure built around three regional hubs with teams in nine offices on four continents. These teams help enhance CDPQ's knowledge of target markets and our understanding of their regulatory frameworks. We also benefit from our global presence to:

- Expand our business network
- Access more opportunities
- Effectively manage the risk associated with the geographic diversification of our assets
- Put our Québec-based portfolio companies in contact with other international companies to generate beneficial partnerships

CURRENCY EXPOSURE AND FOREIGN EXCHANGE HEDGING

Due to our international activities, CDPQ does business in various foreign currencies. Exposure to these currencies usually leads to a diversification effect for the total portfolio.

The main developed country currencies are subject to strategic and dynamic hedging, initially determined for the total portfolio and then within the specialized portfolios. Exposure to emerging market currencies is not usually hedged, due to high hedging costs. CDPQ's net exposure to foreign currencies:

- Remained stable over five years, standing at 50% of net assets at the end of 2022
- Fell by 5% for one year due to the increase in foreign exchange hedging on certain currencies, while gross foreign currency exposure increased

Over both five years and for one year, the impact of this exposure was favourable to the returns, thanks largely to the U.S. dollar's strong appreciation during the period. Emerging currencies had a negative effect over five years, despite their positive contribution in 2022. The impact from currencies of other developed countries was almost neutral over the two horizons.

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

TARGET 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.

Depositors' adjustments to the composition of their respective benchmark portfolios have a direct impact on the composition of CDPQ's benchmark portfolio. Table 10 shows the changes for one year, which reflect CDPQ's strategic orientations. Noteworthy changes include:

- A notable increase in the allocation to the Real Assets class
- A slight drop in allocations to both the Equities and Fixed Income asset classes
- Increased use of the leverage product

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 side of Table 10 show changes in the weighting of the specialized portfolios from 2021 to 2022. They include:

- A significant increase in the weighting of the Real Assets class
- A decrease in the weighting of the Equities asset class and, to a lesser extent, a reduction in the Fixed Income asset class

TABLE 10

COMPOSITION OF THE TARGET BENCHMARK PORTFOLIO AND CHANGES IN THE TOTAL PORTFOLIO

(as a percentage of depositors' net assets)

	Benchmark portfolio				Total portfolio	
	as at December 31, 2022[1]			as at December 31, 2021[1]	as at December 31, 2022	as at December 31, 2021
	Lower limit %	Benchmark portfolio %	Upper limit %	Benchmark portfolio %	%	%
Fixed Income						
Rates	**5.4**	**10.2**	**17.0**	11.0	**8.3**	10.5
Credit	**15.4**	**20.3**	**26.5**	19.7	**21.1**	20.0
Short Term Investments	**0.2**	**1.2**	**8.1**	1.3	**0.4**	0.4
Subtotal		**31.7**		32.0	**29.8**	30.9
Real Assets						
Real Estate	**7.5**	**11.9**	**15.9**	12.2	**11.9**	10.1
Infrastructure	**6.7**	**11.0**	**14.8**	9.7	**13.6**	10.8
Subtotal		**22.9**		21.9	**25.5**	20.9
Equities						
Equity Markets	**19.3**	**30.0**	**37.4**	31.1	**24.8**	28.3
Private Equity	**11.0**	**16.2**	**21.4**	15.3	**20.1**	19.7
Subtotal		**46.2**		46.4	**44.9**	48.0
Other[2]						
Asset Allocation	**0.0**	**0.0**	**1.0**	0.0	**0.6**	0.5
Leverage product	**–**	**(0.8)**	**–**	(0.3)	**(0.8)**	(0.3)
Total		**100.0**		100.0	**100.0**	100.0

1. The benchmark portfolio and its upper and lower limits are the result of the weighted average of the depositors' respective benchmark portfolios.
2. Includes Customized Overlay Activities (COA) that are not capitalized and consequently have no reference weight.

Fixed Income

Given the historic increase in interest rates, this asset class fell in 2022, but created value-added over one and five years due to credit activities.

Net assets

$119.4 B

29.8% of the total portfolio

0.5%

5-YEAR ANNUALIZED RETURN

$5.9 B

VALUE ADDED OVER 5 YEARS

3 portfolios: Rates / Credit / Short Term Investments

All the figures in this section are detailed in Table 18 (page 59)

RATES

Five-year return

Investment results: -$2.5 B

Annualized return: -0.4%

This actively managed portfolio has activities mainly in these mandates:

- Rate Management
- Sovereign Debt

The move into negative territory over five years was largely due to the increase in sovereign yields that followed the pandemic, particularly in 2022. The portfolio's annualized return is in line with that of its index, also at -0.4%, generating slight value added.

Sovereign Debt activities outperformed the index through the tactical management of provincial securities.

2022 return

Investment results: -$6.1 B

Return: -13.4%

The portfolio's negative return in 2022 essentially resulted from its high sensitivity to interest rates. Its return was slightly below the benchmark index's -13.1% return due to declines in some relative value strategies. However, dynamic management of provincial securities made a positive contribution to results.

It should be noted that, going forward, return expectations on securities held are now more attractive, and this should compensate for the lower value recorded in 2022.

RATES PORTFOLIO

COMPOSITION

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

ADVANTAGES

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

CREDIT

Five-year return

Investment results: -$82.0 M
Annualized return: 1.0%

This actively managed portfolio represents more than two thirds of the Fixed Income asset class, with net assets of $84.7 billion at the end of 2022. It features diversified investment activities that enhance its risk-return profile. These are allocated across various mandates, including:

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

Rising rates in 2022 affected the portfolio's five-year annualized return, which nevertheless ended on a positive note, unlike its benchmark. Its performance was due to:

- The substantial current yield on securities specific to this asset class
- Good performance in all the credit mandates, which contributed to the absolute and relative performance of the portfolio

The 1.7% difference with the benchmark index, at -0.7%, resulted in $5.8 billion in value added. All the portfolio's mandates contributed, particularly Corporate Credit and Real Estate Debt.

MARKET CONDITIONS

Over five years, long-term government bond yields, influenced by a series of major events—volatile growth, the pandemic, the geopolitical context, inflation—fluctuated strongly downwards and then upwards, but ended the period sharply higher, mainly due to inflationary pressures.

In 2022, the historic surge in inflation around the world was exacerbated by geopolitical conflicts, as well as supply chain and labour market issues. In response, the central banks raised interest rates significantly. Over one year, the Bank of Canada raised its rate from 0.25% to 4.25%, while the U.S. Federal Reserve increased its rate from 0.25% to 4.50%, upending market expectations.

In this environment, Canadian bond indexes posted negative one-year results (see Table 11). The FTSE Canada Universe Bond Index fell -11.7% in 2022, compared to a -2.5% drop in 2021 and a 0.3% increase over five years. Long-term securities suffered, with returns close to -20%.

TABLE 11

FTSE CANADA BOND INDEX RETURNS
(as a percentage)

	2022				2021				5 years			
Bond indexes	**Short-term**	**Medium-term**	**Long-term**	**Total**	Short-term	Medium-term	Long-term	Total	Short-term	Medium-term	Long-term	Total
Federal	**(3.9)**	**(10.9)**	**(24.0)**	**(9.3)**	(1.1)	(3.7)	(7.1)	(2.6)	0.7	(0.1)	(2.2)	0.1
Provincial	**(3.8)**	**(9.7)**	**(22.3)**	**(15.1)**	(1.1)	(2.6)	(4.6)	(3.3)	1.0	0.8	(1.4)	(0.2)
Québec	**(4.1)**	**(10.2)**	**(22.2)**	**(16.1)**	(1.0)	(3.0)	(4.7)	(3.5)	1.0	0.6	(1.4)	(0.5)
Corporate	**(4.4)**	**(10.0)**	**(18.7)**	**(9.9)**	(0.5)	(1.5)	(2.6)	(1.3)	1.5	1.6	0.1	1.1
Universe	**(4.0)**	**(10.3)**	**(21.8)**	**(11.7)**	(0.9)	(2.7)	(4.5)	(2.5)	1.0	0.7	(1.1)	0.3

Fixed Income (continued)

2022 return

Investment results: -$14.1 B
Return: -15.7%

Given sharply rising rates and widening credit spreads, the portfolio recorded its lowest annual return since its inception in 2017. However, it yielded its best value added, representing $2.4 billion compared to its benchmark index, which returned -18.2%.

Each of the portfolio's activities contributed to this performance, demonstrating once again the benefits of diversification. As such:

- Sovereign Debt made a significant contribution, gaining from its active management and current yield
- Real Estate Debt benefited from its lower sensitivity to the volatility in public markets
- Corporate Credit, Infrastructure Financing and Capital Solutions were less affected by wider public credit spreads, compared to the benchmark index, due to the high proportion of private securities

The portfolio capitalized on the current yield available in private credit. In contrast, the portfolio's long duration affected its performance for one year. As for the Rates portfolio, it should be noted that, going forward, the expected return on securities held is now more favourable.

In addition, the market environment in 2022 presented a number of opportunities at attractive entry rates. Our teams therefore made investments and commitments of over $15 billion in private credit, including:

- Albioma: Through financing totalling €485 million, support for KKR's acquisition of this French energy producer which aims to end its use of coal by 2025
- Fundamental Renewables: An interest in US$400 million of financing for this lender for clean energy projects
- Eqwal: A loan to support the growth of this network of orthotics offices in France
- Waller Creek: A US$540-million loan from Otéra Capital as part of US$675 million in total financing for the construction of the tallest tower in Texas, a mixed-use real estate project designed for energy efficiency in Austin
- Vaughan industrial portfolio: A $144.3-million loan, from Otéra Capital and partially guaranteed by a fund sponsored by a real-estate investment firm, to finance the acquisition of a portfolio of industrial properties in the Greater Toronto Area

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 Debt: a focus on sovereign and quasi-sovereign securities from growth markets
  - Real Estate Debt: term, construction, bridge and land loans, mostly senior, on multiresidential, office, industrial and commercial buildings
  - Infrastructure Financing: senior and subordinated debt in industries such as transportation, renewable energy and telecommunications
  - Capital Solutions: specialty finance, asset monetization and tailored financing in the form of debt and hybrid instruments

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: $80 M
Annualized return: 1.3%

This indexed portfolio consists of short-term liquid investments in the Canadian money market. Its performance over five years reflects the generally very low interest rate environment that prevailed until 2021, followed by much higher rates in 2022.

2022 return

Investment results: $30 M
Return: 2.0%

In an environment of rapidly and sharply rising short-term rates, the portfolio delivered a significant one-year return.

Real Assets

In a high-inflation environment, this asset class delivered excellent one-year performance and strong value added, attributable to its two portfolios.

Net assets
$102.2 B
25.5% of the total portfolio

5.4%
5-YEAR ANNUALIZED RETURN

-$0.5 B
VALUE ADDED OVER 5 YEARS

2 portfolios: Real Estate / Infrastructure

All the figures in this section are detailed in Table 18 (page 59)

REAL ESTATE

Five-year return

Investment results: $5.1 B
Annualized return: 2.3%

Over the past five years, the global real estate market has faced significant challenges, including the rise of e-commerce and a pandemic whose effects are still being felt. In this environment, the Real Estate portfolio managed by Ivanhoé Cambridge delivered performance for the period that reflected these challenges and that improved strongly following the repositioning of activities in 2020.

The results were largely attributable to the current yield on the assets held, complemented by an appreciation in asset values, particularly in logistics and, to a lesser extent, in the funds, equities and financing sector.

Over five years, the annualized return was below the 5.3% return of the index, mainly due to:

- The historical preponderance of shopping centres in the portfolio, an asset class that has faced significant challenges
- Poorer performance in the traditional office sector

REAL ESTATE PORTFOLIO

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

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

It should be recalled that these two sectors, to which Ivanhoé Cambridge was more exposed than the benchmark index, were more affected by the containment measures adopted around the world at the beginning of the pandemic.

Since 2020, the subsidiary has repositioned its portfolio toward promising sectors such as logistics, residential and life sciences. Meanwhile, the weighting of traditional segments, such as offices and shopping centres, has been greatly reduced. This trend can be seen in the fact that most of the assets have been held for less than five years. There has also been geographical diversification, with increased exposure to Asia Pacific, Europe and the United States. Figures 12 and 13 present changes in the portfolio from 2017 to 2022.

2022 return

Investment results: $5.2 B
Return: 12.4%

Around the world, 2022 was a year in two acts for real estate: the first half of the year was marked by a high volume of investment as the economy reopened, followed by a slowdown in activity in the second half of the year due to uncertainty over inflation and rising interest rates. Despite this turmoil, the portfolio generated strong one-year performance that was:

- Driven by the logistics sector and, to a lesser extent, by the residential sector, both of which recorded gains
- Tempered by traditional assets, which lost value, including:
  - Office buildings, a sector undergoing a profound transformation and requiring active monitoring
  - Shopping centres, which are tending to stabilize

In addition, it should be noted that the portfolio benefited from a good current yield across all sectors and contributions from the funds, equities and financing sector, as well as favourable market effects. The portfolio outperformed its benchmark index, which had a 9.2% return. The difference was due to assets outperforming their indexes in most sectors, with the exception of the residential sector, which was in line with its index. This resulted in $1.4 billion in value added, representing a positive result for a second consecutive year and demonstrating how the repositioning has been successful.

FIGURE 12

GEOGRAPHIC EXPOSURE – REAL ESTATE
(as a percentage)

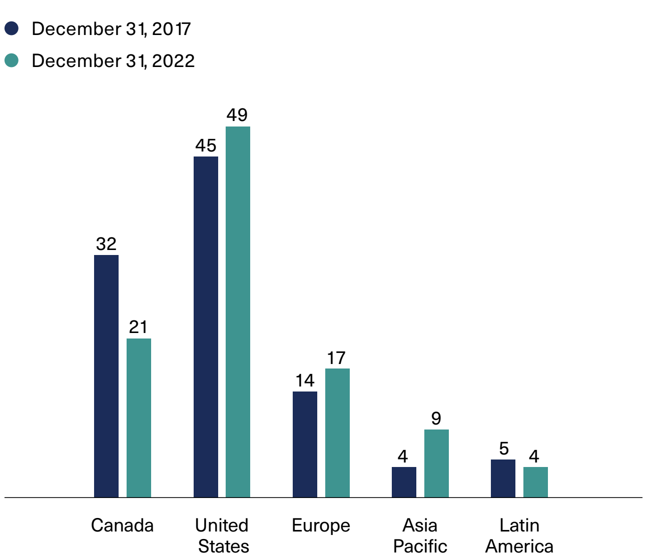
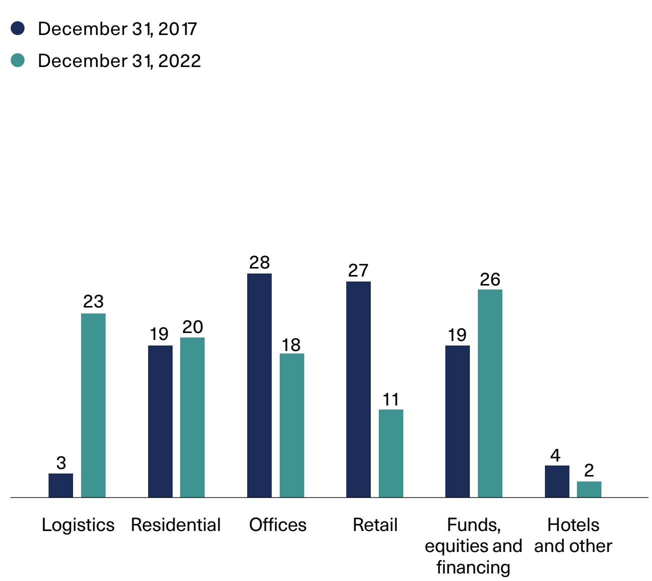


FIGURE 13

SECTORAL EXPOSURE – REAL ESTATE
(as a percentage)



In 2022, Ivanhoé Cambridge's teams were active, completing over 70 investments and sales totalling $15 billion. Among the investments made around the world, we note:

- NVELOP: A new strategic partnership with this logistics real estate specialist in Germany through two transactions representing 97,000 m² (over one million sq. ft.), for a targeted deployment of €200 million by Ivanhoé Cambridge
- Scape: Partnership with this leading player, the owner of the largest portfolio of student residences in Australia, in a transaction worth nearly AU$1 billion in this promising sector
- Greystar: Continued collaboration with this global investment leader, already present in several countries, through a joint venture in the Chilean market to seize opportunities in the residential sector
- Cohabs: Investment in this Brussels-based company specialized in coliving in Europe and the United States
- Lendlease: Launch of a joint venture, in partnership with this global real estate group, to invest an initial $500 million in life science projects in the United States

Lastly, Ivanhoé Cambridge increased its focus on new real estate technologies, including an investment in Taronga Ventures' Proptech fund in Asia Pacific and a pilot project with Turntide Technologies to improve energy efficiency in some of its Canadian shopping centres.

INFRASTRUCTURE

Five-year return

Investment results: $15.8 B
Annualized return: 9.8%

Interest in infrastructure investments has remained strong around the world in recent years. In addition to its advantageous risk-return profile, this investment class has a defensive character that is highly sought after when markets are turbulent and volatile. The portfolio's annualized return over five years stemmed from:

- A high and stable current yield, generated year after year
- Asset value appreciation, driven by infrastructure development platforms

FIGURE 14

GEOGRAPHIC EXPOSURE – INFRASTRUCTURE
(as a percentage)

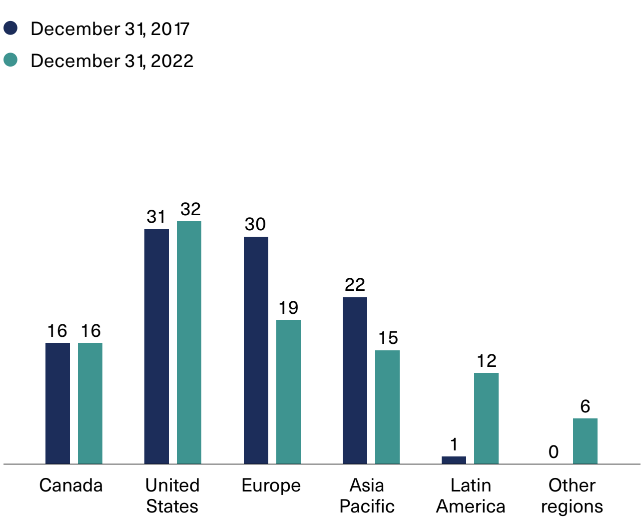
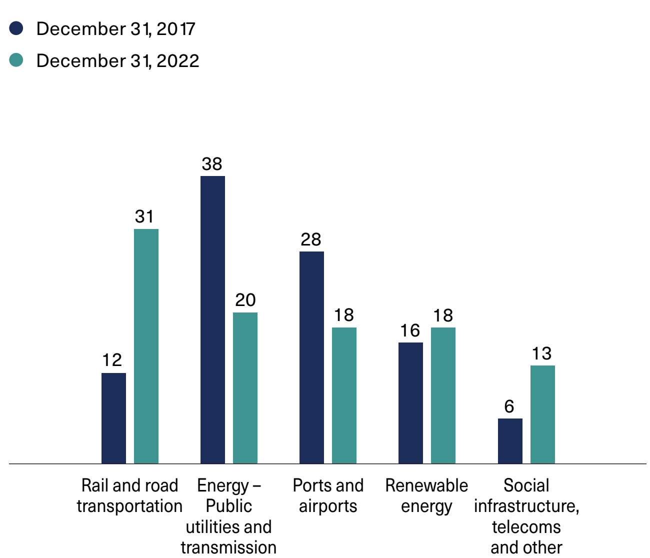


FIGURE 15

SECTORAL EXPOSURE – INFRASTRUCTURE
(as a percentage)



The assets located in the United States and in growth markets performed well. In addition, through favourable positioning in sectors of the future—including renewable energy—the portfolio generated a higher annualized return than its index, which posted a return of 7.2%. This resulted in $5.1 billion in value added.

Geographically and by sector, the greatest increases in exposure over the past five years have been in Latin America and in the rail and road transportation sectors, as shown in Figures 14 and 15 on page 48.

It should also be noted that this portfolio's weighting increased the most over the period. Through sustained capital deployment and strong investment results, its net assets reached $54.6 billion as at December 31, 2022.

2022 return

Investment results: $5.3 B
Return: 11.5%

Despite the specific context of 2022, activity in the infrastructure market did not slow down. The effective protection this asset class provides against inflation has helped make it even more attractive and competitive to investors. The portfolio was less affected by rising rates and earned a substantial one-year return, driven by both:

- Good performance by transportation and renewable energy assets
- A generally high current yield on investment

These same factors also explain the difference with its index, which returned 0.8%. This represents $4.1 billion in value added, the strongest performance of all the portfolios. The assets performed well in all regions, particularly in the United States and Europe.

During the year, the Infrastructure team continued to deploy capital in a disciplined way, logging $10 billion in new investments and commitments while extending its global reach. Major transactions included:

- Invenergy Renewables: CDPQ secured, through this long-term partner and a group of investors, a lease for an offshore wind farm in the New York Bight auction, with the winning bid of US$645 million
- DP World: US$2.5-billion investment alongside this long-standing partner in port infrastructure in the United Arab Emirates that is well positioned to take advantage of global trade routes and supply chains
- Akiem: Acquisition of the Akiem Group, a leading locomotive rental company in France as well as Europe, enhancing CDPQ's positioning in sustainable mobility
- Shizen Energy: ¥20 billion (US$135 million) investment and up to ¥70 billion (US$474 million)—CDPQ's first in infrastructure in Japan—to support the growth of this renewable energy leader
- Terna portfolio in South America: Acquisition of Terna's electricity transmission network in Brazil, Peru and Uruguay for more than €265 million, paving the way for the creation of a CDPQ platform dedicated to electricity transmission on the South American continent

In 2022, several key milestones were reached in construction of the REM, including completion of infrastructure work and the complete electrification of the South Shore branch, as well as the performance of dynamic tests to validate system operations and reliability under various conditions. The commissioning of this first branch is planned for spring 2023.

INFRASTRUCTURE PORTFOLIO

COMPOSITION

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

ADVANTAGES

- Stable and predictable revenues over the long term
- Partial long-term capital protection against inflation
- 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

Equities

This asset class resisted better in an atypical and volatile year, generating value added over both one and five years.

Net assets

$179.9 B

44.9% of the total portfolio

9.5%

5-YEAR ANNUALIZED RETURN

$10.2 B

VALUE ADDED OVER 5 YEARS

2 portfolios: Equity Markets / Private Equity

All the figures in this section are detailed in Table 18 (page 59)

EQUITY MARKETS

Five-year return

Investment results: $28.9 B
Annualized return: 5.3%

The objective of this portfolio consists of generating sustained results over the long term, with an optimal risk-return profile. It has three mandates based on style and two geographic mandates. Over five years, the portfolio's performance was in part:

- Stimulated by the strong performance of quality corporate stocks, including those in the United States
- Limited by its significant exposure to growth market securities, which marked time

In addition, the portfolio was adversely affected by the market turbulence, which was exacerbated by two episodes of monetary policy tightening with a pandemic in between. The year 2022 weighed on the five-year return, which fell short of the benchmark index at 6.0%. The difference was due in part to the portfolio's limited exposure to certain technology giants during the first half of the period, when their share prices took off. Among the main contributors were many Canadian and Québec companies. It is also worth noting the strong contribution made by externally managed funds.

2022 return

Investment results: -$14.0 B
Return: -11.3%

In a challenging environment, the portfolio finished the year just above its index, which stood at -11.4%. This was despite exiting the oil production industry and excluding the tobacco industry, which were among the only sectors to post improved results in 2022. In such a volatile environment, growth stocks were also at a disadvantage. The portfolio was nevertheless able to benefit from some positive factors, including:

- Resilience stemming from its focus on quality company fundamentals
- A favourable positioning in more defensive segments, such as insurance, pharmaceuticals and telecommunications
- Dynamic management of styles during the year

It should be noted that the portfolio is better balanced today following some strategic changes initiated in 2021.

MARKET CONDITIONS

From 2018 to 2022, all the main stock indexes posted positive returns (see Figure 16). The S&P 500, the flagship U.S. index, was lifted by the technology sector, which accounts for more than a quarter of its weight. After several years of underperforming, Canada's S&P/TSX Composite Index benefited from a rally in the energy sector to finish equal with the global MSCI ACWI Index. The MSCI Emerging Markets Index posted the weakest return.

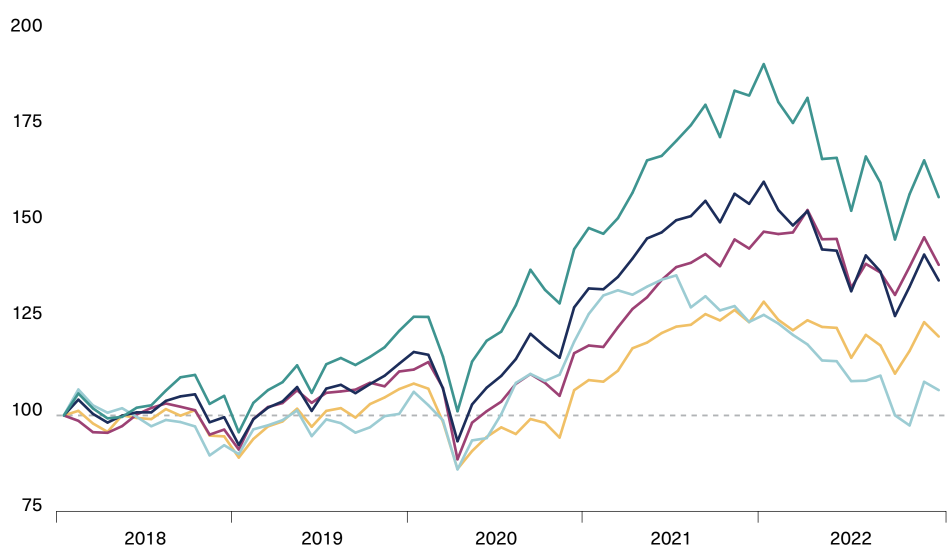
The year was marked by a severe correction in stock market indexes and, above all, by extraordinary volatility. In fact, the post-pandemic surge in inflation, the accelerated cycle of interest rate hikes and geopolitical tensions caused stock market valuations to plunge from the record highs recorded in late 2021. The technology sector was particularly hard hit, including in the United States, where the S&P 500 fell sharply. The S&P/TSX offered greater resistance due to the contribution made by natural resources.

FIGURE 16

EQUITY MARKETS PERFORMANCE
(December 31, 2017 = 100, in local currencies)

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

Source: Rimes



QUALITY MANDATE

Five-year return

Investment results: $15.8 B
Annualized return: 8.3%

Over the period, this mandate was the driving force behind the portfolio, accounting for nearly one third of assets. It delivered the best results of all the mandates, benefiting from:

- Good execution of the targeted styles
- The strength of the U.S. market, to which its investment universe is highly exposed

The annualized return outperformed the index's 7.1% return, generating $1.7 billion in value added. This was the result of favourable stock selections, including in Europe, in companies with stable economic fundamentals. External management also contributed to the mandate's standout performance.

2022 return

Investment results: -$2.0 B
Return: -5.1%

Despite rising rates and eroding investor confidence, the mandate's defensive bias helped limit losses. The technology sector, which was hit hard in 2022, was the main reason for the negative performance. However, the mandate was able to benefit from :

- Active management and dynamic style management during the year
- Positioning in defensive stocks, such as in pharmaceuticals and telecommunications

Over one year, the mandate outperformed its index, at -8.8%, generating $1.3 billion in value added. This was due to effective stock selection across most sectors, including communications, consumer discretionary and industrials. The overweight position in the health sector also proved beneficial.

QUALITY MANDATE

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

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

GROWTH MANDATE

Return since inception

Investment results: -$3.7 B

The activities of this mandate, created in July 2021, target:

- Securities of companies with high earnings growth potential
- Strategies based on innovation and technology

As at December 31, 2022, the mandate had $14.7 billion in net assets, down from the previous year due to negative investment results. The innovation segment was strongly affected. Since the mandate's inception, it has faced unique conditions: first, a bull market environment, in which it outperformed in the second half of 2021; then a bear market environment, where its management style was at a disadvantage in the first half of 2022.

2022 return

Investment results: -$5.2 B
Return: -26.7%

After several years of superior performance, the Growth style of management suffered from the market correction in 2022. The major technology companies, which account for a large portion of the Growth universe, had a significant negative impact on performance.

In addition, small businesses in the innovation segment were impacted after reaching very high valuation levels in 2021. The over-representation of this segment caused the mandate to underperform the index, which returned -24.4%.

GROWTH MANDATE

COMPOSITION

- High-quality companies with superior growth prospects that are traded on the exchanges of developed markets—excluding Canada—in the MSCI World Index
- Activities aimed at exploiting the various growth phases of a company through two components:
  - Small caps with an innovative business model that may disrupt their industry
  - Mid and large caps with the potential to extend their business model while strengthening their profitability

ADVANTAGES

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

VALUE MANDATE

Five-year return

Investment results: $1.9 B
Annualized return: 4.3%

This style mandate has both internal and external management components. Its five-year annualized return comes from the health, consumer discretionary and financial sectors. It is below that of the index, at 8.6%. The difference is due to the fact that the index was generalist in nature from the beginning of 2018to mid-2021,a period when the Value style underperformed all the equity markets.

2022 return

Investment results: -$1.4 B
Return: -5.9%

The mandate profited from the resilience of the Value style, which posted only a small one-year decline. It benefited from the performance of stocks from several countries, including Japan. In terms of sectors:

- The health and energy sectors made positive contributions to the return
- The information technology and consumer discretionary sectors weighed on performance

Under-exposure to the energy and tobacco sectors was the primary reason for its underperformance compared to the index at -3.4%.

CANADA MANDATE

Five-year return

Investment results: $5.1 B
Annualized return: 4.9%

The mandate benefited from a preponderance of financial sector securities, which grew strongly over the period. The list of the main contributors to performance, excluding banks, was still dominated by Québec companies with operations in the United States: Couche-Tard in consumer staples, CN in industrials, and CGI in technology.

The index generated an annualized return of 6.9%. The difference with the index was largely due to positions in certain technology and industrial securities.

2022 return

Investment results: -$0.9 B
Return: -4.3%

In 2022, the Canadian equity market, which is strongly influenced by the performance of the oil industry, proved to be more resilient than those of other countries. The Québec market also held up better despite a decline in some technology holdings, which affected results.

Consumer staples stood out, with major contributions from Québec-based companies such as Couche-Tard and Dollarama. Energy and materials also made positive contributions, while technology, and industrials to a lesser extent, undermined performance.

The mandate's return was slightly below that of the index, at -3.8%, due to difficulties in certain strategic positions, but this was partially offset by a good selection of securities in the insurance industry.

VALUE MANDATE

COMPOSITION

- Securities that appear to be undervalued based on various measures of fundamental value, traded on the exchanges of developed markets—excluding Canada—in the MSCI World Index

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

CANADA MANDATE

COMPOSITION

- Securities of publicly listed Canadian corporations—including a large majority in Québec—with an emphasis on the construction of a quality, concentrated portfolio that reflects distinctive aspects of the Canadian universe

ADVANTAGES

- Deep understanding of investments and role of influence due to market proximity

GROWTH MARKETS MANDATE

Five-year return

Investment results: $1.8 B
Annualized return: 1.8%

This mandate has various components, including index management and external management. Over five years, it has obtained a modest annualized return, negatively affected by the sluggishness of emerging markets. In particular, the equity markets of China and South Korea posted results in the red, while Brazil's results were almost neutral. On a positive note, the markets of India and Taiwan performed well.

The mandate's performance, both in absolute and relative terms, was supported by a judicious selection of securities as part of the external management activities of local investment firms. The mandate was able to deliver $1.1 billion in value added compared to its index, which posted an annualized return of 0.9%.

2022 return

Investment results: -$4.4 B
Return: -18.1%

In a risk-averse climate, emerging markets fell sharply. Taiwan and South Korea suffered from the rout in technology securities, while China was negatively affected by its "zero-COVID" policy. India did well under the circumstances, while Brazil's performance was driven by its position as a natural resource exporter.

This was the setting for the mandate's sharp decline, falling below its index at -14.8%. After several years of strong performance, the external management component had a difficult year, explaining the difference with the index.

GROWTH MARKETS MANDATE

COMPOSITION
- Growth market securities traded on the stock exchanges of countries in the MSCI Emerging Markets (EM) Index

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

PRIVATE EQUITY

Five-year return

Investment results: $46.6 B
Annualized return: 17.3%

The annualized return over the period allowed the portfolio to outperform its index at 12.0%. This resulted in $13.6 billion in value added, the highest of all the portfolios. These results are due in particular to:

- A selection of quality assets in promising sectors, including technology, health and financial services
- Post-investment value creation through the operational support provided to portfolio companies, which becomes even more important in an environment of uncertainty

Direct investments were true performance drivers, benefiting from our global leveraged buyout and venture capital activities and from our efforts to develop Québec-based companies.

Figure 17, on page 56, shows the geographic exposure of the Private Equity portfolio in 2017 and 2022.

PRIVATE EQUITY PORTFOLIO

COMPOSITION
- Direct interests, primarily in private companies, but also in high-performing investment funds
- Companies operating in all sectors of the economy, with a focus on promising and resilient areas, such as technology, health and financial services
- Growth and quality companies with stable and predictable revenues

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

Investment funds added value through good partner selection. It should be remembered that, as part of these activities, CDPQ partners with external managers to offer its depositors diversified exposure to the asset class. This allows us to leverage their cutting-edge expertise and benefit from a co-investment stream that helps maximize the portfolio's risk-return profile. Selected and executed by our teams, these activities enhance the funds' overall contribution to the integrated Private Equity strategy.

2022 return

Investment results: $1.9 B
Return: 2.8%

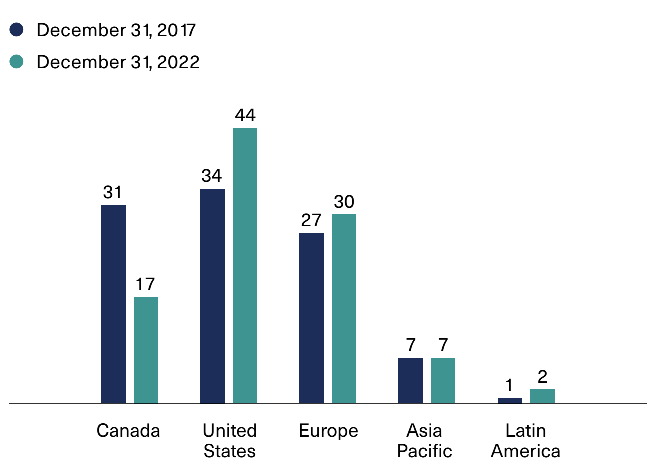
In a difficult environment marked by fewer transactions around the world, the Private Equity portfolio proved resistant. This slowdown was expected, given the bear market environment for public equity indexes and after having produced considerable accumulated returns in 2020 and 2021. In this context, in 2022 the portfolio outperformed the index, which was neutral at 0%. The $1.8 billion in value added was due to:

- Advantageous positioning in the health and insurance sectors
- Earnings growth of several private portfolio companies

Both direct investments and funds contributed to these results, benefiting from the stability of the private market. Major contributors to this performance include international companies such as Howden Group Holdings, Medical Solutions, Sebia and USI, as well as Québec companies like Canam Group, BFL CANADA and Hopper.

FIGURE 17

GEOGRAPHIC EXPOSURE – PRIVATE EQUITY
(as a percentage)



With $80.7 billion in net assets as at December 31, 2022, the Private Equity portfolio has reached maturity. As such, the teams worked to consolidate the portfolio throughout the year, selectively making $5.7 billion in acquisitions and $6.5 billion in materializations. Highlights for 2022 include:

- Howden Group Holdings: Continued support for this U.K.-based global insurance group to support acquisitions in its industry, with a significant interest in two equity raisings—one for £300 million to acquire Aston Lark in 2022 and the other for over US$900 million to acquire TigerRisk in early 2023
- Medical Solutions: Support for this U.S.-based provider of global workforce solutions in the health care industry as part of its acquisition of Host Healthcare

CDPQ was also active with major transactions in Québec in 2022, including:

- Plusgrade: Support for this tech company in the acquisition of the Points platform for US$385 million, creating a new global leader in ancillary revenue for the travel industry
- Pomerleau: A $150-million additional investment to support the pan-Canadian growth plan of one of the country's largest construction companies
- GRYB: Investment alongside the Fonds de solidarité FTQ to accelerate the expansion, through acquisitions, of this leading manufacturer of heavy machinery equipment based in Victoriaville

It should also be noted that our teams have continued to emphasize post-investment management in order to create value through operations.

Other Investments

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

Net assets

$2.0 B

$3.4 B

CONTRIBUTION TO THE TOTAL PORTFOLIO'S VALUE ADDED OVER 5 YEARS

1 portfolio: Asset Allocation

All the figures in this section are detailed in Table 18 (page 59)

CONSOLIDATED ASSET ALLOCATION ACTIVITIES

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

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

Results over five years

Results of consolidated activities: $3.4 B
- **Asset Allocation portfolio: $0.6 B**
- **Allocation to other specialized portfolios: $2.7 B**

Over five years, consolidated asset allocation activities generated substantial results, largely due to the allocation of capital to less liquid specialty portfolios. Active strategies in the Asset Allocation portfolio also made a contribution, primarily through the dynamic strategies, which took advantage of market fluctuations during the period. We should also note the good performance by external managers.

CONSOLIDATED ASSET ALLOCATION ACTIVITIES

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

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

Results in 2022

Results of consolidated activities: $0.9 B
- **Asset Allocation portfolio: $1.3 B**
- **Allocation to other specialized portfolios: -$0.4 B**

For one year, active strategies in the Asset Allocation portfolio generated a very positive return, driven by:

- Dynamic management in various market segments as well as a more defensive directional positioning over the year
- The contribution of external managers at global macro funds whose allocation is based on macroeconomic expectations in various countries

However, allocation activities to other specialized portfolios made a negative contribution to results.

TABLE 18

SPECIALIZED PORTFOLIO RETURNS IN RELATION TO BENCHMARK INDEXES
(for periods ended December 31, 2022)

		5 years			1 year		
Specialized portfolios	Net assets $B	Investment results $M	Return %	Index %	Investment results $M	Return %	Index %
Fixed Income							
Rates	**33.1**	**(2,460)**	**(0.4)**	**(0.4)**	(6,052)	(13.4)	(13.1)
Credit	**84.7**	**(82)**	**1.0**	**(0.7)**	(14,108)	(15.7)	(18.2)
Short Term Investments	**1.6**	**80**	**1.3**	**1.2**	30	2.0	1.8
Subtotal[1]	**119.4**	**(1,847)**	**0.5**	**(0.5)**	(20,130)	(14.9)	(16.4)
Real Assets							
Real Estate	**47.6**	**5,057**	**2.3**	**5.3**	5,228	12.4	9.2
Infrastructure	**54.6**	**15,832**	**9.8**	**7.2**	5,264	11.5	0.8
Subtotal	**102.2**	**20,889**	**5.4**	**6.2**	10,492	12.0	5.2
Equities							
Quality mandate	**31.7**	**15,840**	**8.3**	**7.1**	(2,040)	(5.1)	(8.8)
Growth mandate[2]	**14.7**	**(3,727)**	**N/A**	**N/A**	(5,227)	(26.7)	(24.4)
Value mandate	**16.0**	**1,923**	**4.3**	**8.6**	(1,383)	(5.9)	(3.4)
Canada mandate	**17.5**	**5,119**	**4.9**	**6.9**	(934)	(4.3)	(3.8)
Growth Markets mandate	**19.2**	**1,774**	**1.8**	**0.9**	(4,365)	(18.1)	(14.8)
Equity Markets[3]	**99.2**	**28,887**	**5.3**	**6.0**	(13,989)	(11.3)	(11.4)
Private Equity	**80.7**	**46,579**	**17.3**	**12.0**	1,871	2.8	0.0
Subtotal	**179.9**	**75,466**	**9.5**	**8.3**	(12,118)	(5.7)	(6.9)
Other Investments							
Consolidated Asset Allocation activities[4]	**2.0**	**3,359**	**N/A**	**N/A**	869	N/A	N/A
Total[5]	**401.9**	**91,804**	**5.8**	**4.9**	(24,612)	(5.6)	(8.3)

1. The five-year total includes closed specialized portfolios.
2. Results for the Growth mandate present the results since beginning its activities on July 1, 2021.
3. Includes the activities of the Strategic mandate.
4. The consolidated Asset Allocation activities include the results of the Asset Allocation specialized portfolio of $639 million over five years and of $1.313 billion for one year, as well as allocations to other specialized portfolios representing $2.720 billion over five years and -$444 million for one year.
5. The total includes customized overlay operations, cash activities and terminated activities.

