

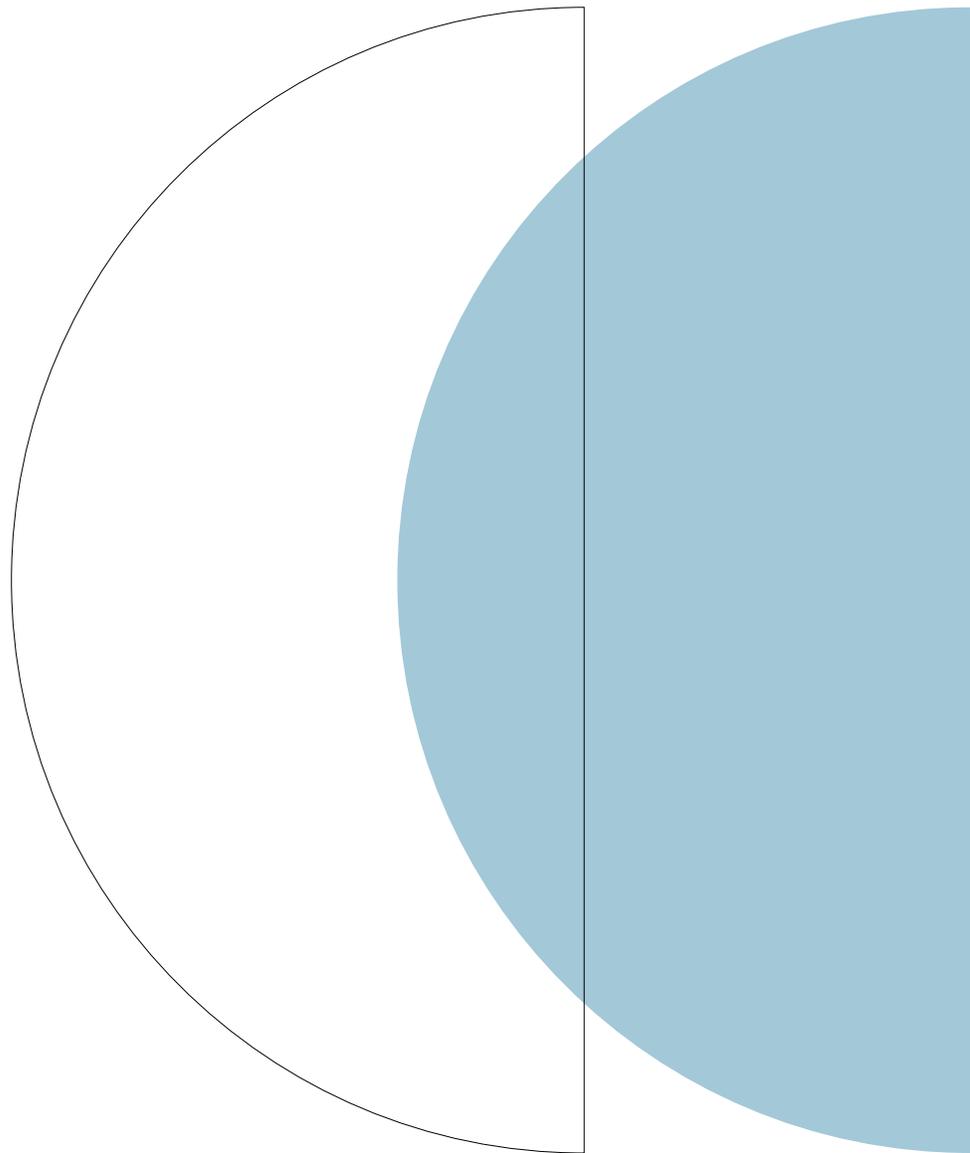


Caisse de dépôt et placement
du Québec

Bringing together capital and expertise

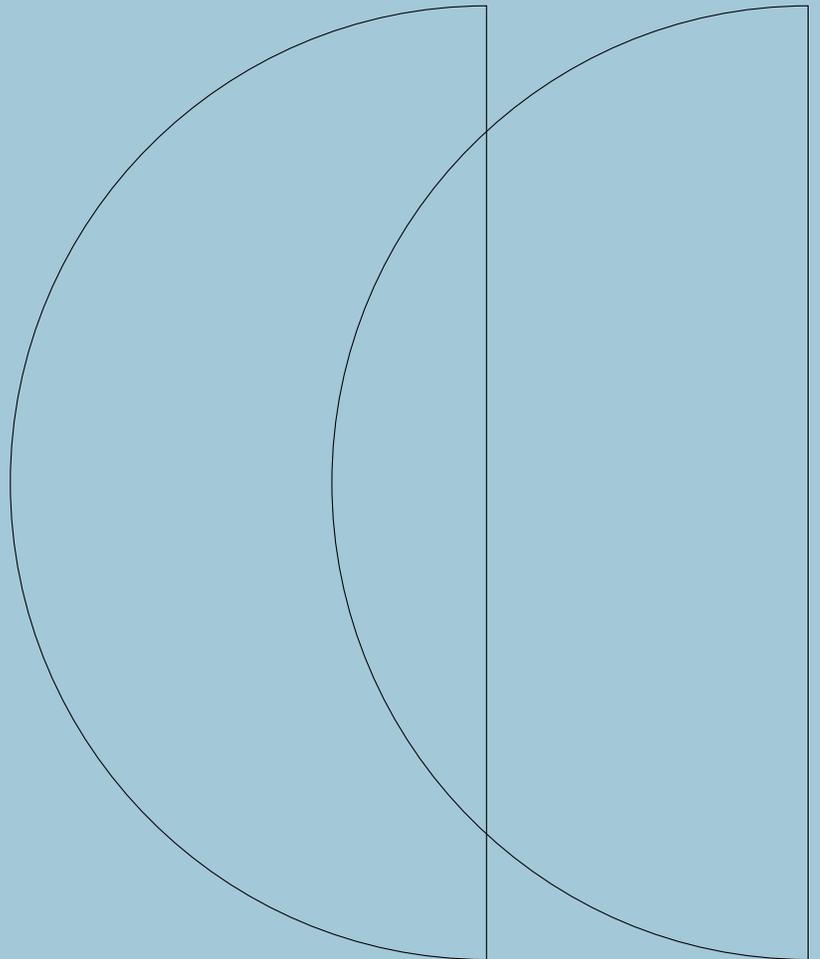
2019

Annual Report



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This report presents
an overview of
our 2019 results,
our achievements
and our progress.



In 2019, investors continued to enjoy the longest market expansion in history.

With this backdrop, we generated results that exceeded our depositors' long-term needs. Our strategy also delivered significant added value over both five and ten years.

While the new decade has begun with a major crisis that will have lasting social and economic repercussions, we will continue working to keep our organization solid and our portfolio well positioned for the future.

Long term

Our investment strategy in recent years is reflected in the one- and five-year performance we delivered for our clients. Our aim is to generate portfolio returns that are steadier than market returns in the long run.

As a long-term investor, we look beyond the present and near-term future. And optimize our risk-return profile by diversifying assets.

Quality

Quality – central to our investment approach. An orientation reflected in our absolute-return management style, which today is applied to the vast majority of our portfolios. It has helped us create significant added value over five years in Equity Markets, Fixed Income and Private Equity.

Beyond the selection of securities and assets, our focus on quality was also a key element in forging new partnerships and recruiting talent in 2019.

Network

To ensure our partners' success, we put to work a team that is active in all regions of the world, in a variety of asset classes.

We give them the benefit of our diversified expertise and our ability to secure relationships, both here and abroad. This year again, the strength of CDPQ's network contributed clear value to their business.

Québec

Each year, a significant portion of our actions is carried out in Québec, and 2019 was no exception. We worked with companies with strong growth potential in industries ranging from agri-food to finance to health care to technology.

We have also undertaken large-scale infrastructure and real estate projects, in addition to supporting initiatives aimed at innovative companies, the next generation of entrepreneurs and companies owned by women. All with the goal of supporting and driving the economy.

New economy

Artificial intelligence. Virtual platforms. New business models. Innovative transportation systems. In Québec as well as elsewhere in the world, a new economy is taking shape.

That's why we pay special attention to innovation. We foster the development of competencies to improve how we do business. We closely analyze the impact of current structural trends and technologies that are likely to revolutionize our daily lives. These are all promising opportunities for the future.

Progress

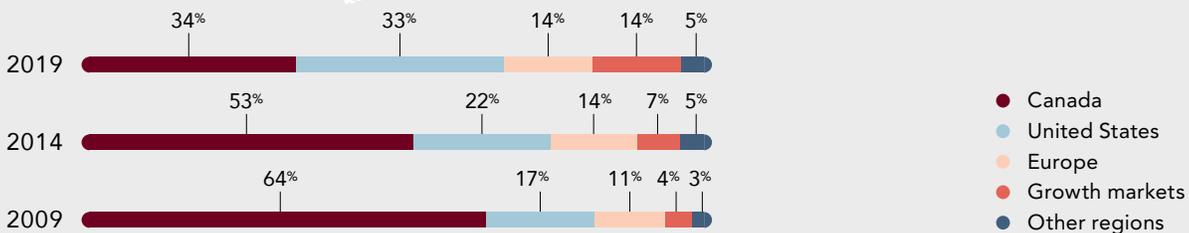
We believe that returns and progress go hand in hand. That's why we continued to deploy our stewardship investing strategy in 2019.

We've made progress in reaching our targets. We've mobilized our partners to accelerate the transition toward a low-carbon economy. Together, we can use our capital constructively, with a view to sustainability.

We put capital to work in more than 60 countries to generate sustainable returns.

Overall portfolio geographical exposure

AS AT DECEMBER 31, 2019



Note: Totals may vary due to rounding.

Net assets

\$340.1 B

AS AT DECEMBER 31, 2019

2019 results

10.4%

RETURN

\$31.1 B

INVESTMENT RESULTS

Results over five years

8.1%

ANNUALIZED RETURN

\$106.0 B

INVESTMENT RESULTS

Results over ten years

9.2%

ANNUALIZED RETURN

\$191.0 B

INVESTMENT RESULTS

Liquidity

CDPQ possesses enough liquidity to meet its commitments and those of its depositors, even in the event of a major market correction. This also provides flexibility to seize investment opportunities.

Highest credit ratings reaffirmed

AAA

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

Growth in net assets over the last 10 years

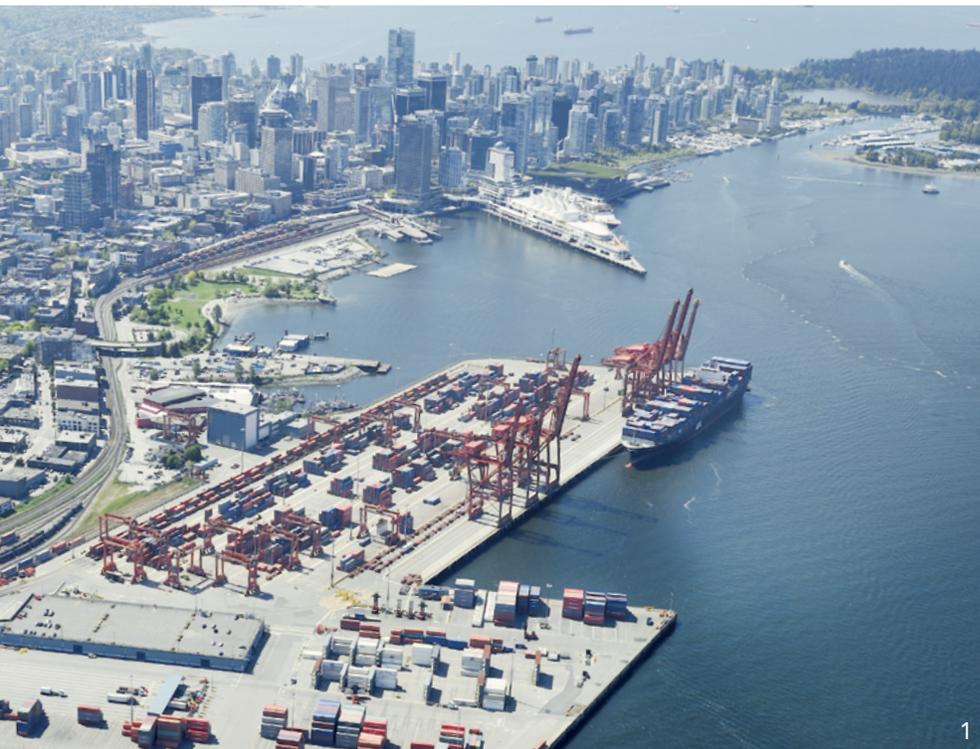
(in billions of dollars)



We forge partnerships that drive performance and progress.

We are stronger when we work together.

That's why we work with high-calibre partners, here and abroad, who share our values and long-term investment approach.



1.

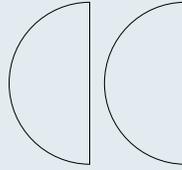
DP World

- Infrastructure partner since 2016
- New investments in ports in Chile, Australia and the Dominican Republic through our platform

2.

Piramal Enterprises

- Strengthening the partnership established in 2017 with this major financial and industrial group in India
- Acquisition of convertible securities valued at US\$250 million issued by the company to support its growth



Our partners have expertise and networks that are complementary to ours. By combining our strengths and strategically leveraging our resources, we have a stronger impact when seizing opportunities across markets and asset classes.

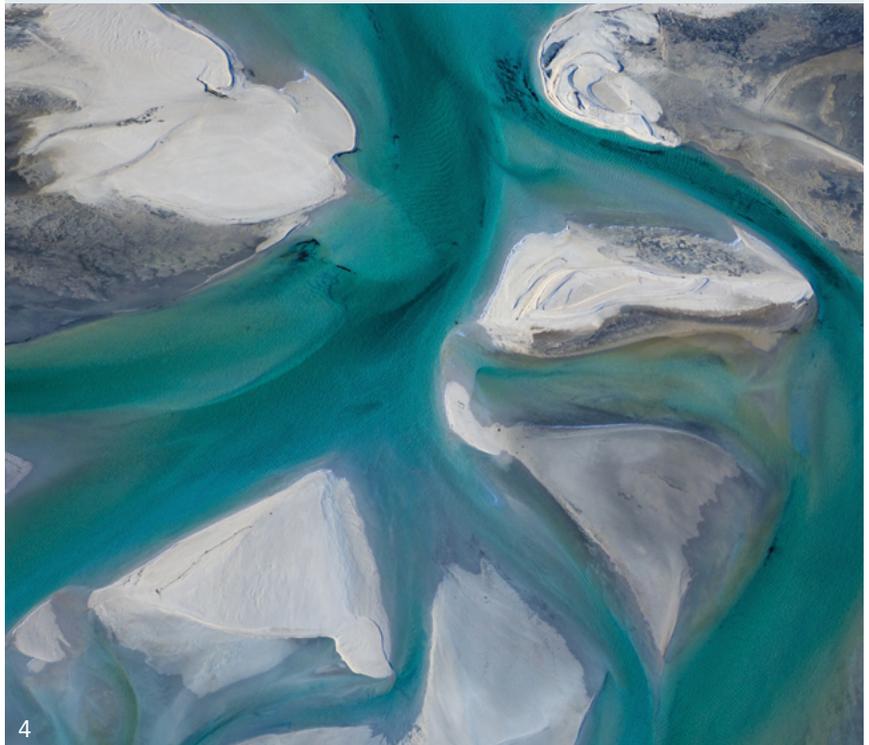
We combine our ideas and creativity to generate new possibilities in sectors where we do business, including private equity, infrastructure, real estate and stock and bond markets.

3.
ICAWOOD

- New strategic partnership with ICAMAP, a European real estate fund manager
- Launch of a €1.6-billion fund to develop next-generation low-carbon-emission offices in Paris

4.
CREO Family Office Syndicate

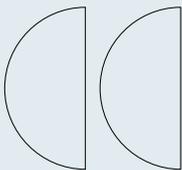
- Partnership with this public organization based in New York, comprising over 80 family offices
- Objective: seize and create investment opportunities within the sustainable economy



We believe sustainability is a fundamental aspect of investing in companies and projects.



By focusing on stewardship investing, we can seize business opportunities and create innovative projects to generate both performance and positive change.



We are committed to creating a more sustainable world for our partners, clients, employees and society as a whole. That's why we focus on three priorities: climate change, diversity and governance.

We firmly believe that ESG factors must be taken into consideration to ensure an asset's long-term growth. And for things to change, action at all levels of the economy and in the communities where we invest must be taken.

Compelling results in 2019

+ \$16.8 B

Increase in our low-carbon assets since 2017, including \$6.9 billion in 2019

– 21%

Reduction in our portfolio's carbon intensity since 2017, on track to achieve our objective of a 25% reduction by 2025

0

Objective of net GHG emissions for our overall portfolio by 2050, as a result of our commitment to the Net-Zero Alliance, an initiative co-founded by CDPQ in 2019 and supported by several global investors

+ \$6 T

Assets under management by the investors who are members of the Investor Leadership Network co-founded by CDPQ to address issues such as the infrastructure deficit in growth economies and diversity in the investment industry

Public transportation

- \$150 million to acquire a significant stake in a public-private partnership contract for trains, systems, operation and maintenance for the Sydney metro
- A €210-million loan to refinance a public-private partnership contract to build and operate metro stations in Barcelona

Renewable energy

- Increase in our stake in Invenergy Renewables, a worldwide leader in wind and solar energy, with a presence in the Americas, Europe and Asia
- US\$75-million reinvestment in Azure Power Global, an Indian producer of solar energy

Real estate

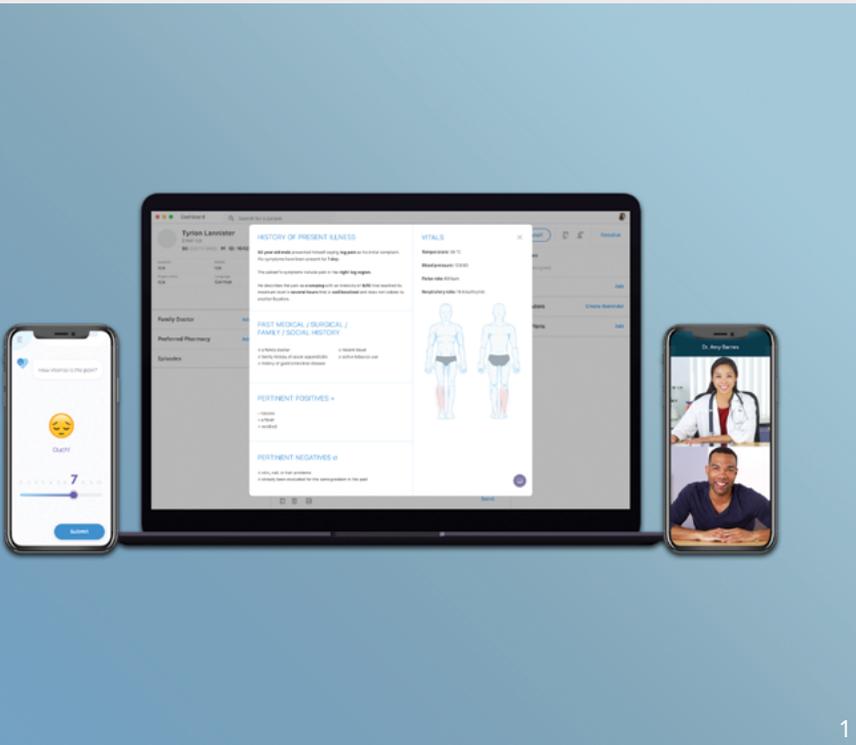
- Creation of the ICAWOOD fund to carry out major real estate developments with low-carbon emissions in Paris using high-performance technology
- Obtaining environmental certification for several Ivanhoé Cambridge properties, including Vaughan Mills, near Toronto, and Tsawwassen Mills, near Vancouver

For more information regarding our stewardship investing activities, see our 2019 Stewardship Investing Report at www.cdpq.com.

We leverage the strength of our entire team to build businesses that will grow and stand out in the new economy.

Québec is at the heart of our actions.

For several years, we have placed special emphasis on the private sector, a critical growth vector. Our advantages: in-depth local knowledge and close relationships with local companies.



1. Dialogue

- Technology platform providing health care services for companies
- Participation in a \$40-million round of financing through the CDPQ-AI Fund

2. Talent.com (formerly Neuvo)

- One of the fastest-growing job sites in the world, with 70 million visits per month
- \$53-million investment through the CDPQ-AI Fund



3

3.

CDPQ-AI Fund

- Creation of a \$250-million fund for Québec companies specialized in artificial intelligence (AI)
- Objective: drive their growth and the commercialization of artificial intelligence solutions

4.

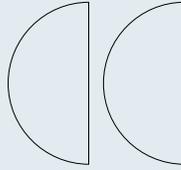
Réseau express métropolitain (REM)

- Some 26 simultaneous work sites, including 10 stations under construction
- First train traffic tests planned for the end of 2020

5.

AlayaCare

- Cloud computing platform for home health care providers
- Investment alongside other partners to support its acquisition strategy



To stimulate Québec’s economy, we have undertaken impactful projects. We also finance innovation in all its forms and support the next generation of entrepreneurs.

To stimulate the development of tomorrow’s champions, we support companies’ growth and encourage them to globalize. Thanks to our size, global network and long-term investment horizon, we can support them through all the stages and various situations they face in their development.



4



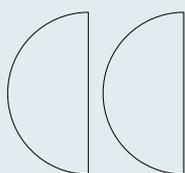
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We work hard every day for our depositors' funds and the Québec economy to flourish.

As the leading investment group in Québec, we are fully committed to our clients, the millions of contributors and beneficiaries they represent and our economy.

Over the last decade, we have generated returns for our eight largest depositors ranging from:

9.5% to 10.8%	7.2% to 8.9%	8.6% to 10.0%
IN 2019	OVER 5 YEARS	OVER 10 YEARS



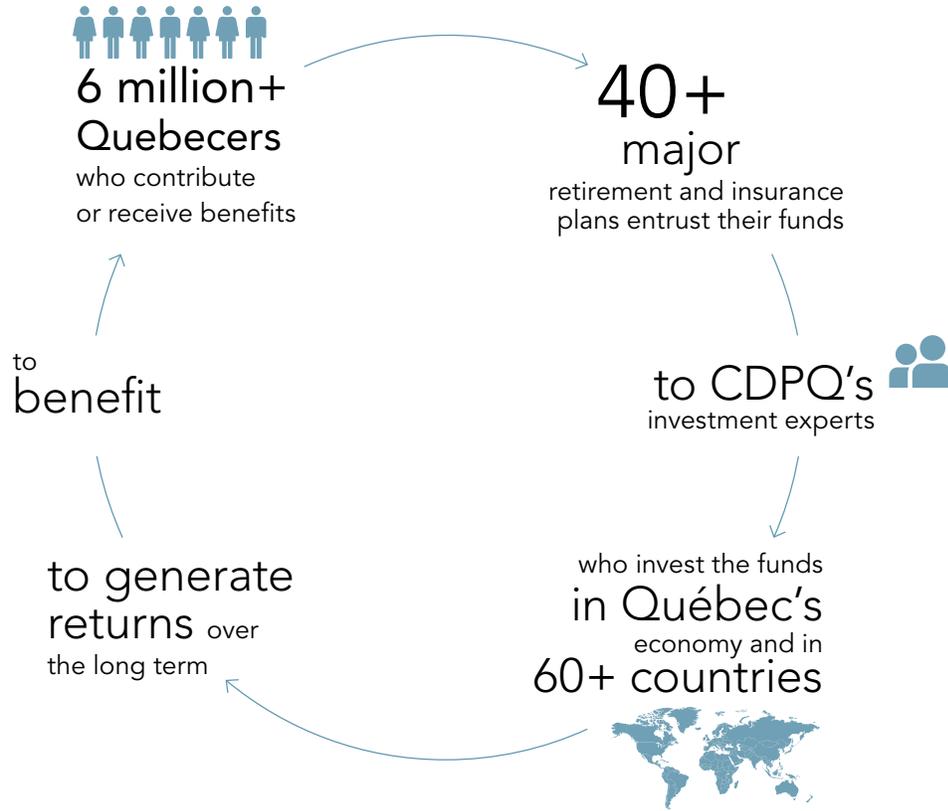
Behind our results, there are people.

Professionals from various backgrounds with extensive knowledge of markets and investing.

Depositors with specific needs who work closely with our experts to make informed decisions about their investment policies.

Quebecers, for whom we give the best of ourselves each day.

CDPQ at a glance



Our main depositors



Retirement Plans
Sinking Fund



Québec Pension Plan Fund,
base and additional plans

RREGOP

Government and
Public Employee
Retirement Plan



Supplemental Pension Plan
for Employees of the Québec
Construction Industry



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



Generations Fund

RRPE

Pension Plan of
Management Personnel

For the complete list of our depositors, [see page 28](#).

We aim to generate returns for our clients by supporting the growth of the companies in our portfolio.

1.

Sanfer

- One of the leading independent pharmaceutical companies in Mexico
- US\$500-million investment to support its strategic growth in Latin America

2.

Lightsource BP

- World leader in the funding, development and long-term operation of solar energy projects
- £150-million loan to create a financing platform for solar assets



3.

Sydney Metro

- The largest public transportation project in Australia
- \$150 million to acquire a 24.9% stake in a public-private partnership contract for trains, systems, operation and maintenance

Results by asset class

Equities

15.3% IN 2019
10.7% OVER 5 YEARS

Fixed Income

8.9% IN 2019
4.3% OVER 5 YEARS

Real Assets

1.0% IN 2019
8.0% OVER 5 YEARS

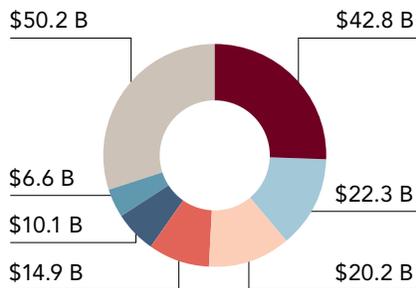
Net assets

AS AT DECEMBER 31, 2019

Equities

\$167.1 B

NET ASSETS BY PORTFOLIO AND MANDATE

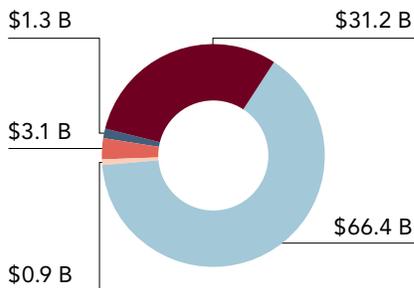


- Global Quality
- Canada
- Growth Markets
- Alternative Beta
- Global Value
- Other
- Private Equity

Fixed Income

\$102.9 B

NET ASSETS BY PORTFOLIO

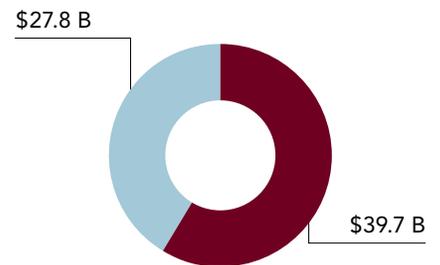


- Rates
- Credit
- Short Term Investments
- Long Term Bonds
- Real Return Bonds

Real Assets

\$67.5 B

NET ASSETS BY PORTFOLIO



- Real Estate
- Infrastructure

Our achievements in 2019 result from our investment strategy's pillars.