Risk Management

In 2022, CDPQ managed its risks carefully in a demanding market environment.

Highlights

1
The total portfolio's market risk rose to slightly above that of the benchmark portfolio, but remained within set limits.

2
CDPQ showed that it could navigate through crises by proactively managing risks, including liquidity risk.

3
Work was carried out on prospective risk scenarios, in particular, scenarios were built to assess the potential impact of stagflation and the decoupling of the world's two largest economies.

CHANGES IN RISK MEASUREMENT

At CDPQ, risk management is an integral part of all activities and processes. We take this into account in each investment, with the ongoing goal of generating optimal performance for our clients.

In addition to encouraging discussion and debate, CDPQ seeks to promote a sound risk culture throughout the organization. We apply high governance, oversight and monitoring standards, in addition to deploying many initiatives each year to strengthen our practices.

Risk management is based on assessments of many indicators, as well as on the expertise of Risk Management and other teams with expertise in this area. For each transaction or investment strategy, as well as in our long-term portfolio construction, risks are thoroughly analyzed in terms of variables such as:

- The global economic context
- Financial market changes
- The concentrations, including geographic and sectoral, in the total portfolio

Throughout 2022, CDPQ monitored the risks targeted at the beginning of the year, which will continue to be closely watched in 2023.

Economic risks

- Persistent inflation combined with weak growth leading to a recession
- Adjustments to central bank monetary policies and coordination with fiscal policies
- The level of government and corporate debt around the world
- The increasing cost and scarcity of raw materials
- The pandemic's repercussions on business models and lifestyles
- Higher energy prices and the consequences on the energy transition
- The impact of climate change, including failure to meet the adopted targets as well as natural disasters

Geopolitical risks

- The presence of geopolitical tensions around the world (Ukraine, Taiwan and North Korea)
- Worsening U.S.-China relations
- Tensions related to social inequalities around the world and the rise of populist movements
- Instability in Europe

<u>Financial and operational risks</u>

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

Market risk

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

The unusual market environment in 2022 was characterized by inflationary pressures that led to a very sharp increase in rates at the same time as a stock market correction. In this context, absolute risk—estimated from historical data since 2006—mainly rose, independent of the changes in portfolio positioning.

Over five years, part of the increase in risk has also been due to the evolving investment strategy and adjustments made to our clients' investment policies. As shown in Figure 19, during this period:

- The absolute risk of the benchmark portfolio grew from 13.4% to 16.1%
- The absolute risk of the total portfolio rose from 13.2% to 16.8%

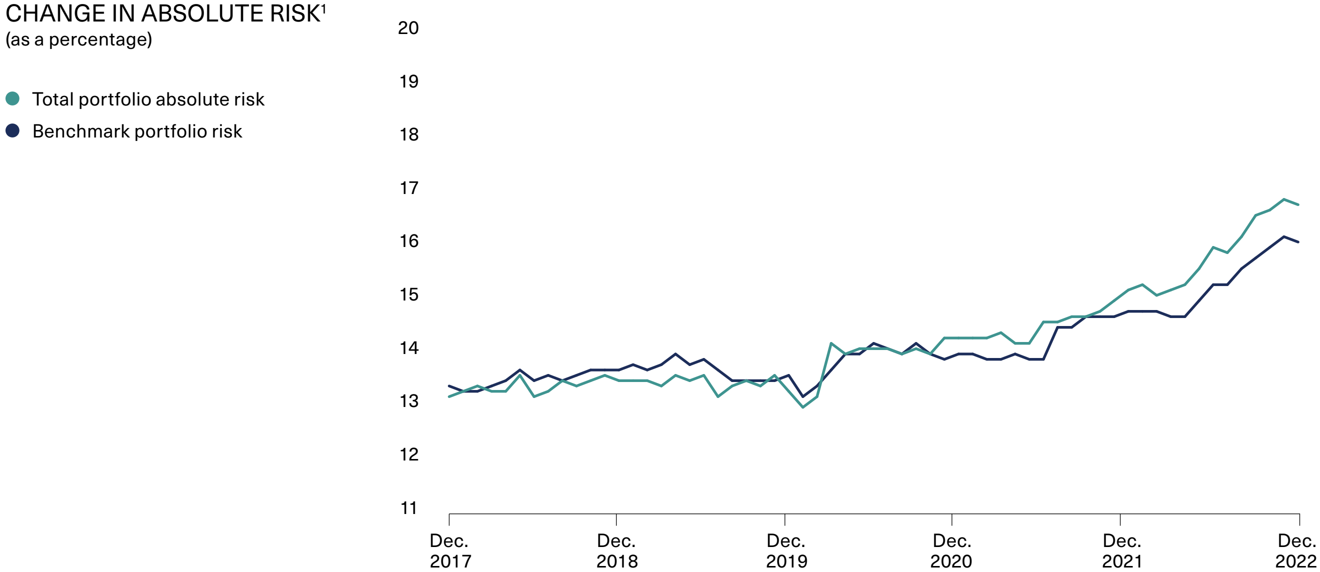
It can be seen that over the last 18 months, the gap between the absolute risks of the two portfolios has gradually widened, with the total portfolio's absolute risk slightly higher than that of the benchmark portfolio. This was mainly due to:

- The higher risk profile of our private equity portfolio compared to its benchmark, combined with a significant increase in weighting due to the very good performance of this asset class in recent years
- Additional risk-taking in credit to take advantage of the higher premiums in 2022

Figure 21, on page 62, illustrates the ratio of the total portfolio's absolute risk compared to that of the benchmark portfolio during the period. The ratio rose from 0.98 at the end of 2017 to 1.04 at the end of 2022. It is important to note that absolute risk remained well within set limits.

FIGURE 19

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



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

Table 20 shows the change in market risk over the past year in the major asset classes. The Fixed Income asset class posted the largest increase due to the rise in rates and strategic decisions to adjust portfolio durations. Market risk in the Real Assets and Equities asset classes also increased notably, while the Other Investments asset class was unchanged.

TABLE 20

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

Asset class	**2022**	2021
Fixed Income	**14.1**	6.9
Real Assets[1]	**16.3**	17.3
Equities	**25.7**	25.1
Other Investments	**0.7**	0.7

1. The risk figures for 2021 were adjusted for the Real Assets class to reflect the changes in the risk calculation methodology for Real Estate assets that occurred in 2022.

Credit risk

Credit risk rose slightly in 2022, in line with midyear changes in the risk profile of the Credit portfolio index. To assess this risk, the teams take into account:

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

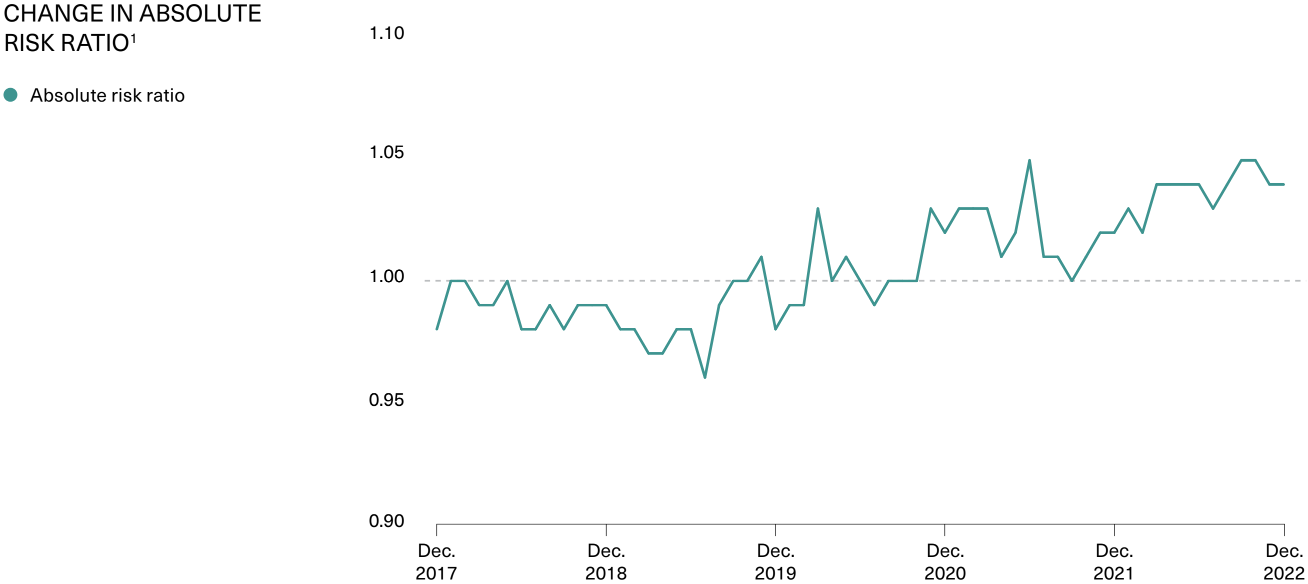
It should be recalled that the committee monitors the ratings closely, including any differences with credit agency ratings, and may review them when necessary.

ABSOLUTE RISK RATIO MEASUREMENT

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

FIGURE 21

CHANGE IN ABSOLUTE RISK RATIO[1]



1. The risk calculation methodology was changed in 2020 and risk figures prior to January 2020 were adjusted to reflect the changes.

Concentration risk

Overall, concentration risk declined slightly in 2022. At the end of the year, CDPQ's 30 largest issuers contributed 22.5% of the market risk, compared to 25.0% in 2021. In addition, the high valuations resulting from good performance in Infrastructure and Private Equity increased the concentration in certain investments.

To manage concentration risk, CDPQ emphasizes geographic and sectoral diversification, which is a key component of our strategy. However, we may take more concentrated positions in certain investments that offer attractive return perspectives.

Counterparty risk

The counterparty risk posed by the use of over-the-counter derivative financial instruments remained stable compared to 2021. CDPQ uses various means to reduce this risk, including:

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

Liquidity risk

In a difficult market environment, CDPQ managed liquid assets conservatively by first increasing our minimum primary liquidity and then maintaining it throughout the year. We also gave ourselves additional latitude in order to maintain a good position for seizing opportunities should market conditions deteriorate.

REVIEW OF OVERSIGHT AND PROCESSES

Governance and risk management are based on the 12 guidelines listed in Note 11 to the Consolidated Financial Statements on page 185. Convinced that sound risk management is based on rigorous frameworks and processes, CDPQ implements initiatives to continuously strengthen them, including several introduced in 2022.

Influence of the Risk Management function on investment

Risk Management seeks to contribute to strategic decisions throughout the investment cycle and in day-to-day operations, while providing governance of risk processes. It exercises influence through:

- An active presence and value-added involvement on various committees, including:
  - Investment-Risk (Co-chair)
  - Strategy and Execution
  - Operational Risk (Chair)
  - Committees related to investment, research and currencies
- A key role in analyzing and preparing the global strategy to fully identify the risks stemming from execution priorities and determine the potential impacts of new initiatives 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 risk for reporting purposes

MINIMUM AMOUNT OF LIQUID ASSETS

CDPQ has various sources of liquid assets, which are:

- 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 amount of liquid assets to:

- Meet our potential commitments
- 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 185.

Review of investment policies

In 2022, CDPQ continued to develop its strategy to be in a strong position in an investment environment that presents many challenges. This led us to revise some of our policies, including in Real Estate, Equity Markets and Private Equity. We began by conducting in-depth risk analyses for this purpose, and then follow-up measures were developed in response to changes in orientation and the required policy frameworks.

Reputation risk assessment process

As an institutional investor, CDPQ is exposed to reputation risk stemming from our investments, independent of their size. During the year, CDPQ strengthened its existing process, notably by emphasizing the role played by the teams that support investment decision-making.

Strategic monitoring scenarios

Given the growing uncertainties in the market environment and increased geopolitical tensions, two prospective risk scenarios were created during the year to:

- Prepare the organization for the risk of a prolonged period of stagflation
- Assess the risk of an accelerated decoupling of the two global economic powers

In addition to assessing the potential impact on the total portfolio should these risks materialize, the teams identified mitigation levers, including through asset selection and post-investment management.

Operational risk mitigation

CDPQ faces operational risks related to both its current activities and the transformations that are carried out to adapt to our business environment. The organization has evolved considerably in recent years, as evidenced by a mature portfolio, a strengthened global presence and an increasingly complex range of professions.

The Operational Risk Committee is charged with identifying the risks to be monitored, prioritizing them and identifying ways to mitigate them. It relies on an evolving map of operational risks that measures their impacts and probabilities.

In 2022, several measures were taken to mitigate this type of risk, including:

- An improved approach and new types of expertise in order to better analyze the risks associated with the business practices in our controlling positions and holding structures
- Strengthened financial security practices and tools to prevent any risk of money laundering, terrorist financing or non-compliance with international sanctions
- Adjustments to certain practices around cash flow management in order to adapt to the industry's ongoing evolution
- Initiatives designed to attract and retain talent, including the implementation of a hybrid work model and programs focused on internal mobility and career development
- Sustained efforts to limit technology risk, particularly in cybersecurity

Technology risk

With the growing number of cyberattacks around the world and the emergence of disruptive technologies, technology risks are on the rise and pose a threat to our organization's operations as well as those of our portfolio companies. To prevent them, CDPQ has implemented various processes, including:

- Analysis of technology risk, including cybersecurity risks and disruptive technologies
- Development of risk reduction plans, sometimes alongside our risk analyses
- Performance of sectoral analyses and periodic reviews of the risks in the total portfolio

Developments in technology risk are closely monitored in order to support the investment teams and play an advisory role for companies, both for prevention and in response to incidents.

For more information, see the Governance section of our Sustainable Investing Report at www.cdpq.com.

CYBERSECURITY

Cybersecurity is a priority for CDPQ. Our approach is based on recognized frameworks and rigorous security measures that are continuously controlled and tested by our teams as well as by independent third parties. Several lines of defence, both internal and external, are in place to ensure their effectiveness.

The cybersecurity improvement program was conducted throughout the year, resulting in:

- Revised cybersecurity standards, combined with reviews of the cybersecurity policy, directive and operational guide
- Monitoring of technological developments to better counter cyberattacks
- Implementation of a sophisticated monitoring model to effectively detect threats and further reduce response times
- Regular communications to raise awareness among our personnel on the right behaviours to adopt, especially to prevent phishing

It should be noted that the management of cybersecurity risks also applies to the service providers that host CDPQ's data. To become authorized providers, several strict requirements that meet CDPQ's security standards must be in place and be proven effective.

IMPROVED RISK MANAGEMENT METHODOLOGIES AND TOOLS

In 2022, CDPQ continued to refine its methodologies and quantitative analysis tools to:

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

Risk measurement and stress testing

In addition to value at risk (VaR), CDPQ measures market risk using stress tests, several of which were performed in 2022. Historical and hypothetical scenarios are analyzed to assess our portfolios' behaviour during favourable and unfavourable market events.

To calculate VaR, improvements have been made to the interest rates adjustment methodology to better reflect the risk of higher rates. The risk modelling of real estate assets was also reviewed to more accurately represent relationships with the main financial risk factors.

Overall risk profile

CDPQ has adopted a new vision in order to provide an overall profile of the levels and trends in various types of risk, including strategic, reputational, financial and operational risks. This profile allows us to:

- Identify and communicate the main current and potential risk issues
- Determine the main actions taken, or to be taken, to manage them appropriately

ESG risk assessment

CDPQ produces analyses to prevent the risks associated with ESG factors, whether in new transactions or for assets already in the portfolio. These analyses are focused on the more material aspects, giving due consideration to the sectors in which portfolio companies operate and the organization's sustainable investing priorities. As part of its operational due diligence process, CDPQ also examines the practices used by our external managers to integrate ESG factors, and how they change over time.

To measure the climate risk, CDPQ calculates the carbon intensity of assets, in addition to assessing various types of physical climate risk over different time horizons. Such risks are considered for each new investment in real assets. The teams also look at climate change transition risks, which are assessed using qualitative and quantitative analyses.

In terms of social factors, particular attention is paid to the portfolio companies' diversity, equity and inclusion practices, as well as their tax planning strategies.

Lastly, CDPQ analyzes the governance of our portfolio companies, including Board composition, the compensation of senior management, ethics and business conduct, disclosure, as well as cybersecurity and technology risk management.

The progress made by CDPQ on sustainable investing priorities and climate targets are presented in our Sustainable Investing Report at www.cdpq.com.

Compliance

CDPQ's compliance activities include a component on monitoring the portfolios' investment policies, as well as those of depositors, and another on the application of the Code of Ethics and Professional Conduct.

Highlights

1
Programs were applied to ensure oversight of depositors' investment policies and CDPQ's specialized portfolio investment policies.

2
Rollout of the organization's ethics and compliance program continued, resulting in internal communications, training sessions and employee advisory services.

3
CDPQ's financial security practices were harmonized through the adoption of new oversight and dissemination of a training video to the colleagues involved.

INVESTMENT POLICIES

CDPQ implements compliance programs to ensure adherence to the limits and restrictions set out in its portfolios' investment policies, as well as in depositors' investment policies. Certificates of compliance attest to adherence to the terms in force.

In 2022, certificates were issued for the periods ended June 30 and December 31. Programs to ensure the compliance of activities in the specialized portfolios, major mandates and management mandates were also maintained.

CODE OF ETHICS AND PROFESSIONAL CONDUCT

The Code of Ethics and Professional Conduct for Officers and Employees sets out CDPQ's expectations regarding ethics, guides our actions and establishes rules for compliance and disclosure. At the beginning of each year, all officers and employees must complete a declaration to renew their commitment to complying with the Code and provide the documents required to confirm information related to their personal portfolios.

Any real, potential or apparent conflict of interest must be declared, as well as any situation where there is a reasonable likelihood of a breach of CDPQ's Code or policies. To carry out personal transactions involving covered securities, employees must use the pre-authorization system provided for this purpose, which is accessible at all times. However, members of CDPQ's Executive Committee and Investment-Risk Committee are not authorized to conduct transactions involving covered securities and must provide for discretionary management of their personal portfolios or undertake not to conduct such transactions. In addition to personal transactions, the Code sets out rules governing gifts, the confidentiality of information and conflicts of interest.

CDPQ ADOPTS THE CFA INSTITUTE ASSET MANAGER CODE

In 2022, CDPQ became the first Canadian pension fund manager to adopt the Asset Manager Code of the CFA Institute, which is a global association of investment professionals. This commitment confirms our determination to implement the governance best practices while helping establish a shared framework for ethical principles.

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

- Three mandatory training sessions for new recruits on the Code, respect in the workplace and preventing corruption
- One training session offered to all employees on the main rules in the Code (personal transactions, gifts, confidentiality of information and conflicts of interest)
- A one-on-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 to remind employees how to handle situations involving ethics and professional conduct
- Deployment of an enhanced and more efficient version of the tool enabling employees to comply with the rules governing personal transactions, accompanied by communications and reviews of the rules disseminated on the intranet

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

HARMONIZATION OF ETHICAL AND COMPLIANCE PRACTICES AT CDPQ AND ITS SUBSIDIARIES

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

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

AUDIT OF COMPLIANCE

The Auditor General of Québec conducted an audit on compliance with the policies and directives of CDPQ and its subsidiaries Ivanhoé Cambridge and Otéra Capital in the context of investment activities, and filed a report in March 2022. CDPQ established an action plan to respond to the recommendations made by the Auditor General of Québec; the plan is now being implemented.

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 2022, CDPQ processed 32 requests for access to documents, including:

- 22 for CDPQ
- 5 for CDPQ and CDPQ Infra
- 5 for CDPQ Infra

All of the requests were handled within the legally prescribed time limit. Of these 32 requests:

- 11 were accepted
- 9 were accepted in part
- 3 were referred to another entity
- 6 were refused
- 3 were withdrawn

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

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

LANGUAGE POLICY

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

In 2022, linguistic capsules and activities promoting the use of French were published on the intranet. Employees were made aware of the changes introduced by the reform of the Charter of the French Language, and several initiatives were implemented to meet the law's requirements. Teams are also encouraged to use the tools and references provided on the website of the Office québécois de la langue française as well as other language tools available to them.

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

VIOLATIONS REPORTING MANAGEMENT

M^{e} Bruno Duguay, Vice-President and Chief Ethics and Compliance Officer, is charged with receiving and analyzing reports of inappropriate situations related to the Code of Ethics and Professional Conduct. Reports can be made by telephone or through the Ethics Line (www.ethique.cdpq.com or 1-866-723-2377).

DISCLOSURE OF WRONGDOINGS

In addition to the mechanisms for reporting breaches of the Code of Ethics, CDPQ has a procedure for disclosing wrongdoings to communicate situations of public interest, in accordance with the Act to facilitate the disclosure of wrongdoings relating to public bodies. No such disclosures were received in 2022.

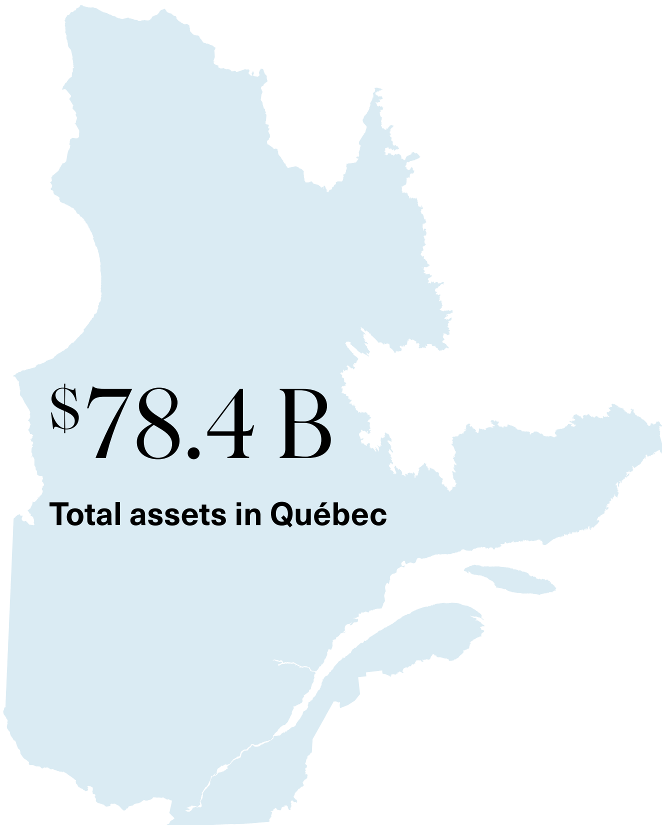
The following table lists disclosures of wrongdoings sent to CDPQ in 2022 under this law.

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

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

CDPQ
in Québec

Québec, at the heart of our dual mandate



$78.4 B

Total assets in Québec

We invest our constructive capital while staying focused on our unique mission: Generate optimal returns for our depositors while contributing to Québec's economic development.

$4.0 B

NEW INVESTMENTS AND COMMITMENTS IN 2022

A unique global footprint that allows us to support our companies and stimulate Québec’s economy

1st
IN THE WORLD

We are the global institutional investor that is most present in its local economy

$100 B
IN QUÉBEC ASSETS

Our ambition for 2026

Taking the lead

This means mobilizing CDPQ's full strength and putting our resources to work for Québec's companies and economy to go further together.

Our three priorities

Sustainable growth

We propel companies' growth ambitions and support the next generation while promoting a greener economy, consideration of ESG factors, and the development of sustainable buildings and infrastructures

Global reach

We help create Québec champions in North America and around the world to generate benefits for Québec

Technological change

We back the growth of innovative businesses and accelerate the digital transformation of companies in more traditional industries

It also means supporting businesses by leveraging our strengths, in addition to investments.

Our value proposition

Capital

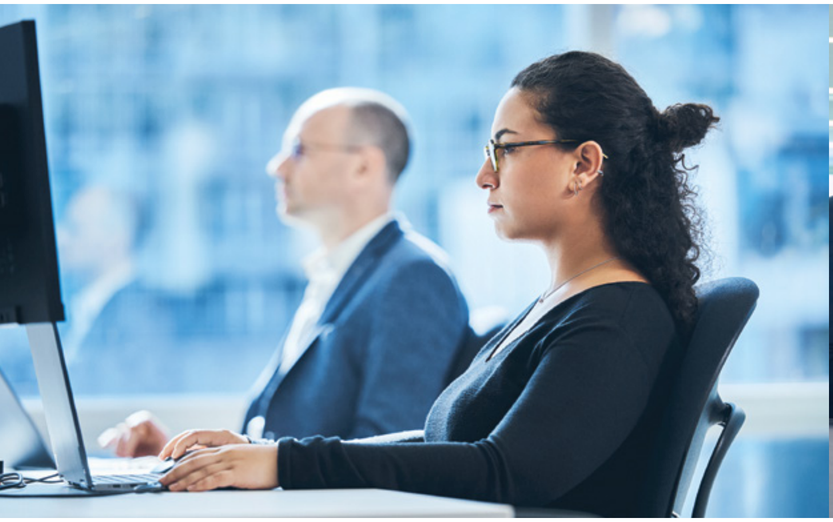
We offer flexible financing solutions tailored to companies' needs and realities

Diversified expertise

We can count on teams that specialize in investment and cutting edge fields such as sustainable investing, digital technology and cybersecurity

Capacity to forge relationships

We facilitate connections and networking to generate value for companies thanks to our in-depth knowledge of the Québec market and vast international network



Sustainable growth

We participate in investments and initiatives that foster sustainable growth for Québec's companies and economy. In particular, we target opportunities in renewable energy, infrastructure and real estate.

2022 transactions

Lion Electric

Bespoke financing of $30 million for this Québec manufacturer of all-electric medium- and heavy-duty urban vehicles to pursue its growth strategy.

Bouthillette Parizeau

As part of the Ambition ME initiative, a minority stake to support this building engineering firm that focuses on green and sustainable solutions in its Canadian development plan.

Pomerleau

An additional $150-million investment to support the growth plan of this construction leader. This transaction played a significant role in Pomerleau's acquisition of ITC Construction Group, a Vancouver-based leader in residential construction.


15%

AVERAGE ANNUAL REVENUE GROWTH FOR QUÉBEC PORTFOLIO COMPANIES OVER THE LAST FIVE YEARS

$12 B

TOTAL INVESTMENTS IN LOW-CARBON ASSETS IN QUÉBEC

Énergir

We have been supporting this Québec leader's growth for nearly 20 years, beginning in 2004, with an initial investment to support its mission to produce and distribute electricity.

Emmanuel Jaclot, Executive Vice-President and Head of Infrastructure at CDPQ, states: "With over $9 billion in assets and 540,000 homes served in North America, Énergir has something to be proud of: half of its assets are now related to electricity, renewable energy and energy services. The company is Québec's leading supplier of natural gas, and the largest electricity distributor across the border in Vermont."

The new investment will support the ongoing diversification and decarbonization of Énergir's activities while helping develop innovative energy projects in Québec, such as producing renewable natural gas through biomethanization.

Énergir: Now 100% Québec-owned

Following the additional investment in 2021 which consolidated our role as majority investor, we again expanded our stake in the company in 2022. This latest transaction made the company 100% Québec-owned.

CDPQ Infra: Innovative transportation solutions that benefit communities

CDPQ Infra develops infrastructure projects that are focused on people's needs and rooted in communities. The subsidiary is preparing the commissioning of the first branch of the Réseau express métropolitain (REM), which represents the flagship of CDPQ's contribution to developing sustainable mobility in Québec.

CDPQ Infra's model is unique: as an investor and builder, CDPQ's infrastructure subsidiary has the financial capacity and technical expertise to build transportation projects end to end, from planning to operations, including consultations with stakeholders, financing and construction.

A STRUCTURING TRANSPORTATION NETWORK FOR GREATER MONTRÉAL

The REM is an automated, electric light rail system with 26 universally accessible stations spanning over 67 km in metropolitan Montréal, with connections to the existing transportation networks. It is one of the world's biggest automated networks and is Québec's largest public transit project in 50 years.

Since construction began in 2018, the project has maintained a rapid pace, with nearly 4,000 people working every day on some thirty construction sites to build civil and other structures, as well as install tracks and systems.

Sustained progress in an unprecedented environment

Work on the future network continued to advance in an unprecedented environment. Like all sectors that were affected by the pandemic, the war in Ukraine and inflation, CDPQ Infra had to address an array of challenges arising from supply chains, the price of goods and materials, and a shortage of labour.

2022 HIGHLIGHTS

Final stretch before commissioning the South Shore branch

With a view to inaugurating this 17-km branch in spring 2023, CDPQ Infra continued with trials and dynamic testing to make sure systems were reliable regardless of the weather.

Several important phases were completed, including:

- Completion of construction on five stations and the Brossard control and maintenance centre
- Installation of tracks and control and signalling systems
- Circulation of REM cars between the Brossard station and Central Station, crossing over the Samuel-De Champlain Bridge

Travel between Montréal and the South Shore will be greatly improved: it will only take 16 minutes to get from Brossard to Central Station, with service 20 hours a day, 7 days a week, with the added bonus of panoramic views of the St. Lawrence River and downtown.

The REM's tangible benefits

Transportation

Ease of travel, new connections and service areas, increased use of public transit and decrease in the social cost of motor vehicle use

Environment

GHG reduction, decrease in the number of motor vehicles on roads, and less noise, air and visual pollution

Economy

Thousands of jobs created, support for the development of electric transportation, and catalyst for economic and real estate development, with billions of dollars already invested

From plan to reality

"We are now at the final phase and we are completing the last tests needed before commissioning a reliable, high-quality network. The project has taken shape very rapidly since work began on the REM in 2018, despite a pandemic of over two years. This is a major accomplishment, and a source of great pride."

Jean-Marc Arbaud
President and Chief Executive Officer, CDPQ Infra

Ivanhoé Cambridge: Globally invested, locally committed

Ivanhoé Cambridge develops, acquires, and manages first-class real estate projects and companies to shape dynamic cities in Québec and around the world. Its driving force: to create vibrant spaces that focus on human well-being and respect for the environment.

To fulfill its mandate, CDPQ's real estate subsidiary works with strategic partners and real estate funds around the world. It also draws on sustainable solutions to reduce its carbon footprint and have a positive impact on communities.

2022 HIGHLIGHTS

The subsidiary finalized several projects that contribute to Québec's economic vitality, including:

- Creation of a strategic partnership with Douville, Moffet & Associés (DMA) to revitalize the Laurier Québec commercial property and acquire a stake for DMA in three key assets—Laurier Québec, Édifice Champlain and Tour Frontenac
- Unveiling of the Ring, a 30-metre art installation by CCxA, at the entrance to the Esplanade PVM. A symbol of the union between Montréal and its citizens and visitors, the Ring received the Alliance pour le centre-ville 2022 prize awarded by SDC Montréal centre-ville
- Launch of the *Nouveau Centre*, an unparalleled offering of unique experiences at its flagship properties, PVM (Place Ville Marie), Fairmount The Queen Elizabeth Hotel, the Montreal Eaton Centre and Place Montréal Trust. A series of musical, cultural, circus and gourmet events ran from June to September

Haleco

In 2022, Ivanhoé Cambridge and its partners invested close to $200 million in this mixed-use project that will transform a site in the area between Old Montréal and Griffintown.

"This is only the beginning," stated Élise Proulx, Head of Québec Economic Development at Ivanhoé Cambridge. "The fully electric building will be energy lean thanks to its thermal efficiency and 100% electric power supply. The project will favour urban regeneration and biodiversity preservation: nearly 60% of the land will be revegetated and accessible to the public, and will include fruit trees and native plants," she added.

Haleco also plans to encourage citizen participation by offering education programs on saving water and energy, responsible consumption, and durable mobility.

A NEW MANAGEMENT STRUCTURE TO ACHIEVE AMBITIOUS GOALS

Determined to demonstrate strong leadership, in 2022, Ivanhoé Cambridge created five regional hubs, one of which is dedicated to Québec's economic development. The goal is to optimize its flexibility and foster synergies to make its assets, performance and the industry sustainable in an environment characterized by challenges.

Specifically, the Québec Economic Development hub aims to:

- Generate investment opportunities and structure real estate projects that meet local needs
- Maximize the benefits from the Real Estate portfolio in the market we know best
- Foster collaborations with various stakeholders on the ground

All in an effort to benefit Québec's economy and communities.

Haleco, a carbon-lean community to transform the city

Winner of C40's international Reinventing Cities competition, the 31,442 m^2 (338,439 sq. ft.) project will have 40 community housing units and 327 residential units, as well as offices, a public market, and an urban agriculture component.

Otéra Capital: Local expertise to transform urban centres

A Québec-based world-class investor, Otéra Capital develops innovative commercial real estate financin solutions. Its goal: to create long-term value for its clients and partners.

With more than 50 years of industry experience, CDPQ's real estate debt subsidiary has distinctive advantages: multi-sector expertise, deployment flexibility and a turnkey service offering. It develops bespoke financing solutions for its clients, including term, construction, bridge and land loans, mostly senior, on multiresidential, office, industrial and commercial buildings.

2022 HIGHLIGHTS

In the context of a slowing economy, Otéra Capital took a cautious approach while seizing attractive opportunities. As a result, it had a dynamic year, underwriting $850 million in loans in Québec. MCAP, its subsidiary and one of Canada's leading independent mortgage financing firms, awarded over 5,300 loans in Québec totalling $2.2 billion.

Odea Montréal

In 2022, Otéra Capital granted a loan of $110 million to build this complex with 435 residential units and commercial and office spaces. A joint project of CREECO, the parent company of Eeyou Eenou Realty Properties, and Cogir Real Estate, it is located at the gateway to Old Montréal on a site that has belonged to the James Bay Cree since 1995.

The project, which won the 2022 Grand Prix Habitat Design, has set carbon reduction targets and includes water and energy-saving measures. Rana Ghorayeb, President and Chief Executive Officer, Otéra Capital, explained: "This environmentally responsible and highly symbolic ecosystem will generate social, economic and cultural benefits for the Cree Nation, Montréal, and Québec as a whole."

Odea Montréal, an homage to Cree culture in the heart of the city

Born of a collaboration between Lemay, a Québec firm, and Indigenous architect Douglas Cardinal, the project, which is "emblematic of a nation, a place and its history," incorporates symbols of Cree culture, including a canoe, into its design.

St Ann Appartements project

A $55-million term loan to refinance this new, 206-unit building in Montréal's Griffintown neighbourhood. Located close to many services, the project encourages a lifestyle focused on sustainable mobility.

Gatsby project

A $72-million loan to build an 18-floor, 152-unit residential building in downtown Montréal. Designed by world-renowned architects, the building stands out for its neo-retro and modern accents.

A LONG-TERM INSTITUTIONAL INVESTOR OUTLOOK

In 2022, Otéra Capital refined its investment strategy around several key themes, including:

- Adopting a vision focused on value added and asset management
- Deploying a more active strategy in Québec
- Exporting its expertise to the United States to seize diverse opportunities and optimize its risk management

DIVERSITY AND INCLUSION FIRST

During the year, Otéra Capital pursued its efforts to foster an inclusive work environment:

- One of every four people comes from an ethnocultural minority at every level, including the Executive Committee
- Women account for nearly half of employees at every level of the organization, in addition to representing 86% of the Executive Committee and 56% of the Board of Directors

Global reach

We help local companies expand across North America and around the world to generate economic benefits for Québec. Leveraging our extensive network and wide-ranging expertise, we support them in penetrating new markets.

2022 transactions

Plusgrade

An additional investment was made as part of US$385 million in financing for the acquisition of Points, the world's leading customer loyalty platform.

This transaction will help to create a new global ancillary revenue leader that will generate revenues for over 140 stakeholders in the tourism and financial services sectors in 60 countries.

WSP

CDPQ took part in a $400-million financing round supporting the expansion of this engineering firm, in particular via the acquisition of John Wood Group's Environment and Infrastructure division.

This investment will enable WSP to enhance its leadership position and seize opportunities in the environment and water sectors.

Cozey

Under the Ambition ME initiative, we participated in a $15-million financing round in Cozey, a fully online modular sofa designer and retailer.

This financing will support the Montréal-based company in its growth plan and its development across Canada and the United States, while also enabling it to expand its product line.

Nearly 350

NUMBER OF ACQUISITIONS OUTSIDE QUÉBEC CARRIED OUT BY OUR PORTFOLIO COMPANIES IN 5 YEARS

Nearly 40

CONNECTION AND NETWORKING OPPORTUNITIES CREATED IN 2022 TO GLOBALIZE OUR QUÉBEC COMPANIES

Innocap

CDPQ is a longstanding shareholder of this Montréal-based company that is transforming the financial sector. Our first investment, back in 2017, helped the company accelerate its growth plan and identify promising business opportunities.

In 2022, we reinvested in the company in support of its acquisition of U.S.-based HedgeMark, owned by BNY Mellon.

Kim Thomassin, Executive Vice-President and Head of Québec at CDPQ, explains how this transaction, which was completed as part of the Ambition ME offering, gave the company a major boost: "This transformational acquisition enabled Innocap to create the world's largest alternative investment platform and to position itself as a global leader in this sector, with a talented workforce of over 300 people in seven offices in five countries."

Innocap, new global alternative investment leader

This new US$50-billion global platform will give institutional investors access to their alternative investments via managed account services.

The platform will include well-designed monitoring tools and tailored investment solutions focused on transparency and fee optimization.

Technological change

We are seeking to capitalize on the rise in technology. In addition to supporting funds dedicated to the development of innovative companies, we invest in promising tech firms and support those in more traditional sectors through their digital transformation. In addition, Espace CDPQ is home to venture capital investors contributing to the growth of innovative companies.

2022 transactions

Talent.com

CDPQ took part in a US$120-million financing round to support this job search leader with platform development and talent acquisition, as well as the design of new products and solutions geared toward SMEs.

Since our initial investment in 2019, the company has tripled in size. Now one of the main job search websites in the world, Talent.com employs 400 people and lists over 30 million job postings from nearly one million employers in 78 countries and 29 languages.

Fonds québécois d'amorçage Teralys

A $40-million additional investment was made in this Québec-based fund of funds launched in 2019 by CDPQ and managed by Teralys Capital, a Montréal-based private fund manager specializing in information technology and life sciences, as well as green and industrial innovations.

Since our initial $50-million investment, the Fonds has accelerated the growth of a large number of innovative start-up companies. This second investment saw CDPQ increase its support for local start-ups to $90 million.