Strengthened our **impact in Québec** by concentrating our actions on our strategy's three priorities

Growth and globalization

- Investment and support for the growth and globalization of Québec companies, including Alt Hotels, Sollio Cooperative Group (formerly La Coop fédérée), Golf Avenue, Nuvei and Top Aces

Innovation and the next generation

- Creation of a \$250-million fund for companies specializing in artificial intelligence and a \$50-million envelope for seed funding for innovative companies
- Focus on expanding of businesses owned by women through commitments to various initiatives implemented by Cheffes de file, Femmessor and the Réseau des femmes d'affaires du Québec

Impactful projects

- Start of construction on several segments of the Réseau express métropolitain (REM), including 2 kilometres of tracks on the South Shore and ten stations
- Continuation of the transformation of Place Ville Marie and the Montreal Eaton Centre as part of the Projet Nouveau Centre in downtown Montréal

Continued the **globalization** of our activities by joining forces with high-quality partners

- Increase in our exposure to global markets by 2%, reaching 66% at the end of 2019
- Increased investments in the United States, including one in partnership with Hilco Global, a leader in financial services, to support its growth strategy, and another with Ontario Teachers' Pension Plan (OTPP) and Constellation, to launch a global insurance platform
- Key transactions in growth markets with partners, including LOGOS in India, Prologis in Brazil and Australis Partners, IFC and Organización DeLima in Colombia.

Invest more in **less-liquid assets** and **credit**, leveraging our expertise, competitive advantages and long-term approach

Private Equity

- Total of \$10.5 billion invested in various companies growing in Québec and elsewhere in the world
- Major transactions in various sectors, including in security services in the United States, health care in Australia and pharmaceuticals in Mexico

Infrastructure

- Almost \$5 billion in investments
- Acquisition of significant stakes in various companies, including alongside a global energy leader established in Brazil and a U.S. leader in wireless communication towers, as well as in various ports around the world

Real estate

- Active transition of the portfolio, with more than \$11 billion in acquisitions, capital investments and sales
- Significant increase in assets in promising industrial real estate sectors, specifically in Asia Pacific, Brazil and India, and in logistics in the United Kingdom

Credit

- Loans to various companies, including Sollio Cooperative Group, to support its acquisitions, Lightsource BP, for the creation of a global solar asset program and Maestria Condominiums, to finance the construction of this residential project in Montréal

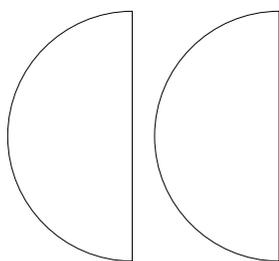
Emphasize **absolute-return management** by focusing on **quality**

- Greater diversification within the Equity Markets portfolio, with an accent on securities with quality fundamentals and value stocks
- Increase in direct private investments through new quality partnerships around the world

Exercise our leadership in **stewardship investing** by taking actions that produce tangible results in driving the transition toward a low-carbon economy

- Decrease in our portfolio's carbon intensity of 21% since 2017, with an objective of a 25% reduction by 2025
- \$16.8 billion increase in low-carbon assets since 2017 resulting from major transactions, specifically in public transportation – Barcelona metro – and in sustainable energy, with an increased stake in Invenergy Renewables
- Partnership with CREO (Clean, Renewables and Environmental Opportunities), a global network of family offices, in order to invest in the sustainable economy





A strong organization working hard for depositors

Over the last decade, CDPQ has evolved into a world-class global investor; an institution with a solid reputation in the markets, which contributes to our economy's vitality.



CDPQ has stayed the course on its strategy and fully leveraged its expertise to achieve solid performance for its depositors.

In 2019, CDPQ generated good results for the one-year, five-year and ten-year periods. Its portfolio's average annual return was 9.2% over ten years, exceeding its clients' needs. As performance is truly measured over time, the Board of Directors is satisfied with the significant added value generated for the five- and ten-year periods.

With bull markets providing the context for these results, the Board understands that the next few years will likely be quite different. After a decade of market gains and worldwide economic expansion, we expected this momentum would eventually dissipate. What no one could foresee was the speed and intensity of the shock that would occur.

The COVID-19 pandemic that has shaken the world since December 2019 is a serious threat, first on a human level, but also from an economic and financial standpoint. It affects all parts of society: individuals, governments and investors.

In this context, we fully expect CDPQ's portfolio to be tested. However, the Board believes that the organization has everything it needs to get through this crisis. In particular, it can count on sound governance, an enviable financial position, rigorous risk management and competent teams in all of its offices.

Furthermore, CDPQ has a well-diversified portfolio, the result of the organization's strategy to globalize its activities and increase investments in asset classes that allow it to better allocate its risk. In 2019, it continued its work on that front, with numerous investments around the globe. In a highly competitive market for quality assets, it was able to leverage its comparative advantages and execute profitable transactions, including several with well-known partners.

CDPQ was also very active in Québec, with investments and initiatives aimed at building strong companies, stimulating innovation and the next generation, and contributing to a prosperous economy. To that end, the construction of the Réseau express métropolitain (REM) continued throughout the year. Columns and future stations were erected in Greater Montréal and construction was started on several segments, showing the magnitude of this impactful transportation project.

The Board also recognizes CDPQ's progress in climate matters. Thanks to the growth of its low-carbon assets and its efforts to reduce its carbon footprint, it is well on its way to achieving the objectives it set in 2017. CDPQ has shown proactive leadership in co-founding the Net-Zero Alliance, an initiative that calls on major investors to commit to achieving carbon-neutral portfolios by 2050.

I would now like to highlight the work of my colleagues on the Board of Directors, consummate professionals who have the sound governance of CDPQ at heart. I want to thank the members whose terms ended in 2019: Elisabetta Bigsby, Patricia Curadeau-Grou and François R. Roy. I would also like to welcome the new members who took office during the year: Ravy Por, Alain Côté, Maria S. Jelescu Dreyfus and Lynn Jeannot.

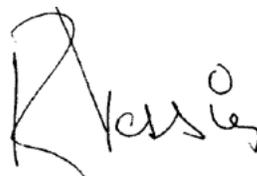
On behalf of the Board of Directors, I also want to thank Michael Sabia, who stepped down from his position at the beginning of 2020. With his innovative ideas, strong values and deep commitment to CDPQ, he built an organization that is admired around the world, an institution that inspires trust and that makes Quebecers proud.

During his 11 years as the head of CDPQ, net assets considerably increased, reaching \$340.1 billion. Robust results earned for our depositors over this period were accompanied by a significant contribution to Québec's economic development. These two aspects of our mission were always inseparable to him, each strengthening the other. He leaves behind a remarkable and mobilized next generation that is able to meet the challenges of the coming years.

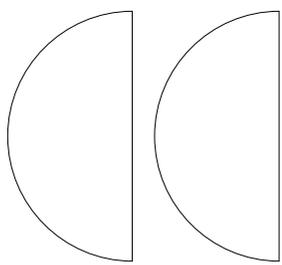
In closing, I want to congratulate Charles Emond on his appointment as the new President and Chief Executive Officer in February. With his long track record in the financial sector and his knowledge of Québec's companies and business environment, he has all the experience and skills needed to guide CDPQ going forward.

Under his leadership, our teams will continue to build an increasingly strong organization, to the benefit of both our depositors and our economy.

Chairman of the Board

A handwritten signature in black ink, appearing to read 'R. Tessier', with a stylized flourish at the end.

Robert Tessier



Focusing on our long-term perspective

2019 was a good year for investors – markets experienced one of their strongest performance in decades, stimulated by central banks’ quick resumption of highly accommodative monetary policies. But following the events that have shaken the world in recent months, last year already seems a long time ago.



The year 2020 and the coming decade will likely prove to be more demanding. And CDPQ has what it needs to face the numerous challenges ahead.

The bull markets of the last ten years were an opportunity for us to create a strong team, develop high-level expertise and attract the best talent. We innovated, refining our portfolio and product offering and implementing a solid investment strategy, always keeping in mind the long-term needs of our depositors.

We also strengthened our risk management practices, now integral to all of our activities, and today recognized as some of the most sophisticated in the world. We also diversified our portfolio, increasing our private equity, infrastructure, real estate and credit assets. We invested in companies in different sectors around the world and expanded our exposure in the United States, Europe and growth markets.

As a result, we have a greater presence in international markets, with the opening of several local offices in ten countries across four continents — each opening up new

investment and return possibilities. And we have developed quality partnerships with world-class players.

This decade was also an opportunity to maximize our impact in Québec by focusing on the private sector and the new economy with actions such as the creation of a fund for companies working in artificial intelligence in 2019. Throughout the year, we played an active role with Québec companies, helping them grow, innovate and globalize.

We conceived and launched the Réseau express métropolitain (REM), one of the five largest automated transportation systems in the world, which will create 34,000 jobs during construction. With work sites across Greater Montréal, the REM is rapidly taking shape and promises to make its mark on the city.

We were also one of the first investors to roll out an ambitious strategy with clear targets to address climate change. Carbon emissions are now factored into all our investment decisions and our compensation program.

CHALLENGING TIMES AHEAD

If the trend holds, the next decade will be more complex than the last — on many fronts.

For several weeks now, the world has been facing a pandemic, and every day we assess its significance on the human level and the threat it represents for economic stability. Given the high degree of uncertainty, we expect the coming months to be challenging, with some serious headwinds.

The global economy will also be hampered by underlying trends resulting from issues related to productivity and demographics. And geopolitical uncertainties will remain. Tensions between the main global powers could continue to influence international trade, materializing in sectors such as technology and energy. And climate change has been having undeniable impacts across the planet for some time now.

Not to mention very volatile and unstable markets. These last 18 months have forced investors to deal with market extremes, both high and low:

- End of 2018: Markets bottomed out, recording one of their worst annual returns since the 2008–2009 financial crisis.
- 2019: Markets enjoyed some of the strongest gains in the last 30 years — although disconnected from real growth.
- Beginning of 2020: Markets collapsed, driven, on the one hand, by fears arising from the COVID-19 pandemic — which created a rare, simultaneous shock to both supply and demand — and on the other hand, the price war that oil-producing countries are waging.

What's most striking is the speed and scale of recent movements. It also underscores to what extent 2019 and 2020 will prove to be radically different.

DRAWING ON OUR LONG TERM PERSPECTIVE AND OUR ADVANTAGES

As an institution that manages the pension and insurance plan investments of millions of Quebecers, we have the obligation to look beyond the turbulence. We must continue to focus on the long-term and be at the ready.

We are well positioned as we enter this crisis, with a strong financial foundation and the flexibility required to seize the opportunities that will arise in the coming years. We can rely on some major advantages to face the many challenges ahead.

We have a vast network of partners that gives us access to a broad selection of transactions, both here and abroad. We can pool our resources and innovate to create new opportunities.

CDPQ can also draw on teams with deep industry and regional expertise. These creative and committed professionals are proud to work for CDPQ, and are motivated by the desire to create value for our depositors.

We are not immune to what is happening in the markets. But with our cautious and disciplined approach, and our talented teams, we can navigate this serious crisis while assessing risks and opportunities.

We will also have a critical role to play to help Québec companies weather this difficult period. And we plan to do so by deploying a \$4-billion envelope to meet their needs and support their post-crisis recovery.

We believe our strategic pillars are the right ones. But the context will no doubt compel us to adapt. We will continue simplifying our activities, further integrating cutting-edge technology and broadening our agility in a continuously changing environment.

Our key priority will not change: manage depositors' funds responsibly, with a view to their interests and the interests of Québec. That's the commitment I made when I took the reins of this great organization.

Thanks to the leadership of my predecessor, CDPQ is more robust than ever. As such, I would like to thank Michael Sabia for the tremendous work he accomplished during his term. With his vision, he transformed CDPQ so that it can take on the challenges of our times.

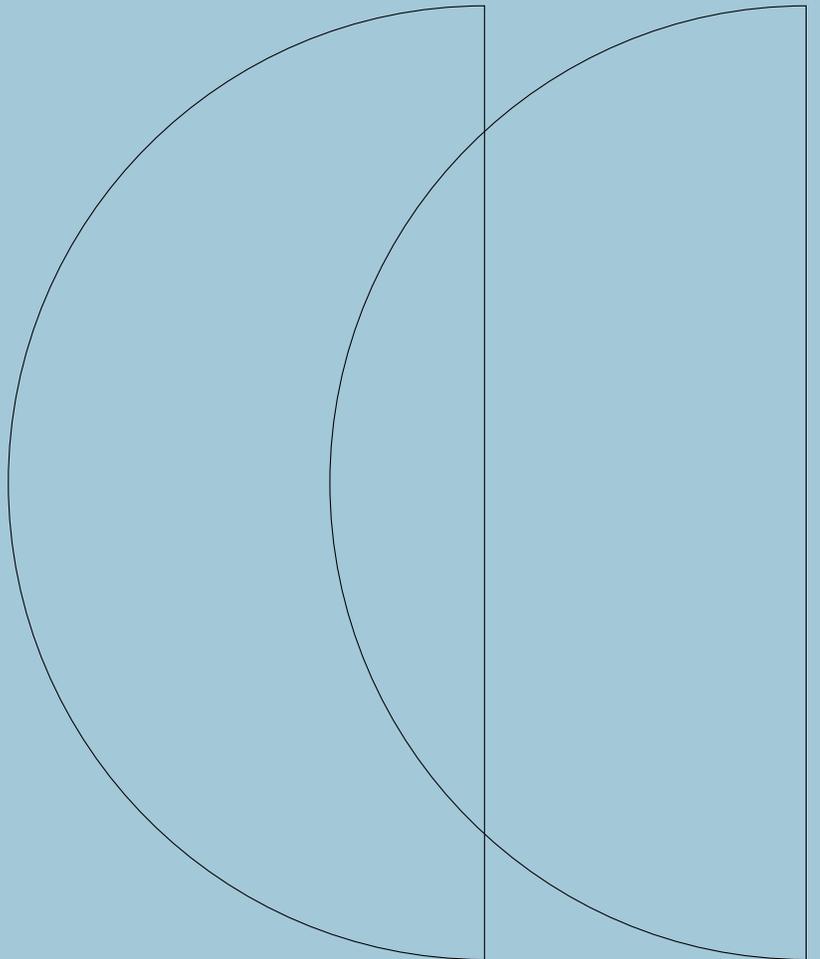
It is with caution, but also with confidence, that I begin this new chapter, knowing that every day, I can count on the expertise and collaboration of our teams to continue moving forward.

President and Chief Executive Officer



Charles Emond

Our Clients, the Depositors



Our Clients, the Depositors

The year 2019 was characterized by significant stock market gains and a generalized reduction in interest rates. These elements resulted in returns that were greater than our depositors' needs. However, high valuations in the markets raised several questions regarding return expectations. In this context, the resilience of CDPQ's investment strategy and the depositors' benchmark portfolio was a major topic of discussion and theme in our work throughout the year.

PRODUCTIVE COLLABORATION

Through its advisory services and investments, CDPQ aims to contribute to the financial solidity of its depositors' plans. To accomplish this, it supports its decision-making committees in establishing their investment policies, leveraging its knowledge of world markets and expertise in portfolio management. The relationship between CDPQ and its depositors is based on a business model where collaboration, listening, transparency and clarity on each entity's roles and responsibilities are central.

In 2019, CDPQ's teams and its depositors' representatives held regular discussions on various topics covering both investment policies and the portfolios offering. In last year's work on investment policies, CDPQ's strategic pillars were specifically discussed. The objective was to determine how they can be used to optimize the risk-return profile for clients' funds. Discussion and in-depth work on optimal portfolio duration also took place over the year.

Furthermore, in the context of the continuous review of its portfolio offering, CDPQ made the decision to reposition its external funds and tactical management activities. Discussions were held on this point with depositors, resulting in the closure of the Active Overlay Strategies portfolio as of January 1, 2020.

CHANGE IN THE DEPOSITORS' CONTEXT IN RECENT YEARS

After several years of additional contribution payments to overcome actuarial deficits, as well as significant returns on financial markets, the depositors' pension and insurance plans are in a better financial position today. However, the low interest rate environment as well as a reduction in return expectations present challenges to ensure the plans' continuity.

In addition, the plans' demographic profile has changed significantly over the years. Certain depositors will be in a net disbursement situation over the next few years.

This reality requires the portfolios to be constructed accordingly. CDPQ and depositor teams therefore continued their work and discussions in this regard throughout 2019.

CUSTOMIZED ADVISORY SERVICES

With its advisory services, CDPQ offers its depositors support in their investment policy decisions, specifically those affecting the choice of a long-term benchmark portfolio (strategic asset allocation). These services include:

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

In 2019, several analyses were carried out with depositors to review the current asset allocation and, for some, revise it according to their financial reality, their risk tolerance, their need for liquidity, changes in CDPQ's products, etc. In addition, focus was placed on asset management tools that allow their financial position to be adjusted according to changes in interest rates.

AN ADAPTED PORTFOLIO OFFERING

CDPQ enables its depositors to allocate their funds to specialized portfolios that hold the same type of securities (see Table 2, page 26). The vast majority of these portfolios are managed actively. Each one is managed based on rules set out in an investment policy. The policy sets out the:

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

Depositors' returns

Overall, over five years, the depositors' various funds generated returns greater than their needs.

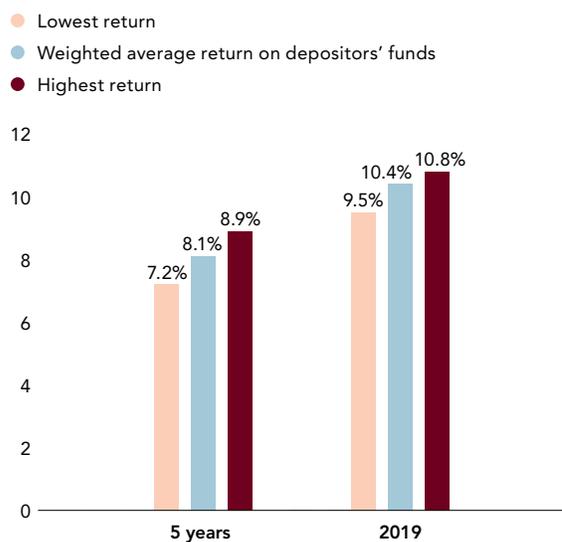
The decisions made with respect to the allocation of assets among the three major asset classes in the overall portfolio – Equities, Fixed Income and Real Assets – have a significant impact on the returns of each depositor. With support from CDPQ, depositors make these decisions based, most notably, on their target returns, risk tolerance and their investment horizon.

Over five years, the annualized returns of the eight principal depositors ranged from 7.2% to 8.9%.

For 2019, depositors' returns varied between 9.5% and 10.8%.

FIGURE 1

THE EIGHT PRINCIPAL DEPOSITORS' RETURNS



Our Clients, the Depositors (continued)

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

In 2019, adjustments were made to the activities of some of CDPQ's portfolios, including:

- **Credit:** As planned at the time of its launch in 2017, the portfolio saw its target allocation increase. Thus, the target weight of its specialty finance activities was increased, which was offset by an equivalent reduction in the target exposure for the corporate credit and real estate debt mandates. This adjustment was accompanied by a change to the portfolio's benchmark. These changes took effect on April 1, 2019.
- **Infrastructure:** Certain limits were modified to be consistent with the expected portfolio changes and the depositors' appetite for this asset class. Among others, the portfolio's target size was taken into consideration for concentration limit calculation purposes, and the annual authorization for new files was increased. These changes took effect on September 30, 2019.

- **Real Estate:** Adjustments were made to certain portfolio sectoral and geographic allocation targets to adapt to the changing business environment. This resulted in changes to the benchmark on January 1, 2020.
- **Active Overlay Strategies:** This portfolio, which included various return-oriented overlay activities, and more specifically, hedge funds, was closed on January 1, 2020.

Moreover, the eligible investment universe for the Equity Market portfolio and consolidated asset allocation activities was broadened to allow use of hedge funds when they can contribute to the targeted strategy. Furthermore, certain risk limits applicable to those activities were revised downwards, consistent with the changes in their relative size. These modifications took effect on January 1, 2020.

Lastly, in the context of its Currency Management Policy, CDPQ applies a strategic hedging position on foreign currency. As of January 1, 2019, the strategic partial hedge of certain foreign currencies was revised upward. This increase results specifically from the fact that the share of assets invested in foreign currencies has increased over the last few years.

TABLE 2

SPECIALIZED PORTFOLIO OFFERING

(as at December 31, 2019)

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

1. The portfolio was closed on January 1, 2020.

Eight principal depositors

Represented 96.0% of net assets as at December 31, 2019

1. Retirement Plans Sinking Fund

\$93.0 B NET ASSETS

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

2. Retraite Québec

\$81.6 B NET ASSETS

- Québec Pension Plan Fund, base and additional plans
- 4.2 million contributors
- 2.1 million beneficiaries
- \$14.5 billion in benefits paid annually

3. Government and Public Employees Retirement Plan

\$76.8 B NET ASSETS

- 552,000 contributors
- 282,000 retirees and 19,000 surviving spouses and orphans
- \$6.0 billion in retirement benefits paid annually

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

\$25.8 B NET ASSETS

- 164,000 contributors
- 98,000 retirees or surviving spouses
- \$890 million in benefits paid annually

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

\$18.1 B NET ASSETS

- 224,000 contributing employers
- 3.9 million workers covered
- \$2.2 billion in benefits paid annually

6. Société de l'assurance automobile du Québec

\$13.0 B NET ASSETS

- 5.5 million driver's licence holders
- 6.6 million registered vehicles
- \$1.1 billion paid in benefits annually

7. Generations Fund

\$9.2 B NET ASSETS

- Fund used to repay Québec's debt

8. Pension Plan of Management Personnel

\$9.1 B NET ASSETS

- 28,000 contributors
- 32,000 retirees and 2,700 surviving spouses and orphans
- \$1.5 billion in benefits paid annually

TABLE 3

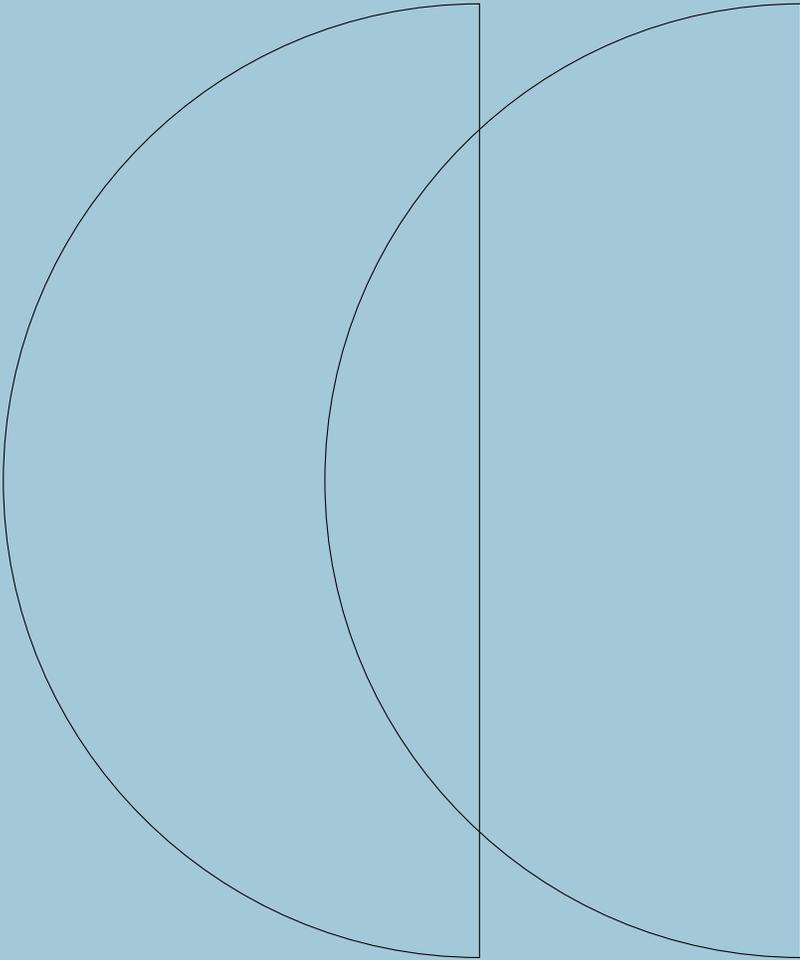
CDPQ'S 41 DEPOSITORS – Comparison of net assets as at December 31, 2018, and as at December 31, 2019