Nearly $12 B

ASSETS IN QUÉBEC RELATED TO TECHNOLOGY SECTORS AND THE NEW ECONOMY

Over 300

PROMISING QUÉBEC-BASED COMPANIES SUPPORTED BY THE FUNDS AT ESPACE CDPQ

Inovia Capital

Since 2007, CDPQ has supported this venture capital firm dedicated to taking innovative companies to new heights. Over the years and via seven funds, this productive relationship has led to investments in companies in an array of sectors, including financial services, health care, e-commerce, workplace productivity, mobility and logistics, insurance and travel.

Mario Therrien, Head of Investment Funds and External Management at CDPQ, highlights: “Inovia Capital was one of the first investors to join Espace CDPQ, a strategic choice that has fostered discussions with promising young companies. The firm has become an essential co-investment partner for our teams. This collaboration has yielded remarkable results by helping to create the tech leaders of the future, such as Lightspeed, Hopper and AlayaCare. This is a prime example of our ability to generate value together in Québec.”

Inovia Capital, builder of technology champions

Launched in 2022, the firm’s fifth early-stage fund received strong support from new and existing investors. The fund will support tech companies aiming to become leaders in their fields while helping to energize Québec’s technology ecosystem.

Espace CDPQ: The largest venture capital community in Québec and Canada

Serving as a hub for venture capital investors, Espace CDPQ has set itself a clear mission: to facilitate access to investment capital for innovative high-potential companies in Québec.

Espace CDPQ includes 18 resident and visiting partners comprised of private venture capital companies operating in promising sectors of the new economy, together with CDPQ's venture capital and technology team.

In 2022, Espace CDPQ completed its shift toward the venture capital industry while expanding its offering and energizing its community. Fully integrated within CDPQ's network, Espace CDPQ has capitalized on this advantage to carry out value-added initiatives that have benefited its partners, along with numerous companies. In the coming years, the community aims to:

- Strengthen the capacity of Québec's venture capital industry by bringing together key players
- Foster collaboration with local and international investment firms
- Facilitate access to investment capital within the Québec economy by stimulating discussions between investors and innovative companies

2022 HIGHLIGHTS

Contribution to Québec's economic development

Québec is Canada's second-largest venture capital market. With $12 billion in capital under management, Espace CDPQ partner firms support many promising companies. In 2022, they:

- Completed 105 investments and reinvestments in Québec, for a total of $211 million
- Took part in 4 of the top 10 transactions of the year in Québec—Paper, Talent.com, Vention and Inversago Pharma—according to Réseau Capital data
- Participated in 16 co-investments, including 11 targeting Québec-based companies

Since 2020, the partner firms have carried out 366 investments and reinvestments in Québec, according to Réseau Capital data. In addition, they participated in 54 co-investments, including some 30 in Québec.

A strengthened community

Six venture capital funds selected based on specific criteria joined Espace CDPQ in 2022: Accelia Capital, Amplify Capital, BKR Capital, Ecofuel Fund, Framework Venture Partners and Sofinnova Investments. Four of them invest exclusively in clean technology with a social or environmental focus.

BKR Capital

In 2022, CDPQ, via the Fonds québécois d'amorçage Teralys, took part in an investment totalling $4.5 million in this brand-new Canadian venture capital fund dedicated to companies within the Black community.

Nicolas Rubbo, Managing Director of Espace CDPQ, explains: "We are delighted to welcome BKR Capital to Espace CDPQ. We strongly believe that this collaboration will foster synergies, discussions and the emergence of business opportunities for high-potential tech companies. We are proud to support the growth of BKR, whose mission dovetails perfectly with our own, and to keep building a more inclusive ecosystem."

Strategic partnerships and initiatives

Espace CDPQ continued to work closely with the Mouvement des accélérateurs d'innovation du Québec (MAIN), which develops initiatives in support of entrepreneurs and business accelerators across Québec.

Together with Réseau Capital and the Canadian Venture Capital & Private Equity Association, Espace CDPQ also hosted a networking activity attended by over 120 members of the venture capital and investment community and organized an internship fair in association with Front Row Ventures, at which 25 young talents met with eight partner firms.

BKR Capital, diversifying the venture capital sector

Launched in 2021, the fund aims to invest in pre-seed and seed-stage Canadian technology companies.

BKR Capital will serve as a catalyst for entrepreneurial initiatives within Black communities, including in Québec.

Propelling SMEs, fostering entrepreneurship and inspiring the next generation

We are committed to contributing to the dynamism of entrepreneurship and the next generation. That is why we offer companies and partners practical tools, in addition to programs and initiatives tailored to their needs. We support the advancement of individuals from a variety of backgrounds and the ongoing success of companies that have pledged to foster diversity, equity and inclusion.

SUPPORTING SME GROWTH

CDPQ has developed a series of initiatives focused on key issues and tailored to the needs of SMEs—the mainstay of Québec's economy.

Les Cheffes de file, supporting the success of women-owned companies

Since 2018, this community of practice has worked to accelerate the growth of women-owned companies with annual revenues ranging from $5 million to $50 million.

In 2022, 109 women members and allies from 13 Québec regions took part in 11 co-development, networking and training activities.

Luminaire Authentik, a made-in-Québec success story

Maude Rondeau, Founder and President of Luminaire Authentik, displayed boldness and creativity when she launched her range of multi-purpose customizable lamps, exclusively manufactured in Cowansville, Québec.

"When it comes to offering products that are customized and accessible, our secret is to do everything ourselves. All our raw materials are sourced in Québec. This is a source of pride that offers major value for our staff, our customers and the environment," says this Cheffes de file member who aims to provide her clientele with an outstanding experience.

A bold and innovative story

Boasting over 3,000 customization options and adhering to a minimalist and colourful design, Luminaire Authentik enjoys a high profile in Québec. In time, the company hopes to target the western Canadian and U.S. markets.

This is another inspirational success story in which the Cheffes de file community and Québec's entrepreneurial ecosystem gain in stature and standing.

Ambition ME, providing Québec mid-market companies with the means to achieve their ambitions

This financing and support offering aims to propel mid-market companies into the next stage of their growth, through a $5-million to $75-million investment and the development of a value creation plan.

In 2022, seven high-potential companies from various sectors received this support.

Repères numériques, benefiting from technological change

This customized training program seeks to encourage the adoption of a digital culture within Québec SMEs with annual revenues of between $5 million and $35 million. Since the program was launched in 2021, 50 companies from 13 regions have participated.

In 2022, 19 events were organized for the participating companies, including workshops, training and exclusive conferences.

INVIGORATING THE ENTREPRENEURIAL ECOSYSTEM

CDPQ is actively involved in promising partnerships aimed at raising the profile of people from a wide range of backgrounds, training the next generation and developing the potential of individuals who decide to go into business. We are convinced that supporting entrepreneurship helps to build a stronger economy that is more prosperous and inclusive.

Showcasing local companies

CDPQ helps to showcase Québec companies and the new generation of entrepreneurs by supporting two flagship initiatives:

- Women's business rankings: the third of its kind by *Premières en affaires* magazine set off a wave of excitement among women entrepreneurs and industry stakeholders. Another 2022 highlight: over half of the 110 women in the magazine's ranking are new-generation entrepreneurs
- Devenir entrepreneur: this community of interests now includes some 45,000 people and boasts 300 inspirational entrepreneur profiles, including interviews, articles and podcasts that underscore the members' diversity

Supporting promising start-ups

In Québec City, Université Laval's Académie entrepreneuriale ULaval-CDPQ pursued its mission in 2022 by welcoming a sixth cohort of talented young people involved in entrepreneurial projects with innovative business models.

The program seeks to facilitate the start-up and success of high-growth-potential companies by providing tools, personalized guidance and skill development opportunities. Since the training program was created in 2017, 60 entrepreneurs have benefited.

Evol, facilitating the financing of change

This organization supports diversified and inclusive companies generating positive social or environmental impacts in 17 Québec regions. Evol provides them with financing in the form of commercial loans, as well as personalized coaching, including an array of entrepreneurial skills, training and exclusive activities.

In 2022, CDPQ supported the organization via co-development groups designed to encourage the sharing of experiences, resources and best practices.

Taking the pulse of entrepreneurship

We support the Indice entrepreneurial québécois with a view to helping expand knowledge of our ecosystem. Since 2009, the Indice has issued an annual report that gauges entrepreneurial dynamics in various regions of Québec.

In 2022, it issued a detailed portrait of local business leaders, placing special emphasis on the growing role of women and immigrants in this ecosystem, in a reflection of Québec society.

Promoting research and the development of a pool of local expertise

We support the work of several Québec universities to help develop specialists in key fields. We are determined to train a qualified next generation and provide an enriching work experience to many talented young people through our internship programs.

SUSTAINABLE GROWTH INITIATIVE (SGI)

CDPQ partnered with McGill University in 2022 to launch this ideas laboratory with the goal of promoting the growth of companies concerned about their environmental and social impacts by targeting actionable solutions adapted to their realities. The SGI will build bridges between the academic and business communities through research-to-action projects, engagement workshops, international competitions and training.

NEW TECHNOLOGIES

We continued our support for a research program and took part in the creation of a new university research chair.

The Desjardins research chair in responsible finance at Université de Sherbrooke uses artificial intelligence and data mining to evaluate extra-financial risks, improve the performance of forecasting models and prevent environmental, social and governance risks.

Launched in 2022, the Chaire institutionnelle en développement de nouvelles technologies de communication et d'automatisation pour les mines intelligentes at Université du Québec en Abitibi-Témiscamingue (UQAT) seeks to optimize mining processes by promoting innovative solutions, including new safety and profitability standards.

ETHICS AND COMPLIANCE CERTIFICATION

CDPQ continued a partnership with the École des dirigeants at HEC Montréal to provide this certification, which has been offered to company executives and managers in Montréal and Québec City since 2019.

In 2022, the CEC designation was created for individuals who have successfully completed the training. This guarantee of quality and know-how, combined with their professional designation, ensures their ability to manage, intervene and prevent ethical and compliance issues.

Internships

Every year, CDPQ welcomes many interns in finance and other key areas. In 2022, we hired 195 talented young professionals, 43% of whom were women, for periods of four to eight months.

A LARGE NETWORK OF SUPPLIERS ACROSS QUÉBEC

To carry out our activities, CDPQ and our subsidiaries use the services of approximately 1,600 Québec-based suppliers. In 2022, expenditures in Québec by CDPQ and our subsidiaries, including CDPQ Infra, totalled more than $2.6 billion, up slightly from 2021. Pursuant to our Policy on Contracts for the Acquisition or Leasing of Goods and Services, CDPQ favours Québec suppliers, provided they satisfy our cost and quality criteria.

Because every gesture counts

In these uncertain times, when economic and social issues abound, it is more important than ever to support communities. In 2022, CDPQ supported numerous organizations, particularly those working in health and culture.

One highlight: with generous employee contributions to the Centraide of Greater Montréal campaign, CDPQ donated a record amount of $1,111,470 to the organization. In addition, 141 employees sit on the Boards and committees of non-profits, and many take part in key fundraising events.

Investments in Québec

Overview by investment activity

CDPQ's total assets in Québec stood at $78.4 billion as at December 31, 2022, up from the end of 2021. Despite growing economic uncertainty, which has significantly reduced transaction volumes around the world, CDPQ was active in Québec throughout the year, with $4.0 billion in new investments and commitments.

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

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

As illustrated in the preceding pages, our teams have deployed constructive capital to achieve impactful transactions in each of these investment areas, based on the three pillars of our approach in Québec. This section presents an overview of these activities at the end of fiscal 2022.

Table 22 presents CDPQ's 20 largest investments in Québec in the Private Equity, Equity Markets and Infrastructure portfolios. Table 23, on page 93, details the assets related to these activities, in small- and medium-sized companies as well as in large Québec companies.

TABLE 22

TOP 20 INVESTMENTS IN QUÉBEC – PRIVATE EQUITY, EQUITY MARKETS AND INFRASTRUCTURE
(as at December 31, 2022)

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

EQUITIES: PRIVATE EQUITY AND EQUITY MARKETS

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

- Private Equity, which includes both direct investments in private and publicly traded companies for initial public offerings or major transactions, investments in small cap companies and activities in investment funds
- Equity Markets, which has a high proportion of Québec's listed companies—81% of total assets in the Canada mandate, compared to 16% in the S&P/TSX, the most commonly cited Canadian index—reflecting the organization's key role in the development of Québec-based companies

Through its activities in the Québec equity market, CDPQ supports both SMEs and large companies. As shown in Table 23, its assets in Private Equity and Equity Markets in Québec totalled $29.6 billion as at December 31, 2022.

INFRASTRUCTURE

In 2022, CDPQ's Infrastructure assets in Québec totalled $6.7 billion (see Table 23). These investments consist of direct investments in listed and unlisted companies, as well as the investment in its subsidiary, CDPQ Infra.

INVESTMENT FUNDS

In recent years, CDPQ has increased its stake in venture and development capital and leveraged buyouts. In 2022, we made commitments to various funds, including the following:

- Inovia V, which supports technology companies that aspire to become leaders in their field
- Amplitude Ventures, which focuses on innovative companies in the life sciences sector
- Fonds québécois d'amorçage Teralys, which supports the creation of companies at the start-up stage

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

TABLE 23

ASSETS IN QUÉBEC – PRIVATE EQUITY, EQUITY MARKETS AND INFRASTRUCTURE
(as at December 31 – in billions of dollars)

	2022	2021
Small- and medium-sized businesses		
Private Equity	**3.3**	3.3
Subtotal	**3.3**	3.3
Large businesses		
Private Equity	**10.0**	11.1
Equity Markets	**16.3**	16.0
Infrastructure	**6.7**	5.7
Subtotal	**33.0**	32.8
Total	**36.3**	36.1

Investments in Québec (continued)

REAL ESTATE

A global real estate leader, Ivanhoé Cambridge develops, acquires and manages in first-class real estate properties, projects and companies around the world. It is one of the largest property owners and managers in Québec, with a portfolio of 80 properties at the end of 2022, including:

- 61 bgistics buildings
- 6 residential buildings (approximately 750 units)
- 6 office buildings
- 4 shopping centres
- 3 prestigious hotels

In total, its logistics properties, shopping centres and office buildings in Québec represent more than 1.2 million m^2 (12.7 million sq. ft.). Table 24 details the top 10 investments in the Real Estate portfolio in Québec.

Table 25 presents the real estate assets in Québec, which amounted to $5.0 billion as at December 31, 2022.

TABLE 24

TOP TEN PROPERTIES IN QUÉBEC – REAL ESTATE PORTFOLIO
(as at December 31, 2022)

- Appartements La Suite Ste-Foy, Québec City
- Édifice Jacques-Parizeau, Montréal
- Fairmont Le Château Frontenac, Québec City
- Fairmont The Queen Elizabeth, Montréal
- Galeries d'Anjou, Montréal
- Le 1500, Montréal
- Montreal Eaton Centre, Montréal
- Place Montréal Trust, Montréal
- Place Ste-Foy, Québec City
- Place Ville Marie (PVM), Montréal

REAL ESTATE DEBT

Otéra Capital, a world-class investor established in Québec, develops innovative solutions in commercial real estate financing.

Table 26 details real estate debt assets in Québec, which represented $4.6 billion as at December 31, 2022. These activities, linked to our fixed income activities, included:

- 178 commercial properties in 10 regions
- 12 new loans

TABLE 25

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

	2022	2021
Offices	**1,774**	1,889
Retail	**1,098**	1,425
Logistics	**667**	522
Residential	**153**	98
Funds, equities and financing	**704**	226
Hotels and other	**558**	456
Total	**4,954**	4,616

TABLE 26

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

	2022	2021
Offices	**1,380**	1,800
Retail	**697**	857
Logistics and industrial	**597**	699
Multiresidential	**1,119**	710
Other	**792**	795
Total	**4,585**	4,861

FINANCING AND FIXED INCOME

Since its inception, CDPQ has played an essential role in financing in Québec, in both the private and public sectors.

As at December 31, 2022, assets in Québec private and public-sector fixed income securities totalled $32.5 billion (see Table 27).

Private sector

A significant share of financing activities is conducted in the private sector, reaching $16.3 billion in 2022. This investment in private companies, which are major growth drivers, allows us to generate returns for our depositors and contribute to the vitality of the Québec economy.

CDPQ has supported many private and publicly traded Québec companies. The Fixed Income and Private Equity teams work closely together to develop financing packages tailored to the projects and needs of companies. This teamwork resulted in a financing component being included in certain share capital investments.

Public sector

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

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

In 2022, CDPQ's assets in the public sector totalled $16.2 billion.

TABLE 27

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

	2022	2021
Private sector: corporate securities	**16.3**	14.7
Québec public sector		
Government of Québec	**10.7**	11.8
Hydro-Québec	**4.8**	5.2
Other government corporations	**0.6**	0.7
Municipalities and para-governmental corporations	**0.1**	0.1
Subtotal	**16.2**	17.8
Total	**32.5**	32.5

Governance

Governance

SOLID GOVERNANCE

At CDPQ, we firmly believe that our actions must be guided by sound governance. As a global investment group rooted in Québec, our goal is to apply best practices across all our activities, wherever we do business, in keeping with our core principles of integrity and responsibility. We are always mindful of the fact that we work on behalf of our clients, the depositors, and that they represent millions of Quebecers.

Our governance commitment is also evident in the requirements governing our portfolio companies, as the adoption of best practices is a regular topic of discussion with them.

In addition, we have a robust legal framework in place, forming the basis of our independence and our solid governance structures. We rely on this framework to optimize our performance and risk management.

SEPARATE DECISION-MAKING BODIES

CDPQ is governed by three decision-making bodies: the Board of Directors, the Executive Committee and the management teams of our subsidiaries. These bodies are made up of experienced, international-calibre managers. We expect them all to act with professionalism, accountability and rigour to implement strategies and action plans so we can carry out our mission, namely, to generate optimal returns for our depositors, in accordance with their investment policies, while contributing to Québec's economic development.

Board of Directors

Executive Committee

Subsidiaries' management teams

Composition of the Board of Directors

The Board must comprise 9 to 15 members. At least two thirds of them, including the Chairman, must qualify as independent members under the Act respecting CDPQ. The Chairman is appointed for a mandate not to exceed five years, while Board members are appointed for terms of no more than four years. These mandates may be renewed twice. Board members continue to serve until they are replaced or reappointed.

As at December 31, 2022, 10 of the 13, or nearly 77%, of the Board members were independent.

Jean St-Gelais

Chairman
CDPQ

Independent member

Committees: Governance and Ethics, Human Resources

Chairman of the Board since October 25, 2021

Current mandate expires on: October 24, 2026

Other Boards of Directors: Beneva Group and its insurance subsidiaries, La Capitale Foundation

Jean-François Blais

Corporate Director

Independent member

Committees: Audit, Investment and Risk Management (Chair)

Member since May 20, 2020

Current mandate expires on: May 19, 2024

Other Boards of Directors: Desjardins Financial Security, Loto-Québec

Ivana Bonnet-Zivcevic

Corporate Director

Independent member

Committee: Human Resources (Chair)

Member since December 6, 2017

Current mandate expires on: January 25, 2026

Alain Côté

Corporate Director

Independent member

Committees: Audit (Chair), Investment and Risk Management (Guest)

Member since August 28, 2019

Current mandate expires on: August 27, 2023

Other Boards of Directors: Aéroports de Montréal, Chamber of Commerce of Metropolitan Montreal Foundation, Fondation de l'Université Laval, Goodfellow

Composition of the Board of Directors (continued)

René Dufresne

President and
Chief Executive Officer
Retraite Québec

Member since June 13, 2022

Current mandate expires on: June 12, 2026

Other Board of Directors: Retraite Québec

Charles Emond

President and
Chief Executive Officer
CDPQ

Member since February 1, 2020

Current mandate expires on: January 31, 2025

Other Boards of Directors: CDPQ Infra, Orchestre symphonique de Montréal

---

Olga Farman

Managing Partner,
Québec Office
Norton Rose Fulbright Canada

Independent member

Committee: Human Resources

Member since June 13, 2022

Current mandate expires on: June 12, 2026

Other Boards of Directors: Beneva Group and its insurance subsidiaries, Festival d'été de Québec, Fondation du Musée de la civilisation, Québec Port Authority

---

Nelson Gentiletti

Corporate Director

Independent member

Committee: Investment and Risk Management

Member since June 13, 2022

Current mandate expires on: June 12, 2026

Other Boards of Directors: Cascades, Groupe Grandio, Transcontinental, Valuence Merger Corp.

Gilles Godbout

Corporate Director

Independent member

Committees: Audit, Governance and Ethics

Member since January 16, 2013

Current mandate expires on: January 15, 2023

Lynn Jeanniot

Corporate Director

Independent member

Committee: Human Resources

Member since December 17, 2019

Current mandate expires on: December 16, 2023

Maria S. Jelescu Dreyfus

Chief Executive Officer
Ardinall Investment
Management

Independent member

Committee: Investment and Risk Management

Member since November 13, 2019

Current mandate expires on: November 12, 2023

Other Boards of Directors:
Girls Inc. of New York City, Global CCS Foundation, Nabors Energy Transition Corp., New America Alliance, Pioneer Natural Resources Company, XiO

Diane Lemieux

President and
Chief Executive Officer
Commission de la construction
du Québec

Member since December 17, 2014

Current mandate expires on: December 16, 2024

Other Boards of Directors: Cité des arts du cirque, Commission de la construction du Québec

---

Wendy Murdock

Corporate Director

Independent member

Committees: Audit, Governance and Ethics (Chair)

Member since March 27, 2016

Current mandate expires on: March 31, 2023

Other Boards of Directors: AvidXchange, Iron Mountain, USAA Federal Savings Bank, USAA Savings Bank

---

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

Organizational structure

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

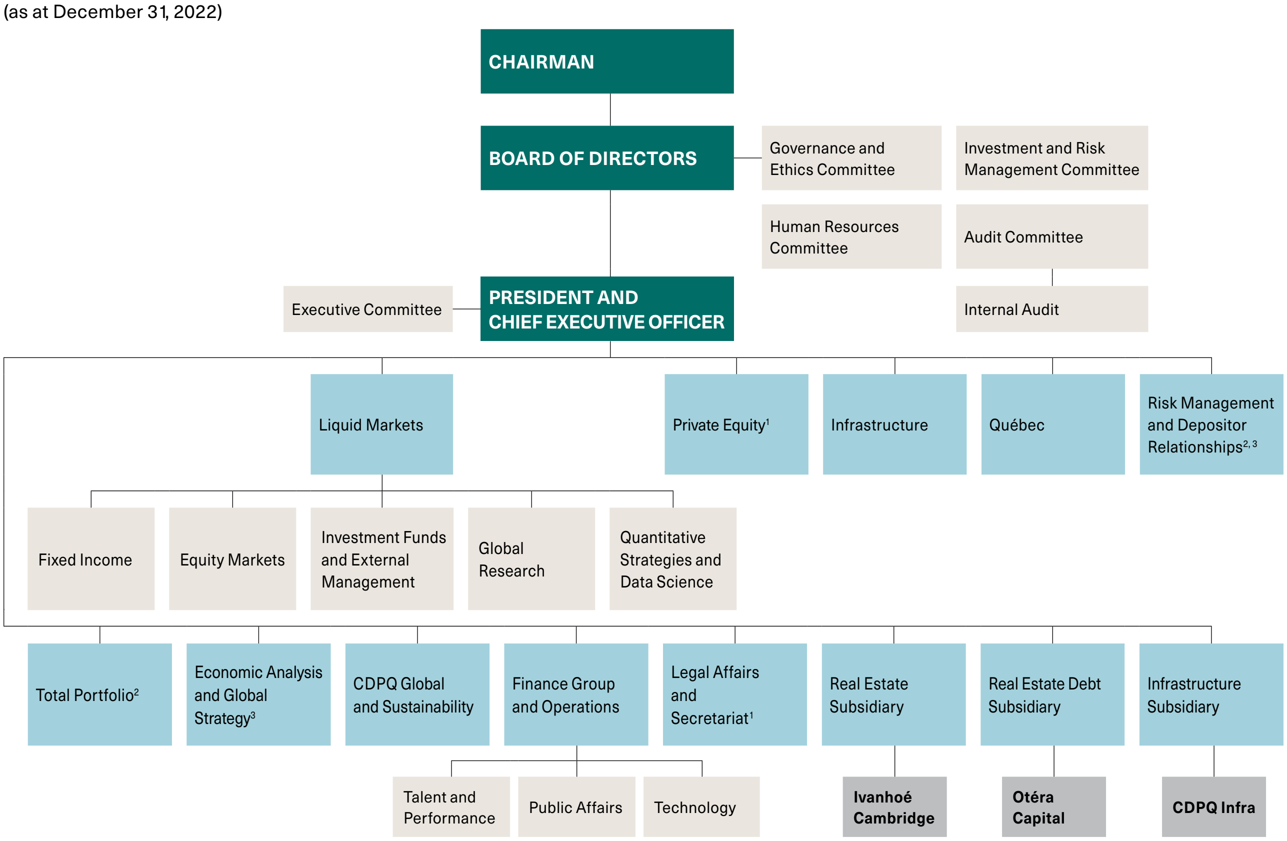
The Executive Committee consists of the President and Chief Executive Officer, together with senior officers from CDPQ's business units (see Figure 28). As at December 31, 2022, CDPQ employed 1,573 people, of whom 1,396 worked in Québec.

To support its constructive capital approach and seize promising business opportunities worldwide, CDPQ has offices in various countries. As at December 31, 2022, 177 employees worked in CDPQ's international offices.

CDPQ also has a real estate subsidiary, Ivanhoé Cambridge, which had over 600 employees at the end of 2022, as well as a real estate debt subsidiary, Otéra Capital, which employed 169 people at the same date. CDPQ also has an infrastructure subsidiary, CDPQ Infra, which had 112 employees at year-end. These subsidiaries are overseen by their own Boards of Directors (see Figures 29 and 30, page 103).

FIGURE 28

ORGANIZATIONAL STRUCTURE
(as at December 31, 2022)



1. Since March 2023, these two business units are named International Private Equity and Legal Affairs, Compliance and Secretariat.
2. Since January 2023, these two business units are named Risk Management and Depositors and Total Portfolio.
3. Since January 2023, Economic Analysis, Global Strategy and Depositor Advisory Services are combined under Depositors and Total Portfolio.

REAL ESTATE AND REAL ESTATE DEBT SUBSIDIARIES

CDPQ's real estate operations are divided into real estate and real estate debt. Real estate investments, which take the form of equities and debt, primarily involve the logistics, residential and office building sectors, as well as shopping centres, in key cities worldwide. The Real Estate portfolio consists of the assets of Ivanhoé Cambridge, a global real estate industry leader. Real Estate Debt, which is linked with fixed income activities, is comprised of the activities of Otéra Capital, a major international institutional player in commercial real estate debt and a leader in Canada.

Figure 29 presents the organizational structure of the real estate and real estate debt subsidiaries. More information on these subsidiaries can be found at www.ivanhoecambridge.com and www.oteracapital.com.

INFRASTRUCTURE SUBSIDIARY

Created in 2015, CDPQ Infra is CDPQ's infrastructure subsidiary and serves as the principal contractor for major public works projects.

Figure 30 shows CDPQ Infra's organizational structure. More information on CDPQ Infra's operations can be found at www.cdpqinfra.com.

FIGURE 29

ORGANIZATIONAL STRUCTURE – REAL ESTATE AND REAL ESTATE DEBT SUBSIDIARIES
(as at December 31, 2022)

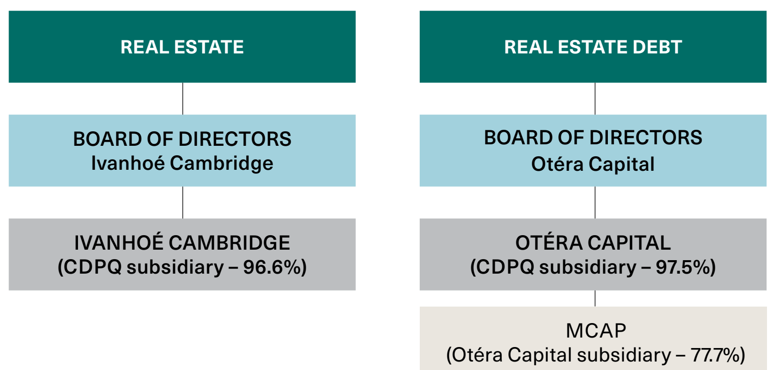
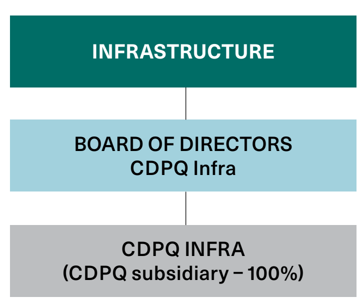


FIGURE 30

ORGANIZATIONAL STRUCTURE – INFRASTRUCTURE SUBSIDIARY
(as at December 31, 2022)



Executive Committee[1]

Maxime Aucoin
Executive Vice-President
Depositors and Total Portfolio[2]

Pierre Beaulieu
Executive Vice-President
Digital Technology

Claude Bergeron
Executive Vice-President
and Chief Risk Officer[2]

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

Ani Castonguay
Executive Vice-President
Public Affairs

Marc Cormier
Executive Vice-President
and Head of Fixed Income

Vincent Delisle
Executive Vice-President
and Head of Liquid Markets

Charles Emond
President and
Chief Executive Officer

Rana Ghorayeb
President and
Chief Executive Officer
Otéra Capital

Ève Giard

Executive Vice-President
Talent and Performance

Emmanuel Jaclot

Executive Vice-President
and Head of Infrastructure

Michel Lalande

Executive Vice-President
Legal Affairs, Compliance
and Secretariat[3]

Martin Longchamps

Executive Vice-President
and Head of Private Equity[3]

Nathalie Palladitcheff

President and
Chief Executive Officer
Ivanhoé Cambridge

Maarika Paul

Executive Vice-President
and Chief Financial
and Operations Officer

Kim Thomassin

Executive Vice-President
and Head of Québec

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

1. Composition in April 2023. Note that Helen Beck stepped down from her role in January 2023, while Martin Coiteux and Alexandre Synnett stepped down from their roles in February 2023.
2. The titles of Maxime Aucoin and Claude Bergeron changed in January 2023.
3. The names of these Executive Vice-Presidents' groups changed in March 2023.

Report of the Board of Directors and Board Committees

MANDATE OF THE BOARD

The mandate of the Board includes ensuring that CDPQ takes the necessary measures to attain the objectives stated in its mission, and that the organization is managed in compliance with the provisions of its incorporating act and regulations. Supported by the Governance and Ethics Committee, the Board carries out its duties diligently, ensuring that CDPQ meets the highest standards of corporate governance.

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

GOVERNANCE

The Board fulfills its governance role through various measures, including:

- Operating rules concerning governance of the Board and its committees
- Competency and experience profiles for Board appointments
- Compliance with the requirements under the Act respecting CDPQ, including those on independence and diversity
- Orientation and continuing education program for Board members
- Process for evaluating the functioning of the Board and its committees
- Committee activity reports presented at each Board meeting
- Oversight of the management practices of certain CDPQ subsidiaries
- Private meetings of members of the Board, and with the President and Chief Executive Officer and some members of management

RULES ON ETHICS

The Board carries out its duties with integrity, objectivity and transparency, in the interests of CDPQ and its clients.

Like CDPQ's personnel, the members of the Board are subject to a Code of Ethics and Professional Conduct that addresses issues such as maintaining confidentiality, competencies, prudence, diligence, efficiency, management of conflicts of interest and personal transactions.

For a complete description of the ethics rules that apply to Board members, consult the Governance section at www.cdpq.com.

MAIN RESPONSIBILITIES

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

- Approve the teams' strategic orientations, annual budgets and execution priorities and review management's reports on the oversight and evolution of these priorities
- Approve the consolidated financial statements and the Annual Report
- Review the returns of the investment business units and approve news releases on financial results
- Approve risk management framework policies and monitor their application
- Approve investment proposals in accordance with the oversight policies, taking into account, among other things, the impact of each one on the level and concentration of risk in the specialized portfolio in question and in the total portfolio
- Recommend to the Government of Québec, in collaboration with the Governance and Ethics Committee, the appointment of members and the renewal of their mandates
- Designate, in collaboration with the Governance and Ethics Committee, members to the Boards of certain subsidiaries
- Review the composition of the committees for which it is responsible
- Approve competency and experience profiles for Board appointments
- Approve the rules on ethics and professional conduct applicable to the management and employees of CDPQ and some of its subsidiaries

- Approve human resources policies
- Approve the total compensation conditions of the President and Chief Executive Officer
- Approve, on the recommendation of the President and Chief Executive Officer, the appointments and compensation of members of management under his direct authority and the compensation of the President and Chief Executive Officer of CDPQ Infra
- Approve the compensation standards and scales as well as other employment conditions of CDPQ managers and employees
- Approve other policies recommended to it by the committees, including on governance and ethics, internal control, risk management and human resources management

COMMITTEES OF THE BOARD

The Board carries out its duties directly or through the following committees: Audit, Investment and Risk Management, Governance and Ethics, and Human Resources. For a complete description of the mandates of the Board's committees, consult the Governance section at www.cdpq.com.

For more information on the responsibilities that the committees have discharged, consult their activity reports on pages 111 to 114

MEASURES TO ASSESS EFFECTIVENESS AND PERFORMANCE

In accordance with the new provisions of the Act respecting CDPQ, which went into effect in June 2022, the Board of Directors must adopt measures to assess the organization's effectiveness and performance. These measurements will be carried out every three years by an independent firm that will conduct a benchmark against similar organizations. The results of this exercise will then be presented in the Annual Report.

At the beginning of 2023, an external firm was given a mandate to support the Board of Directors as it selects similar enterprises and the key indicators to be measured.

APPOINTMENTS

In 2022, the Government of Québec, after having consulted the Board, appointed René Dufresne, President and Chief Executive Officer of Retraite Québec, as a member of the Board and appointed Olga Farman, Managing Partner, Québec Office at Norton Rose Fulbright Canada, and Nelson Gentiletti, Corporate Director, as independent members of the Board.

DIVERSITY

The Board believes that the diversity of outlooks generated by different genders, experiences, generations and ethno-cultural 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 types of expertise required of members and of the Board as a whole.

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

The number of women on the Board must represent at least 40% of the total number of members. As at December 31,2022, 46% of the members of the Board were women.

Table 31 summarizes the various profiles of Board members. In particular, it presents the main areas of expertise and experience of its members as well as their age range, number of years on the Board and place of residence.

OFFICIAL LANGUAGE

All the members of the Board are fluent in French. Meetings of the Board and its committees are conducted in French, which is also the official language of documents, meeting minutes and presentations tabled at these meetings.

TABLE 31

DIVERSITY ON THE BOARD OF DIRECTORS

	Age			Mandate	Place of residence			Diversity		Top 5 specialties or expertise									
Members[1]	≤ 45[2]	46 to 65	≥ 66	Years on the Board as at December 31, 2022	Québec	United States	Europe	Male/female	Other[3]	Investment	Depositors	Strategic planning	Risk management	Economic and political issues	Finance/ accounting/audit	Talent management and compensation	Governance	Sustainable investing/ESG	Technology
Jean-François Blais		•		2	•			M		•	•	•	•						•
Ivana Bonnet-Zivcevic		•		5			•	F	•			•	•		•	•		•	
Alain Côté		•		3	•			M		•			•		•	•	•		
René Dufresne		•		<1	•			M		•	•	•		•	•				
Olga Farman	•			<1	•			F	•			•	•	•		•	•		
Nelson Gentiletti		•		<1	•			M	•			•	•		•	•			•
Gilles Godbout			•	9	•			M		•				•	•		•	•	
Lynn Jeanniot		•		3	•			F				•	•	•		•	•		
Maria S. Jelescu Dreyfus	•			3		•		F	•	•			•	•				•	•
Diane Lemieux		•		8	•			F			•	•	•		•		•		
Wendy Murdock			•	6		•		F	•	•			•		•		•	•	
Jean St-Gelais		•		1	•			M				•		•		•	•	•	

1. Charles Emond, as President and Chief Executive Officer, is a Board member by virtue of his office. He has held this position for over two years and lives in Québec.
2. Steps are being taken to appoint a member aged 35 or under. The seat has been vacant since October 1, 2022.
3. These directors voluntarily reported to belonging to one of the diversity groups representing the various components of Québec society.

ORIENTATION AND CONTINUING EDUCATION PROGRAM

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

- Electronic access to the manual of the Board of Directors containing information on the laws and regulations applicable to CDPQ, the mandates of the Board and its committees, the operating rules, the Code of Ethics and Professional Conduct for Directors, their expertise and experience profiles, the meeting schedule and the evaluation process
- Meetings with the Chairman of the Board, the committee chairs and members of senior management
- Training on risk management, depositors, financial aspects and human resources

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

In 2022, members received training on various subjects, including:

- Cybersecurity
- Diversity
- The economy
- Risk management
- Governance and ethics
- Sustainable investing
- Technology and artificial intelligence

TABLE 32

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

Members	Annual compensation	Compensation as Committee Chair	Attendance fees	Total compensation
Jean-François Blais	19,947	3,426	26,152	49,525
Ivana Bonnet-Zivcevic	19,947	6,235	12,142	38,324
Alain Côté[2, 3, 4]	19,947	6,235	33,157	59,339
Olga Farman[5]	10,960	–	6,538	17,498
Nelson Gentiletti[5]	10,960	–	9,340	20,300
Gilles Godbout[4]	19,947	–	22,416	42,363
Lynn Jeanniot	19,947	–	15,411	35,358
Maria S. Jelescu Dreyfus	19,947	–	21,015	40,962
Jean La Couture[6]	8,987	2,809	13,543	25,339
Wendy Murdock	19,947	6,235	20,081	46,263
Ravy Por[4, 6]	14,960	–	13,543	28,503
Total	185,496	24,940	193,338	**403,774**

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 video conference, is half of the attendance fee allowed for a regular meeting.
2. This member received attendance fees for attending Audit Committee meetings of Ivanhoé Cambridge and Otéra Capital, and Audit and Risk Management Committee meetings of CDPQ Infra.
3. This member received a taxable benefit of $3,061 for a parking space.
4. These members received attendance fees for attending a committee meeting as an observer or guest.
5. These members were appointed to the Board during the year.
6. These members stepped down from the Board during the year.

DIRECTOR COMPENSATION

The compensation of members is determined by an order-in-council of the Government of Québec. Their compensation for 2022 is provided in Table 32 on page 109. Members are also entitled to be reimbursed for their travelling 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.

MEMBER ATTENDANCE AT MEETINGS

In accordance with the Act respecting CDPQ, the Board held six regular meetings in 2022. All the committees also held six regular meetings, except for the Audit Committee, which held seven.

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

Members justify their absences from meetings of a Committee or the Board to the Secretariat. During 2022, members were not able to attend certain meetings, due to health reasons or because of family or work commitments.

Table 33 presents the number of meetings attended by each of the members in 2022 compared to the number of meetings of the committee(s) of which that person is a member.