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

	First deposit	Depositors' net assets			
		2019		2018	
		\$	%	\$	%
PENSION PLANS					
Retraite Québec	1966	81,643	24.0	72,584	23.5
Supplemental Pension Plan for Employees of the Québec Construction Industry	1970	25,834	7.6	23,312	7.5
Government and Public Employees Retirement Plan	1973	76,804	22.6	70,406	22.7
Pension Plan of Management Personnel	1973	9,110	2.7	8,035	2.6
Pension Plan for Federal Employees Transferred to Employment with the Government of Québec	1977	281	0.1	264	0.1
Pension Plan of Elected Municipal Officers	1989	296	0.1	270	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	682	0.2	611	0.2
Ministère des Finances, Government of Québec ¹					
Retirement Plans Sinking Fund	1994	92,961	27.3	83,176	26.9
Superannuation Plan for the Members of the Sûreté du Québec – employers' fund	2009	938	0.3	873	0.3
Régime de retraite de l'Université du Québec	2004	680	0.2	635	0.2
Régime de retraite du personnel des CPE et des garderies privées conventionnées du Québec	2005	538	0.2	471	0.2
Régime de retraite pour certains employés de la Commission scolaire de la Capitale	2006	31	–	31	–
Pension Plan of the Non-Teaching Staff of the Commission des écoles catholiques de Montréal	2007	183	0.1	184	0.1
Superannuation Plan for the Members of the Sûreté du Québec – participants' fund	2007	608	0.2	524	0.2
Régime de retraite des employés de la Ville de Laval	2007	417	0.1	427	0.1
Retirement Plan for Active Members of the Centre hospitalier Côte-des-Neiges	2010	94	–	89	–
Fonds commun de placement des régimes de retraite de l'Université Laval	2012	340	0.1	322	0.1
Fiducie globale Ville de Magog	2012	78	–	70	–
Régime de retraite des employées et employés de la Ville de Sherbrooke	2012	52	–	52	–
Régime de retraite des agents de la paix en services correctionnels	2013	724	0.2	661	0.2
Régime complémentaire de retraite des employés réguliers de la Société de transport de Sherbrooke	2013	89	–	80	–
Régime de retraite de la Corporation de l'École Polytechnique	2014	73	–	68	–
Régime de retraite de la Ville de Terrebonne	2015	95	–	69	–
Régime de retraite des cadres de la Ville de Québec	2016	286	0.1	256	0.1
Régime de retraite des employés manuels de la Ville de Québec	2016	359	0.1	315	0.1
Régime de retraite des fonctionnaires de la Ville de Québec	2016	640	0.2	559	0.2
Régime de retraite du personnel professionnel de la Ville de Québec	2016	252	0.1	220	0.1
Régime de retraite des policiers et policières de la Ville de Québec	2016	530	0.2	462	0.2
Régime de retraite des pompiers de la Ville de Québec	2016	199	0.1	170	0.1
Régime de retraite des employés du Réseau de transport de la Capitale	2016	143	0.1	83	–
Régime de retraite des chauffeurs d'autobus de la Société de transport de Laval	2017	140	–	127	–
INSURANCE PLANS					
Régie des marchés agricoles et alimentaires du Québec	1967	12	–	11	–
La Financière agricole du Québec	1968	963	0.3	900	0.3
Autorité des marchés financiers	1969	962	0.3	881	0.3
Commission des normes, de l'équité, de la santé et de la sécurité du travail	1973	18,109	5.3	16,640	5.4
Société de l'assurance automobile du Québec	1978	12,967	3.8	12,072	3.9
Les Producteurs de bovins du Québec	1989	6	–	6	–
Survivor's Pension Plan	1997	469	0.2	448	0.1
Conseil de gestion de l'assurance parentale	2005	402	0.1	141	–
OTHER DEPOSITORS					
Office de la protection du consommateur	1992	152	0.1	142	0.1
Ministère des Finances, Government of Québec ¹					
Generations Fund	2007	9,189	2.7	11,298	3.6
Accumulated Sick Leave Fund	2008	1,362	0.4	1,240	0.4
Territorial Information Fund	2011	266	0.1	189	0.1
Agence du revenu du Québec	2012	149	0.1	136	–
TOTAL		340,109	100.0	309,511	100.0

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

Management Report



Global Macroeconomic Environment

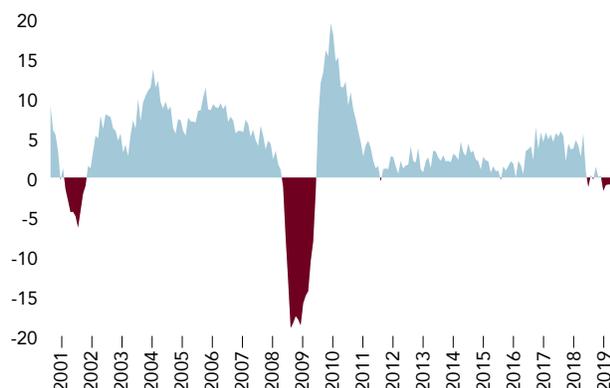
The last decade was somewhat unprecedented from an economic point of view. In light of the depth of the 2008–2009 financial crisis and the sluggishness of the recovery that followed, extraordinary economic policies were implemented, such as quantitative easing by several central banks and the adoption of negative rates by some of them, notably in Europe.

In 2017 and 2018, certain signs suggested that the situation was gradually returning to normal, and a few central banks, including those in the United States and Canada, even tried to normalize their monetary policy. In 2019, the world economy shifted to more difficult and uncertain terrain, with underlying deep structural transformations.

FIGURE 4

ANNUAL GROWTH IN VOLUME OF WORLD TRADE (as a percentage)

Source: CPB Netherlands Bureau for Economic Policy Analysis
– World Trade Monitor



COVID-19

The greatest threat to global economic stability since the 2008–2009 crisis

Reported for the first time in Wuhan, China, in December 2019, the 2019 coronavirus disease (COVID-19) quickly spread around the world. To deal with this pandemic and its serious humanitarian consequences, one after the other, governments have implemented measures varying from restrictions on travel to more severe confinement measures.

This shock, which affects both the capacity to produce goods and services and to purchase them, is the most serious threat to the global economy since the 2008–2009 financial crisis. Therefore, an economic emergency was added to the health emergency, causing central banks and governments to react swiftly. The simultaneous dimming of perspectives for growth and the high level of uncertainty caused a sharp and sudden market correction. Beyond the initial shock, it appears difficult at this stage to predict the duration of the pandemic and its repercussions on the economy and markets. But we can expect that the return to normal will be very gradual and not without obstacles.

Global Macroeconomic Environment (continued)

A GLOBAL ECONOMY IN TRANSFORMATION

The current transformation of the global economy specifically affects international trade. The great wave of globalization over recent decades seems to have peaked and could even begin to regress. Trade tensions between China and the United States, difficulties in negotiating the new North American free trade agreement (Canada-United States-Mexico Agreement [CUSMA]), constant threats of tariffs from the United States as well as Brexit are good examples of this fundamental change.

The effects of this change were the most visible in 2019, with significant deterioration of global trade and the manufacturing sector. The contraction of the volume of international trade observed in 2019 (see Figure 4 on page 31), a rare phenomenon outside times of recession, contributed to the weakest growth in real global GDP in the last ten years.

Despite the United States and China reaching a trade truce at the end of 2019, relations between the two world powers are far from optimal. In fact, the Chinese-U.S. rift on technology issues, higher tariffs, unpredictability of rules governing international trade, investments flows and erosion of

multilateralism could be here for good. Thus, after decades of efforts to provide a better multilateral framework for international relations and trade liberalization, bilateral agreements are now becoming increasingly prevalent.

SHIFTS IN THE MONETARY POLICIES OF DEVELOPED COUNTRIES

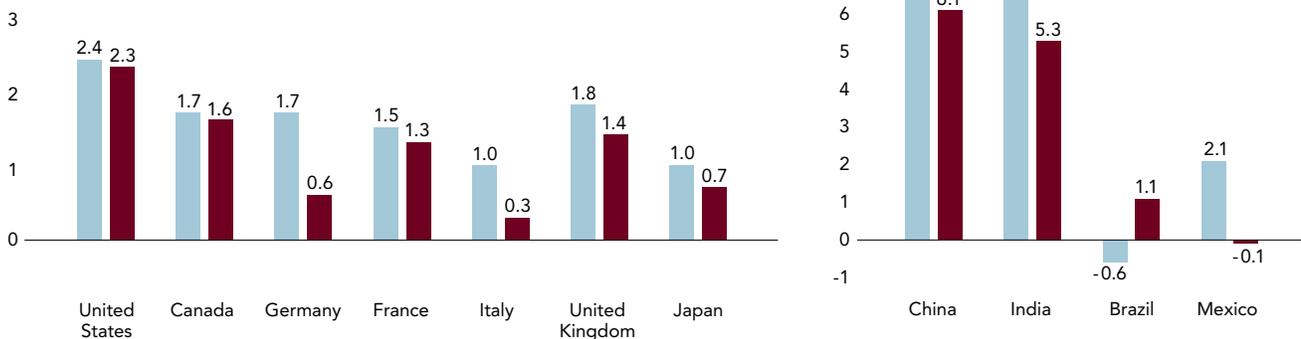
In this changing global environment, the U.S. economy has managed to do quite well over the last five years. It is also the only country from the G7 to post annual average growth greater than 2% during this period (see Figure 5). After a slight slump in 2016, partially explained by a weakness in private investment — especially in the energy sector — economic activity was stimulated by a strong job market, an increase in government spending and sweeping tax reform. This favourable dynamic prompted the U.S. Federal Reserve (Fed) to gradually normalize its monetary policy through increases in its key rate and by decreasing its balance sheet, creating upside pressure on bond yields from mid-2016 to the end of 2018.

FIGURE 5

REAL GDP – AVERAGE ANNUAL GROWTH IN RECENT YEARS (as a percentage)

● Average over the last five years
● 2019

Source: Refinitiv Datastream



In 2019, however, the U.S. economy slowed slightly because of the deterioration of relations between Washington, D.C. and Beijing and the effects that this had on the global manufacturing sector, as well as the tightening of financial conditions at the end of 2018. While inflation continued to remain below official targets, the Fed made an about face on its monetary policy in 2019, characterized by three reductions in the key rate in only a few months (see Figure 6) which created new downward pressure on bond yields and stimulated equity markets, which were expecting rate hikes.

On the other hand, the European economy had a lot of difficulty restarting after the last great recession. That caused the European Central Bank (ECB) to implement stronger measures, notably the use of even more negative rates than those adopted by the Bank of Japan. Even though encouraging signs were observed in 2017 and the beginning of 2018, the increasingly difficult global environment, Brexit, social tension — such as the yellow vest protests in France — political instability in Italy and Germany’s automobile sector issues all subsequently contributed to weakening the economy. Despite some resilience in the services sector, the ECB eased its monetary policy in 2019, with a new reduction in rates and the purchase of additional assets.

QUÉBEC’S FAVOURABLE POSITION IN A CANADIAN ECONOMY CHARACTERIZED BY REGIONAL DISPARITIES

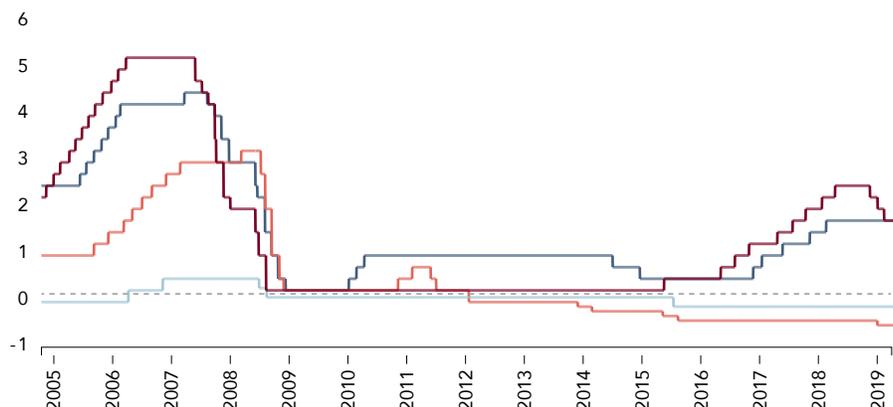
The performance of the Canadian economy has been choppy over the last five years, showing significant regional disparities. In 2015 and 2016, weak oil prices caused a significant decline in investments in the energy sector and an increase in unemployment in the regions that are highly dependent on that sector. Afterwards, advantageous financial conditions and more expansionary government policies supported domestic demand and contributed to a rally in economic activity. However, in 2018 and 2019, certain headwinds slowed the Canadian economy’s positive momentum. Some examples were the tightening of rules on residential real estate and mortgage credit, interest rate increases, uncertainty surrounding negotiation of the CUSMA, persisting weakness in Canadian oil prices and trade tensions in general.

FIGURE 6

KEY RATES (as a percentage)

- United States
- Japan
- Euro zone
- Canada

Source: Refinitiv Datastream



Global Macroeconomic Environment (continued)

The Bank of Canada therefore stopped increasing its key rate after a fifth increase in fall 2018. However, contrary to most central banks in developed countries that lowered their rates in 2019, it chose the status quo. It made this decision, comforted by the Canadian economy's resilience and inflation in line with the target, but mostly out of concern with the fear of accentuating the financial vulnerability of Canadian households by stimulating credit and indebtedness too strongly.

In this environment, Québec's economy stood out very positively, specifically in 2018 and 2019, when its growth was sharply higher than the rest of Canada and was generalized across all sectors. This resulted in a dynamic job market, sometimes causing workforce shortages. Québec's unemployment rate has remained below or equal to Canada's since mid-2016. Combined with an environment where interest rates remain low, this favourable context strongly stimulated the residential real estate sector.

GROWTH MARKETS SLOW, WITH SIGNIFICANT DISPARITIES

Over the last few years, the economic activity in growth markets has had a tendency to slow down. It has varied according to global financial conditions, trade tensions, economic outlooks for developed countries and the structural slowdown in China. However, beyond the global context, specific factors caused the disparities observed from one country to the next (see Figure 5, page 32).

On one hand, economic growth in Asian countries was more favourable over the last five years, supported by resilient consumption, including in India until the end of 2018, and by significant investment in infrastructure in certain countries such as Indonesia and the Philippines. However, 2019 was much more difficult as a result of the general rise in protectionism and the slowdown in China. In India, the difficulties were heightened by a liquidity crisis in the non-banking financial sector and by various structural problems.

On the other hand, Latin American countries experienced difficulties over the last few years because of problems in the natural resource sector, the high political uncertainty and the crises in Venezuela and Argentina. Brazil was able to extricate itself from the recession in 2015 and 2016, but growth remained weak, specifically in 2019 because of disturbances in the mining sector and difficulties in the manufacturing sector. Nonetheless, there was significant progress, with the adoption of the retirement system reform and better control over inflation. In Mexico, the economy stagnated in 2019, in spite of the stabilization of oil production. Consumption was moderate and investment contracted as a result of the tightening of financial conditions, the uncertainty surrounding economic policies and the low level of business confidence.

Analysis of Overall Performance

CDPQ generated \$11 billion in value added for its depositors over five years and more than \$18 billion over ten years.