TABLE 33

MEMBER ATTENDANCE AT BOARD AND COMMITTEE MEETINGS IN 2022

	Board of Directors		Audit Committee	Investment and Risk Management Committee		Governance and Ethics Committee		Human Resources Committee
Members	6 reg.	5 spec.	7 reg.	6 reg.	6 spec.	6 reg.	1 spec.	6 reg.
Jean-François Blais	6	4	6	6	6	–	–	–
Ivana Bonnet-Zivcevic	5	3	–	–	–	–	–	5
Alain Côté[1]	6	5	7	–	–	–	–	–
Michel Després[2]	3/3	3/4	–	–	–	–	–	–
René Dufresne[3]	2/3	1/1	–	–	–	–	–	–
Charles Emond	6	5	–	–	–	–	–	–
Olga Farman[3]	3/3	1/1	–	–	–	–	–	3/3
Nelson Gentiletti[3]	3/3	1/1	–	3/3	3/3	–	–	–
Gilles Godbout	5	4	6	–	–	5	1	–
Lynn Jeanniot	6	5	–	–	–	–	–	6
Maria S. Jelescu Dreyfus	6	5	–	6	6	–	–	–
Jean La Couture[2]	3/3	4/4	–	3/3	3/3	–	–	–
Diane Lemieux	6	3	–	–	–	–	–	–
Wendy Murdock	5	4	7	–	–	5	1	–
Ravy Por[2]	4/4	5	–	–	–	4/4	1	–
Jean St-Gelais[4]	6	5	–	–	–	6	1	6

1. Alain Côté, as Chair of the Audit Committee, is invited to attend Investment and Risk Management Committee meetings.
2. These members stepped down from the Board during the year.
3. These members were appointed to the Board during the year.
4. Jean St-Gelais, as Chairman of the Board, can attend any Board Committee meetings.

AUDIT COMMITTEE

Mandate

The Committee sees that the financial statements accurately reflect CDPQ's financial position. It plays an essential role in the sound governance of CDPQ, particularly in oversight, communication and disclosure of internal controls, financial reporting, internal audit and the co-auditors.

Number of meetings

- 7 meetings

Composition (as at December 31, 2022)

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

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

The Chairman of the Board attends the Committee meetings.

Main activities during the year

- Reviewed the consolidated financial statements with the Finance group and the co-auditors
- Reviewed the process used to prepare the financial statements and to value investments as well as treasury items, including liquidity, leverage and financing
- Reviewed reports on the financial certification process
- Held discussions with the co-auditors concerning their reports following the interim review as at June 30 and the audit as at December 31
- Reviewed the news releases announcing financial results
- Reviewed preparatory work on the Annual Report
- Reviewed the quarterly results, operating expenses and budget monitoring
- Discussed, with the co-auditors, their plan for auditing the financial statements and their internal quality control procedures
- Reviewed and monitored application of the Policy – Independence of External Auditors and approved their fees
- Reviewed banking authorization delegations
- Approved the 2022 internal audit plan and reviewed the internal audit plans of the subsidiaries operating in Québec
- Reviewed Internal Audit's progress reports prepared under the Internal Audit Plan to address such matters as internal control mechanisms, risk management processes and the optimal use of resources
- Reviewed the results of the audit conducted by the Auditor General of Québec on the compliance of investment activities and other financial operations, and monitored implementation of the action plan
- Reviewed the plan to ensure optimal use of resources, and monitored and analyzed the effects of all the activities implemented under the plan
- Reviewed reports on compliance with the Act respecting CDPQ, depositors' investment policies and the specialized portfolios' investment policies
- Reviewed reports on legal proceedings involving CDPQ or its subsidiaries
- Reviewed cost disclosure practices
- Monitored the implementation of a governance, risk and compliance tool
- Reviewed the cybersecurity program
- Reviewed the business continuity plan
- Reviewed the insurance coverage
- Reviewed international tax management activities and the tax policy
- Reviewed the financing programs
- Reviewed the Financial Security Policy
- Reviewed the Investment Valuation Policy
- Reviewed the Policy – Information and Technology Asset Security
- Evaluated the Vice-President, Internal Audit
- Held private meetings with the Executive Vice-President and Chief Financial and Operations Officer, the co-auditors and the Vice-President, Internal Audit, without the presence of members of management
- Reviewed the activities of the audit committees of subsidiaries operating in Québec, with attendance by the Chairman of the Committee at meetings of the Audit Committees of these subsidiaries

Use of external experts

The Committee did not use the services of external experts in 2022.

INVESTMENT AND RISK MANAGEMENT COMMITTEE

Mandate

The Committee ensures compliance with CDPQ's risk identification and management process. In this role, it reviews risk management orientations and policies and studies investment proposals, in accordance with the oversight policies.

Composition (as at December 31, 2022)

- Chair: Jean-François Blais
- Members: Maria S. Jelescu Dreyfus and Nelson Gentiletti

Guest member: Alain Côté, Chair of the Audit Committee

The Chairman of the Board attends the Committee meetings.

Number of meetings

- 12 meetings

Main activities during the year

- Reviewed the market risk limits for specialized portfolios and the total portfolio, as well as the proposed changes to the benchmark indexes and the performance objectives for the specialized portfolios and major mandates
- Reviewed the investment policy and strategic orientations of some specialized portfolios
- Reviewed the minimum liquidity amount
- Reviewed the report on the use of derivative financial instruments
- Reviewed, at each Committee meeting, the overall risk profile
- Studied and monitored the investment proposals under the authority of the Committee, taking into account:
  - The analysis presented by the team responsible for the transaction
  - The analysis of the project risks and, more specifically, its impact on the degree and concentration of risk in the relevant specialized portfolio and the total portfolio
  - Compliance of the investment with risk management policies and guidelines
- Studied the specialized portfolio reviews, including investment strategies, portfolio characteristics and key issues, as well as post-trade analyses
- Reviewed the certificates of compliance with the depositors' investment policies and the specialized portfolios' investment policies
- Reviewed the risk map and the report on activities to mitigate operational risks
- Reviewed the succession plan for the Executive Vice-President and Chief Risk Officer and Head of Depositor Relationships

Use of external experts

The Committee did not use the services of external experts in 2022.

GOVERNANCE AND ETHICS COMMITTEE

Mandate

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

Composition (as at December 31, 2022)

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

Number of meetings

- 7 meetings

Main activities during the year

- Made recommendations on appointments to the Boards of CDPQ and some of its subsidiaries
- Reviewed the composition of the Board and its committees to ensure that the requirements of the Act respecting CDPQ are met and that these bodies can fully assume their responsibilities
- Reviewed the operating rules of the Boards of CDPQ and some of its subsidiaries as well as those of their committees
- Reviewed the mandates of the Board, its committees and its Chair
- Evaluated the functioning of the Board and its committees
- Reviewed the competency and experience profiles for Board appointments
- Reviewed the reporting on training activities attended by Board members and developed the 2022 training plan
- Reviewed the rules on ethics and professional conduct applicable to the management and employees of CDPQ and some of its subsidiaries, and reviewed reports on the application of the rules
- Reviewed the governance rules regarding CDPQ and some of its subsidiaries
- Studied the report on designating members to the Boards of companies in which CDPQ invests
- Reviewed the report on philanthropic and institutional sponsorship activities
- Reviewed the orientation and continuing education program for Board members
- Reviewed the sustainable investing policy and activity reports
- Reviewed the Policy – Francization of Digital Technologies
- Reviewed the directive on reimbursement of the expenses of Board members and the Chair
- Reviewed amendments to the Act respecting CDPQ
- Implemented and maintained structures and procedures to allow the Board to act independently of management, including ensuring that discussions are held, at each regular meeting, without the presence of members of management

Use of external experts

The Committee did not use the services of external experts in 2022.

HUMAN RESOURCES COMMITTEE

Mandate

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

Composition (as at December 31, 2022)

- Chair: Ivana Bonnet-Zivcevic
- Members: Lynn Jeanniot, Olga Farman and Jean St-Gelais

Number of meetings

- 6 meetings

Main activities during the year

- Reviewed the objectives, performance evaluation and total compensation conditions for the President and Chief Executive Officer and recommended them to the Board of Directors for approval
- Reviewed the performance evaluation and total compensation conditions for the members of CDPQ's senior management and the President and Chief Executive Officer of CDPQ Infra and recommended them to the Board of Directors for approval
- Recommended to the Board the appointment of Martin Longchamps as Executive Vice-President and Head of Private Equity
- Reviewed the succession and development plan for senior management
- Reviewed the results of the talent review and the active succession management approach
- Reviewed the compensation and performance management programs
- Reviewed the results of the engagement survey to obtain a measure of employee engagement and gather feedback, and reviewed initiatives to follow up on the survey results
- Reviewed the report on 2021 and followed up on priority talent management targets by reviewing key indicators, including hires, internal mobility and voluntary turnover rates, and diversity
- Reviewed the competencies and experience mandate and profile for the position of President and Chief Executive Officer
- Reviewed the Workplace Equity, Diversity and Inclusion Policy
- Studied the conditions of the Régime additionnel de retraite

Use of external experts

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

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

Report of the human resources committee on total compensation

COMMITTEE'S WORK ON COMPENSATION

During 2022, the Committee, with advice from Hugessen Consulting, ensured that the Compensation Policy met its strategic objectives of paying for long-term performance, offering competitive compensation and linking the interests of members of management and depositors. The Committee reviewed how CDPQ's Compensation Policy was applied. It analyzed the proposed variable compensation and ensured that the proposals were aligned with the Compensation Policy and market practices.

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

Moreover, the Committee received an update on market trends with regard to salary reviews. It discussed the salary conditions of CDPQ's employees for 2023 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 shall be compiled by a recognized independent firm through an annual survey that must be administered and analyzed according to a methodology and rules that are generally accepted in the field.
- Stipulates that CDPQ's payroll must not exceed 100% of the salary-scale midpoint.

Reference markets and compensation levels[1]

For the position of President and Chief Executive Officer, the reference market consists of a sample of the seven largest Canadian pension funds, as listed in Table 37 on page 123. 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 39 organizations listed in Table 39 on page 124. For these positions, total compensation must fall below the upper decile (90th percentile) of the reference market. For the executive vice-presidents in investment roles, a reduced sample of that described above is used. It groups together 18 firms whose assets under management are greater than $30 billion. The list is provided in Table 38 on page 123.

For non-investment positions, the Québec market serves as the reference, and must notably include public-sector jobs. It therefore includes a representative sample of large public- and private-sector Québec firms and financial-sector companies. The current sample comprises the 59 organizations listed in Table 40 on page 124. For these positions, total compensation must be within the third quartile (75th percentile) of the reference market.

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

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

In 2022, CDPQ retained the services of Willis Towers Watson for benchmarking its reference markets and engaged McLagan's services for positions outside Canada.

The results of this exercise showed that, for the majority of cases, compensation, salary scales and potential variable compensation were aligned with the market, regardless of location.

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 Compensation Policy therefore has the following three objectives:

1. **Pay for performance:** variable compensation aligned with the returns delivered to depositors. This goal is structured around the three following themes:
   - Long-term focus, to reward consistent, optimal 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 and achievement of its mission, with respect to:
     - Financial results related to the performance of specialized portfolios and CDPQ's total portfolio measured over five years.
     - Attainment of CDPQ's business objectives, including by contributing to Québec's economic development, climate change and diversity.
2. **Offer competitive compensation:** to attract, motivate and retain 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 members of management and depositors:** to orient their individual and team efforts toward CDPQ's long-term success.

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

Components of total compensation

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

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

1. 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 in the reference markets.

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

For 2022, the Board of Directors approved the following recommendations made by CDPQ's senior management:

- Maintain 2022 salary scales close to the median of the reference markets, as measured by recognized external firms.
- Grant a budget for salary increases that is near the median of the market increase forecasts.

2. Variable compensation

In the financial sector, and particularly in the investment industry, variable compensation is an essential component of total compensation because it aligns financial incentives with depositors' performance objectives.

At CDPQ, variable compensation serves to recognize the sustained, long-term performance achieved by reaching individual and collective goals, and contributing to the fulfillment of strategic orientations. It is an important part of employee total compensation and has a direct influence on the positioning of total compensation in comparison with the reference market.

The amount of variable compensation is never guaranteed: it always depends on the results of a global evaluation of the three components shown in Figure 34.

This result considers individual performance, team performance, financial results associated with the performance of the asset class portfolios and CDPQ's performance over a five-year horizon. This period allows placing greater focus on seeking sustained performance aligned with the long-term investment strategy.

For all portfolios, the objective is to outperform their benchmark index. 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.

In addition to the quantitative indicators, qualitative indicators were introduced as metrics for team performance in delivering the business plan and contributing to the organization's strategic and cross-functional strategies, such as executing strategies associated with Québec's economic development and climate change.

Deferred variable compensation

In the context of 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.

It requires said employees to defer a portion of the variable compensation and place it in a co-investment account for a period of three years.

The value of the deferred and co-invested variable compensation varies—upward or downward—along with CDPQ's average absolute overall return during the three-year period.

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 35 on page 118 illustrates this mechanism.

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

FIGURE 34

VARIABLE COMPENSATION COMPONENTS

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

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

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

For International 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 teams.

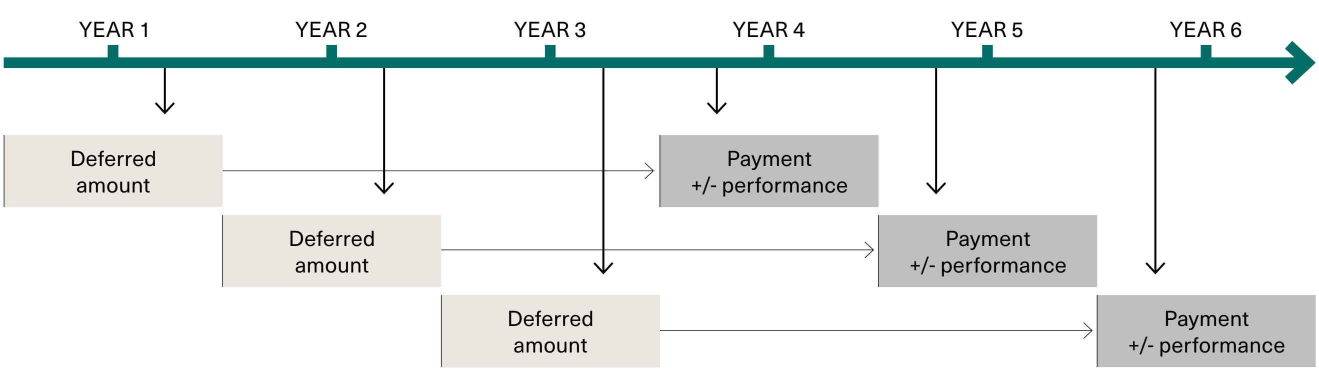
The purpose of the performance units is to support the International Private Equity business unit's direct investment strategy over a long-term horizon. This component is aligned with the sector's current compensation practices in the countries in which CDPQ operates. It reflects CDPQ's strategy to have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

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

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

FIGURE 35

DEFERRED AND CO-INVESTED VARIABLE COMPENSATION



Results since 2018

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

- Over five years, CDPQ has generated investment results of $91.8 billion through an annualized return of 5.8%. This outpaced the benchmark portfolio's performance of 4.9%, allowing CDPQ to generate $17.9 billion in value added.
- In 2022, in an environment characterized by numerous challenges, including the worst simultaneous correction in stock and bond markets in 50 years, CDPQ recorded a return of -5.6%, outpacing its benchmark portfolio's -8.3% return.
- This performance represents value added of $10.4 billion, the same amount as the year before. For a second straight year, but in strongly contrasting markets, CDPQ outperformed its benchmark portfolio. All main asset classes outperformed their benchmark indexes.
- Net assets stood at $401.9 billion as at December 31, 2022, an increase of $103.4 billion over five years, but down $17.9 billion for one year given the atypical environment. The decrease is largely due to the decline in the value of the Fixed Income class, which fell sharply due to the increase in rates, and to the negative return in the Equities class, which was, however, still more resilient in a volatile year characterized by sharp corrections in global stock markets. The two Real Asset portfolios performed very well in an inflationary context.
- In Québec, CDPQ had an active year in a slowing global market, in addition to announcing its ambition of holding $100 billion in Québec assets by 2026. Highlights included:
  - An increase in total Québec assets to $78.4 billion.
  - New investments and commitments of $4.0 billion, expanding the global reach of local businesses, accelerating their technological change, and fostering sustainable growth for them and the overall economy.
  - The implementation of structuring projects, in areas such as real estate and infrastructure, as shown by the progress on the REM.
  - Support for initiatives to contribute to the development of entrepreneurship and the next generation, and to foster access to capital for innovative Québec businesses through Espace CDPQ.
- Since 2018, diversification of CDPQ's global portfolio—a key part of its strategy—has increased due to a high volume of transactions across asset classes, favouring its five-year performance:
  - In Private Equity, the portfolio generated $13.6 billion in value added thanks to advantageous sector positioning and the quality of operational asset management.
  - In Fixed Income, credit activities have continued to make a difference year after year, and are primarily responsible for the $5.9 billion in value added.
  - In Infrastructure, sectors of the future have been essential to performance, with a substantial contribution from renewable energies, for $5.1 billion in value added.
  - In Real Estate, repositioning the portfolio in 2020 in favour of promising sectors such as logistics has paid off, with two excellent years in 2021 and 2022.
  - Better balanced following the strategic changes initiated in 2021, the Equity Markets portfolio has been in line with its index for the last two years under extreme market conditions.
- The Total Portfolio has also become considerably more diversified geographically over the period, with international markets now representing three quarters of total exposure. In addition to the United States, CDPQ investments have increased in Europe, Asia Pacific and Latin America, providing a good contribution to performance.
- During the year, CDPQ continued its sustainable investing efforts, particularly in terms of the climate. CDPQ now holds $47 billion in low-carbon assets, and is aiming for $54 billion by 2025. It has also reduced the carbon intensity of its portfolio by 53% since 2017 and plans for a 60% reduction by 2030. Lastly, CDPQ carried out three transactions in the $10-billion transition envelope to decarbonize the highest-emitting industries, in addition to having essentially completed its exit from oil.

- CDPQ's sustainable approach has also received international recognition, as has its teams' expertise. The organization was named 2022 Fund of the Year by Global SWF, a global reference that analyzes the activities of around 400 sovereign wealth and pension funds. A sign of its leadership in sustainable investing, among the other honours received, CDPQ ranked first among the 59 leading pension funds in the World Benchmarking Alliance's Financial System Benchmark.

Variable compensation as at December 31, 2022

Variable compensation for CDPQ's employees in Québec and the international offices totalled $192.8 million as at December 31, 2022. This amount reflects an average decrease of nearly 6% per person, compared to 2021, due to the variation in returns over five years and the number of persons eligible.

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

"We reviewed CDPQ's returns and benchmark indexes for 2022, 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 2022 return multiples, the 2018–2022 average return multiples and the 2022 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 2022 is reasonable in the prevailing market conditions and given CDPQ's performance in 2018, 2019, 2020, 2021 and 2022."

Taking into account the variable compensation both paid and deferred, the total compensation for CDPQ's employees in 2022 was below the median of the maximum provided for under the Regulation, for a performance of 5.8% over five years, which outpaces our benchmark portfolio at 4.9%, generating nearly $18 billion in value added.

More specifically, a study by Willis Towers Watson showed that employee total compensation ranked on average at the 49th percentile of the maximum of the reference markets (where the 100th percentile represents the highest compensation in the market), depending on the position, the specific performance of the portfolios and the compensation awarded for these positions.

3. Pension plan

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

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

4. Benefits

Employees enjoy a range of competitive benefits such as group insurance, including medical, dental and life insurance. Moreover, certain senior executives have specific benefits in the form of allowances and annual health assessments.

REVIEW OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER'S PERFORMANCE AND TOTAL COMPENSATION

Performance review

At the start of the year, the Committee made a recommendation to the Board of Directors on a series of objectives for the President and Chief Executive Officer. The President and Chief Executive Officer was responsible for the execution of key business priorities in the following areas:

1. Organization and culture: Elicit strong engagement from teams working in a hybrid model, and attract, retain and develop talent.
2. Stakeholders: Continue to work closely with depositors, and build and develop the organization's major strategic relationships around the world.

3. Performance: Position the portfolio to generate optimal performance for the risk expected by depositors.
4. Québec: Continue to foster the generation of opportunities and initiatives for Québec's economic development throughout the organization.
5. Major strategic projects: Deliver on ESG and technology ambitions, and promote the institution worldwide.

Review of total compensation

The compensation and other employment conditions of the President and Chief Executive Officer are based on parameters set by the government after consultation with the Board of Directors. Charles Emond's annual base salary was maintained 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 2021, presented in Figure 36.

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 2018 to 2022. The annualized return for this period is 5.8%, with nearly $18 billion of value added in relation to the benchmark portfolio.

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

- Generated strong value added for a second year in a row in the worst market in 50 years, in which the equity and bond markets corrected simultaneously.
- Grown its presence in Québec with a sustained level of activity, despite the global slowdown in transaction volumes, engaged in extensive relationship-building activities involving Québec companies and CDPQ's global network and announced an enhanced ambition of $100 billion in Québec assets by 2026.
- Steered the REM project through the final phases before the network's first branch is commissioned, in the context of an unprecedented execution environment following the pandemic, a labour market under heavy pressure, and high inflation.
- Consolidated CDPQ's leadership in sustainable investing, with global outreach through leading international forums and earning prestigious recognition several times.

In conclusion, under Mr. Emond's leadership, CDPQ has generated the strongest two-year value added in its history, despite extreme and widely contrasting market conditions, demonstrating the results of the strategic changes made in recent years. In a new labour market characterized by hybrid work and scarce talent, he has succeeded in mobilizing his teams and maintaining strong engagement. He has demonstrated clear ambition in Québec and provided the organization with a strong global presence.

FIGURE 36

VARIABLE COMPENSATION COMPONENTS OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

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

In this context, the Committee and the Board believe that Mr. Emond has delivered excellent performance that has surpassed the objectives set for him.

The Board of Directors has awarded Mr. Emond variable compensation of $3,581,000 and, of this amount, he has elected to defer an amount of $1,969,550 into the co-investment account. In 2025, 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 2023 to 2025.

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 2022, contributions to the mandatory basic plan represented an annual cost to CDPQ of $21,016. Like the other members of senior management, he has participated in the Supplemental Pension Plan for Designated Officers (SPPDO) since being hired.

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

No severance will be paid upon the expiration of the contract, if he resigns or if the contract is terminated with just and sufficient cause.

COMPENSATION OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER AND THE MOST HIGHLY COMPENSATED EXECUTIVES FOR 2022

CDPQ's Board of Directors recognizes the importance of quality 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.

Below, CDPQ discloses the compensation of its President and CEO and the five most highly compensated individuals who hold or held senior management roles at CDPQ in 2022 (see Table 41, page 125).

CDPQ also discloses the compensation of the five most highly compensated executives, including the presidents and CEOs at all subsidiaries in which CDPQ has a stake of 90% or more, i.e. Ivanhoé Cambridge, Otéra Capital and CDPQ Infra (the designated subsidiaries) (see Table 46, page 130).

The designated subsidiaries' compensation policies are based on the same broad principles as CDPQ's, i.e. they recognize sustained long-term performance. All have the same strategic objectives.

Components of designated subsidiaries' total compensation

The total compensation of employees of the designated subsidiaries is based on the same four components:

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

1. Base salary

Annual base salaries are set according to the salary conditions prevailing in the reference markets.

Each year, the subsidiary's Board of Directors approves the payroll budget increase.

2. Variable compensation

Variable compensation serves to recognize performance, attainment of objectives and contribution to the achievement of strategic orientations. It is an important part of the total compensation offered to employees, as is the case at CDPQ.

Variable compensation is never guaranteed. It is determined based on a global evaluation of performance over the long term. Depending on the designated subsidiary, it could be based on individual performance, team performance and the performance of the subsidiary and CDPQ.

This variable compensation program recognizes consistent performance and requires some of the variable compensation to be deferred over a three-year period, as is the case for CDPQ. This obligation applies to employees at Otéra Capital and CDPQ Infra. Ivanhoé Cambridge's deferred program is different from variable annual compensation; it calls for long-term variable compensation that can fluctuate with performance and is only payable if the person is still an employee at the end of the performance cycle.

This mechanism makes it possible to link the interests of members of management to those of depositors by having these amounts vary according to the absolute return generated for depositors.

3. Pension plan

All employees of the designated subsidiaries participate in a defined benefit or defined contribution pension plan, depending on the position held and subsidiary.

4. Benefits

Employees have a competitive benefit package, including group insurance. Ivanhoé Cambridge and Otéra Capital ask senior executives to have an annual health assessment.

TABLE 37

REFERENCE MARKET – PRESIDENT AND CHIEF EXECUTIVE OFFICER

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

TABLE 38

REFERENCE MARKET – INVESTMENT EXECUTIVE VICE-PRESIDENT POSITIONS

- Addenda Capital
- Alberta Investment Management Corporation (AIMCo)
- British Columbia Investment Management Corporation (BCI)
- Connor, Clark & Lunn Financial Group
- CPP Investments
- Desjardins Global Asset Management
- Fiera Capital Corporation
- Healthcare of Ontario Pension Plan (HOOPP)
- Hydro-Québec Pension Plan
- Intact Investment Management
- Investment Management Corporation of Ontario (IMCO)
- Mawer Investment Management
- OMERS
- Ontario Teachers' Pension Plan (OTPP)
- OP Trust (OPSEU)
- Public Sector Pension Investment Board (PSP Investments)
- Sun Life Financial
- WISE Trust

TABLE 39

REFERENCE MARKET – INVESTMENT POSITIONS

- Addenda Capital
- Air Canada
- Alberta Investment Management Corporation (AIMCo)
- ATB Financial
- Axium Infrastructure
- Bell Canada
- British Columbia Investment Management Corporation (BCI)
- Canadian Medical Association
- Canadian Western Bank
- CAAT Pension Plan
- Civil Service Superannuation Board (CSSB)
- CMA Impact
- CN Investment Division
- Connor, Clark & Lunn Financial Group
- CPP Investments
- CSS Pension Plan
- Desjardins Global Asset Management
- Dixon Mitchell Investment Counsel
- Economical Insurance
- Empire Life
- FÉRIQUE
- Fonds de solidarité FTQ
- Healthcare of Ontario Pension Plan (HOOPP)
- HRM Pension Plan
- Hydro-Québec Pension Plan
- Intact Investment Management
- Investment Management Corporation of Ontario (IMCO)
- Mawer Investment Management
- Nicola Wealth
- OMERS
- Ontario Teachers' Pension Plan (OTPP)
- OPTrust
- Public Sector Pension Investment Board (PSP Investments)
- Richardson Wealth
- Richter
- Sun Life Financial
- TELUS Pension Plan
- Vestcor
- WISE Trust

TABLE 40

REFERENCE MARKET – NON-INVESTMENT POSITIONS

- AbbVie Canada
- Addenda Capital
- Agropur Dairy Cooperative
- Airbus
- Air Canada
- Alimentation Couche-Tard
- Alstom
- Bell Canada
- Beneva
- Bombardier
- Boralex
- Broadridge Financial Solutions
- Brookfield Asset Management
- Business Development Bank of Canada
- Cadillac Fairview Corporation
- CAE
- CGI
- CN
- CN Investment Division
- Cogeco Communications
- Desjardins Group
- Énergir
- Fiera Capital Corporation
- Fonds de Solidarité FTQ
- GE Canada
- Gildan
- Holt Renfrew
- Hydro-Québec
- iA Financial Group
- IBM Canada
- Innergex
- Intact Financial Corporation
- Intact Investment Management
- Keurig Canada
- Kruger
- La Presse
- Laurentian Bank
- Loto-Québec
- Lowe's
- Manulife Financial
- Mastercard Canada
- Merck Canada
- Molson Coors
- National Bank of Canada
- Northbridge Financial Corporation
- Pfizer Canada
- Power Corporation of Canada
- Public Sector Pension Investment Board (PSP Investments)
- Québecor
- RGA Canada
- Rio Tinto
- Saputo
- Société des alcools du Québec
- TELUS
- TFI International
- TMX Group
- UAP
- Yellow Pages
- WSP

TABLE 41

SUMMARY OF THE COMPENSATION FOR 2020–2022 OF THE PRESIDENT AND CEO OF CDPQ AND THE FIVE MOST HIGHLY COMPENSATED INDIVIDUALS WHO HOLD OR HELD MANAGEMENT POSITIONS AT CDPQ

This table summarizes total compensation as awarded. Specifically, it sets out the variable compensation awarded for the year, divided between amounts paid and deferred. Total compensation awarded provides a better understanding of the alignment with CDPQ's performance.

Name and main position	Fiscal year	Base compensation paid[1] A	Variable compensation paid for the year B	Deferred variable compensation for the year[2] C	Variable compensation awarded for the year D=B+C	Pension plan contributions made by CDPQ E	Other benefits paid or granted[3] F	Total compensation awarded for the year G=A+D+E+F
Charles Emond President and Chief Executive Officer	2022	$ 550,000	$1,611,450	$1,969,550	$3,581,000	$ 21,016	$ 53,138	$4,205,154
	2021	$ 550,000	$1,710,000	$2,090,000	$3,800,000	$ 19,944	$ 50,000	$4,419,944
	2020	$ 546,000	$1,237,500	$1,512,500	$2,750,000	$ 19,002	$ 50,400	$3,365,402
Emmanuel Jaclot[4] Executive Vice-President and Head of Infrastructure	2022	€ 425,000	€ 149,000	€1,341,000	€1,490,000	€ 13,618	€ 7,940	€1,936,558
	2021	€ 425,000	€ 702,400	€ 858,600	€1,561,000	€ 12,924	€ 5,600	€2,004,524
	2020	€ 425,000	€ 431,100	€ 526,900	€ 958,000	€ 12,313	€ 6,800	€1,402,113
Martin Laguerre[5] Executive Vice-President and Head of Private Equity (New York)	2022	US$ 479,038	US$ 904,192	N/A	US$ 904,192	US$ 14,000	US$1,647,640	US$3,044,870
	2021	US$ 545,000	US$ 555,600	US$ 679,200	US$1,234,800	US$ 13,500	US$ 175,800	US$1,969,100
	2020	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vincent Delisle Executive Vice-President and Head of Liquid Markets	2022	$ 464,712	$ 675,000	$ 825,000	$1,500,000	$ 21,016	$ 40,788	$2,026,516
	2021	$ 450,000	$ 742,500	$ 907,500	$1,650,000	$ 19,944	$ 41,100	$2,161,044
	2020	$ 188,000	$ 269,100	$ 328,900	$ 598,000	$ 7,791	$ 17,400	$ 811,191
Marc-André Blanchard[6] Executive Vice-President and Head of CDPQ Global and Global Head of Sustainability	2022	$ 500,000	$ 627,750	$ 767,250	$1,395,000	$ 21,016	$ 42,228	$1,958,244
	2021	$ 500,000	$ 672,700	$ 822,300	$1,495,000	$ 19,944	$ 39,700	$2,054,644
	2020	$ 158,000	$ 225,000	$ 275,000	$ 500,000	$ 5,891	$ 12,700	$ 676,591
Kim Thomassin Executive Vice-President and Head of Québec	2022	$ 424,808	$ 250,000	$1,000,000	$1,250,000	$ 21,016	$ 38,635	$1,734,459
	2021	$ 415,000	$ 326,200	$ 978,800	$1,305,000	$ 19,944	$ 37,300	$1,777,244
	2020	$ 400,000	$ 242,000	$ 726,000	$ 968,000	$ 19,002	$ 37,500	$1,424,502

1. Starting in 2022, base compensation paid corresponds to the base salary actually paid based on the number of pay periods in the year, which may vary from year to year.
2. As mentioned on page 118 of this Annual Report, under the variable compensation program, senior executives must defer a portion of their annual awarded variable compensation.
3. Amounts indicated include employer contributions to group insurance premiums, perquisites and the health care account.
4. For Mr. Jaclot, in addition to total compensation awarded, he receives a temporary annual allowance of €280,000 in instalments until May 2023.
5. For Mr. Laguerre, the "Other benefits paid or granted" category includes severance pay of US$1,440,000 and the value of performance units that were vested for 2021 (US$130,800) and 2022 (US$167,809). Mr. Laguerre left CDPQ on October 20, 2022.
6. For Mr. Blanchard, in addition to total compensation awarded, he received a compensatory amount of $400,000 related to his hiring as Executive Vice-President.

TABLE 42

SUMMARY OF THE DEFERRED VARIABLE COMPENSATION PAID IN 2022 FOR THE INDIVIDUALS LISTED IN TABLE 41

Name and main position	Previous fiscal year	Deferred variable compensation[1]	Cumulative return at the time of payment	Deferred previous variable compensation disbursed in 2022[2]
Charles Emond President and Chief Executive Officer	2019	$2,200,000	$ 276,817	$2,476,817
Emmanuel Jaclot Executive Vice-President and Head of Infrastructure	2019	€1,114,502	€ 140,233	€1,254,735
Martin Laguerre[3] Executive Vice-President and Head of Private Equity (New York)	2019	US$1,014,200	US$ (35,371)	US$ 978,829
Vincent Delisle[4] Executive Vice-President and Head of Liquid Markets	2019	N/A	N/A	N/A
Marc-André Blanchard[4] Executive Vice-President and Head of CDPQ Global and Global Head of Sustainability	2019	N/A	N/A	N/A
Kim Thomassin Executive Vice-President and Head of Québec	2019	$ 965,000	$ 121,422	$1,086,422

1. The amounts appearing in the table refer to the portion of variable compensation awarded in 2019 and deferred over a three-year period that was paid in 2022. As required by the Income Tax Act, these amounts must be disbursed after three years, at the latest.
2. Disbursed deferred variable compensation includes 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.
3. For Mr. Laguerre, pursuant to the provisions of the variable compensation program regarding employment termination, the amounts indicated correspond to the sum of deferred amounts and performance credited for the years 2019 and 2020 when he held a vice-president position, and for 2021 as an executive.
4. These executives began participating in the variable compensation program in 2020.

TABLE 43

2022 PENSION SUMMARY OF THE INDIVIDUALS LISTED IN TABLE 41[1]

This table summarizes details on the values recognized for financial statement purposes for the executives who participate in a defined benefit pension plan.[1]

		Annual benefits payable[3]		Supplemental plan			
Name and main position	Years of credited service[2]	At year-end ($)	At age 65 ($)	Accrued obligation at start of year[4] ($)	Change due to compensatory items[5] ($)	Change due to non-compensatory items[6] ($)	Accrued obligation at year-end[4] ($)
Charles Emond President and Chief Executive Officer	3.9	43,100	201,600	514,300	156,800	(236,900)	434,200
Emmanuel Jaclot Executive Vice-President and Head of Infrastructure	3.4	44,000	311,700	508,600	198,400	(301,100)	405,900
Martin Laguerre Executive Vice-President and Head of Private Equity (New York)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vincent Delisle Executive Vice-President and Head of Liquid Markets	2.4	22,400	134,000	182,900	136,200	(105,600)	213,500
Marc-André Blanchard Executive Vice-President and Head of CDPQ Global and Global Head of Sustainability	2.3	23,100	102,300	193,700	136,900	(91,300)	239,300
Kim Thomassin Executive Vice-President and Head of Québec	5.9	75,400	254,000	1,000,100	210,000	(419,900)	790,200

1. The table above presents the changes in value of the pension plan benefits in compliance with accounting rules. These values are presented for information purposes.
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 $21,016 per executive in 2022, as indicated in the compensation summary (Table 41, column E).
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 awarding 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 44

SUMMARY OF SEVERANCE PAY IN THE EVENT OF NON-VOLUNTARY TERMINATION FOR THE INDIVIDUALS LISTED IN TABLE 41

Name and main position	Theoretical amount payable[1]
Charles Emond[2] President and Chief Executive Officer	$3,713,000
Emmanuel Jaclot Executive Vice-President and Head of Infrastructure	$1,550,000
Martin Laguerre[3] Executive Vice-President and Head of Private Equity (New York)	US$1,440,000
Vincent Delisle Executive Vice-President and Head of Liquid Markets	$1,349,000
Marc-André Blanchard Executive Vice-President and Head of CDPQ Global and Global Head of Sustainability	$1,467,000
Kim Thomassin Executive Vice-President and Head of Québec	$1,020,000

1. In the event of dismissal without just and sufficient cause, the severance paid to the executives is equal to one month of base salary and annual target variable compensation per year of completed service for a minimum of 12 months subject to a maximum of 16 months. For Mr. Blanchard, the number of months used to calculate severance is 16.
2. In the event of dismissal without just and sufficient cause, this executive's employment contract provides for severance pay equal to 18 months of his annual base salary and annual target variable compensation.
3. Mr. Laguerre left CDPQ on October 20, 2022.

TABLE 45

REFERENCE MARKETS AND CDPQ TOTAL COMPENSATION FOR 2022 FOR THE INDIVIDUALS LISTED IN TABLE 41[1]

Main position	Maximum total compensation based on reference market[2]	Total compensation awarded in 2022[3]
President and Chief Executive Officer	$6,303,720	$4,205,154
Executive Vice-President and Head of Infrastructure	€4,136,410	€1,936,558
Executive Vice-President and Head of Private Equity (New York)[4]	N/A	N/A
Executive Vice President and Head of Liquid Markets	$3,740,520	$2,026,516
Executive Vice-President and Head of CDPQ Global and Global Head of Sustainability[5]	N/A	$1,958,244
Executive Vice-President and Head of Québec	$3,802,116	$1,734,459

1. Willis Towers Watson, Compensation of the President and Chief Executive Officer Study and Global Market Compensation Study, CDPQ, 2022.
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 2022 (Table 41, column G). This compensation was awarded for a 5.8% five-year annualized return (2018 to 2022) and value added of $17.9 billion.
4. Mr. Laguerre left CDPQ on October 20, 2022.
5. Due to the nature of this position, market data are not available.

TABLE 46

SUMMARY OF THE COMPENSATION OF THE FIVE MOST HIGHLY PAID EXECUTIVES, INCLUDING THE PRESIDENT AND CEOS, OF THE SUBSIDIARIES CDPQ HOLDS AT OVER 90% FOR 2022

This table summarizes total compensation as awarded. Specifically, it sets out the variable compensation awarded for the year, divided between amounts paid and deferred. Total compensation awarded provides a better understanding of the alignment with CDPQ's performance.

Name and main position	Base compensation paid A	Variable compensation paid for the year B	Deferred variable compensation for the year[1] C	Variable compensation awarded for the year D=B+C	Pension plan contributions made by the subsidiary E	Other benefits paid or granted[2] F	Total compensation awarded for the year G=A+D+E+F
Nathalie Palladitcheff[3] President and Chief Executive Officer, Ivanhoé Cambridge	$ 550,000	$1,250,000	$1,250,000	$2,500,000	$ 67,224	$ 38,377	$3,155,601
Rana Ghorayeb President and Chief Executive Officer, Otéra Capital	$ 399,519	$ 562,500	$ 687,500	$1,250,000	$ 21,016	$ 59,657	$1,730,192
Jean-Marc Arbaud President and Chief Executive Officer, CDPQ Infra	$ 449,038	$ 780,000	$ 420,000	$1,200,000	$ 15,400	$ 7,932	$1,672,370
Karim Habra[4] Head of Europe, Co-Head of Asia-Pacific, Ivanhoé Cambridge (Paris)	€ 440,351	€ 514,000	€ 514,000	€1,028,000	€ 50,975	€ 24,082	€1,543,408
George Agethen[5] Co-Head of Asia-Pacific, Ivanhoé Cambridge (Singapore)	S$ 810,000	S$ 746,000	S$ 746,000	S$1,492,000	N/A	S$ 40,859	S$2,342,859

1. As noted on page 123 of this report, under the variable compensation program of certain subsidiaries, senior executives are required to defer a portion of their annual variable compensation awarded or to take part in a long-term variable compensation program.
2. Amounts indicated include employer contributions to group insurance premiums, perquisites and the health care account.
3. For Ms. Palladitcheff, in addition to total compensation awarded, she receives an amount of $450,000 in 2022 and 2023 related to a temporary measure.
4. For Mr. Habra, in addition to total compensation awarded, he receives an amount of €140,000 in 2022 and €280,000 in 2023 related to a temporary measure.
5. For Mr. Agethen, in addition to total compensation awarded, he receives an amount of S$190,000 in 2022 and S$386,000 in 2023 related to a temporary measure.

TABLE 47

SUMMARY OF DEFERRED VARIABLE COMPENSATION PAID IN 2022, INCLUDING THE LONG-TERM VARIABLE COMPENSATION PROGRAM FOR THE INDIVIDUALS LISTED IN TABLE 46

Name and main position	Previous fiscal year	Deferred variable compensation[1]	Cumulative return at the time of payment	Previous deferred variable compensation disbursed in 2022[2]
Nathalie Palladitcheff President and Chief Executive Officer, Ivanhoé Cambridge	2019	$229,500	$ 3,672	$233,172
Rana Ghorayeb President and Chief Executive Officer, Otéra Capital	2019	$441,350	$ 55,533	$496,883
Jean-Marc Arbaud President and Chief Executive Officer, CDPQ Infra	2019	$297,500	$ 37,433	$334,933
Karim Habra[3] Head of Europe, Co-Head of Asia-Pacific, Ivanhoé Cambridge (Paris)	2019	N/A	N/A	N/A
George Agethen[3] Co-Head of Asia-Pacific, Ivanhoé Cambridge (Singapore)	2019	N/A	N/A	N/A

1. The amounts appearing in the table refer to the portion of variable compensation awarded in 2019 and deferred over a three-year period that was paid in 2022. As required by the Income Tax Act, these amounts must be disbursed after three years, at the latest.
2. Previous deferred variable compensation disbursed includes the return earned during the three-year period. Returns earned correspond to the weighted average of depositors' funds at CDPQ expressed as a percentage, as published by CDPQ, for Otéra Capital and CDPQ Infra, and corresponds to a combined average return of CDPQ and Ivanhoé Cambridge for Invahoé Cambridge executives.
3. These executives are not eligible for a deferred variable compensation payment in 2019.

Sustainable Development Report

2022 Sustainable Development Report

In 2022, CDPQ published its Sustainable Development Action Plan (SDAP), which is structured around three strategic orientations to guide our sustainable investing commitments and targets throughout the organization.

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

CDPQ took many actions to generate positive and sustainable social and environmental impacts. This report presents a summary of these actions.

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

2022 Target	Indicator
Hold $54 billion in low-carbon assets by 2025	Value ($B) of low-carbon assets in the global portfolio, according to the Climate Bonds Initiative (CBI) taxonomy

Over the years, CDPQ has become an international leader in sustainable investment. We have focused our efforts on three key sectors: low-carbon real estate, renewable energy, and sustainable transportation. We also target investment opportunities in innovative areas such as green hydrogen, electricity storage and energy efficiency.

As at December 31, 2022, the value of our low-carbon assets totalled $47 billion, up $29 billion over five years (see Figure 48). These investments contribute directly to decarbonizing the real economy.

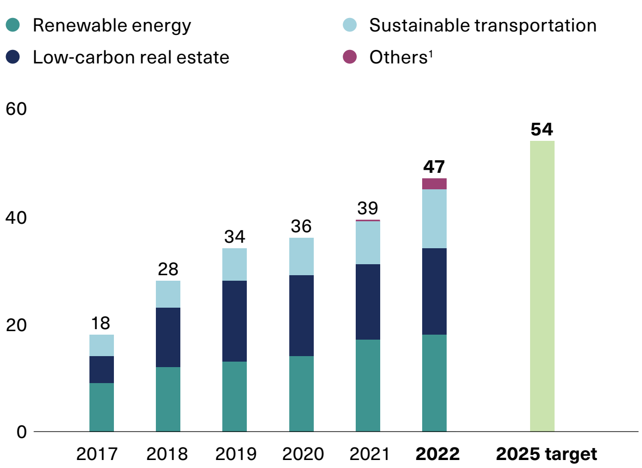
2022 Target	Indicator
Achieve a 60% reduction in the carbon intensity of the portfolio by 2030 compared with 2017	Reduction percentage (%) in the portfolio's carbon intensity compared with 2017

Our portfolio's carbon emissions per dollar invested are measured each year in accordance with the methodology recognized by the UN-convened Net-Zero Asset Owner Alliance. This exercise allows us to compare the carbon impact of our assets, regardless of the sector, and to raise awareness among the highest-emitting companies in our portfolio on the importance of optimizing their processes to limit their repercussions on the environment and become more resilient.

In 2022, the carbon intensity of our portfolio has decreased by 53% compared to our 2017 starting point (see Figure 49). This reduction is mainly due to our low-carbon assets, the decarbonization efforts of our portfolio companies, and our exit from oil production and refining. Details on the carbon intensity calculation that covers the entire corporate portfolio but excludes the transition envelope can be found in our Sustainable Investing Report.

FIGURE 48

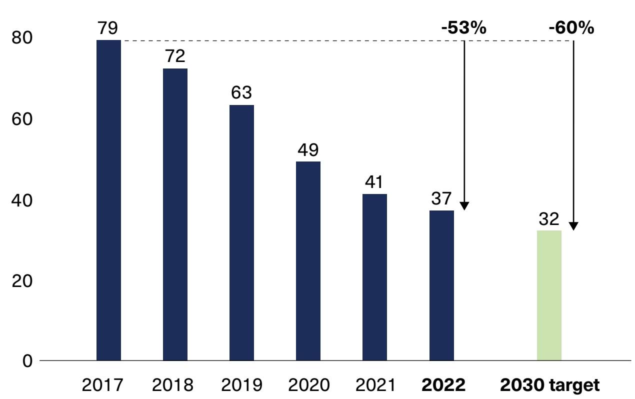
LOW-CARBON ASSETS
(in billions of dollars)



1. Includes the new sectors from CBI's taxonomy.

FIGURE 49

THE PORTFOLIO'S CARBON INTENSITY
(in tCO_2e/M$)



2022 Target	Indicator
Develop an ESG coaching offer and deploy it to our portfolio companies in Québec	Number of companies supported in Québec

In 2022, we continued to provide post-investment support to companies. In Québec and around the world, we supported them as they integrated sustainability considerations into every aspect of their business.

We see this as our responsibility as a long-term investor. It is a commitment we reaffirmed when we signed Finance Montréal's Statement by the Quebec Financial Centre for a Sustainable Finance.

We also:

- Enhanced our support for portfolio companies in Québec on ESG issues
- Supported nine Québec companies interested in optimizing the integration of ESG considerations into their operations

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

2022 Target	Indicator
To reach a minimum of 25% of employees from an ethnocultural community or identifying as Indigenous among our teams in Québec	Rate of representation of employees from an ethnocultural community or identifying as Indigenous among our teams in Québec

We firmly believe that diversity improves the quality of our decisions and optimizes our risk management, as well as strengthening our teams' engagement and opening up new avenues for business opportunities.

With a view to continuous improvement and based on results from prior years, we have deployed new diversity, equity and inclusion (DEI) initiatives:

- Our Workplace Equity, Diversity and Inclusion Policy was enhanced with:
  - An expanded notion of pay equity moving beyond gender to encompass ethnocultural backgrounds
  - A commitment to continue conducting annual pay equity analyses to ensure fair total compensation for equivalent work at all levels of our organization
- Our EDGE+ Certification, which is globally recognized in terms of DEI in the workplace, has been renewed and now includes aspects pertaining to ethnocultural diversity
- Three affinity groups have been created to offer talent from diversity groups opportunities for networking, co-development and discussing shared realities:
  - Les Investies, for women in investment
  - Carrefour Diversité, for colleagues from ethnocultural minorities
  - Fierté CDPQ, for the organization's LGBTQ2S+ community members

Representation of employees on our Québec teams who are from ethnocultural communities or who identify as Indigenous reached 24% in 2022. Furthermore, we have set our target at 26% for 2025.

2022 Target	Indicator
Have women represent at least 30% of the Executive Committee	Share of women on our Executive Committee

Reflecting our DEI convictions, women represented 39% of our Executive Committee on December 31, 2022. Our target is now to have women make up 40% of our Executive Committee by 2025.

2022 Target	Indicator
Have women represent at least 30% of our nominee directors by 2023	Share of women among our nominee directors by 2023

Because diversity strengthens governance and decision quality at our companies, we work to appoint people with diverse profiles to the Boards on which we sit. Our objective: have women represent 30% of our nominee directors by 2023.

In 2022, we achieved 29% women in this group. CDPQ appointed 89 new nominee directors. Of these, 33 were women, representing 37% of the total appointments.

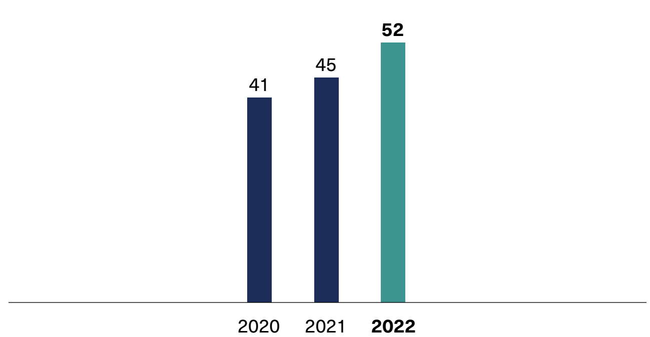
2022 Target	Indicator
Have women represent at least 30% of the Boards of Directors of our public portfolio companies by 2022	Share of women on the Boards of Directors of our public portfolio companies

In keeping with the requirements of our Policy Governing the Exercise of Voting Rights of Public Companies, we ask our public companies to ensure that their Boards of Directors include at least 30% women. In 2022, 52% of our actively managed public companies included at least 30% women on their Boards of Directors, an increase of nearly 27% over two years (see Figure 50).

FIGURE 50

ACTIVELY MANAGED PUBLIC COMPANIES WITH WOMEN REPRESENTING AT LEAST 30% OF THEIR BOARD OF DIRECTORS

(as a percentage)



Orientation 3 – Apply best practices in sustainable development throughout our operations

2022 Target	Indicator
Communicate at least 20 times a year on our various commitments and offer our staff esources related to these issues	Number of communications to our staff

Following the publication of the 2022 SDAP, our internal communications team developed a communication plan to inform our people about our different sustainable development commitments, and provide them with resources. Topics such as sustainable finance, DEI, training sessions available to employees, overall health, technological risks and corporate culture were addressed.

Thanks to this plan, more than 120 articles were published on the intranet.

2022 Target	Indicator
Achieve a 55% reduction in emissions at Édifice Jacques-Parizeau by 2030 compared with 2017	Reduction percentage (%) in the building's carbon footprint compared with 2017

The emissions from Édifice Jacques-Parizeau have decreased 18% since 2017, and the remaining emissions are offset each year to achieve carbon neutrality. In 2022, for the third consecutive year, the building, which is managed by our subsidiary, Ivanhoé Cambridge, earned the Zero Carbon Building – Performance Standard certification awarded by the Canada Green Building Council. This certification recognizes energy efficient buildings that produce or procure enough renewable, zero-carbon energy to offset the annual emissions associated with building operations.

2022 Target	Indicator
Achieve a waste reclamation rate of 60% in Édifice Jacques-Parizeau by 2025	Waste reclamation rate

In 2022, the waste reclamation rate was 71%.

2022 Target	Indicator
Redistribute or recycle 100% of outdated computer equipment	Recycling rate of outdated computer equipment

In 2022, all computer equipment at CDPQ was reused internally, enabling us to achieve a redistribution rate of 100%.

2022 Target	Indicator
Hold a competition to select three artists who will create works integrated into the architecture of the REM	Agreement with the artists and production of the works started

The artists who will create the first three artworks for REM stations were announced in August 2022.

An invitation to travel

Former HEC Montréal student Manuel Mathieu is well acquainted with the Édouard-Montpetit station. In composing his mosaic panels, he took inspiration from the fragments of memory passengers capture of the exterior world before plunging 70 metres below ground in Canada's deepest station.

For the Brossard station, David Armstrong VI explores the essence of train travel through two sculptures with plant, animal and human features that seem to be in permanent movement.

Chih-Chien Wang, a regular in the neighbourhood around the Panama station, wanted to pay tribute to this location where different cultures meet. His aerial photographs incorporate dust particles to evoke the transition from the infinitely small to the infinitely vast, and from the personal to the universal.

Unveiling of the first three REM artworks and their creators

Manuel Mathieu dreamt up the monumental mosaics for the Édouard-Montpetit station, David Armstrong VI designed a diptych of organic sculptures for the Brossard station, and Chih-Chien Wang poetically reworked aerial photographs of landscapes for the Panama station.

Financial Report

Change in Assets

NET ASSETS ATTRIBUTABLE TO DEPOSITORS

Net assets attributable to depositors grew from $298.5 billion as at December 31, 2017, to $401.9 billion as at December 31, 2022, an increase of $103.4 billion over five years. This growth was primarily due to investment results of $91.8 billion, in addition to depositors' net contributions of $11.6 billion (see Table 54, page 143).

During 2022, net assets attributable to depositors decreased by $17.9 billion to $401.9 billion, compared to $419.8 billion as at December 31, 2021. This decrease was due to -$24.6 billion of investment results and $6.7 billion in depositors' net contributions.

TOTAL ASSETS

As at December 31, 2022, total assets reached $473.8 billion, compared to $472.4 billion at the end of 2021 (see Table 51). The $1.4-billion increase was due to net acquisitions of investments and losses on financial instruments. The liabilities to total assets ratio rose to 15% as at December 31, 2022, compared to 11% in 2021. 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 Financial Statements. 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, 2022, CDPQ's assets under management and assets under administration totalled $170.4 billion, up $10.0 billion from one year earlier (see Table 52). This growth came primarily from the portfolio administered by MCAP, a subsidiary of Otéra Capital. This company administers $145.6 billion of Canadian residential, commercial and construction mortgages.

TABLE 51

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

	2022	2021
ASSETS		
Investments	**466,957**	466,157
Other assets	**6,850**	6,209
Total assets	**473,807**	472,366
LIABILITIES		
Investment liabilities	**68,343**	47,287
Other liabilities	**3,577**	5,282
Total liabilities	**71,920**	52,569
Net assets	**401,887**	419,797

TABLE 52

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

	2022	2021
Total assets	**473,807**	472,366
Assets under management	**23,189**	19,413
Assets under administration	**147,253**	141,021
Assets under management and assets under administration	**170,442**	160,434
Total assets under management	**644,249**	632,800

INVESTMENT RESULTS

Over five years, investment results amounted to $91.8 billion. The Equities asset class contributed the most, generating results of $75.5 billion, including $28.9 billion from the Equity Markets portfolio and $46.6 billion from the Private Equity portfolio. The Fixed Income and Real Assets classes also contributed -$1.8 billion and $20.9 billion, respectively.

For 2022, the -$24.6 billion in investment results (see Table 53) were mainly attributable as follows: Fixed Income at -$20.1 billion and Equities at -$12.1 billion. The Real Assets class generated $10.5 billion in investment results.

NET CONTRIBUTIONS BY DEPOSITORS

As at December 31, 2022, depositors' net contributions totalled $6.7 billion, mainly due to net contributions of $5.3 billion by the Québec Pension Plan and $3.1 billion by the Government of Québec's Generations Fund, offset by net withdrawals of $1.1 billion by the Government and Public Employees Retirement Plan.

TABLE 53

FINANCIAL INFORMATION – INVESTMENT RESULTS

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

	2022	2021
Net investment income	**7,686**	12,292
Operating expenses	**(924)**	(718)
Net income	**6,762**	11,574
Net gains (losses) on financial instruments at fair value	**(31,374)**	37,155
Investment results	**(24,612)**	48,729

TABLE 54

FINANCIAL INFORMATION – SUMMARY OF CHANGES IN NET ASSETS

(for the period from 2018 to 2022 – in billions of dollars)

	2022	2021	2020	2019	2018	5 years
Net assets, beginning of year	**419.8**	365.5	340.1	309.5	298.5	**298.5**
Investment results	**(24.6)**	48.7	24.8	31.1	11.8	**91.8**
Net contributions (net withdrawals) by depositors	**6.7**	5.6	0.6	(0.5)	(0.8)	**11.6**
Net assets, end of year	**401.9**	419.8	365.5	340.1	309.5	**401.9**

Cost Management

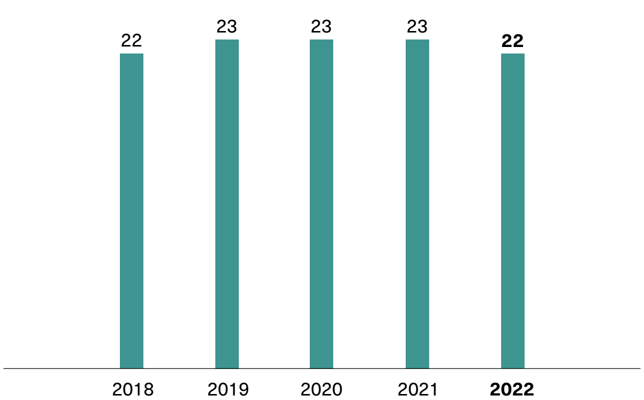
To optimize its risk-return profile, CDPQ seeks to diversify its portfolio through exposure to a wide range of asset classes, geographic markets and strategies. The vast majority of its investments are managed internally, but for certain specific activities, forming a team is not an optimal strategy.

Sometimes CDPQ seeks cutting-edge expertise in a targeted sector or in-depth knowledge in a region where we have a limited presence. We may also want to take advantage of low-cost investment opportunities that would be difficult to obtain without partnerships or strategies that complement our own. It may therefore be to the organization's advantage to partner with external managers that meet our criteria and share our investment philosophy, as well as demonstrate strong management and execution capabilities.

The decision to carry out activities internally or use external managers is based on an in-depth analysis of various options to find the best way to achieve our business objectives while managing the related costs in an optimal manner.

FIGURE 55

OPERATING EXPENSES AND EXTERNAL MANAGEMENT FEES – EQUITY MARKETS EXPRESSED PER $100 OF DEPOSITORS' AVERAGE NET ASSETS
(for periods ended December 31 – in cents)



COSTS BY EXPENSE TYPE

CDPQ seeks to optimize its costs in comparison to other institutional fund managers of similar size engaged in similar activities.

The costs generated by its activities can be broken down into the following categories:

1. Operating expenses
2. External management fees – Equity Markets
3. External management fees – Private Markets and other funds
4. Transaction costs

The costs presented, which include all costs paid, are expressed in dollars and cents per $100 of average net assets (basis points). This allows for better comparisons with previous years due to changes in asset size. These costs are included in the financial results and presented in various parts of the financial statements, and have been shown together in this section since 2021.

In 2022, CDPQ's operating expenses and external management fees for Equity Markets—excluding the IT development costs capitalized in previous years—stood at $893 million. This amount represents 22 basis points (see Figure 55), down from the level recorded in the period from 2019 to 2021. This ratio compares favourably with that of the industry.

1. OPERATING EXPENSES

Operating expenses represent portfolio management and administration costs and costs incurred for internally managed investments. For 2022, operating expenses—excluding IT development costs capitalized in previous years—stood at $775 million, or 19 basis points. As shown in Table 56, on page 146, they rose slightly from 2021, when they were 18 basis points. This was due to the specific context of 2022, which was characterized by high inflation combined with the post-pandemic recovery of CDPQ's activities.

IT development costs

Expenses for developing cloud computing consist of customization and configuration costs related to software-as-a-service agreements.

As explained in Note 9 to the financial statements, on page 184, and following a decision by the International Financial Reporting Interpretations Committee (IFRIC), CDPQ no longer capitalizes these costs.

As a result, the $149 million in IT development costs (4 basis points) paid before January 1, 2022 and capitalized according to the standards previously in force are included in the costs for the fiscal year ended December 31, 2022. They are not, however, included in the cost ratio for the year, since they were paid in previous years.

2. EXTERNAL MANAGEMENT FEES – EQUITY MARKETS

External management fees for Equity Markets totalled $118 million in 2022, or 3 basis points, down from 2021. This decline was the result of market variations and the correction in stock market indexes, which affected performance in 2022. In recent years, CDPQ has sought to complement our internal expertise in certain markets by entrusting the management of certain securities to external managers.

3. EXTERNAL MANAGEMENT FEES – PRIVATE MARKETS AND OTHER FUNDS

CDPQ invests in funds offered by experienced external managers, allowing for the geographical diversification of activities and expanding the investment pool into niche areas. The fees related to these funds are of two types:

- Management fees, which are calculated on the amount of assets held by the fund
- Performance fees, which are incentives payable when the returns generated exceed a target rate of return, thereby ensuring that the interests of the managers and CDPQ are aligned

These costs, consisting of the management fees and performance fees paid, are among the items deducted from the fair value of the fund and are included in CDPQ's investment results.

In 2022, the external management fees for Private Markets and other funds totalled $845 million, representing 20 basis points. The one-year decrease was mainly due to lower performance by the external managers in Private Markets and other funds, including in private equity, compared to 2021.

MAJOR CONTRIBUTION TO THE PERFORMANCE OF ASSETS IN PRIVATE MARKETS AND OTHER FUNDS

CDPQ uses external managers to achieve our strategic orientations, which require an agile deployment of capital to implement certain active management strategies. These activities are intended as a complement to the activities of our teams. External managers are selected through a rigorous process that includes performing a complete due diligence review and negotiating management and performance fees.

Manager performance is regularly assessed to ensure that performance objectives are achieved while minimizing the costs to the organization. Performance fees are payable only when managers perform better than a target return set by CDPQ. These fees are significant incentives for encouraging superior returns and producing value added.

4. TRANSACTION COSTS

Transaction costs are attributable to the acquisition, sale and issuance of financial instruments. They include:

- Financial, legal, tax and ESG due diligence costs
- Fees and commissions paid to consultants and external financial institutions
- Brokerage fees and amounts levied by regulatory agencies
- Transfer duties and taxes

These costs may vary from one year to the next based on the amount of capital deployed and the complexity of the transactions. In 2022, they totalled $242 million, or 6 basis points, compared to 8 basis points in 2021.

COST RATIO

For the year ended December 31, 2022, the internal and external management costs of the investments detailed above totalled $1.980 billion (see Table 56), representing 48 basis points. The one-year decrease was mainly due to lower performance fees paid on investments under external management. As mentioned above, the ratio of operating expenses and external management fees for Equity Markets declined compared to the three previous years.

OPERATIONAL EFFICIENCY

CDPQ periodically reviews its business processes and maintains tight control over costs. It seeks to manage them as efficiently as possible in order to generate optimal returns.

For many years, CDPQ has taken part in work to benchmark its costs by asset class. Annual benchmarking conducted with CEM Benchmarking, an independent provider of cost and performance benchmarking information for pension funds and other institutional asset managers around the world, has confirmed that CDPQ's cost management ranks favourably with that of its peers.

TABLE 56

EXPENSE RATIO
(as at December 31)

Expense category	2022		2021	
	$M	**BPS[1]**	$M	BPS[1]
Operating expenses[2]				
Management and administration of CDPQ portfolios	**775**	**19**	718	18
External management fees – Equity Markets				
Base and performance fees	**118**	**3**	174	5
Subtotal	**893**	**22**	892	23
External management fees – Private Markets and other funds				
Base and performance fees paid and deducted from the fair value of funds	**845**	**20**	999	26
Transaction fees				
Acquisition, sale and issuance of financial instruments	**242**	**6**	306	8
Total	**1,980**	**48**	2,197	57

1. Expenses presented in basis points represent costs paid expressed in cents per $100 of average net assets.
2. Excludes IT development expenses of $149 million.

CDP Financial

CDP Financial is a wholly owned subsidiary of CDPQ. Its transactions are designed to optimize the cost of financing the operations of both the organization 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, CDP Financial has various financing programs on the local and international institutional markets that it uses for short-, medium- and long-term borrowing.

SHORT-TERM BORROWING

As at December 31, 2022, short-term financing totalled $13.1 billion, denominated in the following currencies:

- Canadian dollar: $0.7 B
- U.S. dollar: $9.1 B
- Euro: €9.8 M

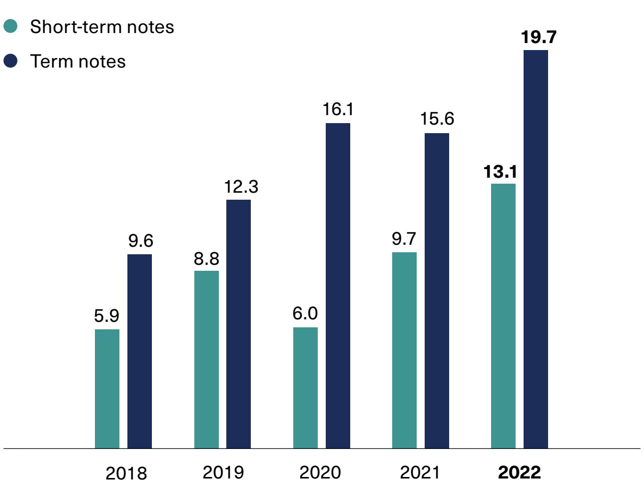
TERM BORROWING

As at December 31, 2022, the fair value of CDP Financial's outstanding term notes totalled $19.7 billion, compared to $15.6 billion at the end of 2021 (see Figure 57). This change was mainly due to the issuance of four new notes in the amounts of US$1.5 billion, €2.0 billion, CA$1.5 billion and CA$1.25 billion, in addition to the maturity of a US$2.0 billion note. The higher interest rates, partly offset by the foreign exchange effect, had a negative impact on the market value of term notes.

In November 2022, CDPQ issued green bonds on the Canadian market in an amount of $1.25 billion. In accordance with its climate change commitments, in 2021 CDPQ established a reference framework that follows best practices and the Green Bond Principles developed by the International Capital Market Association (ICMA).

FIGURE 57

BREAKDOWN OF BORROWINGS – CDP FINANCIAL
(fair market value as at December 31 – in billions of dollars)



Proceeds from issuances of green bonds are allocated to a selection of sustainable investments in areas such as renewable energy, green transportation and energy efficiency.

CREDIT FACILITY

During the year ended December 31, 2022, CDP Financial renewed a credit facility with an authorized maximum amount of US$4 billion with a group 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, 2022, the financing can be broken down as follows: Debt instruments denominated in U.S. dollars represented 78%, while 14% were denominated in Canadian dollars and 8% were denominated in euros.

HIGHEST CREDIT RATINGS REAFFIRMED

DBRS Morningstar (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 2022 for both CDP Financial and CDPQ (see Table 58).

TABLE 58

CREDIT RATINGS

	Short-term	Long-term
DBRS	R-1 (high)	AAA
Fitch	F1+	AAA
Moody's	Prime-1	Aaa
S&P	A-1+ A-1 (high)	AAA

Significant Accounting Policies

CDPQ's consolidated financial statements include the accounts of the General Fund, of the individual funds, and of the specialized portfolios as well as the accounts of our subsidiaries that exclusively offer services related to financing, administrative and management activities. The net assets attributable to depositors presented in the Consolidated Statements of Financial Position reflect the combined net value of the accounts of each depositor. Note 2 to the Audited Consolidated Financial Statements as at December 31, 2022 and 2021 describes the significant accounting policies used by CDPQ.

FINANCIAL REPORTING

CDPQ's consolidated financial statements are prepared in accordance with the prevailing accounting standards, namely International Financial Reporting Standards (IFRS), as stipulated in the Act respecting CDPQ.

EXTERNAL AUDIT

In accordance with the Act respecting CDPQ, the co-auditors audited all of CDPQ's accounting records and issued an unqualified independent auditors' report for each of the 77 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 172.

Impact of economic uncertainty on judgments, estimates and assumptions

The pandemic declared by the World Health Organization in 2020, as well as geopolitical tensions and rapidly rising inflation and interest rates, continue to disrupt global economic activity and create high levels of uncertainty and volatility in financial and stock markets. Although the techniques for measuring the fair value of financial instruments have remained the same, the main estimates and assumptions, as well as the analysis and management of risks, take into account the uncertainties and factors known to date. This allows us to provide our best estimate of the impact of the pandemic on the fair value of these financial instruments. CDPQ's best estimates are reflected in the results presented. CDPQ continues to monitor the evolution of economic uncertainties and their impacts.

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, page 234).

Adoption of new IFRS

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

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 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 semi-annually. Accordingly, the Valuation Committee recommends these fair values to the Audit Committee. The policy complies with the standards and practices of Canadian and international valuation bodies and demonstrates a rigorous governance framework for financial instrument valuation processes.

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

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

The co-auditors have access to all valuation files as part of the audit of the year-end consolidated financial statements.

CONCEPTUAL FRAMEWORK

IFRS define fair value and provide guidelines on measurement and disclosures related to fair value. Entities are required to maximize the use of relevant observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair value must be established by assuming that the investments are available for sale, that is, that the fair value of investments corresponds to an exit price at the date of the financial statements. The purpose of the accounting standards is to define a single conceptual framework that can be used in all situations requiring fair value measurement.

CDPQ considers that IFRS constitute a coherent framework for fair value measurement. Nevertheless, these standards do not take into account the fact that, in accordance with the very long-term investment horizon adopted by our main depositors, CDPQ has the means and intends to hold certain investments until their optimal value is attained.

As such, the fair value established as at December 31, 2022, 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 172, 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 the design and effectiveness of the internal control over financial information and the design and effectiveness of the disclosure controls and procedures. 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, 2022 and 2021 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, 2022 and 2021. 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, FCPA

President and Chief Executive Officer

Montréal, February 21, 2023

MAARIKA PAUL, FCPA, 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, 2022 and 2021 and the Consolidated Statements of Comprehensive Income (loss), 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, 2022 and 2021 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the audit addressed the key audit matter
Fair value measurement of financial assets based on unobservable inputs	
The Group describes the estimates and assumptions and judgment used in measuring the fair value of financial instruments in Notes 2 and 6 of the consolidated financial statements. As disclosed in Note 6 to the consolidated financial statements, the Group has $222.5 billion in financial assets classified as Level 3 of the fair value hierarchy. The fair values of these financial instruments are calculated using valuation techniques for which the significant inputs are unobservable. The main unobservable inputs used to measure these financial assets are the earnings before interest, taxes, depreciation and amortization (EBITDA) multiples, credit spreads, discount rates, capitalization rates, discounts to net asset value, and future cash flows. Auditing the fair value of financial assets based on unobservable inputs is complex, requires the auditors to apply considerable judgment, and requires the participation of valuation specialists to assess the valuation techniques and unobservable inputs used by the Group. The use of different assumptions and valuation techniques could result in considerably different fair value estimates given that the unobservable inputs are associated with a higher degree of subjectivity and uncertainty and could be influenced by future market conditions and events.	We have obtained an understanding, evaluated the design, and tested the operating effectiveness of the controls used in the investment valuation process, which include management review controls on the assessment of valuation techniques, significant inputs, and assumptions used in estimating fair value. The audit procedures performed when measuring the fair value of financial assets based on unobservable inputs varied according to the nature of the chosen investment and consisted of the following procedures, among others: • We assessed, in collaboration with our specialists, the appropriateness of the valuation techniques used and tested the mathematical accuracy of the valuation models. • For a sample of investments, we assessed the appropriateness of the unobservable inputs and assumptions used in estimating fair value by comparing them to supporting documentation or available market data and by evaluating any significant adjustment made thereto. • More specifically, for the selected investments, we analyzed the significant adjustments applied to the EBITDA multiples and to future cash flows. We also assessed the determination of credit spreads, discount rates, capitalization rates, and discounts to net asset value using information specific to the investments as well as relevant market information. In addition, we assessed the appropriateness of management's choice of comparable public companies. • For a sample of investments sold during the fiscal year, we validated the accuracy of the previous estimates made by management. We also examined the assessment of subsequent events and transactions made by management and we assessed whether these events and transactions confirm or contradict the year-end estimates.

Independent Auditors’ Report

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 2022 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 2022 Annual Report, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

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

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

Independent Auditors' Report

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Guylaine Leclerc, FCPA auditor

Canada, Montréal, February 21, 2023

Ernst & Young LLP[1]

Ernst & Young LLP[1]

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

Canada, Montréal, February 21, 2023

Consolidated Statements of Financial Position

(in millions of Canadian dollars)	**December 31, 2022**	December 31, 2021
ASSETS		
Cash	**1,426**	1,073
Amounts receivable from transactions being settled	**2,376**	2,213
Advances to depositors	**727**	1,011
Investment income, accrued and receivable	**1,174**	949
Other assets	**1,147**	963
Investments *(Note 4)*	**466,957**	466,157
Total assets	**473,807**	472,366
LIABILITIES		
Amounts payable on transactions being settled	**1,943**	3,443
Other liabilities	**1,634**	1,839
Investment liabilities *(Note 4)*	**68,343**	47,287
Total liabilities excluding net assets attributable to depositors	**71,920**	52,569
Net assets attributable to depositors	**401,887**	419,797

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

On behalf of the Board of Directors,

CHARLES EMOND, FCPA

President and Chief Executive Officer

ALAIN CÔTÉ, FCPA, ICD.D

Chair of the Audit Committee

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31

(in millions of Canadian dollars)	**2022**	2021
Investment income	**8,648**	12,797
Investment expense	**(962)**	(505)
Net investment income *(Note 8)*	**7,686**	12,292
Operating expenses *(Note 9)*	**(924)**	(718)
Net income	**6,762**	11,574
Net gains (losses) on financial instruments at fair value *(Note 8)*	**(31,374)**	37,155
Investment result before distributions to depositors *(Note 8)*	**(24,612)**	48,729
Distributions to depositors	**(8,134)**	(21,870)
Net income (loss) and comprehensive income (loss) attributable to depositors	**(32,746)**	26,859

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, 2021	782	7	1,839	417,169	419,797
Attributions and distributions					
Net loss and comprehensive loss attributable to depositors	**–**	**–**	**–**	**(32,746)**	**(32,746)**
Distributions to depositors	**8,987**	**–**	**(853)**	**–**	**8,134**
Participation deposits					
Issuance of participation deposit units	**(19,708)**	**–**	**–**	**19,708**	**–**
Cancellation of participation deposit units	**4,643**	**–**	**–**	**(4,643)**	**–**
Net Deposits					
Net change in term deposits	**–**	**(1)**	**–**	**–**	**(1)**
Net contributions	**6,703**	**–**	**–**	**–**	**6,703**
BALANCE AS AT DECEMBER 31, 2022	**1,407**	**6**	**986**	**399,488**	**401,887**
Balance as at December 31, 2020	4,042	7	2,653	358,790	365,492
Attributions and distributions					
Net income and comprehensive income attributable to depositors	–	–	–	26,859	26,859
Distributions to depositors	22,684	–	(814)	–	21,870
Participation deposits					
Issuance of participation deposit units	(32,463)	–	–	32,463	–
Cancellation of participation deposit units	943	–	–	(943)	–
Net Deposits					
Net contributions	5,576	–	–	–	5,576
BALANCE AS AT DECEMBER 31, 2021	782	7	1,839	417,169	419,797

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

Consolidated Statements of Cash Flows

For the years ended December 31

(in millions of Canadian dollars)	**2022**	2021
Cash flows from operating activities		
Net income (loss) and comprehensive income (loss) attributable to depositors	**(32,746)**	26,859
Adjustments for:		
Unrealized net gains on short-term promissory notes, term notes and loans payable	**(1,683)**	(372)
Net foreign exchange losses on short-term promissory notes, term notes and loans payable	**1,164**	164
Distributions to depositors	**8,134**	21,870
Net changes in operating assets and liabilities		
Amounts receivable from transactions being settled	**(163)**	903
Advances to depositors	**284**	(730)
Investment income, accrued and receivable	**(225)**	160
Other assets	**(184)**	(375)
Investments	**(2,227)**	(60,066)
Amounts payable on transactions being settled	**(1,500)**	153
Other liabilities	**(205)**	634
Investment liabilities	**11,780**	2,686
	(17,571)	(8,114)
Cash flows from financing activities		
Net change in short-term promissory notes payable	**(2,369)**	2,988
Issuance of short-term promissory notes payable	**16,316**	10,359
Repayment of short-term promissory notes payable	**(10,793)**	(9,927)
Net change in loans payable	**1,789**	(740)
Issuance of term notes payable	**7,405**	2,452
Repayment of term notes payable	**(2,554)**	(2,429)
Net contributions	**6,703**	5,576
	16,497	8,279
Net increase (decrease) in cash and cash equivalents	**(1,074)**	165
Cash and cash equivalents at the beginning of the year	**2,575**	2,410
Cash and cash equivalents at the end of the year	**1,501**	2,575
Cash and cash equivalents comprise:		
Cash	**1,426**	1,073
Cash equivalents *(note 4)*	**75**	1,502
	1,501	2,575
Supplemental information on cash flows from operating activities		
Interest and dividends received	**7,691**	8,456
Interest paid	**(694)**	(396)

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 the individual funds.

The individual funds of depositors are as follows:

Fund 300: Base Québec Pension Plan, administered by Retraite Québec

Fund 301: Government and Public Employees Retirement Plan, administered by Retraite Québec

Fund 302: Pension Plan of Management Personnel, administered by Retraite Québec

Fund 303: Pension Plan for Federal Employees Transferred to Employment with the Gouvernement du Québec, administered by Retraite Québec

Fund 305: Pension Plan of Elected Municipal Officers (PPEMO), administered by Retraite Québec

Fund 306: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Volet à prestations déterminées, administered by the Comité de retraite

Fund 307: Fonds d'assurance automobile du Québec, administered by the Société de l'assurance automobile du Québec

Fund 309: Fonds des opérations courantes de l'autorité, administered by the Autorité des marchés financiers

Fund 310: Régime de retraite des chauffeurs d'autobus de la Société de transport de Laval, administered by the Comité de retraite

Fund 311: Supplemental Pension Plan for Employees of the Québec Construction Industry – General Account, administered by the Commission de la construction du Québec

Fund 312: Supplemental Pension Plan for Employees of the Québec Construction Industry – Retirees Account, administered by the Commission de la construction du Québec

Fund 313: Supplemental Pension Plan for Employees of the Québec Construction Industry – Supplementary Account, administered by the Commission de la construction du Québec

Fund 314: Deposit Insurance Fund, administered by the Autorité des marchés financiers

Fund 315: Dedicated account, administered by La Financière agricole du Québec

CONSTITUTION AND NATURE OF OPERATIONS

INDIVIDUAL FUNDS (continued)

Fund 316: Retirement Plans Sinking Fund – RREGOP (RPSF-RREGOP), administered by the ministère des Finances, Government of Québec

Fund 317: Retirement Plans Sinking Fund – PPMP (RPSF-PPMP), administered by the ministère des Finances, Government of Québec

Fund 318: Retirement Plans Sinking Fund – Others (RPSF-Others), administered by the ministère des Finances, Government of Québec

Fund 319: Régimes de retraite de la Société des casinos du Québec, administered by the Société des casinos du Québec Inc.