\$340.1 B

NET ASSETS

\$106.0 B

INVESTMENT RESULTS
OVER FIVE YEARS

8.1%

5-YEAR
ANNUALIZED RETURN

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

FIVE-YEAR RETURN

As at December 31, 2019, CDPQ's net assets had reached \$340.1 billion, up \$114.2 billion over five years, with \$106.0 billion from investment results. This performance stemmed from the implementation of its investment strategy focused on the major strategic orientations of the last few years:

- Absolute return management and a focus on quality
- More deployment in less-liquid assets and credit
- Globalizing activities by joining forces with strategic partners
- Stronger impact in Québec
- CDPQ's contribution to the transition toward a low carbon economy

As shown in Table 7, the annualized weighted average return on depositors' funds was 8.1% over five years, with performance varying from 4.2% in 2018 to 10.4% in 2019. The three major asset classes each made major contributions to these results.

Over ten years, the overall portfolio has achieved an annualized return of 9.2% and investment results of \$191.0 billion. Over the last decade, CDPQ's net assets increased two and a half times.

CDPQ's benchmark portfolio posted a five-year annualized return of 7.2% (see Table 8, page 36). The 0.9% difference amounts to \$11 billion in valued added for depositors, mainly derived from the Equities and Fixed Income asset classes.

TABLE 7

CDPQ RETURNS

(for periods ended December 31 – as a percentage)

	CDPQ overall return ¹
5 years	8.1
10 years	9.2
2019	10.4
2018	4.2
2017	9.3
2016	7.6
2015	9.1

1. Weighted average return on depositors' funds.

Analysis of Overall Performance (continued)

Fixed Income

This class's annualized return was 4.3% over five years, generating investment results of \$18.6 billion. It outperformed by 0.9% its benchmark index, which posted a 3.4% return. This difference represents \$3.9 billion in added value for CDPQ. Much of this performance was due to activities related to corporate, real estate and sovereign credit, and to a lesser extent, specialty finance. It should be noted that these activities are a more recent addition to the portfolio and reflect the relevance of the strategic shift taken in recent years. Its objective is to diversify the sources of return through greater exposure to global markets and segments with more attractive profiles. At the end of 2019, credit activities accounted for close to two thirds of this asset class.

Real Assets

Over five years, this asset class generated investment results of \$17.5 billion. Its annualized return was 8.0%, compared to 8.6% for the benchmark index. The Infrastructure and Real Estate portfolios generated annual average returns of 9.2% and 7.2%, respectively, in line with depositors' long-term expectations. However, the performance in Real Estate fell short of the benchmark index, in particular due to greater exposure to Canadian shopping centres, which performed poorly. At a time when investors continued to show an interest in real assets, CDPQ achieved a high volume of transactions in both Infrastructure and Real Estate, where work to transition the portfolio continues.

Equities

The Equities asset class generated a 10.7% annualized return over five years, compared to 8.9% for its benchmark index. The 1.8% difference represents \$10.0 billion in value added. Equities generated total investment results of \$68.4 billion, representing the largest contribution by an investment class. The Equity Markets portfolio delivered a strong 10.0% performance over five years, with significant value added due to the implementation of absolute return management and as a result of security selection based on quality. The Private Equity portfolio generated an annualized return of 12.5% for the period due to the excellent performance posted by direct investments, and also created significant value added.

2019 RETURN

CDPQ posted a 10.4% return for 2019, compared to 11.9% for its benchmark index (see Table 8). The -1.6% difference was largely due to the Real Estate and Infrastructure portfolios, assets that are, by definition, held for long-term results. Over one year, the overall portfolio delivered \$31.1 billion in investment results, for the most part generated by the Equities and Fixed Income asset classes.

TABLE 8

NET ASSETS AND RETURNS (for periods ended December 31, 2019)

Asset class	Net assets \$B	5 years			1 year		
		Investment results \$M	Return %	Index %	Investment results \$M	Return %	Index %
Fixed Income	102.9	18,640	4.3	3.4	8,165	8.9	8.0
Real Assets	67.5	17,451	8.0	8.6	560	1.0	7.2
Equities	167.1	68,426	10.7	8.9	22,169	15.3	16.3
Other Investments							
Active Overlay Strategies	0.7	(12)	N/A	N/A	206	N/A	N/A
Asset Allocation	1.7	29	N/A	N/A	(174)	N/A	N/A
Total^{1,2}	340.1	106,058	8.1	7.2	31,146	10.4	11.9

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

2. See General Notes 3 and 6 of the Annual Report, on page 187.

Fixed Income

The Fixed Income class surpassed \$100 billion in net assets in 2019. Taken together, the five Fixed Income portfolios generated an 8.9% return, far surpassing depositors' expectations, and \$8.2 billion in investment results. Lower interest rates and narrower credit spreads across the various markets drove returns in the actively managed Rates and Credit portfolios. With a 10.9% return, the Credit portfolio made a strong contribution to results, in particular due to corporate credit and sovereign credit.

Real Assets

In 2019, the Real Estate portfolio's -2.7% retreat, mainly due to Canadian shopping centres, held back the performance of real assets. The asset class posted investment results of \$0.6 billion and a 1.0% return, falling short of the 7.2% return of the benchmark index. The Infrastructure portfolio generated a 7.1% return, most of which stems from the increase in the value of assets held. Aligned with depositors' long-term expectations but short of the 17.7% return posted by its benchmark index, it benefited from booming equity markets. Many transactions were completed in the Real Asset portfolio during the year, in various sectors around the world.

Equities

In 2019, this asset class generated a 15.3% return, compared to 16.3% for the benchmark index, for investment results of \$22.2 billion. In a context of strong market growth, the Equity Markets portfolio recorded a return of 17.2%. Although this fell short of the benchmark index, it is aligned with CDPQ's strategy. Based on the construction of a portfolio that strives to be resilient over the long term, the strategy seeks to reduce sensitivity to market downturns, which partially limits the extent of its response to upward movements. The Private Equity portfolio generated a 10.5% return, stimulated by direct investments but nevertheless falling short of its benchmark index.

GEOGRAPHIC DIVERSIFICATION

In order to optimize the risk-return profile of its investment portfolio, CDPQ invests in a variety of asset classes, in different regions. This geographic diversification allows it to capitalize on growth in dynamic economies and seize attractive opportunities.

Over the last decade CDPQ has been globalizing its activities, increasing its exposure to international markets by \$138.9 billion over the last five years. As can be seen in Table 9, the overall portfolio's geographic exposure has expanded considerably in that time. Exposure outside Canada grew from 47.4% in 2014 to 66.2% in 2019. CDPQ is nevertheless still very active in Canada, particularly in Québec.

Over the last five years, investments have grown considerably in the United States and in growth markets, where the exposure is now 33.0% and 14.0%, respectively. To deploy capital in growth markets, CDPQ joins forces with local partners known for their knowledge of the market. To date, priority has been given to China, India, Brazil, Mexico and Colombia, due to their potential.

CURRENCY EXPOSURE AND FOREIGN EXCHANGE HEDGING

The globalization of CDPQ's activities has resulted in a marked increase in exposure to foreign currencies, which grew from 30% to 50% over five years. However, in 2019 this exposure fell by 5% compared to the previous year, mainly due to the implementation of additional hedging on certain currencies.

It is worth noting that exposure to foreign currencies proved profitable for overall performance over five years but unfavourable for one year, mainly due to the relative strength of the Canadian dollar, including against the U.S. dollar. CDPQ nevertheless believes that currencies have a neutral impact over the long term.

TABLE 9

GEOGRAPHIC EXPOSURE OF THE OVERALL PORTFOLIO

(as at December 31 – as a percentage)

	2019	2014
Canada	33.8	52.6
United States	33.0	21.8
Europe	14.2	14.1
Growth markets	14.0	6.7
Other regions	5.0	4.8
Total	100.0	100.0

Analysis of Overall Performance (continued)

BENCHMARK PORTFOLIO

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

The composition of CDPQ's benchmark portfolio is affected by adjustments made by depositors during the year to the composition of their respective portfolios. As at December 31, 2019, the major asset classes were marked by:

- A sharp increase in the weighting of Real Assets, mostly in the Infrastructure portfolio.

- A reduction in the weighting of Equities and, to a lesser extent, Fixed Income.

These changes reflect CDPQ's strategic directions (see Table 10).

OVERALL PORTFOLIO

The composition of the overall portfolio reflects decisions made by depositors about their benchmark portfolios and by CDPQ concerning the upper and lower limits set for each specialized portfolio. The last two columns of Table 10 present the changes in the composition of the overall portfolio from 2018 to 2019.

TABLE 10

COMPOSITION OF THE BENCHMARK PORTFOLIO AND CHANGES IN THE OVERALL PORTFOLIO

(percentage of depositors' net assets)

	Benchmark portfolio			Overall portfolio		
	as at December 31, 2019 ¹			as at December 31, 2018 ¹	as at December 31, 2019	as at December 31, 2018
	Lower limit %	Benchmark portfolio %	Upper limit %	Benchmark portfolio %	%	%
Specialized Portfolios						
Fixed Income						
Rates	6.7	11.5	17.7	12.6	9.2	10.7
Credit	12.5	17.2	23.7	16.7	19.5	18.2
Short Term Investments	0.2	1.1	8.9	1.1	0.3	0.3
Long Term Bonds	0.7	0.9	2.9	0.9	0.9	0.9
Real Return Bonds	0.3	0.4	2.1	0.4	0.4	0.4
Total		31.1		31.7	30.3	30.5
Real Assets						
Real Estate	8.2	12.7	16.2	12.1	11.7	12.4
Infrastructure	3.7	7.4	10.7	6.5	8.2	7.3
Total		20.1		18.6	19.9	19.7
Equities						
Equity Markets	23.5	35.0	42.9	37.2	34.4	35.1
Private Equity	9.3	13.8	17.9	12.5	14.8	13.9
Total		48.8		49.7	49.2	49.0
Other Investments						
Active Overlay Strategies ²	0.0	0.0	0.5	0.0	0.2	0.2
Asset Allocation	0.0	0.0	1.0	0.0	0.4	0.6
Total		100.0		100.0	100.0	100.0

1. The benchmark portfolio and its upper and lower limits are the result of the weighted average of the depositors' respective benchmark portfolios.

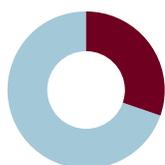
2. The portfolio was closed on January 1, 2020.

Fixed Income

This asset class delivered good results due to a diversification of sources of return, particularly in private credit.

\$102.9 B

NET ASSETS



30.3%

OF CDPQ'S
OVERALL PORTFOLIO

4.3%

5-YEAR
ANNUALIZED RETURN

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

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

RATES

Return since inception

This actively managed portfolio has two main activities: interest rate management and sovereign credit. Since 2017, it has generated \$2.9 billion in investment results, just over half of which was in 2019. The portfolio has created \$140 million of value added compared to its index.

2019 return

The portfolio generated a return of 4.8%, attributable to the current return on securities and the decrease in rates during the year. This fall in rates drove performance, as did narrower credit spreads, which were good for provincial bonds. However, the return of accommodative monetary policies around the world and the downward trend in rates hampered the return somewhat, due to the portfolio's positioning.

This performance mirrored that of the Canadian bond market. Table 11 (FTSE TMX Canada Bond Index Returns, on page 40) shows that provincial bonds (including Québec bonds) offered the highest returns among the various issuer categories, followed by corporate securities and federal government securities. Compared to 2018, the FTSE TMX Canada Universe Bond Index rallied sharply, ending the year at 6.9% compared to 3.2% over five years.

RATES PORTFOLIO

COMPOSITION

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

ADVANTAGES

- Low risk level and protection of the overall portfolio
 - Main source of CDPQ's liquidity
 - Diversification
 - Source of current yield
 - Potential to match assets with the long-term financial commitments of depositors
-

Fixed Income (continued)

CREDIT

Return since inception

This portfolio includes investment activities grouped into four main mandates: Corporate Credit, Sovereign Credit, Real Estate Debt and Specialty Finance. Since 2017, it has generated investment results of \$9.6 billion and value added of \$2.5 billion compared to the benchmark index.

2019 return

Over one year, the return was 10.9% with investment results of \$6.2 billion. This performance was fuelled by the quality

of the portfolio's assets, but also by lower rates and narrower credit spreads across the various markets. All the main management mandates contributed to the performance, particularly Corporate Credit and Sovereign Credit.

Corporate Credit drew on its considerable exposure to high-yield securities and a favourable allocation in quality securities. Sovereign Credit benefited from the compression of credit spreads and lower sovereign yields in growth markets. Specialty Finance and Real Estate Debt also contributed to the portfolio's performance, in particular due to the high current yield on this type of asset.