Fund 321: Fiducie globale de la Ville de Longueuil, administered by the Comité de placement (created on January 1, 2022)

Fund 322: Régime de retraite HEC, administered by HEC Montréal

Fund 323: Régime des policiers de la Ville de Longueuil, administered by the Comité de retraite (created on January 1, 2022)

Fund 324: Fonds commun des cols bleus et pompiers de la Ville de Longueuil, administered by the Comité de retraite (created on January 1, 2022)

Fund 326: Crop Insurance Fund, administered by La Financière agricole du Québec

Fund 328: Survivor's Pension Plan, administered by the Secrétariat du Conseil du trésor

Fund 329: Fonds d'assurance-garantie, administered by la Régie des marchés agricoles et alimentaires du Québec

Fund 330: Fonds de la santé et de la sécurité du travail, administered by the Commission des normes, de l'équité, de la santé et de la sécurité du travail

Fund 331: Régime de retraite des employés du Réseau de transport de la Capitale, administered by the Comité de retraite

Fund 332: Fonds des cautionnements des agents de voyages – cautionnements individuels, administered by the Office de la protection du consommateur

Fund 333: Compensation Fund for Customers of Travel Agents, administered by the Office de la protection du consommateur

Fund 334: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Volet à coût partagé, administered by the Comité de retraite

Fund 335: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2020, administered by the Comité de retraite

Fund 336: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2030, administered by the Comité de retraite

Fund 337: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2040, administered by the Comité de retraite

Fund 338: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2050, administered by the Comité de retraite

Fund 339: Fonds d'indemnisation des services financiers, administered by the Autorité des marchés financiers

Fund 340: Régimes de retraite de la Ville de Terrebonne, administered by the Comité de retraite conjoint des Régimes de retraite de la Ville de Terrebonne

Fund 342: Régime de retraite de l'Université du Québec, administered by the Comité de retraite du Régime de retraite de l'Université du Québec

Fund 343: Parental Insurance Fund, administered by the Conseil de gestion de l'assurance parentale

Fund 344: Réserve, administered by La Financière agricole du Québec

Fund 345: Fiducie globale des régimes de retraite des employés de la Ville de Lévis, administered by the Comité de retraite (created on July 1, 2022)

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

CONSTITUTION AND NATURE OF OPERATIONS

INDIVIDUAL FUNDS (continued)

Fund 361: Pension Plan of the non-teaching Staff of the Commission des écoles catholiques de Montréal, administered by the Secrétariat du Conseil du trésor

Fund 362: Régime de retraite pour certains employés de la Commission scolaire de la Capitale, administered by the Secrétariat du Conseil du trésor

Fund 363: Régime de retraite des employés de la Ville de Laval, administered by the Comité de retraite

Fund 367: Territorial Information Fund, administered by the ministère des Finances, Government of Québec

Fund 368: Strategic Partnerships Fund, administered by the Autorité des marchés financiers

Fund 369: Accumulated Sick Leave Fund, administered by the ministère des Finances, Government of Québec

Fund 371: Accumulated Sick Leave Fund – ARQ, administered by the Agence du revenu du Québec

Fund 372: Fonds commun de placement des régimes de retraite de l'Université Laval, administered by the Comité de retraite (closed on March 1, 2022)

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 392: Fonds - Plan de garantie des bâtiments résidentiels neufs, administered by the Régie du bâtiment du Québec (created on March 1, 2022)

Fund 393: Régime de retraite de la Corporation de l'École Polytechnique, administered by the Comité de retraite

Fund 395: Retirement Plan for the Mayors and Councillors of Municipalities, administered by Retraite Québec

Fund 399: Additional Québec Pension Plan, administered by Retraite Québec

SPECIALIZED PORTFOLIOS

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

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

1. The Real Return Bonds (762) and Long Term Bonds (764) specialized portfolios ceased operations on November 1, 2021 and December 1, 2021, respectively, and were closed on December 31, 2021.

02
SIGNIFICANT ACCOUNTING PRINCIPLES

STATEMENT OF COMPLIANCE

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

PRESENTATION AND MEASUREMENT BASIS

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

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

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved CDPQ's consolidated financial statements and the publication thereof on February 21, 2023.

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 assets and liabilities are presented under "Net gains (losses) on financial instruments at fair value" in the Consolidated Statements of Comprehensive Income (loss).

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 (loss).

USE OF JUDGMENTS AND ESTIMATES (continued)

JUDGMENT

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

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

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

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

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

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

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

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

ESTIMATES AND ASSUMPTIONS

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

IMPACT OF ECONOMIC UNCERTAINTY ON JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The pandemic declared by the World Health Organization in 2020, geopolitical tensions, and rising inflation and interest rates are continuing to disrupt global economic activity and create high levels of uncertainty and volatility on financial and stock markets.

The key estimates and assumptions as well as the analysis and management of risks take into account the uncertainties and factors known to date. The key estimates and assumptions include those related to the unobservable inputs used to measure the fair value of financial instruments that are not traded in active markets. The reported results reflect CDPQ's best estimates. CDPQ is continuing to monitor developments in the factors causing economic uncertainty and the impacts thereof. The fair value valuation techniques and unobservable inputs used are presented in Note 6e, while a sensitivity analysis is provided in Note 6f.

SIGNIFICANT ACCOUNTING PRINCIPLES

FINANCIAL INSTRUMENTS

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

CLASSIFICATION AND MEASUREMENT

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

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

Financial instruments are initially and subsequently recognized at fair value. Changes in the fair value of financial instruments are presented under "Net gains (losses) on financial instruments at fair value" in the Consolidated Statements of Comprehensive Income (loss). 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 (loss) unless doing so creates or enlarges an accounting mismatch, when appropriate. Income and expenses are presented under "Net investment income" in the Consolidated Statements of Comprehensive Income (loss).

FAIR VALUE MEASUREMENT

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

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

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

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

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

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

Variable-income securities comprise listed and unlisted equities. In particular, such securities include hedge funds, exchange-traded funds, investment funds, private investment funds and infrastructure funds. Purchases and sales of equities, hedge funds and investment funds are recorded at the transaction date, whereas purchases and sales of private investment funds and infrastructure funds are recorded at the settlement date.

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

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 (loss).

FINANCIAL INSTRUMENTS (continued)

NET ASSETS ATTRIBUTABLE TO DEPOSITORS

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

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

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

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

NET INCOME AND COMPREHENSIVE INCOME (LOSS)

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 (loss).

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 (loss).

MANAGEMENT FEES

Investment management fees are costs incurred for external management purposes. These fees, which include both base fees and fees related to financial asset performance, consist of management fees for stock markets and management fees for private markets. Management fees for stock markets are amounts paid directly to institutional fund managers to manage shares owned by CDPQ. Private market management fees deducted from the fair value of investments are the fees for investment management carried out by external managers.

The base fees and performance-related management fees paid to external managers for stock markets are presented separately under "Investment expense" and "Net gains (losses) on financial investments at fair value", respectively, while management fees deducted from the fair value of investments are presented under "Net gains (losses) on financial investments at fair value" in the Consolidated Statements of Comprehensive Income (loss).

TRANSACTION COSTS

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

NET INCOME AND COMPREHENSIVE INCOME (LOSS) (continued)

OPERATING EXPENSES

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

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 (losses) on financial instruments at fair value", respectively, in the Consolidated Statements of Comprehensive Income (loss).

NET GAINS (LOSSES) 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 (losses) on financial instruments at fair value" in the Consolidated Statements of Comprehensive Income (loss).

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 (loss).

03
NEW IFRS STANDARDS

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

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, 2022			December 31, 2021
	Canada	**Foreign**	**Fair value**	Canada	Foreign	Fair value
Investments						
Cash equivalents						
Short-term investments	**75**	**–**	**75**	–	–	–
Securities purchased under reverse repurchase agreements	**–**	**–**	**–**	1,502	–	1,502
Total cash equivalents	**75**	**–**	**75**	1,502	–	1,502
Fixed-income securities						
Short-term investments	**1,217**	**1,672**	**2,889**	412	193	605
Securities purchased under reverse repurchase agreements	**14,076**	**–**	**14,076**	14,255	3,446	17,701
Corporate debt	**940**	**1,126**	**2,066**	876	1,446	2,322
Bonds						
Governments	**33,239**	**27,821**	**61,060**	35,992	21,664	57,656
Government corporations and other public administrations	**5,424**	**497**	**5,921**	5,941	559	6,500
Corporate sector	**6,599**	**8,310**	**14,909**	10,767	8,019	18,786
Bond funds	**–**	**1,101**	**1,101**	–	2,911	2,911
Total fixed-income securities	**61,495**	**40,527**	**102,022**	68,243	38,238	106,481
Variable-income securities						
Equities						
Listed	**22,617**	**84,295**	**106,912**	25,468	102,689	128,157
Unlisted[1]	**3,568**	**19,805**	**23,373**	4,672	21,676	26,348
Hedge funds	**–**	**486**	**486**	–	491	491
Total variable-income securities	**26,185**	**104,586**	**130,771**	30,140	124,856	154,996
Interests in unconsolidated subsidiaries						
Investments in real estate holdings	**13,218**	**44,395**	**57,613**	13,217	39,412	52,629
Investments in real estate debt	**16,291**	**4,747**	**21,038**	16,863	3,673	20,536
Private equity investments[1]	**7,525**	**52,381**	**59,906**	6,973	47,443	54,416
Infrastructure investments	**7,587**	**40,913**	**48,500**	6,298	31,437	37,735
Investments in fixed-income securities[1]	**3,341**	**31,845**	**35,186**	3,629	25,088	28,717
Investments in hedge funds	**–**	**5,787**	**5,787**	–	4,196	4,196
Stock market investments	**3,784**	**365**	**4,149**	3,289	658	3,947
Total interests in unconsolidated subsidiaries	**51,746**	**180,433**	**232,179**	50,269	151,907	202,176
Derivative financial instruments *(Note 5)*	**4**	**1,906**	**1,910**	7	995	1,002
Total investments	**139,505**	**327,452**	**466,957**	150,161	315,996	466,157

1. Due to a refinement of the method used for the geographic allocation of the investments underlying of the funds, amounts of $476 million, $810 million, and $1,461 million were reclassified from the "Canada" column to the "Foreign" column with respect to unlisted equities as well as the private equity investments and fixed-income securities investments in unconsolidated subsidiaries, respectively, as at December 31, 2021.

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, 2022			December 31, 2021	
	Canada	**Foreign**	**Fair value**	Canada	Foreign	Fair value
Investment liabilities						
Non-derivative financial liabilities						
Securities sold under repurchase agreements	**25,783**	**3,768**	**29,551**	11,543	3,447	14,990
Securities sold short						
Equities	**167**	**1,965**	**2,132**	90	1,473	1,563
Bonds	**182**	**–**	**182**	141	3,828	3,969
Short-term promissory notes payable	**13,068**	**–**	**13,068**	9,729	–	9,729
Loans payable	**303**	**1,689**	**1,992**	4	199	203
Term notes payable	**19,749**	**–**	**19,749**	15,601	–	15,601
Total non-derivative financial liabilities	**59,252**	**7,422**	**66,674**	37,108	8,947	46,055
Derivative financial instruments *(Note 5)*	**6**	**1,663**	**1,669**	–	1,232	1,232
Total investment liabilities	**59,258**	**9,085**	**68,343**	37,108	10,179	47,287

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 other). 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, 2022			December 31, 2021		
	Fair value			Fair value		
	Assets	**Liabilities**	**Notional amount**	Assets	Liabilities	Notional amount
Exchange markets						
Interest rate derivatives						
Futures contracts	**–**	**–**	**122,623**	–	–	105,715
Equity derivatives						
Futures contracts	**–**	**–**	**13,701**	–	–	19,056
Options	**6**	**–**	**258**	–	–	–
Warrants	**–**	**–**	**2**	–	–	1
Commodity derivatives						
Futures contracts	**–**	**–**	**–**	–	–	215
Total exchange markets	**6**	**–**	**136,584**	–	–	124,987
Over-the-counter markets						
Interest rate derivatives						
Swaps	**–**	**48**	**1,019**	26	7	1,189
Swaps settled through a clearing house	**–**	**–**	**65,673**	–	–	48,162
Forward contracts	**4**	**6**	**999**	7	–	289
Options	**214**	**194**	**11,059**	142	125	30,703
Currency derivatives						
Swaps	**394**	**337**	**24,499**	109	95	8,441
Forward contracts	**1,074**	**920**	**144,033**	555	790	108,873
Options	**18**	**7**	**2,533**	–	–	–
Credit default derivatives						
Swaps settled through a clearing house	**–**	**–**	**14,826**	–	–	27,862
Options	**–**	**6**	**1,626**	–	–	–
Equity derivatives						
Swaps	**178**	**149**	**8,369**	152	210	10,313
Options	**10**	**–**	**1,890**	–	–	–
Warrants	**3**	**–**	**5**	1	–	1
Commodity derivatives						
Forward contracts	**9**	**2**	**468**	10	5	625
Total over-the-counter markets	**1,904**	**1,669**	**276,999**	1,002	1,232	236,458
Total derivative financial instruments	**1,910**	**1,669**	**413,583**	1,002	1,232	361,445

06

FAIR VALUE MEASUREMENT

A) POLICY, DIRECTIVE, PROTOCOLS AND PROCEDURES RELATED TO FAIR VALUE MEASUREMENT

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

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

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

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

B) FAIR VALUE VALUATION TECHNIQUES

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

SHORT-TERM INVESTMENTS, SECURITIES PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS, SECURITIES SOLD UNDER REPURCHASE AGREEMENTS, SHORT-TERM PROMISSORY NOTES PAYABLE, LOANS PAYABLE, AND TERM NOTES PAYABLE

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

CORPORATE DEBT

The fair value of the corporate debt is determined using a discounted cash flow technique that uses observable and unobservable inputs such as interest rate curves and credit spreads. CDPQ may also use prices published by brokers in active markets for identical or similar instruments.

BONDS

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

EQUITIES

Listed

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

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

FAIR VALUE VALUATION TECHNIQUES (continued)

Unlisted

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

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

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

FUNDS

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

INTERESTS IN UNCONSOLIDATED SUBSIDIARIES

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

Investments in real estate holdings

The fair value of ownership interests in real estate subsidiaries reflects the fair value of the assets and liabilities held directly by these subsidiaries. In particular, these assets and liabilities include investment property and associated liabilities, real estate funds, and ownership interests held in companies.

The fair value of investment property, which is measured according to the highest and best use, is determined and certified semi-annually by external, recognized, and independent chartered real estate appraisers. Valuations are carried out in compliance with the valuation standards in effect in each market. CDPQ selects the fair value it deems most representative within the ranges provided by the external valuators. The valuation techniques used are based primarily on two recognized methodologies, namely, the discounted cash flow technique and the capitalization of revenue technique. These techniques use observable and unobservable inputs such as lease terms and conditions, operating expenses, residual value and rates of return, discount rates, and capitalization rates. Values observed for comparable transactions are used to determine the representative fair value range and support the fair value determined.

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

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

Investments in real estate debt

The fair value of interests in real estate debt subsidiaries reflects the fair value of the assets held directly by these subsidiaries, which mainly include commercial mortgages and an interest in a mortgage lending subsidiary. The fair value of commercial mortgages is determined using the discounted cash flow technique that are divided into risk categories, according to the loan-to-value ratio, for which an appropriate discount rate is determined. Commercial mortgage valuations are reviewed annually by an independent external firm. The fair value of the interest in a mortgage lending subsidiary is determined using the discounted cash flow technique. This technique uses unobservable inputs such as discount rates that take into account the risk associated with the subsidiary as well as future cash flows.

FAIR VALUE VALUATION TECHNIQUES (continued)

Private equity, infrastructure, fixed-income securities, hedge funds, and stock markets
Enterprise value reflects the fair value of assets held directly by these subsidiaries, which include bonds, corporate debt, listed and unlisted equities as well as funds whose valuation techniques are described above.

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

SECURITIES SOLD SHORT

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

NET ASSETS ATTRIBUTABLE TO DEPOSITORS

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

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

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

C) FAIR VALUE HIERARCHY

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

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

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

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

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

The determination of the fair value hierarchy levels of financial instruments is influenced by prevailing market conditions on the valuation date. Consequently, the classifications by level can vary significantly from one year to the next.

FAIR VALUE MEASUREMENT

FAIR VALUE VALUATION TECHNIQUES (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, 2022
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts receivable from transactions being settled	–	2,376	–	2,376
Advances to depositors	–	727	–	727
Investment income, accrued and receivable	–	1,174	–	1,174
Investments				
Cash equivalents	–	75	–	75
Short-term investments	–	2,889	–	2,889
Securities purchased under reverse repurchase agreements	–	14,076	–	14,076
Corporate debt	–	–	2,066	2,066
Bonds	56,855	25,389	747	82,991
Equities				
Listed	106,639	273	–	106,912
Unlisted	–	5,053	18,320	23,373
Hedge funds	–	486	–	486
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	–	9,856	47,757	57,613
Investments in real estate debt	–	16,466	4,572	21,038
Private equity investments	–	405	59,501	59,906
Infrastructure investments	–	–	48,500	48,500
Investments in fixed-income securities	–	–	35,186	35,186
Investments in hedge funds	–	–	5,787	5,787
Stock market investments	–	4,119	30	4,149
Derivative financial instruments	–	1,910	–	1,910
	163,494	85,274	222,466	471,234
Financial liabilities excluding net assets attributable to depositors				
Amounts payable on transactions being settled	–	1,943	–	1,943
Other liabilities	–	1,634	–	1,634
Investment liabilities				
Securities sold under repurchase agreements	–	29,551	–	29,551
Securities sold short	2,314	–	–	2,314
Short-term promissory notes payable	–	13,068	–	13,068
Loans payable	–	1,992	–	1,992
Term notes payable	–	19,749	–	19,749
Derivative financial instruments	–	1,669	–	1,669
	2,314	69,606	–	71,920
Net assets attributable to depositors				
Demand deposits	–	1,407	–	1,407
Term deposits	–	6	–	6
Distributions payable to depositors	–	986	–	986
Participation deposits	–	399,488	–	399,488
	–	401,887	–	401,887

FAIR VALUE MEASUREMENT

FAIR VALUE VALUATION TECHNIQUES (continued)

				December 31, 2021
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Amounts receivable from transactions being settled	–	2,213	–	2,213
Advances to depositors	–	1,011	–	1,011
Investment income, accrued and receivable	–	949	–	949
Investments				
Cash equivalents	–	1,502	–	1,502
Short-term investments	–	605	–	605
Securities purchased under reverse repurchase agreements	–	17,701	–	17,701
Corporate debt	–	–	2,322	2,322
Bonds	62,384	22,770	699	85,853
Equities				
Listed	127,645	512	–	128,157
Unlisted	–	8,230	18,118	26,348
Hedge funds	–	434	57	491
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	–	10,503	42,126	52,629
Investments in real estate debt	–	16,148	4,388	20,536
Private equity investments	–	492	53,924	54,416
Infrastructure investments	–	–	37,735	37,735
Investments in fixed-income securities	–	5,254	23,463	28,717
Investments in hedge funds	–	4,196	–	4,196
Stock market investments	–	3,947	–	3,947
Derivative financial instruments	–	1,002	–	1,002
	190,029	97,469	182,832	470,330
Financial liabilities excluding net assets attributable to depositors				
Amounts payable on transactions being settled	–	3,443	–	3,443
Other liabilities	–	1,839	–	1,839
Investment liabilities				
Securities sold under repurchase agreements	–	14,990	–	14,990
Securities sold short	5,519	13	–	5,532
Short-term promissory notes payable	–	9,729	–	9,729
Loans payable	–	203	–	203
Term notes payable	–	15,601	–	15,601
Derivative financial instruments	–	1,232	–	1,232
	5,519	47,050	–	52,569
Net assets attributable to depositors				
Demand deposits	–	782	–	782
Term deposits	–	7	–	7
Distributions payable to depositors	–	1,839	–	1,839
Participation deposits	–	417,169	–	417,169
	–	419,797	–	419,797

FAIR VALUE VALUATION TECHNIQUES (continued)

TRANSFERS BETWEEN LEVELS OF THE FAIR VALUE HIERARCHY

As at December 31, 2022, due to changes in the availability of observable inputs given changing market conditions, financial instruments with a value of $9,015 million were transferred from Level 1 to Level 2 and financial instruments with a value of $148 million were transferred from Level 2 to Level 1. In addition, given an increase in underlying investments classified in Level 3 held by unconsolidated subsidiaries, financial instruments with a value of $9,451 million were transferred from Level 2 to Level 3.

As at December 31, 2021, due to changes in the characteristics of financial instruments and changes in the availability of observable inputs given changing market conditions, financial instruments with a value of $1,872 million were transferred from Level 1 to Level 2, $2,470 million from Level 2 to Level 1, $63 million from Level 2 to Level 3, and $2,129 million from Level 3 to Level 2.

D) LEVEL 3: RECONCILIATION BETWEEN OPENING AND CLOSING BALANCES

For financial instruments classified in Level 3 of the fair value hierarchy, reconciliations between the opening and closing balances as at December 31, 2022 and 2021 are as follows:

								2022
	Opening balance	**Gains (losses) recognized in comprehensive income (loss)[1]**	**Purchases**	**Sales**	**Settlements**	**Transfers**	**Closing balance**	**Unrealized gains (losses) on financial instruments held at year-end[1]**
Corporate debt	**2,322**	**(298)**	**170**	**(8)**	**(120)**	**–**	**2,066**	**(303)**
Bonds	**699**	**37**	**76**	**(26)**	**(39)**	**–**	**747**	**(50)**
Equities	**18,175**	**1,103**	**576**	**(1,534)**	**–**	**–**	**18,320**	**758**
Interests in unconsolidated subsidiaries	**161,636**	**15,056**	**25,646**	**(10,456)**	**–**	**9,451**	**201,333**	**13,365**

								2021
	Opening balance	Gains recognized in comprehensive income[1]	Purchases	Sales	Settlements	Transfers	Closing balance	Unrealized gains on financial instruments held at year-end[1]
Corporate debt	2,359	2	303	(54)	(288)	–	2,322	92
Bonds	225	112	311	(1)	(11)	63	699	106
Equities	16,750	1,691	1,612	(1,621)	–	(257)	18,175	2,139
Interests in unconsolidated subsidiaries	125,838	26,967	21,393	(10,690)	–	(1,872)	161,636	27,577

1. Presented under “Net gains (losses) on financial instruments at fair value” in the Consolidated Statements of Comprehensive Income (loss).

E) LEVEL 3: FAIR VALUE MEASUREMENT BASED ON REASONABLY POSSIBLE 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 assumptions could result in different fair values. For a given measurement date, it is possible that other market participants could measure a same financial instrument at a different fair value, with the valuation techniques and inputs used by these market participants still meeting the definition of fair value. The fact that different fair value measurements exist reflects the judgment, estimates and assumptions applied as well as the uncertainty involved in determining the fair value of these financial instruments.

LEVEL 3: FAIR VALUE MEASUREMENT BASED ON REASONABLY POSSIBLE ASSUMPTIONS (continued)

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

				December 31, 2022
	Fair value	**Valuation techniques**	**Unobservable inputs**	**Range (weighted average)**
Included in the sensitivity analysis				
Corporate debt and bonds	**2,109**	**Discounted cash flows**	**Credit spreads**	**1.1% to 8.4% (3.7%)**
			Discount rates	**6.0% to 10.5% (7.7%)**
Equities				
Private equity investments	**5,152**	**Comparable company multiples**	**EBITDA multiples**	**8.1 to 13.0 (11.4)**
Infrastructure investments	**6,252**	**Discounted cash flows**	**Discount rates**	**8.8% to 13.3% (10.9%)**
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	**47,757**	**Discounted cash flows**	**Discount rates**	**4.8% to 13.8% (7.0%)**
			Credit spreads	**0.0% to 11.0% (2.0%)**
		Capitalization of revenue	**Capitalization rate**	**2.8% to 12.4% (5.4%)**
		Net real estate assets	**Discounts to net asset value**	**0.0% to 31.5% (5.6%)**
Investments in real estate debt	**1,688**	**Discounted cash flows**	**Discount rates**	**13.5% (n.a.)**
Private equity investments	**23,253**	**Comparable company multiples**	**EBITDA multiples**	**8.0 to 17.3 (12.6)**
Infrastructure investments	**34,730**	**Discounted cash flows**	**Discount rates**	**6.5% to 14.5% (9.1%)**
Investments in fixed-income securities	**22,591**	**Discounted cash flows**	**Discount rates**	**7.3% (n.a.)**
			Credit spreads	**0.1% to 15.8% (5.0%)**
	143,532			
Excluded from the sensitivity analysis				
Financial instruments[1]	**78,934**	**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	**222,466**			

n.a.: not applicable

1. The fair value of financial instruments presented in this item includes corporate debt, bonds, equities, and interests in unconsolidated subsidiaries.
2. When fair value is determined based on recent transaction information, this value is the most representative indication of fair value. Consequently, CDPQ did not conduct a sensitivity analysis.
3. When fair value is determined using broker quotes or net asset value, this value is the only reasonable indication of fair value. Consequently, CDPQ is unable to conduct a sensitivity analysis.

LEVEL 3: FAIR VALUE MEASUREMENT BASED ON REASONABLY POSSIBLE ASSUMPTIONS (continued)

				December 31, 2021
	Fair value	Valuation techniques	Unobservable inputs	Range (weighted average)
Included in the sensitivity analysis				
Corporate debt and bonds	2,023	Discounted cash flows	Credit spreads	0.7% to 3.5% (1.9%)
			Discount rates	6.0% to 11.0% (8.4%)
Equities				
Private equity investments	5,150	Comparable company multiples	EBITDA multiples	7.6 to 16.0 (12.6)
Infrastructure investments	5,190	Discounted cash flows	Discount rates	6.5% to 13.3% (9.9%)
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	42,126	Discounted cash flows	Discount rates	4.2% to 13.8% (6.4%)
			Credit spreads	0.0% to 8.6% (1.8%)
		Capitalization of revenue	Capitalization rate	2.7% to 11.1% (5.3%)
		Net real estate assets	Discounts to net asset value	0.0% to 22.3% (4.9%)
Investments in real estate debt	1,621	Discounted cash flows	Discount rates	14.0% (n.a.)
Private equity investments	18,969	Comparable company multiples	EBITDA multiples	7.0 to 15.5 (11.9)
Infrastructure investments	20,591	Discounted cash flows	Discount rates	6.0% to 14.0% (9.2%)
Investments in fixed-income securities	17,770	Discounted cash flows	Discount rates	7.3% (n.a.)
			Credit spreads	1.1% to 10.1% (4.5%)
	113,440			
Excluded from the sensitivity analysis				
Financial instruments[1]	69,392	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	182,832			

n.a.: not applicable

1. The fair value of financial instruments presented in this item includes corporate debt, bonds, equities, and interests in unconsolidated subsidiaries.
2. When fair value is determined based on recent transaction information, this value is the most representative indication of fair value. Consequently, CDPQ did not conduct a sensitivity analysis.
3. When fair value is determined using broker quotes or net asset value, this value is the only reasonable indication of fair value. Consequently, CDPQ is unable to conduct a sensitivity analysis.

F) SENSITIVITY ANALYSIS OF FAIR VALUE

The following analysis shows the sensitivity of fair value measurements to reasonably possible assumptions for the significant unobservable inputs shown in the preceding tables in Note 6e. CDPQ identified reasonably possible assumptions using its judgment and knowledge of the markets. The following table shows the increases and decreases in fair value that would result from applying reasonably possible alternative assumptions for the main financial instruments classified in Level 3 of the fair value hierarchy that are subject to a sensitivity analysis:

	December 31, 2022		December 31, 2021	
	Increase	**Decrease**	Increase	Decrease
Sensitivity analysis of fair value	**8,769**	**(8,547)**	7,803	(7,033)

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

07
OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

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

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

OFFSETTING FINANCIAL ASSETS AND 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, 2022
	Gross amounts recognized	**Amounts offset**	**Net amounts presented in the Consolidated Statements of Financial Position**[1]	**Amounts subject to master netting agreements**	**Collateral received/ pledged**[2]	**Net amounts**
Financial assets						
Amounts receivable from transactions being settled	**2,636**	**(260)**	**2,376**	**(1,182)**	**–**	**1,194**
Securities purchased under repurchase agreements[3]	**16,901**	**(2,814)**	**14,087**	**(7,058)**	**(7,029)**	**–**
Derivative financial instruments[3]	**1,930**	**–**	**1,930**	**(1,259)**	**(428)**	**243**
	21,467	**(3,074)**	**18,393**	**(9,499)**	**(7,457)**	**1,437**
Financial liabilities						
Amounts payable on transactions being settled	**2,203**	**(260)**	**1,943**	**(1,182)**	**–**	**761**
Securities sold under repurchase agreements[3]	**32,416**	**(2,814)**	**29,602**	**(7,058)**	**(22,485)**	**59**
Derivative financial instruments[3]	**1,731**	**–**	**1,731**	**(1,259)**	**(420)**	**52**
	36,350	**(3,074)**	**33,276**	**(9,499)**	**(22,905)**	**872**

						December 31, 2021
	Gross amounts recognized	Amounts offset	Net amounts presented in the Consolidated Statements of Financial Position[1]	Amounts subject to master netting agreements	Collateral received/ pledged[2]	Net amounts
Financial assets						
Amounts receivable from transactions being settled	2,213	–	2,213	(458)	–	1,755
Securities purchased under repurchase agreements[3]	21,920	(2,716)	19,204	(10,472)	(8,732)	–
Derivative financial instruments[3]	1,009	–	1,009	(809)	(22)	178
	25,142	(2,716)	22,426	(11,739)	(8,754)	1,933
Financial liabilities						
Amounts payable on transactions being settled	3,443	–	3,443	(458)	–	2,985
Securities sold under repurchase agreements[3]	17,708	(2,716)	14,992	(10,472)	(4,520)	–
Derivative financial instruments[3]	1,238	–	1,238	(809)	(345)	84
	22,389	(2,716)	19,673	(11,739)	(4,865)	3,069

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 liabilities".

08
INVESTMENT RESULT BEFORE DISTRIBUTIONS TO DEPOSITORS

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

	2022			2021		
	Net investment income	**Net gains (losses)**	**Total**	Net investment income	Net gains (losses)	Total
Cash management activities	**16**	**2**	**18**	3	1	4
Investing activities						
Short-term investments	**6**	**51**	**57**	–	2	2
Securities purchased under reverse repurchase agreements	**344**	**8**	**352**	40	112	152
Corporate debt	**95**	**(298)**	**(203)**	92	3	95
Bonds	**2,618**	**(12,364)**	**(9,746)**	2,377	(5,381)	(3,004)
Equities	**3,259**	**(18,050)**	**(14,791)**	3,569	16,225	19,794
Interests in unconsolidated subsidiaries	**2,229**	**13,513**	**15,742**	6,697	26,764	33,461
Net derivative financial instruments	**–**	**(14,508)**	**(14,508)**	–	72	72
Other	**81**	**(63)**	**18**	19	(173)	(154)
	8,648	**(31,709)**	**(23,061)**	12,797	37,625	50,422
Investment liability activities						
Securities sold under repurchase agreements	**(396)**	**(380)**	**(776)**	(42)	(1)	(43)
Securities sold short	**(95)**	**1,237**	**1,142**	(42)	(604)	(646)
Financing activities						
Short-term promissory notes payable	**(29)**	**(883)**	**(912)**	–	(19)	(19)
Loans payable	**(7)**	**(65)**	**(72)**	(1)	1	–
Term notes payable	**(352)**	**703**	**351**	(322)	535	213
Other						
Management fees – stock markets	**(83)**	**(35)**	**(118)**	(98)	(76)	(174)
Transaction costs	**–**	**(242)**	**(242)**	–	(306)	(306)
	(962)	**335**	**(627)**	(505)	(470)	(975)
	7,686	**(31,374)**	**(23,688)**	12,292	37,155	49,447
Operating expenses *(Note 9)*			**(924)**			(718)
Investment result before distributions to depositors			**(24,612)**			48,729

External audit fees for audit services, audit-related services and tax services amount to $5 million for the year ended December 31, 2022 ($4 million for the year ended December 31, 2021).

09
OPERATING EXPENSES

The following table shows the operating expenses:

	2022	2021
Salaries and employee benefits	**498**	510
Information technology and professional services	**152**	83
Maintenance, equipment and amortization	**21**	33
Data services and subscriptions	**30**	30
Rent	**24**	20
Safekeeping of securities	**21**	21
Other expenses	**29**	21
	775	718
IT development costs[1]	**149**	–
	924	718

1. Following the International Financial Reporting Interpretations Committee's (IFRIC) publication of a final decision on accounting for the costs of configuring or customizing software service cloud computing arrangements, CDPQ no longer capitalizes cloud computing development costs. Accordingly, IT development costs capitalized prior to January 1, 2022 were recognized in operating expenses during the year ended December 31, 2022. This software continues to be used as part of the CDPQ's ongoing operations.

10
SEGMENT INFORMATION

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

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

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

	December 31, 2022	December 31, 2021
Fixed Income	**119,431**	129,433
Real Assets	**102,243**	87,406
Equities	**179,931**	201,195
Other[1]	**282**	1,763
Net assets attributable to depositors	**401,887**	419,797

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

	2022	2021
Fixed Income	**(20,130)**	(521)
Real Assets	**10,492**	10,017
Equities	**(12,118)**	40,526
Other[1]	**(2,856)**	(1,293)
Investment result before distributions to depositors	**(24,612)**	48,729

1. The Other item includes the Asset Allocation specialized portfolio, cash activities, and the customized operations of individual funds, which consist of direct holdings of derivative financial instruments by the individual funds for the customized management of the desired exposure of each depositor.

11

RISK IDENTIFICATION AND MANAGEMENT

RISK MANAGEMENT POLICIES, DIRECTIVES AND PROCEDURES RELATED TO INVESTMENT ACTIVITIES

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

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

Specifically, this policy aims to:

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

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

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

RISK MANAGEMENT POLICIES, DIRECTIVES AND PROCEDURES RELATED TO INVESTMENT ACTIVITIES (continued)

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

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

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

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

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

MARKET RISK

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

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

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

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

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

A risk factor observation history over a period from 2006 to the reporting date is being used to assess the volatility of returns and the correlation between the performance of financial instruments.

MARKET RISK (continued)

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, 2022			December 31, 2021		
	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	**16.8**	**16.1**	**1.04**	14.9	14.5	1.03

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

RISK IDENTIFICATION AND MANAGEMENT

CURRENCY RISK (continued)

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, 2022	December 31, 2021
	%	%
Canadian dollar	**50**	45
U.S. dollar	**25**	29
Euro	**7**	6
Australian dollar	**1**	1
Hong Kong dollar	**1**	1
Pound sterling	**4**	5
Mexican peso	**1**	1
Brazilian real	**2**	2
Indian rupee	**2**	1
Yen	**2**	2
Chinese yuan	**1**	2
Other	**4**	5
	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.

Interest rate benchmark reform

Following the interest rate benchmark reform, CDPQ set up an organization-wide multidisciplinary committee to identify and manage the changes and risks arising from the interbank offered rates (IBOR) reform. The reform notably includes risks related to the review of IBOR-related contractual clauses and the updating of processes and systems. CDPQ's exposure to IBORs, which are mostly denominated in U.S. dollars, includes $6,677 million ($8,109 million as at December 31, 2021) of non-derivative financial instruments and $4,248 million ($13,190 million as at December 31, 2021) of the notional amounts of derivative financial instruments with a maturity after June 30, 2023.

PRICE RISK

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

CONCENTRATION RISK

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

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

In 2022, CDPQ revised its concentration calculation methodology to better reflect its geographic and sectoral exposure. This change aims to exclude financial instruments used in strategic duration adjustment activities, notably interest rate derivatives. However, these activities are included in the calculation of Value-at-Risk (VaR), which measures market risk.

CONCENTRATION RISK (continued)

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. Figures as at December 31, 2021 have been recalculated to reflect the change in methodology.

	December 31, 2022 **%**	December 31, 2021 %
United States	**40**	36
Canada	**25**	29
Europe	**16**	16
Asia Pacific	**12**	13
Latin America	**4**	4
Other	**3**	2
	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. Figures as at December 31, 2021 have been recalculated to reflect the change in methodology.

	December 31, 2022 **%**	December 31, 2021 %
Industry sector		
Real estate	**16**	15
Industrials	**14**	12
Financials	**10**	10
Information technologies	**9**	11
Consumer discretionary	**5**	6
Utilities	**6**	6
Health care	**6**	6
Consumer staples	**3**	3
Real estate debt	**4**	4
Communication services	**5**	5
Energy	**2**	3
Materials	**2**	2
Other	**3**	2
Government sector		
Government of the United States	**6**	3
Government of Canada	**3**	5
Government of Québec	**2**	3
Government corporations and other public administrations in Québec	**1**	1
Other	**3**	3
	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, 2022	December 31, 2021
Cash	**1,426**	1,073
Amounts receivable from transactions being settled	**2,376**	2,213
Advances to depositors	**727**	1,011
Investment income, accrued and receivable	**1,174**	949
Investments		
Cash equivalents	**75**	1,502
Fixed-income securities	**102,022**	106,481
Interests in unconsolidated subsidiaries in the form of debt instruments	**35,308**	32,767
Derivative financial instruments	**1,910**	1,002
	145,018	146,998
Other items		
Commitments and financial guarantees *(Note 18)*	**3,215**	2,918
	148,233	149,916

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

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

CONCENTRATION OF CREDIT RISK

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

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

	December 31, 2022	December 31, 2021
	%	%
Credit rating		
AAA - AA	**69**	64
A	**4**	4
BBB	**11**	11
BB or lower	**12**	16
No credit rating	**4**	5
	100	100

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

CREDIT RISK (continued)

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, 2022 and 2021, the legal agreements and the collateral received helped reduce exposure to the counterparty risk of over-the-counter derivative financial instruments. The maximum exposure to this risk is $305 million as at December 31, 2022 ($421 million as at December 31, 2021).

LIQUIDITY RISK

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

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

To ensure that sources of liquidity and potential liquidity requirements are properly aligned, CDPQ has a number of sources of liquidity in addition to its cash and cash equivalents, including receipt of investment income, the sale of bonds, sales under repurchase agreements, and liquid money market securities. In addition, CDPQ may issue short-term promissory notes and term notes as well as a committed credit facility totalling US$4 billion to meet its contractual commitments and financial obligations. As at December 31, 2022, CDPQ has close to $46 billion in liquidity in the form of government bonds and money market securities ($50 billion as at December 31, 2021).

Furthermore, to manage liquidity risk, CDPQ conducts simulations of scenarios over different horizons and examines events that could lead to a liquidity crisis. CDPQ rigorously and frequently monitors its potential liquidity needs and proactively ensures permanent access to stable and resilient sources of liquidity.

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

LIQUIDITY RISK (continued)

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, 2022
	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	–	1,943	–	–	1,943
Other liabilities	–	977	158	545	1,680
Investment liabilities					
Securities sold under repurchase agreements	–	29,876	–	–	29,876
Securities sold short	–	2,314	–	–	2,314
Short-term promissory notes payable	–	13,304	–	–	13,304
Loans payable	–	1,992	–	–	1,992
Term notes payable	–	3,137	16,134	4,450	23,721
Net assets attributable to depositors					
Demand and term deposits	1,407	6	–	–	1,413
Distributions payable to depositors	–	986	–	–	986
	1,407	54,535	16,292	4,995	77,229
Derivative financial instruments					
Derivative financial instruments with net settlement	–	(8)	41	3	36
Derivative financial instruments with gross settlement					
Contractual cash flows receivable	–	(155,857)	(7,727)	(5,867)	(169,451)
Contractual cash flows payable	–	155,642	7,892	5,723	169,257
	–	(223)	206	(141)	(158)
Other items					
Commitments *(Note 18)*	60	23,049	86	421	23,616
Financial guarantees *(Note 18)*	–	1,972	940	303	3,215
	60	25,021	1,026	724	26,831
	1,467	79,333	17,524	5,578	103,902

LIQUIDITY RISK (continued)

					December 31, 2021
	On demand	Less than 1 year	1 year to 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Amounts payable on transactions being settled	–	3,443	–	–	3,443
Other liabilities	–	1,226	133	563	1,922
Investment liabilities					
Securities sold under repurchase agreements	–	14,998	–	–	14,998
Securities sold short	–	5,532	–	–	5,532
Short-term promissory notes payable	–	9,735	–	–	9,735
Loans payable	–	203	–	–	203
Term notes payable	–	2,814	11,575	2,722	17,111
Net assets attributable to depositors					
Demand and term deposits	782	7	–	–	789
Distributions payable to depositors	–	1,839	–	–	1,839
	782	39,797	11,708	3,285	55,572
Derivative financial instruments					
Derivative financial instruments with net settlement	–	(287)	5	(3)	(285)
Derivative financial instruments with gross settlement					
Contractual cash flows receivable	–	(101,832)	(7,717)	(3,373)	(112,922)
Contractual cash flows payable	–	102,036	7,729	3,453	113,218
	–	(83)	17	77	11
Other items					
Commitments *(Note 18)*	8	21,864	67	411	22,350
Financial guarantees *(Note 18)*	–	1,928	834	156	2,918
	8	23,792	901	567	25,268
	790	63,506	12,626	3,929	80,851

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

LIQUIDITY RISK (continued)

FINANCING-LIQUIDITY RISK

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

				December 31, 2022
	Currency	Nominal value[1]	Maturity	Interest rate %
Loans payable	USD	1,689	Less than one year	1.68
	CAD	303	Less than one year	1.89
		1,992		
Short-term promissory notes payable	EUR	14	Less than one year	1.03
	CAD	744	Less than one year	4.24
	USD	12,453	Less than one year	4.38
		13,211		
Term notes payable[2]	USD	2,710	April 2023	1.00
	USD	2,710	July 2024	3.15
	USD	3,387	June 2025	0.88
	USD	1,355	May 2026	1.00
	CAD	1,250	October 2026	1.50
	USD	2,032	February 2027	1.75
	EUR	2,892	April 2027	1.13
	CAD	1,250	June 2027	3.80
	CAD	1,500	September 2029	3.95
	USD	1,694	November 2039	5.60
		20,780		

1. The amounts shown are translated into Canadian dollars and are amounts to be repaid at maturity.
2. As at December 31, 2022, term notes include $2,605 million in green bonds that are to be allocated to a selection of investments that are compliant with the eligible project categories established under CDPQ's Green Bond Framework, which is aligned with the Green Bond Principles of the International Capital Market Association ($1,263 million as at December 31, 2021).

LIQUIDITY RISK (continued)

FINANCING-LIQUIDITY RISK (continued)

				December 31, 2021
	Currency	Nominal value[1]	Maturity	Interest rate %
Loans payable	USD	199	Less than one year	0.07
	CAD	4	Less than one year	0.17
		203		
Short-term promissory notes payable	CAD	662	Less than one year	0.23
	USD	9,070	Less than one year	0.17
		9,732		
Term notes payable[2]	USD	2,526	March 2022	2.75
	USD	2,526	April 2023	1.00
	USD	2,526	July 2024	3.15
	USD	3,158	June 2025	0.88
	USD	1,263	May 2026	1.00
	CAD	1,250	October 2026	1.50
	USD	1,579	November 2039	5.60
		14,828		

1. The amounts shown are translated into Canadian dollars and are amounts to be repaid at maturity.
2. As at December 31, 2022, term notes include $2,605 million in green bonds that are to be allocated to a selection of investments that are compliant with the eligible project categories established under CDPQ's Green Bond Framework, which is aligned with the Green Bond Principles of the International Capital Market Association ($1,263 million as at December 31, 2021).

Short-term promissory notes are issued at fixed or variable rates, with maturities not exceeding 12 months, and are guaranteed by CDPQ's assets. In accordance with the limit prescribed in the short-term promissory notes issuance information document, the nominal value of all such outstanding notes may never exceed US$12 billion (US$10 billion as at December 31, 2021) for the U.S. program, and the equivalent of CA$4 billion (CA$3 billion as at December 31, 2021) for short-term promissory notes issued in Canada and abroad, excluding the United States.

Term notes payable are issued at fixed rates, repayable at maturity, and secured by CDPQ's assets.

Furthermore, during the year ended December 31, 2022, CDPQ renewed the credit facility that it arranged with a banking syndicate for a total amount of approximately CA$5 billion, i.e., two US$2 billion tranches that are renewable annually for terms of two and three years, respectively. The credit facility bears interest at a variable rate and is entirely secured, unconditionally and irrevocably, by CDPQ. As at December 31, 2022 and 2021, 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. Consequently, the Board of Directors has limited the amount of notes that CDPQ may issue on capital markets to 10% of its net assets attributable to depositors, to which is added the fair value of outstanding notes (adjusted net assets).

13
FINANCIAL ASSETS TRANSFERRED BUT NOT DERECOGNIZED

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

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

	December 31, 2022	December 31, 2021
Financial assets transferred but not derecognized[1]		
Bonds	**47,331**	31,607
Equities	**24,206**	9,719
	71,537	41,326
Associated financial liabilities		
Loans payable[2]	**1,992**	203
Securities sold under repurchase agreements[3]	**32,416**	17,708
	34,408	17,911

1. As part of CDPQ's securities lending and borrowing activities, CDPQ does not recognize financial assets borrowed from third parties in the Consolidated Statements of Financial Position. Accordingly, the amount includes CDPQ's financial assets as well as those borrowed from third parties.
2. The amount presented corresponds to cash received as collateral on securities lending transactions and derivative financial instrument transactions.
3. The net amount is disclosed in Notes 4 and 7.

14
GUARANTEES

FINANCIAL ASSETS PLEDGED AS COLLATERAL

In the normal course of business, CDPQ may pledge financial assets as collateral during transactions. The counterparties may be authorized, by way of legal contract or market practices, to either sell or repledge certain securities as collateral. Under certain conditions, CDPQ may have to pledge additional collateral if the pledged securities lose value.

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

	December 31, 2022	December 31, 2021
Securities borrowing	**11,735**	369
Securities sold under repurchase agreements	**32,493**	18,309
Exchange-traded derivative financial instruments	**3,565**	2,329
Over-the-counter derivative financial instruments	**2,083**	1,872
Investments pledged as collateral[1]	**5,312**	–
	55,188	22,879

1. The amount represents investments that CDPQ holds in certain companies to guarantee their external borrowings. This amount cannot exceed the fair value of these investments.

FINANCIAL ASSETS RECEIVED AS COLLATERAL

In the normal course of business, CDPQ may receive financial assets as collateral during transactions. If the fair value of the collateral received decreases, CDPQ may, in certain cases, request additional collateral. CDPQ is authorized to sell or repledge as collateral these securities in the absence of default by the counterparty.

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

	December 31, 2022	December 31, 2021
Securities lending	**26,697**	22,954
Securities purchased under reverse repurchase agreements	**16,414**	22,174
Over-the-counter derivative financial instruments	**794**	22
	43,905	45,150

15
RELATED PARTY DISCLOSURES

RELATED PARTY TRANSACTIONS

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

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

RELATED PARTY DISCLOSURES

COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

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

	2022	2021
Salaries and other short-term employee benefits	**12**	12
Post-employment benefits	**1**	1
Other long-term employee benefits	**6**	7
Termination benefits	**2**	–
	21	20

OTHER RELATED PARTIES

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

16
INTERESTS IN OTHER ENTITIES

SUBSIDIARIES

CONSOLIDATED SUBSIDIARY

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

UNCONSOLIDATED SUBSIDIARIES

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

INTERMEDIATE SUBSIDIARIES

As part of certain investment activities, CDPQ may use intermediate subsidiaries, whose sole purpose is to hold investments for CDPQ. They are therefore not included in the information shown in the following tables, while the main underlying ownership interests in subsidiaries, joint ventures, and associates 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, 2022 as well as the comparative ownership interests as at December 31, 2021. Unless otherwise specified, the percentage of voting rights does not differ materially from the ownership interest. The principal place of business is defined as the region or country where the principal business activities such as operations and revenues take place.

	Principal place of business	**December 31, 2022** **Ownership interest %**	December 31, 2021 Ownership interest %
Consolidated subsidiary			
CDP Financial Inc	Canada	**100.0**	100.0
Unconsolidated subsidiaries			
Real estate debt			
Otéra Capital Inc[1]	Canada	**97.5**	97.5
Energy			
Azure Power Global Ltd	India[2]	**53.4**	50.2
Southern Star Acquisition Corporation	United States	**79.9**	79.9
Tenedora de Energía Renovable Sol y Viento S.A.P.I. de C.V.	Mexico	**67.1**	67.1
Transmissoras Unidas de Energia Brasil Holding S.A.	Brazil	**100.0**	–
Trencap LP (Énergir)	Canada	**80.9**	71.0
Velto Renewables S.L.	Spain	**100.0**	100.0
Financials			
KKR FSK Co-Invest (Unlev) LP and KKR FSK II Co-Invest (Unlev) LP	United States	**83.0**	83.0
NB Credit Opportunities Co-Invest I LP	United States	**100.0**	100.0
Hedge funds			
CTA QN5 Fund LP	United States	**100.0**	100.0
CTA WLH Fund LP	United States	**100.0**	100.0
GMAC ASO Fund Inc	Singapore[3]	**100.0**	100.0
Debt funds			
FICG-GM-I Fund LP	Growth markets[4]	**100.0**	–
FICG-PG-I Fund LP	Growth markets[4]	**100.0**	–
Franklin Emerging Market Debt Opportunities Fund III	Growth markets[5]	**100.0**	100.0
Global Credit Opportunities (Canada) LP	Canada	**100.0**	100.0
HC Direct Lending Fund LP	United States[5]	**100.0**	100.0
Private Debt SMA (C) SLP	United Kingdom[6]	**100.0**	100.0
West Street GCPD Partners LP	United States[5]	**100.0**	100.0
Private investment funds			
EC Partners LP	India[7]	**100.0**	100.0
Real estate			
Ivanhoe Cambridge Group Inc	Canada	**96.6**	96.0
Industrials			
CDPQ Infra Inc	Canada	**100.0**	100.0
Einn Volant Aircraft Leasing Holdings Ltd	Ireland[8]	**90.5**	90.5
Indian Highway Concessions Trust	India	**75.0**	75.0
Rail Capital Europe Holdings (Akiem Group SAS)	France	**100.0**	–
Spinner US AcquireCo Inc (Student Transportation of America)	United States	**79.9**	79.9
Utilities			
Plenary Americas Holdings Ltd. (Plenary Group Canada)	Canada	**100.0**	100.0
Information technology			
Wizeline Inc	United States	**57.2**	56.5

1. Otéra Capital Inc indirectly held 77.7% of MCAP Commercial LP as at December 31, 2022 (78.0% as at December 31, 2021).
2. Constituted in Mauritius.
3. Constituted in the Cayman Islands in accordance with the structure of the limited partner.
4. Constituted in the United States.
5. Constituted in Canada.
6. Constituted in Luxembourg.
7. Constituted in Singapore.
8. 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, 2022 as well as the comparative ownership interests as at December 31, 2021. Voting rights or other contractual clauses allow CDPQ to exercise joint control that requires unanimous shareholder agreement. The principal place of business is defined as the region or country where the principal business activities such as operations and revenues take place.

	Principal place of business	**December 31, 2022 Ownership interest %**	December 31, 2021 Ownership interest %
Energy			
Apraava Energy Private Limited	India	**50.0**	40.0
Invenergy Renewables Holdings LLC	United States	**49.4**	59.4
Transportadora Associada de Gas SA	Brazil	**35.0**	35.0
Financials			
Constellation Insurance LP	United States	**49.5**	49.5
Greenstone Ltd	Australia	**34.0**	34.0
USI Advantage Corp	United States	**23.8**	25.0
Industrials			
Delachaux SA	France	**43.0**	43.0
DP World Australia B.V.	Australia[2]	**45.0**	45.0
DP World Canada Investment Inc	Canada	**45.0**	45.0
DP World Caucedo (Caucedo Investments Inc, Caucedo Services Inc)	Dominican Republic[3]	**45.0**	45.0
DP World Holding UK Limited (UK)	Chile[4]	**44.6**	44.6
Ermewa Holding	France	**48.8**	49.7
ICR Opco LLC	United States	**45.0**	45.0
STP Asset Trust, STP Project Trust (WestConnex)[1]	Australia	**10.1**	10.1
Health			
Medical Solutions LLC	United States	**36.9**	41.4
Information technology			
FNZ Group Limited (formerly Kiwi Holdco Cayco Ltd)	Europe[5]	**44.9**	69.1

1. Voting rights were not exercisable as at December 31, 2021.
2. Constituted in the Netherlands.
3. Constituted in the British Virgin Islands.
4. Constituted in the United Kingdom.
5. Constituted in New Zealand as at December 31, 2022.

ASSOCIATES

The following table shows the ownership interests held in the main associates as at December 31, 2022 as well as the comparative ownership interests as at December 31, 2021. Unless otherwise specified, the percentage of voting rights does not differ materially from the ownership interest. The principal place of business is defined as the region or country where the principal business activities such as operations and revenues take place.

ASSOCIATES (continued)

	Principal place of business	**December 31, 2022** **Ownership interest** **%**	December 31, 2021 Ownership interest %
Consumer staples			
Knowlton Development Corporation Inc[1]	Canada	**18.7**	24.7
Zevia PBC	United States	**32.0**	34.1
Consumer discretionary			
Clarios Power Solutions Holdings LP	United States[7]	**30.0**	30.0
Metro Supply Chain Group Inc	Canada	**35.0**	35.0
Energy			
Fluxys G NV/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
Previan Holding Inc (formerly NDT Québec Inc)	Canada	**34.0**	34.0
Shizen Energy Inc[2]	Japan	**23.8**	–
Financials			
First Lion Holdings Inc	Canada	**31.5**	30.0
Hilco Trading LLC	United States	**27.3**	27.3
Howden Group Holding Limited	United Kingdom	**21.4**	22.3
Inigo Limited	United Kingdom	**23.9**	23.6
Real estate			
Avison Young (Canada) Inc.	United States[7]	**29.2**	33.3
Industrials			
Airport Holding Kft	Hungary	**21.2**	21.2
Alix Partners LLP[3]	United States	**15.7**	16.2
Allied Universal Holdco LLC	United States[7]	**27.7**	27.7
Alvest International Equity SAS[4]	France	**39.9**	39.9
Datamars SA	Switzerland	**30.0**	30.0
DP World Jebel Ali Terminals and Free Zone FZCO	United Arab Emirates	**21.9**	–
Eurostar Group[5]	Belgium	**19.3**	–
Groupe Keolis SAS	France	**30.0**	30.0
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
Qima Partners Limited	China[8]	**40.1**	–
QPH Hold Trust, QPH Hold Co PTY Limited (Port of Brisbane)	Australia	**26.7**	26.7
Suez Water Technologies and Solutions S.A.	United States[9]	**30.0**	30.0
Techem GmbH	Germany	**24.5**	24.5
Materials			
Canam Group Inc	Canada	**33.3**	33.3
Groupe Solmax Inc	Canada	**33.3**	33.3
Health			
ANZ Hospital Topco	Australia	**21.3**	21.3
Crossroads Holding LLC[4]	United States	**42.7**	42.7
Sanfer Farma S.A.P.I de C.V.	Mexico	**23.6**	22.7
Sphinx SAS (Sebia SA)[3]	France	**39.3**	39.3
Communication services			
ATC Europe C.V.	Germany[10]	**25.5**	28.6
Cogeco Communications USA Inc.	United States	**21.0**	21.0
Vertical Bridge Reit LLC	United States	**37.3**	37.3
Information technology			
Nuvei Corporation[6]	Canada	**12.5**	12.4
Plusgrade Holdco	Canada	**40.9**	39.9

1. The voting rights amounted to 16.7% as at December 31, 2022 (27.8% as at December 31, 2021). As at December 31, 2022, CDPQ therefore no longer had significant influence.
2. CDPQ holds convertible debentures that carry voting rights amounting to 20.0% and a 23.8% equity interest following the debenture conversion.
3. Voting rights amount to 25.0%.
4. Voting rights amount to 22.2%.
5. As at December 31, 2021, CDPQ had control of Patina Rail LLP. As at December 31, 2022, CDPQ held voting rights amounting to 23.3%, thereby giving it significant influence.
6. Voting rights amount to 20.0%.
7. Constituted in Canada.
8. Constituted in Hong Kong.
9. Constituted in France.
10. Constituted in the Netherlands.

INTERESTS IN OTHER ENTITIES

NON-CONTROLLED STRUCTURED ENTITIES

CDPQ holds interests in non-controlled structured entities, the majority of which represent investment funds or investments in the form of equities held through limited partnerships. The interests held by CDPQ do not give it power over the relevant activities of these entities, as control is established by contractual agreement that is in favour of a general partner or administrator. These entities are held as investments and do not expose CDPQ to greater risks than the interests held in the non-structured entities. Information about structured entities is provided, if applicable, in the risk management section of Note 11 and in the commitments and financial guarantees section of Note 18.

17

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

			Non-cash changes		
	December 31, 2021	**Cash flows from financing activities**	**Changes in foreign exchange**	**Changes in fair value**	**December 31, 2022**
Short-term promissory notes payable	**9,729**	**3,155**	**86**	**98**	**13,068**
Loans payable	**203**	**1,789**	**–**	**–**	**1,992**
Term notes payable	**15,601**	**4,851**	**1,078**	**(1,781)**	**19,749**
	25,533	**9,795**	**1,164**	**(1,683)**	**34,809**

			Non-cash changes		
	December 31, 2020	Cash flows from financing activities	Changes in foreign exchange	Changes in fair value	December 31, 2021
Short-term promissory notes payable	5,983	3,420	329	(3)	9,729
Loans payable	942	(740)	1	–	203
Term notes payable	16,113	23	(166)	(369)	15,601
	23,038	2,703	164	(372)	25,533

18

COMMITMENTS AND FINANCIAL GUARANTEES

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

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

Commitments and financial guarantees are detailed as follows:

	December 31, 2022	December 31, 2021
Investment purchase commitments	**23,089**	21,853
Commitments under leases	**527**	497
Financial guarantees	**3,215**	2,918
	26,831	25,268

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 31,2022, it has no reason to believe that the settlement of any one of these proceedings could have a material impact on its financial position.

19.

SUPPLEMENTARY INFORMATION

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

	SHORT TERM INVESTMENTS (740)		RATES (765)		CREDIT (766)		LONG TERM BONDS[1] (764)	
Statement of financial position	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Total assets	**1,614**	1,584	**50,361**	66,535	**108,210**	104,999	**–**	–
Total liabilities excluding net assets attributable to holders of participation units	**5**	–	**17,345**	22,567	**23,656**	21,353	**–**	–
Net assets attributable to holders of participation units	**1,609**	1,584	**33,016**	43,968	**84,554**	83,646	**–**	–
Statement of comprehensive income	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Net income	**31**	5	**879**	640	**1,852**	2,044	**–**	47
Net gains (losses) on financial instruments at fair value	**(1)**	–	**(6,931)**	(1,536)	**(15,960)**	(1,369)	**–**	(319)
Investment result before recoveries from (distributions to) holders of participation units	**30**	5	**(6,052)**	(896)	**(14,108)**	675	**–**	(272)
Recoveries (distributions)	**(31)**	(5)	**(879)**	(640)	**(1,852)**	(2,044)	**–**	(47)
Net income and comprehensive income attributable to holders of participation units	**(1)**	–	**(6,931)**	(1,536)	**(15,960)**	(1,369)	**–**	(319)
Statement of changes in net assets attributable to holders of participation units	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Balance at beginning of the year	**1,584**	1,579	**43,968**	30,279	**83,646**	73,754	**–**	3,344
Net change in participation units for the year	**26**	5	**(4,021)**	15,225	**16,868**	11,261	**–**	(3,025)
Net income and comprehensive income attributable to holders of participation units	**(1)**	–	**(6,931)**	(1,536)	**(15,960)**	(1,369)	**–**	(319)
Balance at end of the year	**1,609**	1,584	**33,016**	43,968	**84,554**	83,646	**–**	–

1. The Real Return Bonds (762) and Long Term Bonds (764) specialized portfolios ceased operations on November 1, 2021 and December 1, 2021, respectively, and were closed on December 31, 2021.

	REAL RETURN BONDS[1] (762)		INFRASTRUCTURE (782)		REAL ESTATE (710)		EQUITY MARKETS (737)	
Statement of financial position	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Total assets	**–**	–	**58,467**	46,792	**55,266**	50,197	**108,334**	127,060
Total liabilities excluding net assets attributable to holders of participation units	**–**	–	**4,040**	1,630	**7,659**	8,105	**9,322**	8,667
Net assets attributable to holders of participation units	**–**	–	**54,427**	45,162	**47,607**	42,092	**99,012**	118,393

Statement of comprehensive income	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Net income	**–**	6	**1,271**	756	**20**	59	**1,750**	2,145
Net gains (losses) on financial instruments at fair value	**–**	(39)	**3,993**	4,649	**5,208**	4,553	**(15,739)**	14,832
Investment result before recoveries from (distributions to) holders of participation units	**–**	(33)	**5,264**	5,405	**5,228**	4,612	**(13,989)**	16,977
Recoveries (distributions)	**–**	(6)	**(1,271)**	(756)	**(20)**	(59)	**(1,750)**	(2,145)
Net income and comprehensive income attributable to holders of participation units	**–**	(39)	**3,993**	4,649	**5,208**	4,553	**(15,739)**	14,832

Statement of changes in net assets attributable to holders of participation units	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Balance at beginning of the year	**–**	736	**45,162**	31,322	**42,092**	35,479	**118,393**	117,696
Net change in participation units for the year	**–**	(697)	**5,272**	9,191	**307**	2,060	**(3,642)**	(14,135)
Net income and comprehensive income attributable to holders of participation units	**–**	(39)	**3,993**	4,649	**5,208**	4,553	**(15,739)**	14,832
Balance at end of the year	**–**	–	**54,427**	45,162	**47,607**	42,092	**99,012**	118,393

1. The Real Return Bonds (762) and Long Term Bonds (764) specialized portfolios ceased operations on November 1, 2021 and December 1, 2021, respectively, and were closed on December 31, 2021.

	PRIVATE EQUITY (780)		ASSET ALLOCATION (771)	
Statement of financial position	**2022**	2021	**2022**	2021
Total assets	**81,227**	83,078	**9,574**	8,568
Total liabilities excluding net assets attributable to holders of participation units	**831**	1,257	**7,549**	6,637
Net assets attributable to holders of participation units	**80,396**	81,821	**2,025**	1,931

Statement of comprehensive income	**2022**	2021	**2022**	2021
Net income	**831**	5,834	**(76)**	(5)
Net gains (losses) on financial instruments at fair value	**1,040**	17,715	**1,389**	(190)
Investment result before recoveries from (distributions to) holders of participation units	**1,871**	23,549	**1,313**	(195)
Recoveries (distributions)	**(831)**	(5,834)	**76**	5
Net income and comprehensive income attributable to holders of participation units	**1,040**	17,715	**1,389**	(190)

Statement of changes in net assets attributable to holders of participation units	**2022**	2021	**2022**	2021
Balance at beginning of the year	**81,821**	64,084	**1,931**	1,612
Net change in participation units for the year	**(2,465)**	22	**(1,295)**	509
Net income and comprehensive income attributable to holders of participation units	**1,040**	17,715	**1,389**	(190)
Balance at end of the year	**80,396**	81,821	**2,025**	1,931

FINANCIAL CERTIFICATE OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

I, Charles Emond, President and Chief Executive Officer of Caisse de dépôt et placement du Québec (CDPQ), certify that:

1. **Review:** I have reviewed the consolidated financial statements, the tables of returns, the press release announcing the annual results and the Annual Report (hereafter referred to as the "Annual Filings") of CDPQ for the year ended December 31, 2022.

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, 2022 and ending on December 31, 2022 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, FCPA
April 12, 2023

FINANCIAL CERTIFICATE OF THE EXECUTIVE VICE-PRESIDENT AND CHIEF FINANCIAL AND OPERATIONS OFFICER

I, Maarika Paul, Executive Vice-President and Chief Financial and Operations Officer of Caisse de dépôt et placement du Québec (CDPQ), certify that:

1. **Review:** I have reviewed the consolidated financial statements, the tables of returns, the press release announcing the annual results and the Annual Report (hereafter referred to as the "Annual Filings") of CDPQ for the year ended December 31, 2022.

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, 2022 and ending on December 31, 2022 that has had, or is likely to have, a material impact on the ICFR.

8. **Reporting to co-auditors and the Board of Directors or Audit Committee of CDPQ:** I have disclosed, based on our most recent valuation of the ICFR, to the co-auditors and the Board of Directors of CDPQ or its Audit Committee, any fraud that involves management or other employees who have a significant role in the ICFR.

Executive Vice-President and Chief Financial and Operations Officer

Maarika Paul

MAARIKA PAUL, FCPA, CBV, ICD.D
April 12, 2023

CONCLUSIONS ABOUT THE DESIGN AND EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

In 2022, 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, 2022, 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 2022 Annual Filings before their public disclosure.

Report on GIPS® compliance

PERFORMANCE SUMMARY

Auditor’s Report on Compliance with the Global Investment Performance Standards on a firm-wide basis

To the Directors of la Caisse de dépôt et placement du Québec (“CDPQ”)

We have audited CDPQ (the “Company”) compliance with the composite construction requirements for the Global Investment Performance Standards (“GIPS”) on a firm-wide basis for the year ended December 31, 2022, and the design of its processes and procedures to calculate and present performance results in compliance with the GIPS Standards as of December 31, 2022. Compliance with the GIPS Standards is the responsibility of the management of the Company. Our responsibility is to express an opinion based upon our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the Company complied with the criteria established by the GIPS Standards. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with these criteria, and where applicable, assessing the accounting principles used and significant estimates made by management.

In our opinion, the Company has complied with the GIPS Standards for the year ended December 31, 2022, including the composite construction requirements on a firm wide basis and the design of its processes and procedures to calculate and present performance results in compliance with the GIPS Standards as of December 31, 2022.

We have issued a separate audit report on certain individual composite presentations of the Company dated February 21, 2023 and accordingly, we express no opinion or any other form of assurance on any such performance results in this compliance report.

Deloitte LLP[1]

Deloitte LLP[1]

[1] CPA auditor, CA, public accountancy permit No A116129
February 21, 2023

Independent Auditor’s Report

To the Directors of la Caisse de dépôt et placement du Québec (“CDPQ”)

Opinion

We have audited the performance calculation included in the accompanying composite Performance Summary (the “Schedules”) of CDPQ (the “Company”) for the year ended December 31, 2022. The Schedules have been prepared by management of CDPQ based on the Global Investment Performance Standards (“GIPS”) of the CFA Institute as described in the Notes to the Schedules.

In our opinion, the Schedules present fairly, in all material respects, the composites and benchmarks returns of the Company for the year ended December 31, 2022, in accordance with the calculation methodology required by the GIPS Standards of the CFA Institute as described in the Notes to the Schedules.

Basis of Performance Calculation and Restrictions on Distribution and Use

We conducted our audit in accordance with Canadian generally accepted auditing standards (“Canadian GAAS”). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Schedule” section of our report. We are independent of the CDPQ in accordance with the ethical requirements that are relevant to our audit of the 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.

Without modifying our opinion, we draw attention to the Notes to the Schedules, which describe the basis of performance calculation. The Schedules are prepared to meet the requirements of the GIPS Standards. As a result, the Schedules may not be suitable for another purpose.

Responsibilities of Management and Those Charged with Governance for the Schedules

Management is responsible for the preparation of the Schedules in accordance with the GIPS Standards as described in the Notes to the Schedules, and for such internal control as management determines is necessary to enable the preparation of Schedules that are free from material misstatement, whether due to fraud or error. Management is also responsible for determining that the GIPS Standards is acceptable in the circumstances.

Auditor’s Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the Schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s 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 GAAS 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 financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedules. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the Schedules 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Schedules.

Other matters

We have issued a separate audit report on the Company’s compliance on a firm-wide basis with GIPS Standards dated February 21, 2023, and accordingly, we express no opinion or any other form of assurance on any such performance results in this report.

Deloitte LLP[1]

Deloitte LLP[1]

[1]CPA auditor, CA, public accountancy permit No A116129

February 21, 2023

General Notes

01
PRESENTATION OF THE FIRM

CDPQ is a long term institutional investor that manages funds for pension plans, as well as public and parapublic insurance plans. As one of the largest pension fund in Canada, CDPQ invests globally in financial markets, private equity, infrastructure, real estate and private debt. The net assets attributable to depositors, excluding demand deposits and term deposits, totaled $400.5 billion as at December 31, 2022. This document presents the returns related to the funds managed by CDPQ for the depositors (see Note 7).

02
COMPLIANCE STATEMENT

CDPQ claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. CDPQ has been independently verified for the periods from January 1, 2013 through December 31, 2022. CDPQ claims compliance with the Global Investment Performance Standards (GIPS) and has been independently audited since January 1, 2002.

Verification assesses whether (1) CDPQ has complied with all the portfolio and composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. The portfolios and composites have been examined for the periods from January 1, 2013 to December 31, 2022.

03
PERFORMANCE CALCULATIONS

Performance calculations are based on monthly calculations using the modified Dietz formula. All deposits or withdrawals take place on the first day of each month. As a result, cash flows have no effect on performance.

All management activities for which CDPQ records operating expenses are represented in the specialized portfolios. The portfolios are valued according to transaction date, and their returns are calculated monthly. The geometric linking method is then used to calculate quarterly and annual returns.

Total returns, including realized gains and losses on the sale of investments, unrealized gains and losses, and investment income and expenses, are used to calculate returns. These returns include any income generated on cash and cash equivalents. Interest income is accrued and is included in the market value used to calculate returns. Dividend income is generally accrued as of the ex-dividend date.

In accordance with the decision of the Accounting Standards Board of Canada (AcSB), CDPQ adopted International Financial Reporting Standards (IFRS) effective January 1, 2014. Under IFRS, CDPQ qualifies as an investment entity. Accordingly, all financial instruments are measured at fair value in accordance with IFRS 13, *Fair Value Measurement*.

IFRS requires a company qualifying as an investment entity to evaluate its subsidiaries at fair value as an investment rather than consolidate them. The fair value of these subsidiaries is established using an enterprise value method that reflects, among other things, the fair value of financial instruments held directly by these subsidiaries. Previously, under Canadian Generally Accepted Accounting Principles, the portfolios included consolidation of the subsidiaries' assets and liabilities.

All the portfolios adopted IFRS during the year ended December 31, 2014. Adoption of the new standards as at January 1, 2014 had no impact on the returns presented. However, the Real Estate portfolio had early adopted IFRS on January 1, 2012.

For more details on the valuation methods, policies, guidelines and procedures related to fair value measurement, refer to Note 6 to the Consolidated Financial Statements.

The fair value of fixed-income securities is determined from the closing prices of such securities published by brokers as well as those provided by recognized financial institutions, depending on their availability. When a value is not available, the fair value is determined by valuation techniques commonly used in capital markets, such as discounting of cash flows at the current interest rate.

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

Valuations of unlisted shares are made according to commonly used valuation techniques that include the use of arm's length transactions. Valuations of shares and convertible securities that are not publicly traded are reviewed by CDPQ's Valuation Committee. CDPQ's Fair Value Measurement Policy provides for an external review of substantially all the fair values of these investments over a three-year period. The fair value of investment funds is determined based on the fair value of the net assets provided by the general partner or the administrator.

PERFORMANCE CALCULATIONS

The fair value of shares traded on a stock exchange is determined from closing prices on the major stock exchanges, unless CDPQ does not hold a position of significant influence or control over the shares. In such a case, these shares are valued using the same methods as unlisted shares.

The enterprise value method is used to determine the fair value of subsidiaries or investments in associates whose shares are traded on a stock exchange.

The proportion of the Private Equity, Infrastructure and Real Estate portfolios held by the depositors does not fluctuate between valuation periods.

Derivative financial instruments are recorded at their fair value. The fair value of derivative financial instruments is determined according to the type of derivative financial instrument. The fair value of derivative financial instruments traded on exchange markets and 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 derivative financial instruments traded on over-the- counter markets is obtained from dealer quotes from brokers provided by recognized financial institutions or 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.

CDPQ may, in certain countries, benefit from a tax exemption or a reduced rate of taxation with respect to income and interest, under domestic law or a tax treaty between Canada and the foreign country in question. portfolio returns are presented after non-resident taxes, if applicable. Except for Canada, benchmark returns are presented after non-resident taxes.

On January 1, 2017, CDPQ adopted a currency management policy, which was reviewed on January 1, 2022. CDPQ uses a dynamic management approach for the main currencies of developed countries. Dynamic management is intended to protect certain specialized portfolios when the Canadian dollar seems sharply undervalued or overvalued against its equilibrium value based on valuation models. Dynamic hedging should therefore be infrequent, but with an unpredictable duration, it could vary greatly and be in place from a few weeks to several months. Some specialized portfolios could therefore be partially hedged against currency risk. Dynamic adjustments are integrated into the portfolios' benchmarks.

CDPQ uses currency derivatives in strategically managing currency risk to manage its exposure to the main currencies of developed countries based on hedging targets. For the other currencies, a discretionary hedging strategy can be implemented to manage the currency exposure of portfolios or certain investments. In addition, currency risk management may be carried out through natural hedging activities, including financing investments in the same currency.

04
RISK MEASURE

For the Balanced Fund composite, dispersion is measured by the standard deviation of annual returns for each of the depositors' accounts that are present in the composite during the entire year.

For the other portfolios, this dispersion measure is not used because there are fewer than five portfolios in each of the portfolios. The dispersion of returns is measured by the annualized standard deviation of monthly returns, for the portfolio and its benchmark, over a rolling three-year period.

This information is not presented for the Private Equity, Infrastructure and Real Estate portfolios because they are entirely valued semi-annually.

05
OPERATING EXPENSES AND OTHER FEES

Given the nature of CDPQ, operating expenses and other fees that are charged to the portfolios are the actual expenses incurred to manage these funds. Total fees are allocated according to cost drivers specific to the different investment activities. All returns in this presentation are calculated before operating expenses and other fees, but net of transaction fees, external management fees related to investment funds, and unconsolidated real estate subsidiaries fees. The actual expenses incurred for each portfolio are presented in basis points (bps).

06
CURRENCY USED FOR REPORTING

All returns and assets are presented in Canadian dollars.

07
NET ASSETS UNDER MANAGEMENT

Net assets under management correspond to net assets attributable to depositors, presented in the Consolidated Financial Statements, adjusted to exclude assets that are not covered by the firm, as described in Note 1, namely depositors' demand deposits and term deposits.

08
ADDITIONAL INFORMATION

In 2022, the investment environment was marked by a combination of factors not seen in decades: sharply rising inflation leading to sustained interest rate hikes, a rare simultaneous correction in stock and bond markets as well as increased geopolitical tensions. In this context, CDPQ was disciplined in executing its strategy by pursuing the adjustments that were started at the beginning of the pandemic, particularly in Equity Markets and Real Estate. It continued to fully play its role in Québec and announced its ambition to increase its assets there to $100 billion by 2026. It also deployed several sustainable investing initiatives.

In addition, its leadership in ESG matters was recognized internationally, with the organization ranking first among 59 pension funds in the World Benchmarking Alliance's Financial System Index. CDPQ was also named 2022 Fund of the Year by Global SWF, a global reference that analyzes the activities of around 400 sovereign wealth and pension funds. CDPQ became the first Canadian pension fund to adopt the CFA Institute Asset Manager Code.

Among the main changes in senior management, note that Sustainable Investing, which was previously under the responsibility of Kim Thomassin, has been led by Marc-André Blanchard since January 2022. Martin Longchamps was appointed Executive Vice-President and Head of Private Equity following the departure of Martin Laguerre, a position he has held since November 2022. Lastly, Helen Beck left the organization in January 2023; the role of Executive Vice-President and Head of Equity Markets will not be replaced.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote the CDPQ, nor does it warrant the accuracy or quality of the content contained herein.

Rates Specialized Portfolio

RETURNS AND NET ASSETS UNDER MANAGEMENT

	Returns			Risk		Net Assets	
December 31	Portfolio %	Benchmark %	Spread %	Std. Dev. Returns %	Std. Dev. Benchmark %	Portfolio $k	Under Management $k
2022	(13.38)	(13.13)	(0.25)	7.11	7.04	33,104,380	400,476,908
2021	(2.74)	(3.09)	0.35	4.00	4.48	44,027,938	419,016,478
2020	8.60	8.19	0.41	3.38	3.91	30,321,914	361,450,376
2019	4.81	5.22	(0.41)	3.26	3.88	31,241,275	339,702,991
2018	2.34	2.07	0.27	n/a	n/a	32,984,511	308,799,301
2017	1.77	1.37	0.40	n/a	n/a	40,064,741	298,424,595

ANNUALIZED RETURNS

December 31, 2022

	1 Year %	2 Years %	3 Years %	4 Years %	5 Years %	6 Years %	7 Years %	8 Years %	9 Years %	10 Years %
Portfolio	(13.38)	(8.22)	(2.92)	(1.04)	(0.38)	(0.02)	–	–	–	–
Benchmark	(13.13)	(8.25)	(3.07)	(1.06)	(0.44)	(0.14)	–	–	–	–
Spread	(0.25)	0.03	0.14	0.01	0.06	0.12	–	–	–	–

NOTES TO THE RATES PORTFOLIO

1. PORTFOLIO DESCRIPTION

The Rates Portfolio is CDPQ's principal source of liquidity. The objective is to offer added value above the benchmark by investing primarily in sovereign bonds issued by Canada (including the provinces) and other developed countries. This Portfolio is divided into three mandates: Rate Management, Sovereign Debt, Strategic Group. For each of these mandates, a rigorous investment process, governed by an investment committee, oversees security selection and portfolio construction.

On July 1, 2021, following a global review of the portfolio's offering and with a view to providing an offering of products better suited to depositors' needs, a gradual increase in the target duration was put into place.

On January 1, 2017, as part of the overall revision of specialized portfolios offered to depositors, the Bonds Portfolio was closed and a portion of its assets and liabilities were acquired at fair value to create the Rates Portfolio. The remaining portion of assets and liabilities from the Bonds Portfolio are now included in the Credit Portfolio.

An immaterial portion of the Portfolio's assets may be allocated to external managers.

This Portfolio may use up to 10% leverage in the normal course of investment activities.

This Portfolio's foreign investments are fully hedged against currency risk.

The use of derivative financial instruments for currencies is allowed solely for currency hedging purposes.

Securities lending and borrowing activities as well as short selling, are authorized as part of the management of this Portfolio, based on approved limits.

2. PORTFOLIO CREATION DATE

This portfolio was created on January 1, 2017.

NOTES TO THE RATES PORTFOLIO (continued)

3. BENCHMARK

The benchmark for this Portfolio is a combination of 70% FTSE Canada Federal Non-Agency Bond and 30% FTSE Canada Provincial Quebec Bond.

Based on the plan to extend the duration, the index is adjusted gradually until it reaches its target.

4. CALCULATION PERIOD

The return on this portfolio is calculated from January 1, 2017, to December 31, 2022.

5. OPERATING EXPENSES AND OTHER FEES

Returns are calculated before operating expenses and other fees, but net of transaction fees. Operating expenses and other fees in basis points correspond to the ratio of actual expenses incurred on average net assets. For the previous four years, the ratio corresponds to the average of the annual ratios.

For the 12 months ended December 31, 2022, operating expenses and other fees for this portfolio are 8 bps. For the previous four years (January 1, 2018, to December 31, 2021), fees averaged 7 bps.