CREDIT PORTFOLIO

COMPOSITION

- Expanded universe of instruments with features of fixed income securities according to the mandate:
 - Corporate Credit: quality or high-yield bonds and direct or syndicated loans
 - Sovereign Credit: a focus on sovereign and quasi-sovereign securities from growth markets
 - Real Estate Debt: commercial, mortgage and construction loans, mostly senior, on residential and office buildings, shopping centres and industrial buildings
 - Specialty Finance: debt, hybrid or equity securities with certain features of debt instruments, and project financing

ADVANTAGES

- Market segments featuring better performance and a return that is superior to the traditional bond market
- Diversified sources of value
- Potential to match assets with the long-term financial commitments of depositors
- In real estate debt, lower credit risk due to a prudent underwriting approach and the quality of the assets

TABLE 11

FTSE TMX CANADA BOND INDEX RETURNS (as a percentage)

FTSE TMX Canada bond indexes	2019				2018				5 years			
	Short-term	Medium-term	Long-term	Total	Short-term	Medium-term	Long-term	Total	Short-term	Medium-term	Long-term	Total
Federal	2.1	3.8	8.4	3.7	1.9	2.4	3.4	2.4	1.2	2.1	3.8	2.0
Provincial	3.0	5.8	13.5	9.1	2.0	1.9	(0.6)	0.7	1.8	3.1	5.4	4.0
Québec	2.9	5.4	12.9	8.7	2.0	1.9	(0.2)	0.9	1.9	3.1	5.6	4.1
Corporate	4.5	8.4	14.4	8.1	1.8	1.3	(0.4)	1.1	2.5	4.1	6.0	3.8
Universe	3.1	5.8	12.7	6.9	1.9	1.9	0.3	1.4	1.7	3.0	5.2	3.2

In 2019, CDPQ continued to expand credit activities by carrying out major transactions, including:

- Sollio Cooperative Group: \$300 million in financing alongside Fonds de solidarité FTQ, Fondation and Desjardins Capital, in support of the acquisition and investment projects of this agri-food enterprise, Québec's largest, formerly called La Coop fédérée
- Lightsource BP: £150 million loan to this world leader in its industry that finances, develops and operates solar energy projects over the long term, to create a solar asset financing platform
- Maestria Condominiums: \$166 million in senior financing, in partnership with the Fédération des Caisses Desjardins, for the construction of a mixed-use residential project located in Montréal's Quartier des spectacles, in partnership with a group of borrowers well known in real estate development: Devimco, Fonds de solidarité FTQ and Fiera Capital

SHORT TERM INVESTMENTS

This indexed portfolio consists of liquid short-term investments on the Canadian money market. Over five years, it generated a 1.0% annualized return due to the low yield environment during the period. It produced investment results of \$128 million.

In 2019, the portfolio posted a 1.7% return, which is entirely due to the current yield of securities. That yield remained stable during the year, given that the Bank of Canada held the key rate steady in conditions of economic and geopolitical uncertainty.

LONG TERM BONDS

This portfolio of long-term provincial bonds is managed using an index-style approach. Its annualized return was 5.4% over five years, representing investment results of \$722 million. This performance mainly stems from the current yield of securities, as well as a price effect due to the decrease in long-term rates in Canada and Québec over the period.

In 2019, the portfolio generated a return of 12.6%; as bonds with long-term maturities profited from a sustained decline in long-term rates during the year.

REAL RETURN BONDS

This indexed portfolio seeks to protect the overall portfolio against rising Canadian inflation rates. Over five years, its annualized return was 2.8% and investment results were \$166 million. This performance is mainly due to rising inflation over the period, whereas real rates decreased. The current yield of securities also contributed, but to a lesser extent, due to the low interest rate environment.

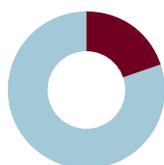
In 2019, the portfolio posted an 8.0% return, primarily the result of lower real rates. The consumer price index, which is used to calculate inflation, increased 2.2% over the year.

Real Assets

This asset class produced solid five-year results, but faced some challenges in real estate

\$67.5 B

NET ASSETS



19.9%

OF CDPQ'S
OVERALL PORTFOLIO

8.0%

5-YEAR
ANNUALIZED RETURN

2 portfolios: Real Estate / Infrastructure

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

REAL ESTATE

Five-year return

This portfolio, managed by Ivanhoé Cambridge, a CDPQ real estate subsidiary, delivered an annualized return of 7.2% and investment results of \$10.2 billion. Although in line with depositors' long-term expectations, this performance was nevertheless below the benchmark index, which was 8.8%. Over the period, all sectors made significant contributions to the portfolio's returns. Next generation office real estate generated a good return, driven by the development of major projects such as Duo in Paris and CIBC Square in

Toronto, whose spaces were rented out quickly. Investments in the Funds, Stocks and Financing class also contributed to the portfolio's performance.

Compared to the benchmark index, performance was negatively affected both over five years and for the year by higher exposure to Canadian shopping centres, which underperformed due to structural changes in that sector. Other reasons for the difference include a longer-term debt structure than the benchmark index and a lower weighting in the industrial sector. Quality acquisitions made in the industrial sector in 2019 nonetheless partly offset this difference in weighting.

REAL ESTATE PORTFOLIO

COMPOSITION

- Quality buildings and portfolios or companies, mostly located in key cities around the world
- Investments in equities and debt, primarily in office buildings, shopping centres and in the residential, industrial and logistics sectors

ADVANTAGES

- Sources of current return
 - Attractive risk-return profile and substantial cash flows
 - Diversification of the risk in CDPQ's overall portfolio due to a lower correlation between the assets held and global markets
 - Some long-term capital protection against inflation due to lease indexing
-

Over the past few years, the portfolio has undergone a major transition to reduce the weighting of more traditional assets and prioritize opportunities in sectors of the future. Figures 12 and 13 illustrate changes in the Real Estate portfolio, geographically and by sector, from the end of 2014 to the end of 2019.

2019 return

The portfolio generated a -2.7% return for the year, for a -4.2% difference with the 1.4% return for its benchmark index. While current returns remained stable and investments in funds and equities as well as the industrial sector provided good performance, the overall return was affected by the Canadian shopping centre sector and, to a lesser extent, by falling valuations for residential real estate in New York because of increased regulations to control rent increases. Long-term debt revaluation also diminished the return. The main reason for this difference, however, was the weakness in the Canadian shopping centre sector, in which Ivanhoé Cambridge has historically been very present.

In 2019, over \$11 billion in acquisitions, capital investments and sales were made, underscoring the active transition under way. Other Ivanhoé Cambridge highlights include an increase in investments in the industrial sector, notably the LOGOS platform in Asia Pacific and Prologis in Brazil. Other transactions in these sectors included:

- PLP: Strengthening industrial investments in the United Kingdom with the acquisition of four development projects through the PLP platform, which was launched in 2017.
- LOGOS: Acquisition of two logistics parks in Chennai, the first Indian investments made by this industrial real estate platform, in partnership with Ivanhoé Cambridge and QuadReal Property Group.

Key investments were also made in other sectors, including:

- Golden Capital: Acquisition of a strategic stake in this real estate platform focused on repositioning office assets in Germany managed by Lianeo Real Estate.

FIGURE 12

GEOGRAPHIC EXPOSURE – REAL ESTATE (as a percentage)

- December 31, 2014
- December 31, 2019

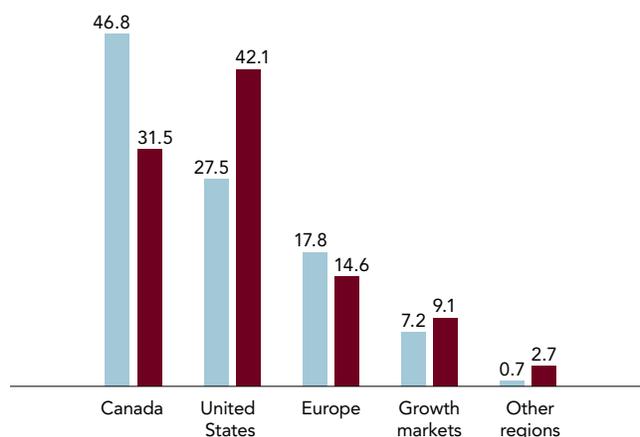
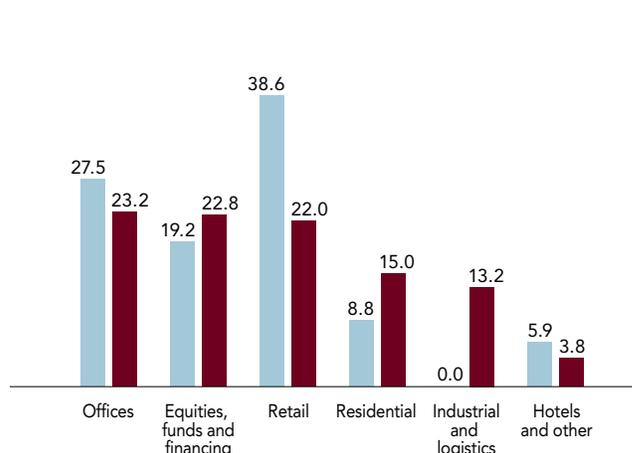


FIGURE 13

SECTORAL EXPOSURE – REAL ESTATE (as a percentage)

- December 31, 2014
- December 31, 2019



Real Assets (continued)

- **ICAWOOD:** As part of a strategic partnership with ICAMAP, a fund manager specialized in real estate, the launch of ICAWOOD, a fund with a €1.6-billion capacity to develop next-generation offices with low-carbon emissions in Greater Paris.

INFRASTRUCTURE

Five-year return

The portfolio generated investment results of \$7.3 billion over five years. Its annualized return was 9.2%, compared to 7.8% for its benchmark index. The 1.4% difference represents \$153 million in value added. A little more than half of the overall return stems from the current yield generated by the assets held. The other part was the result of the significant value creation of the assets over the period due to their sound performance. All sectors and regions recorded good returns over five years, with the industrial sector and growth markets performing particularly well.

Since the end of 2014, the portfolio's net assets have almost tripled. In total, CDPQ has made over \$16 billion in infrastructure investments, compared to materializations of \$1.5 billion. Figures 14 and 15 show how these transactions have influenced the geographic and sectoral exposure over the last five years.

2019 return

This portfolio recorded investment results of \$1.7 billion and a return of 7.1%. Although aligned with the long-term expectations of depositors, this performance is nevertheless below the 17.7% performance of its benchmark index. This difference is due to the benchmark's composition. Made up of over 200 public-company stocks, the benchmark greatly benefited from soaring markets. CDPQ's portfolio, comprised of around thirty private assets, targets a lower level of risk and more stable long-term performance. Due to their distinct profiles, a more relevant comparison is over the longer term, as can be seen for the five-year period.

FIGURE 14

GEOGRAPHIC EXPOSURE – INFRASTRUCTURE (as a percentage)

- December 31, 2014
- December 31, 2019

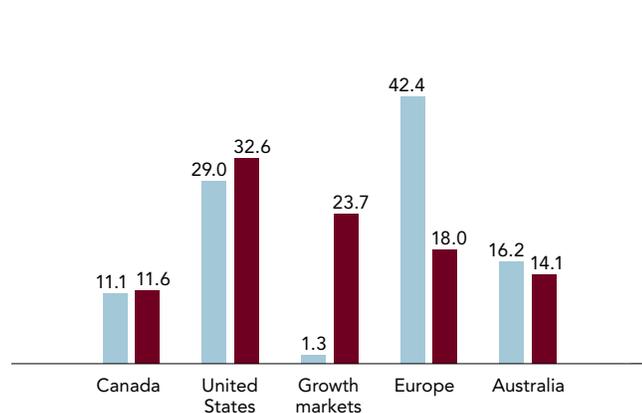
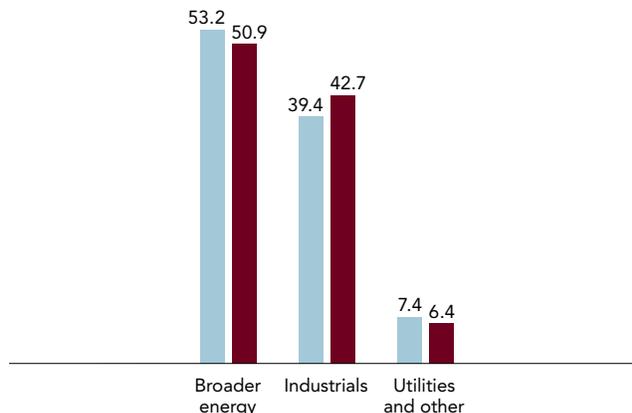


FIGURE 15

SECTORAL EXPOSURE – INFRASTRUCTURE¹ (as a percentage)

- December 31, 2014
- December 31, 2019



1. Data for 2014 were adjusted to reflect the new classification in the portfolio.

In 2019, a major portion of the return was attributable to the growth in value of assets held, due to their quality and robust performance. The other portion results from the significant current yield they generated. The Infrastructure team completed transactions totalling \$4.9 billion in various sectors and regions in 2019, including:

- Vertical Bridge: A 30% stake in this leader in the wireless communications towers business in the United States, to support its long-term investment strategy.
- Transportadora Associada de Gás (TAG): Acquisition, in partnership with ENGIE, the global energy leader, of a 90% stake (31.5% for CDPQ) in Brazil's largest natural gas transportation company.
- DP World: Acquisition of a major, 45% stake in various ports, including two in Chile, four in Australia and one in the Dominican Republic, through the US\$3.7-billion investment platform created with this port operator in 2016.

- Sydney Metro: A 24.9% share-capital stake in the public-private partnership contract for trains, systems, operations and maintenance of the Sydney Metro, the largest public transportation project in Australia, in a \$150-million transaction.
- Azure Power Global: A US\$75-million reinvestment in this independent Indian leader in solar energy, increasing CDPQ's equity interest from 40.3% to 49.7%.

In addition, CDPQ Infra, CDPQ's infrastructure subsidiary, continued to build the Réseau express métropolitain (REM) in Greater Montréal, with multiple parts of the network under construction, including 2 kilometres of tracks on the South Shore and ten stations.

INFRASTRUCTURE PORTFOLIO

COMPOSITION

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

ADVANTAGES

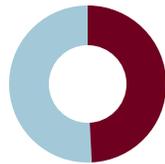
- Stable and predictable revenues over the long term
- Steady cash flows and a better risk-return profile than other asset classes due to the regulatory frameworks governing many sectors
- Distinct risk profile that can be used to diversify risk in the overall portfolio
- Some long-term capital protection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

Equities

This asset class benefited from its absolute-return management to generate high returns over five years, with strong value added.