Credit Specialized Portfolio

RETURNS AND NET ASSETS UNDER MANAGEMENT

	Returns			Risk		Net Assets	
December 31	Portfolio %	Benchmark %	Spread %	Std. Dev. Returns %	Std. Dev. Benchmark %	Portfolio $k	Under Management $k
2022	(15.73)	(18.18)	2.44	9.13	9.82	84,712,469	400,476,908
2021	0.87	0.05	0.81	5.57	6.13	83,820,558	419,016,478
2020	8.91	7.76	1.14	5.33	6.01	74,245,689	361,450,376
2019	10.92	9.27	1.65	2.52	2.72	66,412,466	339,702,991
2018	2.25	0.29	1.96	n/a	n/a	56,378,462	308,799,301
2017	5.14	4.01	1.13	n/a	n/a	50,644,553	298,424,595

ANNUALIZED RETURNS

										December 31, 2022
	1 Year %	2 Years %	3 Years %	4 Years %	5 Years %	6 Years %	7 Years %	8 Years %	9 Years %	10 Years %
Portfolio	(15.73)	(7.81)	(2.54)	0.66	0.98	1.66	–	–	–	–
Benchmark	(18.18)	(9.52)	(4.09)	(0.91)	(0.67)	0.09	–	–	–	–
Spread	2.44	1.71	1.55	1.58	1.65	1.57	–	–	–	–

NOTES TO THE CREDIT PORTFOLIO

1. PORTFOLIO DESCRIPTION

This Portfolio's objective is to outperform its benchmark. To achieve this objective, the Portfolio adopts a benchmark-agnostic management approach. The search for value added is conducted based on movement in risk premiums and seeking investment opportunities offering an adequate risk-return profile while limiting potential capital losses. This Portfolio is subdivided into six mandates: Corporate Credit, Real Estate Debt (Otéra Capital subsidiary), Sovereign Debt, Capital Solutions, Infrastructure Financing, Strategic. For each of these mandates, a rigorous investment process, governed by an investment committee, oversees security selection and portfolio construction.

On July 1, 2021, following a global review of the portfolio's offering and with a view to providing an offering of products better suited to depositors' needs, a gradual increase in the target duration was put into place.

On January 1, 2017, as part of the overall revision of specialized portfolios offered to depositors, the Bonds and Real Estate Debt Portfolios were closed. A portion of the assets and liabilities of the Bond Portfolio and the assets and liabilities of the Real Estate Debt Portfolio were acquired at fair value to create the Credit Portfolio.

A portion of the Portfolio's assets is allocated to external managers.

This Portfolio may use up to 5% leverage in the normal course of investment activities.

Except for investments denominated in growth market currencies, this Portfolio is hedged against currency risk. However, a hedge can be implemented for assets denominated in growth market currencies.

The use of derivative financial instruments for currencies is allowed solely for currency hedging purposes.

Securities lending and borrowing activities as well as short selling are authorized as part of the management of this Portfolio, based on approved limits.

2. PORTFOLIO CREATION DATE

This portfolio was created on January 1, 2017.

NOTES TO THE CREDIT PORTFOLIO (continued)

3. BENCHMARK

Since July 1, 2022, the benchmark for this composite is a combination of 10% FTSE Canada Provincial Quebec Bond Index, 25% FTSE Canada Corporate Bond Index, 30% Merrill Lynch Corporate Bond Hedged and 35% Merrill Lynch High Yield (Hedged).

Based on the plan to extend the duration, the index is adjusted gradually until it reaches its target.

On July 1, 2021, the benchmark for this composite was a combination of 10% FTSE Canada Provincial Quebec Bond Index, 55% FTSE Canada Corporate Bond Index, 5% Merrill Lynch Corporate Bond Hedged and 30% Merrill Lynch High Yield (Hedged). Thereafter, the Merrill Lynch Corporate Bond Hedged increased 5% at the beginning of each month, up to 30% as at December 31, 2021 in consideration for the FTSE Canada Corporate Bonds component.

From January 1, 2020 to June 30, 2021, the Credit benchmark was composed of 10% FTSE Canada Provincial Quebec Bond, 60% FTSE Canada Corporate Bond Index and 30% Merrill Lynch High Yield (Hedged).

From April 1, 2019 to December 31, 2019, the benchmark for this Portfolio is a combination of 10% FTSE Canada Provincial Quebec Bond, 65% FTSE Canada Corporate Bond Index and 25% Merrill Lynch High Yield (Hedged).

From July 1, 2018 to March 31, 2019, the benchmark for this Portfolio was a combination of 10% FTSE Canada Provincial Quebec Bond, 70% FTSE Canada Corporate Bond Index and 20% Merrill Lynch High Yield (Hedged).

From January 1, 2017, to June 30, 2018, the benchmark was a composed of 10% FTSE Canada Provincial Quebec Bond, 75% FTSE Canada Corporate Bond Index and 15% Merrill Lynch High Yield (Hedged).

The changes were made to better reflect the makeup of the Portfolio.

4. CALCULATION PERIOD

The return on this portfolio is calculated from January 1, 2017, to December 31, 2022.

5. OPERATING EXPENSES AND OTHER FEES

Returns are calculated before operating expenses and other fees, but net of transaction fees, expenses related to unconsolidated subsidiaries and investment fund fees. Operating expenses and other fees in basis points correspond to the ratio of actual expenses incurred on average net assets.

For the 12 months ended December 31, 2022, operating expenses and other fees for this portfolio are 22 bps. For the previous four years (January 1, 2018, to December 31, 2021), fees averaged 15 bps.

6. INVESTMENT VALUATION

For more information on the valuation methodology used for real estate debt investments held by subsidiary, Otéra Capital, as well as specialty financing activities, please refer to Note 6 of the Consolidated Financial Statements.

Short Term Investments Specialized Portfolio

RETURNS AND NET ASSETS UNDER MANAGEMENT

	Returns			Risk		Net Assets	
December 31	Portfolio %	Benchmark %	Spread %	Std. Dev. Returns %	Std. Dev. Benchmark %	Portfolio $k	Under Management $k
2022	1.96	1.82	0.14	0.37	0.39	1,614,538	400,476,908
2021	0.30	0.17	0.13	0.26	0.27	1,584,366	419,016,478
2020	0.97	0.86	0.10	0.23	0.23	1,579,847	361,450,376
2019	1.73	1.65	0.08	0.17	0.16	882,261	339,702,991
2018	1.51	1.38	0.14	0.16	0.14	867,381	308,799,301
2017	0.64	0.56	0.09	0.10	0.10	1,892,501	298,424,595
2016	0.52	0.51	0.01	0.10	0.09	6,157,183	270,018,068
2015	0.73	0.63	0.10	0.09	0.09	4,584,461	247,494,947
2014	1.01	0.91	0.10	0.04	0.05	6,830,301	225,433,142
2013	1.07	1.01	0.06	0.05	0.06	3,511,628	199,690,933

ANNUALIZED RETURNS

December 31, 2022

	1 Year %	2 Years %	3 Years %	4 Years %	5 Years %	6 Years %	7 Years %	8 Years %	9 Years %	10 Years %
Portfolio	1.96	1.13	1.07	1.24	1.29	1.18	1.09	1.04	1.04	1.04
Benchmark	1.82	0.99	0.95	1.12	1.17	1.07	0.99	0.95	0.94	0.95
Spread	0.14	0.14	0.13	0.11	0.12	0.11	0.10	0.10	0.10	0.09

NOTES TO THE SHORT TERM INVESTMENTS PORTFOLIO

1. PORTFOLIO DESCRIPTION

The objective of the Portfolio is to preserve invested capital and to maintain a high degree of liquidity while obtaining a current yield comparable to that of the FTSE Canada 91 Day T-Bill Index.

This Portfolio uses derivative financial instruments in the normal course of its management. Derivatives are used in order to manage interest rate risk or debt duration.

This Portfolio only contains securities denominated in Canadian dollars.

2. PORTFOLIO CREATION DATE

This portfolio was created on September 1, 1998.

3. BENCHMARK

The benchmark for this Portfolio is the FTSE Canada 91 Day T-Bill Index.

4. CALCULATION PERIOD

The return on this portfolio is calculated from January 1, 2013, to December 31, 2022.

NOTES TO THE SHORT TERM INVESTMENTS PORTFOLIO (continued)

5. OPERATING EXPENSES AND OTHER FEES

Returns are calculated before operating expenses and other fees, but net of transaction fees. Operating expenses and other fees in basis points correspond to the ratio of actual expenses incurred on average net assets. For the previous four years, the ratio corresponds to the average of the annual ratios.

For the 12 months ended December 31, 2022, operating expenses and other fees for this portfolio are 5 bps. For the previous four years (January 1, 2018, to December 31, 2021), fees averaged 1 bp.

Real Estate Specialized Portfolio

RETURNS AND NET ASSETS UNDER MANAGEMENT

	Returns			Risk		Net Assets	
December 31	Portfolio %	Benchmark %	Spread %	Std. Dev. Returns %	Std. Dev. Benchmark %	Portfolio $k	Under Management $k
2022	12.42	9.25	3.18	n/a	n/a	47,607,097	400,476,908
2021	12.45	6.07	6.38	n/a	n/a	42,093,734	419,016,478
2020	(15.55)	(1.66)	(13.89)	n/a	n/a	35,481,727	361,450,376
2019	(2.75)	1.45	(4.20)	n/a	n/a	39,701,817	339,702,991
2018	7.76	12.00	(4.24)	n/a	n/a	38,224,850	308,799,301
2017	8.05	8.17	(0.12)	n/a	n/a	34,260,142	298,424,595
2016	10.35	7.25	3.10	n/a	n/a	31,721,120	270,018,068
2015	13.05	15.40	(2.35)	n/a	n/a	26,955,199	247,494,947
2014	9.93	11.09	(1.16)	n/a	n/a	22,878,122	225,433,142
2013	15.06	15.56	(0.49)	n/a	n/a	22,570,193	199,690,933

ANNUALIZED RETURNS

December 31, 2022

	1 Year %	2 Years %	3 Years %	4 Years %	5 Years %	6 Years %	7 Years %	8 Years %	9 Years %	10 Years %
Portfolio	12.42	12.44	2.20	0.94	2.27	3.21	4.20	5.27	5.78	6.67
Benchmark	9.25	7.64	4.45	3.69	5.30	5.77	5.98	7.12	7.55	8.33
Spread	3.18	4.79	(2.25)	(2.75)	(3.03)	(2.56)	(1.78)	(1.85)	(1.77)	(1.66)

OTHER RETURNS

December 31	Income Return %	Capital Appreciation (Depreciation) %	Total Return %
2022	1.78	10.48	12.42
2021	1.64	10.61	12.45
2020	1.26	(16.61)	(15.55)
2019	1.91	(4.58)	(2.75)
2018	1.91	5.75	7.76
2017	1.92	6.01	8.05
2016	2.21	7.98	10.35
2015	2.23	10.59	13.05
2014	2.33	7.42	9.93
2013	3.33	11.36	15.06

NOTES TO THE REAL ESTATE PORTFOLIO

1. PORTFOLIO DESCRIPTION

This Portfolio consists of investments held by the real estate subsidiary Ivanhoé Cambridge. Nearly 75% of the Portfolio's gross assets are comprised of direct holdings. The remaining investments held by the subsidiary include investment funds, mortgages, equities and convertible securities, which are primarily related to real estate assets.

This Portfolio, through the real estate subsidiary, may include derivative financial instruments in the normal course of its management. Derivatives are used mainly to hedge against currency risk, manage interest rate risk and manage the duration of debt.

For the real estate subsidiary's direct holdings, the maximum leverage is 55%. No leverage is authorized for indirect holdings. Securities lending and borrowing, as well as securities sold short are permitted in the Portfolio within authorized limits.

Since January 1, 2017, this Portfolio may include currency hedging activities, in compliance with the Currency Management Policy adopted by CDPQ. Refer to Note 3 of the General Notes for more details.

2. PORTFOLIO CREATION DATE

This portfolio was created on September 1, 1998.

3. BENCHMARK

Since January 1, 2020, the Real Estate index has been a combination of 65% leverage-adjusted MCSI Global Property Index and 35% MSCI Global Property Fund index less a management cost and tax fees. The leverage was at 40%, with the cost of a generic 5-year Canadian mortgage plus a basket of currencies related to the assets in the MSCI Global Property index. A hedging strategy may be put in place for the main currencies in accordance with the process and guidelines defined in the Currency Management Policy adopted by CDPQ. These changes are part of an objective to simplify the calculation of the benchmark.

From January 1, 2019 to December 31, 2019, the Real Estate index has been a combination of 75% leverage-adjusted MCSI Global Property Index and 25% MSCI Global Property Fund index less a management cost and tax fees. The leverage was at 40%, with the cost of a generic 5-year Canadian mortgage plus a basket of currencies related to the assets in the MSCI Global Property index. A hedging strategy may be put in place for the main currencies in accordance with the process and guidelines defined in the Currency Management Policy adopted by CDPQ.

From January 1, 2016 to December 31, 2018, the Real Estate Index was a combination of 85% of the Adjusted MSCI Global Property (Hedged) Index and 15% of the MSCI Global Property Funds Index (Hedged), less a leverage cost, a management cost and tax fees. The leverage cost consists of 50% of the hedged internal real cost of financing, 25% of the 4-6 year Giliberto-Levy hedged U.S. mortgage rate, and 25% of the Canadian 5-year bond rate plus a Canadian mortgage credit spread. As of January 1, 2017, the benchmark was gradually unhedged following the transition plan set out in the Currency Management Policy adopted by CDPQ. The changes were justified to better reflect the investment opportunities and overall geographic diversification of the Portfolio.

From January 1, 2010, to December 31, 2015, the benchmark was called the Aon Hewitt-Real Estate Index (Adjusted) and it consisted of 40% IPD Canada Index, 30% NCREIF Index (Hedged), 15% IPD UK Index (Hedged) and 15% IPD France Index (Hedged), less financing costs, management fees and taxes. Since July 1, 2012, a FTSE Canada 30 Day T-Bill component was added to the calculation of the benchmark. This component represents 3% of the benchmark. The financing costs consisted of 50% hedged internal real cost of financing, 25% 3-year hedged U.S. bond rate plus a 2-3 year Giliberto-Levy credit spread and 25% 3-year Canadian bond rate plus a Canadian mortgage credit spread.

These changes were justified to better reflect the makeup of the Portfolio.

4. CALCULATION PERIOD

The return on this portfolio is calculated from January 1, 2013, to December 31, 2022.

NOTES TO THE REAL ESTATE PORTFOLIO (continued)

5. OPERATING EXPENSES AND OTHER FEES

Returns are calculated before operating expenses and other fees, but net of transaction fees and expenses related to the unconsolidated subsidiary. Operating expenses and other fees in basis points correspond to the ratio of actual expenses incurred on average net assets. For the previous four years, the ratio corresponds to the average of the annual ratios.

For the 12 months ended December 31, 2022, operating expenses and other fees for this portfolio are 3 bps. For the previous four years (January 1, 2018, to December 31, 2021), fees averaged 2 bps.

6. INVESTMENT VALUATION

As described in the General Notes, the Real Estate portfolio early adopted IFRS on January 1, 2012. CDPQ values its interest in Ivanhoé Cambridge, its unconsolidated subsidiary, at fair value as an investment. The fair value of the equity interest in the real estate subsidiary is established using a widely used enterprise valuation methodology: the publicly traded companies multiples method. This method relies on observable and unobservable inputs, such as the price-to-book value multiple. This enterprise value reflects, among other things, the fair value of assets and liabilities held directly by the subsidiary, mainly including investment properties, as well as the fair value resulting from the quality of the portfolio and integrated management of the subsidiary's platform. The valuation is established annually by an independent external firm.

The fair value of investment properties held directly by the subsidiary is determined and certified by external, recognized and independent chartered real estate appraisers. Since fundamental factors affecting fair value do not vary significantly over short periods, these properties have been appraised semi-annually since June 2007 and annually before that date. Appraisals are carried out in compliance with the appraisal standards in effect in each market. To establish the value as at June 30, the appraisers update the discount and capitalization rates and certify the new value. A complete reappraisal is performed as at December 31 of each year.

At each valuation date, investments held through external investment funds, unlisted shares and mortgage financing are valued internally by the real estate subsidiary and represent nearly 19% of the portfolio's assets. In the case of investment funds, representing more than 10% of the portfolio's assets, the valuation is subsequently compared with the fair market value provided by the general partners or the administrator.

Gains and losses on property dispositions are recognized on a quarterly basis. Moreover, a situation such as a request for financing or establishment of a property's tax value may give rise to a new valuation between evaluation periods. If this valuation results in a significant change in fair market value, it will be recorded during the quarter.

7. OTHER RETURNS PRESENTED

For this portfolio, in addition to the total return, the annual returns from capital appreciation or depreciation and income return of the unconsolidated subsidiary are presented. The current income generated by the real estate subsidiary is reinvested in it. The current income includes lease revenue, return on cash and cash equivalents less real estate operating costs, and financing costs. Since January 1, 2011, these returns have been calculated separately, geometrically linking the returns calculated with the modified Dietz formula.

Infrastructure Specialized Portfolio

RETURNS AND NET ASSETS UNDER MANAGEMENT

	Returns			Risk		Net Assets	
December 31	Portfolio %	Benchmark %	Spread %	Std. Dev. Returns %	Std. Dev. Benchmark %	Portfolio $k	Under Management $k
2022	11.47	0.82	10.65	n/a	n/a	54,635,984	400,476,908
2021	14.51	11.37	3.14	n/a	n/a	45,311,918	419,016,478
2020	5.12	0.52	4.60	n/a	n/a	31,694,414	361,450,376
2019	7.11	17.75	(10.64)	n/a	n/a	27,778,943	339,702,991
2018	11.16	6.51	4.65	n/a	n/a	22,741,393	308,799,301
2017	10.15	10.47	(0.32)	n/a	n/a	16,176,937	298,424,595
2016	11.08	10.79	0.29	n/a	n/a	14,639,781	270,018,068
2015	6.59	(5.09)	11.68	n/a	n/a	12,957,468	247,494,947
2014	13.23	21.49	(8.27)	n/a	n/a	10,132,887	225,433,142
2013	10.62	22.63	(12.01)	n/a	n/a	8,048,236	199,690,933

ANNUALIZED RETURNS

December 31, 2022

	1 Year %	2 Years %	3 Years %	4 Years %	5 Years %	6 Years %	7 Years %	8 Years %	9 Years %	10 Years %
Portfolio	11.47	12.98	10.30	9.49	9.82	9.88	10.05	9.61	10.01	10.07
Benchmark	0.82	5.96	4.12	7.37	7.20	7.74	8.17	6.41	7.99	9.37
Spread	10.65	7.01	6.18	2.12	2.62	2.14	1.88	3.20	2.01	0.69

NOTES TO THE INFRASTRUCTURE PORTFOLIO

1. PORTFOLIO DESCRIPTION

This Portfolio primarily manages negotiated investments covering various infrastructure sectors. The investments take the form of interests in listed or unlisted companies that operate utility- type assets. These investments can be carried out in companies that are in the development or mature stage of the business cycle.

This Portfolio uses derivative financial instruments in the normal course of its management. Derivatives must be used only to hedge interest rate and currency risk, or for purposes of hedging a position held in the portfolio.

Since January 1, 2017, this Portfolio may include currency hedging activities, in compliance with the Currency Management Policy adopted by CDPQ. Refer to Note 3 of the General Notes for more details.

A portion of the Portfolio's assets is allocated to investment funds.

At each valuation date, the fair value of the investment funds is provided by the general partner. This valuation is then compared with the audited financial statements provided by the general partner. These funds represent less than 1% of this Portfolio's assets.

2. PORTFOLIO CREATION DATE

This portfolio was created on July 1, 2010.

NOTES TO THE INFRASTRUCTURE PORTFOLIO (continued)

3. BENCHMARK

As at January 1, 2017, the benchmark below was gradually unhedged according to the transition plan defined in the Currency Management Policy. A hedging strategy may be put in place for the main currencies in accordance with the process and guidelines defined in the Currency Management Policy.

From April 1, 2015 to December 31, 2016, the Infrastructure benchmark corresponded to the MSCI ACWI Infrastructure Index (Adjusted and Hedged), except for emerging markets companies, which are unhedged. This change was made in order to better reflect the universe of public infrastructure investment opportunities.

From January 1, 2013, to March 31, 2015, the Infrastructure benchmark consisted of a basket of publicly traded, hedged infrastructure companies, except for emerging markets companies, which were unhedged.

Over short periods, significant differences can be observed between the return of the Portfolio and its benchmark. The benchmark is comprised of publicly traded securities, whereas the Portfolio is invested mainly in privately issued securities. The difference in returns is due to market fluctuations.

4. CALCULATION PERIOD

The return on this portfolio is calculated from January 1, 2013, to December 31, 2022.

5. OPERATING EXPENSES AND OTHER FEES

Returns are calculated before operating expenses and other fees, but net of transaction fees and investment fund fees. Operating expenses and other fees in basis points correspond to the ratio of actual expenses incurred on average net assets. For the previous four years, the ratio corresponds to the average of the annual ratios.

For the 12 months ended December 31, 2022, operating expenses and other fees for this portfolio are 35 bps. For the previous four years (January 1, 2018, to December 31, 2021), fees averaged 44 bps.

Public Equity Specialized Portfolio

RETURNS AND NET ASSETS UNDER MANAGEMENT

	Returns			Risk		Net Assets	
December 31	Portfolio %	Benchmark %	Spread %	Std. Dev. Returns %	Std. Dev. Benchmark %	Portfolio $k	Under Management $k
2022	(11.25)	(11.35)	0.10	14.02	14.33	99,217,690	400,476,908
2021	16.15	16.14	0.02	11.87	11.68	118,656,879	419,016,478
2020	8.31	12.90	(4.58)	12.26	12.28	117,928,112	361,450,376
2019	17.16	18.03	(0.87)	7.59	7.81	116,936,919	339,702,991
2018	(0.90)	(2.54)	1.65	7.53	7.60	108,300,617	308,799,301
2017	13.73	14.20	(0.48)	n/a	n/a	112,178,698	298,424,595
2016	9.40	7.51	1.89	n/a	n/a	101,271,741	270,018,068

ANNUALIZED RETURNS

										December 31, 2022
	1 Year %	2 Years %	3 Years %	4 Years %	5 Years %	6 Years %	7 Years %	8 Years %	9 Years %	10 Years %
Portfolio	(11.25)	1.53	3.74	6.95	5.33	6.68	7.07	–	–	–
Benchmark	(11.35)	1.46	5.14	8.23	5.98	7.31	7.34	–	–	–
Spread	0.10	0.07	(1.40)	(1.28)	(0.65)	(0.62)	(0.27)	–	–	–

NOTES TO THE PUBLIC EQUITY PORTFOLIO

1. PORTFOLIO DESCRIPTION

The Public Equity Portfolio aims to achieve a risk adjusted return that is higher than traditional equity investments. To achieve this objective, the Portfolio adopts an investment approach that is benchmark agnostic, instead basing its investment decisions on company specific criteria.

On July 1, 2021, investment activities were reorganized to divide the portfolio into six mandates: Quality, Canada, Growth, Growth Markets, Value, Strategic. For each of these mandates, a rigorous investment process, governed by a specific internal investment committee oversees security selection and portfolio construction.

Since January 1, 2017, this Portfolio may include currency hedging activities, in compliance with the Currency Management Policy adopted by CDPQ. Refer to Note 3 of the General Notes for more details.

On January 1, 2016, as part of the overall revision of the specialized portfolios offered to depositors, the Global Quality Equity, Canadian Equity, Emerging Markets Equity, U.S. Equity and EAFE Foreign Equity Portfolios were merged and their assets and liabilities were transferred to create the Public Equity Portfolio. There was no gain or loss as a result of the consolidation of the Portfolios.

A portion of the Portfolio's assets is allocated to external managers.

This Portfolio may use up to 5% leverage in the normal course of investment activities.

Interest rate and currency derivatives must be used only for hedging interest rate and currency risk, except in the case of exceptional approval.

Securities lending and borrowing activities as well as short selling are permitted as part of the management of this Portfolio, based on authorized limits.

2. PORTFOLIO CREATION DATE

This portfolio was created on January 1, 2016.

NOTES TO THE PUBLIC EQUITY PORTFOLIO (continued)

3. BENCHMARK

Since January 1, 2022, the Public Equity benchmark consisted of 65% MSCI World (ex-Canada) unhedged index, 15% Canada index and 20% MSCI EM China-adjusted All Shares unhedged index. The Canada index is a combination of 20% S&P/TSX Index and 80% Morningstar National Bank Quebec Index.

From July 1, 2021 to December 31, 2021, the Public Equity benchmark consisted of 65% MSCI World (ex-Canada) unhedged index, 15% Canada index and 20% MSCI EM China-adjusted All Shares unhedged index. As at July 1, the Canada index was a combination of 65% S&P/TSX Index and 35% Morningstar National Bank Quebec Index. Thereafter, the Morningstar National Bank Quebec Index gradually increase at the beginning of each month up to 75% in consideration for the S&P/TSX component.

From January 1, 2020 to June 30, 2021, a traditional equity component makes up 90% of the Public Equity benchmark, and the FTSE Canada 91 Day T-Bill Index makes up the remaining 10%, which in turn consists of 60% MSCI World (ex-Canada) unhedged index, 20% S&P/TSX Capped index and 20% MSCI EM China All Shares adjusted unhedged index.

From July 1, 2018 to December 31, 2019, the FTSE Canada 91 Day T-Bill Index makes up 10% of the “Public Equity” benchmark, and a traditional equity component makes up the remaining 90%, which in turn consists of 60% MSCI World (ex-Canada) unhedged index, 20% S&P/TSX index and 20% MSCI EM unhedged index. This change was made to better reflect the makeup of the Portfolio.

Since January 1, 2017, a hedging strategy may be put in place for the main currencies in accordance with the process and guidelines defined in the Currency Management Policy.

From January 1, 2016 to June 30, 2018, the traditional equity component consisted of 60% MSCI World (ex-Canada) unhedged index, 25% S&P/TSX index and 15% MSCI EM unhedged index.

4. CALCULATION PERIOD

The return on this portfolio is calculated from January 1, 2016, to December 31, 2022.

5. OPERATING EXPENSES AND OTHER FEES

Returns are calculated before operating expenses and other fees, but net of transaction fees and investment fund fees. Operating expenses and other fees in basis points correspond to the ratio of actual expenses incurred on average net assets. For the previous four years, the ratio corresponds to the average of the annual ratios.

For the 12 months ended December 31, 2022, operating expenses and other fees for this portfolio are 29 bps. For the previous four years (January 1, 2018, to December 31, 2021), fees averaged 24 bps.

Private Equity Specialized Portfolio

RETURNS AND NET ASSETS UNDER MANAGEMENT

	Returns			Risk		Net Assets	
December 31	Portfolio %	Benchmark %	Spread %	Std. Dev. Returns %	Std. Dev. Benchmark %	Portfolio $k	Under Management $k
2022	2.76	(0.04)	2.81	n/a	n/a	80,712,683	400,476,908
2021	39.16	32.15	7.02	n/a	n/a	82,537,819	419,016,478
2020	20.69	9.87	10.82	n/a	n/a	64,328,649	361,450,376
2019	10.47	11.81	(1.34)	n/a	n/a	50,180,073	339,702,991
2018	16.63	8.73	7.90	n/a	n/a	42,927,027	308,799,301
2017	13.01	10.47	2.53	n/a	n/a	37,332,225	298,424,595
2016	14.01	8.76	5.26	n/a	n/a	30,387,019	270,018,068
2015	8.39	4.07	4.32	n/a	n/a	26,099,185	247,494,947
2014	12.15	12.54	(0.40)	n/a	n/a	22,396,335	225,433,142
2013	19.69	22.72	(3.03)	n/a	n/a	20,181,956	199,690,933

ANNUALIZED RETURNS

December 31, 2022

	1 Year %	2 Years %	3 Years %	4 Years %	5 Years %	6 Years %	7 Years %	8 Years %	9 Years %	10 Years %
Portfolio	2.76	19.59	19.95	17.51	17.33	16.60	16.23	15.22	14.87	15.35
Benchmark	(0.04)	14.93	13.22	12.86	12.02	11.76	11.33	10.40	10.63	11.79
Spread	2.81	4.66	6.74	4.65	5.31	4.84	4.90	4.82	4.24	3.56

NOTES TO THE PRIVATE EQUITY PORTFOLIO

1. PORTFOLIO DESCRIPTION

This Portfolio consists of private equity activities that specialize in the following types of investment: leveraged buyouts, growth capital, venture capital, distressed debt, mezzanine debt and restructuring.

Some assets originally in the Investments and Infrastructures Portfolio were transferred into the Portfolio on July 1, 2010, as a result of the revised portfolio offering and the closing of the Investments and Infrastructures Portfolio.

This Portfolio uses derivative financial instruments in the normal course of its management. Derivatives are used to hedge interest rate and currency risk, or to hedge a position in the portfolio.

Since January 1, 2017, this Portfolio may include currency hedging activities, in compliance with the Currency Management Policy adopted by CDPQ. Refer to Note 3 of the General Notes for more details.

At each valuation date, the fair value of the investment funds is provided by the general partner. This valuation is then compared with the audited financial statements provided by the general partner. These funds represent 26% of this Portfolio's assets.

2. PORTFOLIO CREATION DATE

This portfolio was created on October 1, 2003.

NOTES TO THE PRIVATE EQUITY PORTFOLIO (continued)

3. BENCHMARK

Since January 1, 2022, the benchmark was comprised of 50% GXPEI Adjusted (Unhedged), 25% MSCI ACWI (Unhedged) and 25% Morningstar National Bank Quebec Index.

From January 1, 2017 to December 31, 2021, the benchmark was comprised of 50% GXPEI Adjusted (Unhedged), 20% MSCI ACWI (Unhedged) and 30% S&P/TSX (Capped). These changes were made to better reflect the makeup of the Portfolio.

A hedging strategy may be put in place for the main currencies in accordance with the process and guidelines defined in the Currency Management Policy.

From January 1, 2016 to December 31, 2016, the benchmark consisted of 50% State Street Private Equity Index Adjusted (Partially Hedged) and 50% MSCI World Index (Partially Hedged). This change was made to better reflect the Portfolio's hedging policy.

From January 1, 2013, to December 31, 2015, the benchmark consisted of 50% State Street Private Equity Index Adjusted (Hedged) and 50% MSCI World Index (Hedged). This change was made to better reflect the makeup of the Portfolio.

4. CALCULATION PERIOD

The return on this portfolio is calculated from January 1, 2013, to December 31, 2022.

5. OPERATING EXPENSES AND OTHER FEES

Returns are calculated before operating expenses and other fees, but net of transaction fees and investment fund fees. Operating expenses and other fees in basis points correspond to the ratio of actual expenses incurred on average net assets. For the previous four years, the ratio corresponds to the average of the annual ratios.

For the 12 months ended December 31, 2022, operating expenses and other fees for this portfolio are 40 bps. For the previous four years (January 1, 2018, to December 31, 2021), fees averaged 44 bps.

Balanced Fund Composite

RETURNS AND NET ASSETS UNDER MANAGEMENT

	Returns			Risk				Net Assets
December 31	Composite %	Benchmark %	Spread %	Number of Accounts %	Std. Dev. of Acct. Returns %	Std. Dev. Returns %	Std. Dev. Benchmark %	Composite $k
2022	(5.64)	(8.28)	2.64	67	5.33	8.34	8.86	400,476,908
2021	13.46	10.69	2.76	63	4.81	7.32	6.65	419,016,478
2020	7.65	9.18	(1.53)	60	3.14	6.32	6.82	361,450,376
2019	10.38	11.94	(1.56)	60	2.72	3.39	4.19	339,702,991
2018	4.19	2.38	1.81	57	2.56	3.83	4.32	308,799,301
2017	9.27	9.23	0.03	57	2.01	4.62	5.05	298,424,595
2016	7.57	5.76	1.81	55	2.20	4.19	4.76	270,018,068
2015	9.10	6.70	2.40	48	2.13	3.71	4.32	247,494,947
2014	12.02	11.41	0.61	46	2.60	2.97	3.01	225,433,142
2013	13.06	12.56	0.50	40	3.73	3.56	3.44	199,690,933

ANNUALIZED RETURNS

December 31, 2022

	1 Year %	2 Years %	3 Years %	4 Years %	5 Years %	6 Years %	7 Years %	8 Years %	9 Years %	10 Years %
Portfolio	(5.64)	3.47	4.85	6.20	5.80	6.37	6.54	6.85	7.42	7.97
Benchmark	(8.28)	0.76	3.49	5.54	4.90	5.61	5.63	5.77	6.38	6.98
Spread	2.64	2.71	1.35	0.66	0.89	0.76	0.90	1.09	1.04	0.99

COMPOSITION OF THE BALANCED FUND BENCHMARK

	December 31,2022
Benchmark[1]	Weights %
Rates Benchmark	9
Credit Benchmark	20
FTSE Canada 91 Day T-Bill	1
Real Estate Benchmark	12
Infrastructure Benchmark	13
Public Equity Benchmark	25
Private Equity Benchmark	20
Leverage	-0.8

1. Benchmark descriptions are presented in the notes of each portfolio.

NOTES TO THE BALANCED FUND COMPOSITE

1. COMPOSITE DESCRIPTION

This composite consists of all depositors' accounts, including the General Fund. It measures the overall impact of CDPQ's asset allocation strategy for all asset classes available to depositors. Treasury, overlay activities and Public Equity calibration mandates are also included in this composite. As of July 1, 2021, depositors have had the option of a leverage product for their funds. The history of the ABTN specialized portfolio up to its closing on June 1, 2017 is included in the composite.

The Real Return Bonds and Long Term Bonds specialized portfolios are included in the composite. As part of a global review of the specialized portfolios offered to depositors, the activities of these 2 specialized portfolios were terminated on November 1, 2021, and December 1, 2021, respectively, and were closed on December 31, 2021.

This composite may include derivative financial instruments in the normal course of investment management. Derivatives are used mainly to hedge positions, to reduce market risk, to take advantage of arbitrage opportunities, to replicate the benchmark, to accelerate investment or disinvestment, to hedge currency risk and interest rate risk and to match the duration of a composite to that of the benchmark.

Leverage activities may be present in the composite, including short selling. The extent of the leverage depends on the nature of the investment. Some strategies have no leverage while others are fully leveraged within the authorized limits.

A portion of the composite's assets is allocated to external managers.

Since January 1, 2017, this composite may include currency hedging activities, in compliance with the Currency Management Policy adopted by CDPQ. Refer to Note 3 of the General Notes for more details.

In 2014, after the adoption of IFRS, a change was made to the methodology used to evaluate the specialized portfolios. Refer to Note 3 of the General Notes for more details. The adoption of IFRS for these portfolios had no impact on the return of the Balanced Fund composite.

In 2012, after the early adoption of IFRS for the Real Estate composite, a change was made to the valuation methodology used for the Real Estate specialized portfolio of the Balanced Fund. Refer to the Real Estate specialized portfolio of this document for more details.

2. COMPOSITE CREATION DATE

This composite was created on October 1, 2002.

3. BENCHMARK

The benchmark for this composite is an index created by CDPQ. It consists of the weighted average of the depositors' benchmarks. These benchmarks correspond to the weighted average of the indexes of each investment class as specified in the reference policy of each depositor. The depositors' reference policies are established once a month according to the depositors' preferences and needs, as well as market forecasts. At depositors' request, the benchmark may include an adjustment to the duration determined by the depositors' reference policy. In addition, the index includes a level of exposure to currencies. Since January 1, 2017, a hedging strategy may be put in place for the main currencies in accordance with the process and guidelines defined in the Currency Management Policy. The weight of each index that makes up this composite's benchmark as at December 31, 2022, is presented in the table on the previous page.

4. CALCULATION PERIOD

The return on this composite is calculated from January 1, 2013, to December 31, 2022.

5. OPERATING EXPENSES AND OTHER FEES

Returns are calculated before operating expenses and other fees, but net of transaction fees, expenses related to real estate subsidiaries and investment fund fees. Operating expenses and other fees in basis points correspond to the ratio of actual expenses incurred on average net assets. For the previous four years, the ratio corresponds to the average of the annual ratios.

For the 12 months ended December 31, 2022, operating expenses and other fees for this portfolio are 26 bps. These expenses include recurring operating expenses representing 22 bps, as well as an exceptional amount related to IT development costs capitalized prior to January 1, 2022 (see Note 9 to the Consolidated Financial Statements). For the previous four years (January 1, 2018, to December 31, 2021), fees averaged 23 bps.

General Notes

1. CDPQ's operations comply with the requirements of the Act respecting the Caisse de dépôt et placement du Québec[1] and investment industry practices. Its consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Each year, CDPQ's co-auditors, the Auditor General of Québec and Ernst & Young LLP, audit the financial statements, the compliance of operations with laws, regulations, policies and guidelines, to the extent they deem appropriate.
2. The 2022 Annual Report Additional Information is an integral part of the 2022 Annual Report. The tables of top investments present positions in alphabetical order based on the information presented in Tables 7, 8, 9 and 10 of the Annual Report Additional Information.
3. In this Annual Report, net assets and investment results are defined as being, in the consolidated financial statements, net assets attributable to depositors and investment results before distributions to depositors.
4. The returns of the specialized portfolios use the time-weighted rate of return formula.
5. The benchmark indexes for the asset classes and total portfolio are based on the weighted average of the benchmark indexes for the specialized portfolios that comprise them.
6. Unless otherwise stated, returns, which are expressed as a percentage, are presented net of transaction fees, external management fees – Private Markets and other funds and unconsolidated real estate subsidiaries fees, but before operating expenses and other fees. They are annualized for periods of more than one year. They include the return on cash and cash equivalents and they take into account any foreign exchange hedging. The ratio of operating expenses to the average net assets of each specialized portfolio is presented in the notes in the Report on Global Investment Performance Standards (GIPS®) Compliance.
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. To determine whether an asset is classified as a Québec investment, CDPQ uses the location of the head office of the company or of the issuer, or the location of the real estate. This classification system is widely used in the fund management industry but involves biases. Some companies are included even though their core operations are outside Québec. Similarly, companies with extensive operations in Québec are excluded if their head office is outside the province.

1. The Act respecting the Caisse de dépôt et placement du Québec is available on CDPQ's website at www.cdpq.com.

INTERNATIONAL OFFICES

AUSTRALIA

CDPQ AUSTRALIA

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, Suite No. 507
Worldmark 3
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

FRANCE

CDPQ PARIS

28-32, avenue Victor Hugo
6th Floor
75116 Paris
France

Telephone: +33 1 56 69 25 30

SHANGHAI[1]

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
#39-01 North Tower
Singapore 048583
Singapore

Telephone: +65 6800 4870

UNITED KINGDOM

CDPQ LONDON

70 Broadwick Street
4th Floor
London, W1F 9QZ
United Kingdom

Telephone: +44 207 024 8186

1. For operational efficiency purposes, the activities of the Shanghai office will be transferred to the Singapore office at the end of 2023.

The 2022 Annual Report and the 2022 Annual Report Additional Information are available at www.cdpq.com.
For information: 514 842-3261, info@cdpq.com
Le Rapport annuel 2022 et le document Renseignements additionnels au Rapport annuel 2022 sont aussi disponibles en français au www.cdpq.com.
Legal Deposit – Bibliothèque et Archives nationales du Québec, 2023
ISSN 1705-6462
ISSN online 1705-6470

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