\$167.1 B

NET ASSETS



49.2%

OF CDPQ'S
OVERALL PORTFOLIO

10.7%

5-YEAR
ANNUALIZED RETURN

2 portfolios: Equity Markets / Private Equity

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

EQUITY MARKETS

Five-year return

For a few years now, CDPQ has been moving away from indexes to manage its Equity Markets portfolio in absolute terms. This approach, which focuses on selecting assets based on their fundamental qualities, has delivered strong results. This portfolio generated investment results of \$48.7 billion and an annualized return of 10.0% over five years. It outperformed its benchmark index by 1.2%, the equivalent of \$5.2 billion in value added.

This performance was delivered in a bull market, the longest in history and lasting from the low point in March 2009 in the wake of the financial crisis. This economic cycle lasted an entire decade. From 2015 to 2019, the main global stock indexes all posted positive returns (see Figure 16), with the S&P 500 performing particularly well.

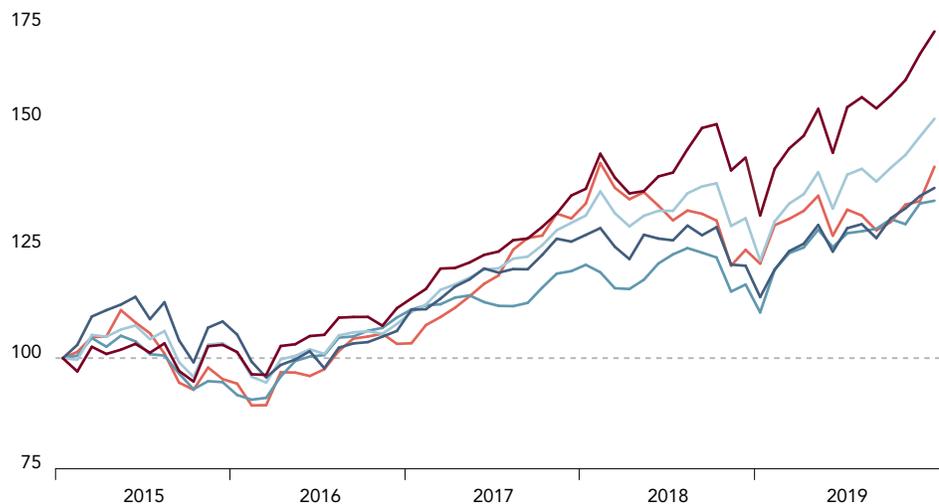
FIGURE 16

EQUITY MARKETS PERFORMANCE 2015–2019

(December 31, 2014 = 100, in local currencies)

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

Source: Rimes



2019 return

In 2019, the majority of stock market indexes recorded some of their best annual returns of the cycle – and even of the last 30 years – an increase that followed the 2018 year-end correction. A variety of factors explain this, including softening monetary policy around the world, labour resilience and mitigation of certain global trade risks.

This was the background for the portfolio posting a 17.2% return, 0.9% less than the index, but entirely consistent with CDPQ's strategy based on constructing a portfolio that would be resilient in the long term. This strategy is focused on diversifying securities by favouring those with fundamental qualities, which are less sensitive to extreme market swings, and value-style securities, which appear to be undervalued in relation to their intrinsic value and whose potential is only revealed over time. Over one year, a total of \$17.7 billion in revenue was added to net assets.

GLOBAL QUALITY MANDATE

Five-year return

A pillar of the absolute-return management strategy, this mandate is the largest in the Equity Markets portfolio. Over five years it has generated an annualized return of 11.7%, compared to 9.4% for its benchmark index. The 2.3% difference represents \$3.7 billion in value added, which was largely the result of effective security selection. This is by far the primary contributor to the total value added created by all mandates.

Over five years, the mandate generated investment results of \$19.9 billion, driven by the excellent performance of the securities of U.S. companies. Most sectors posted high returns over the period, particularly health care, consumer staples and information technology (IT). Since its creation, the mandate has shown resilience during the main market downturns, outperforming the market while incurring lower risk.

2019 return

The mandate generated investment results of \$6.8 billion, the largest contribution from any of the mandates, with a return of 18.2%. This is largely explained by the selection of quality securities, particularly of U.S. IT companies. Contributing factors included an effective selection of securities, a favourable geographic allocation (particularly in the United States) and the exceptional performance of companies in the health care and IT sectors.

CANADA MANDATE

Five-year return

The mandate generated an annualized return of 7.3%, and investment results of \$8.2 billion. It outperformed its benchmark index by 0.8% and generated \$891 million of value added. The strategy based on the robustness of the U.S. economy proved to be good, both over five years and one year. Canadian companies active in the United States made strong contributions to this performance. This is seen with CGI, Alimentation Couche-Tard and CN, stocks that illustrate the mandate's quality approach. Except for energy,

GLOBAL QUALITY MANDATE

COMPOSITION

- Securities in high-quality companies, exposed to global economic growth, traded on the stock exchanges of the countries included in the MSCI ACWI Index (the United States, Canada, Europe, Australasia, the Far East and emerging markets)
- Highly profitable and stable companies that have strong fundamentals over time and demonstrate a conservative use of financial leverage

ADVANTAGES

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

Equities (continued)

which slumped during the period, all sectors made a positive contribution. Finance stood out due to its weighting and the excellent returns of companies such as TD, RBC, Intact, Scotiabank, Industrial Alliance and Manulife. Note that for five years, this mandate has demonstrated resilience during the main market downturns. Risk-adjusted measures of the return were also favourable due to a return that outperforms the benchmark index and a lower risk profile.

2019 return

At 20.5%, this mandate posted the best one-year return in the Equity Markets portfolio. It stems mainly from finance and IT securities, but also from energy, which rebounded during the year. These sectors recorded gains of over 25%. One of the reasons that finance stood out is the large position held in the insurance segment. Its excellent performance and strong weighting in the mandate make this sector the main contributor for the year. Among the factors explaining the difference with the benchmark index is SNC-Lavalin's decline in 2019.

GROWTH MARKETS MANDATE

Five-year return

The mandate capitalized on strong stock market performance in the major growth markets over the period: China, Taiwan, South Korea, Brazil and India. All sectors, with the exception of communications, posted gains. IT and finance contributed most to the return, which was 9.2% on an annualized basis, compared to 7.3% for the benchmark index. This difference represents \$1.5 billion in value added, most of which stemmed from the external management component,

especially by managers in China. This demonstrates the merits of the active management strategy that is increasingly focused on partnering with specialized local investment firms. Before 2013, management was essentially index-based. The other management components of the mandate, i.e. index management and Alternative Beta, also obtained good returns over the period. Over five years, the mandate generated \$7.3 billion in investment results.

2019 return

The mandate generated a 17.2% return and \$3.0 billion of investment results. This performance was stimulated by positions in Taiwan, Brazil, and especially China. The Chinese stock market alone generated half the return, with a good part stemming from stocks managed by local partners. They clearly benefited from the strength of this market, as well as from the selection of stocks. The mandate's external management activities were very profitable, both over five years and one year. All sectors made a positive contribution to the return, especially IT, finance and consumer discretionary.

ALTERNATIVE BETA MANDATE

Return since inception

This mandate implements a strategy that consists of weighting securities based on various fundamental measures, such as sales, cash flows and dividends, rather than on market capitalization.

Since its inception four years ago, it has generated \$6.0 billion of investment results.

CANADA MANDATE

COMPOSITION

- Securities of publicly listed Canadian corporations, with an emphasis on the construction of a quality, concentrated portfolio that reflects distinctive aspects of the Canadian universe
- Businesses exposed to growth, with fundamental qualities and competitive advantages that will persist in the long term
- The mandate is 35.5% composed of Québec companies, compared to 16.1% for the S&P/TSX Index

ADVANTAGES

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

GROWTH MARKETS MANDATE

COMPOSITION

- Growth market securities traded on the stock exchanges of countries mainly in the MSCI EM Index (emerging markets)
- Class A shares listed on the Shanghai and Shenzhen stock exchanges

ADVANTAGES

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

2019 return

The mandate recorded a return of 17.3%, the majority of which was due to stocks of U.S. companies. In terms of sectors, the positions in IT contributed most to performance, followed by industrials, health care and consumer staples. A different geographic allocation than the benchmark index's and less exposure to large-cap stocks limited the return. For the year, the mandate generated investment results of \$2.5 billion.

GLOBAL VALUE MANDATE

Return since inception

This mandate, which is managed both internally and externally, targets stocks whose prices seem low based on various measures of fundamental value. Since 2017, it has generated investment results of \$1.2 billion.

2019 return

The management process, which is focused on selecting value-style securities, results in a concentrated portfolio, with the positions delivering wide-ranging returns. Therefore, it is the stocks, more than geographical or sectoral factors, that determine performance. In 2019, the strong appreciation of certain stocks helped the mandate obtain a 12.1% return. Stock market conditions in recent years that were beneficial to large U.S. companies — including in IT — to the detriment of value-style stocks, nonetheless had a negative impact when compared to the benchmark index.

ALTERNATIVE BETA MANDATE

COMPOSITION

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

ADVANTAGES

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

PRIVATE EQUITY

Five-year return

The decision to increase the proportion of direct investments was good, both over five years and one year. Since 2015, the portfolio has generated an annualized return of 12.5%. It outperformed its benchmark index by 3.7%, creating \$4.8 billion in value added. Direct investments have turned in a strong performance, stimulated by the quality of the assets in the portfolio. The main contributors included private companies, such as Bombardier Transportation and PetSmart, as well as public companies, such as CGI and WSP Global Group. Despite underperforming direct investments, funds contributed strongly to the results.

With investment results of \$19.8 billion, the portfolio's net assets exceeded \$50 billion as at December 31, 2019. Over the past five years, the Private Equity teams completed numerous transactions, both in Québec and in international markets. As shown in Figure 17, on page 50, this dynamism resulted in a significant change in geographical exposure, with a notable increase in share of regions outside North America.

2019 return

The portfolio's return was 10.5%, mainly due to the performance of direct investments. This was driven by public securities, as well as the success of the Lightspeed and Chewy (PetSmart) IPOs. Also of note is the contribution from the materialization of the positions in MyEyeDr. and in certain funds. Investment funds provided a lower, but still

GLOBAL QUALITY MANDATE

COMPOSITION

- Market securities included in the MSCI ACWI index based on the criteria specific to this management style

ADVANTAGES

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

Equities (continued)

appreciable, return for the year. It should be noted that the portfolio underperformed its benchmark index, which was 11.8%. This was mainly due to the latter's higher weighting in public securities, which greatly benefited from market growth.

In 2019, CDPOQ deployed \$10.5 billion in Québec and abroad, with major transactions in leading companies. International investments included:

- **Healthscope:** Investment of over AU\$300 million to acquire this Australian health care provider as part of a co-investment agreement with Brookfield Business Partners and its institutional partners.
- **Hilco Global:** A 27.3% stake in this U.S.-based financial services company and long-term partnership agreement targeting annual joint investments of around US\$150 million in distressed assets and other special situations.
- **Sanfer:** A US\$500 million investment in this independent pharmaceutical company — one of the main players in Mexico — to support its strategic growth in Latin America.
- **Allied Universal:** A major investment alongside partners in this North American leader in security valued at over US\$7 billion.

In Québec, CDPOQ made new investments and commitments worth \$1.2 billion in Private Equity in 2019. A number of transactions fulfilled one of the pillars of its strategy in Québec, namely the financing of growth projects and the globalization of Québec companies of all sizes, including:

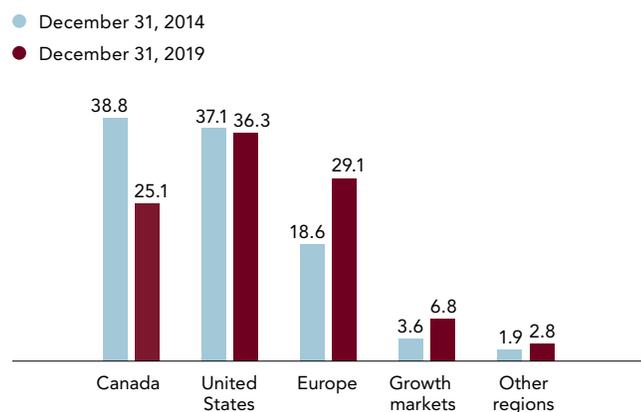
- **eStructure:** Reinvestment in this data centre operator for companies and cloud computing service providers to support its growth strategy focused on acquiring and building new facilities and expanding existing ones.
- **Nuvei:** Significant investment in this global supplier of payment technology to finance an acquisition in the United Kingdom, establishing its market value at US\$2 billion.
- **Golf Avenue:** Share capital investment in this online retailer of used golf products — Canada's largest — to support its expansion in the United States and Europe and to allow it to diversify its offering through a new platform for cyclists.

CDPOQ also continued to build on innovation and the next generation, another pillar of its strategy, with a particular emphasis on Québec's new economy. In addition to supporting various artificial intelligence initiatives, it has established a \$250-million fund for companies specializing in this field. In particular, through this fund it has invested in Element AI and Talent.com (formerly Neuvo). A \$50-million envelope dedicated to seed funds was also created to support businesses at different stages of growth and to foster the emergence of innovative companies.

FIGURE 17

GEOGRAPHIC EXPOSURE – PRIVATE EQUITY

(as a percentage)



PRIVATE EQUITY PORTFOLIO

COMPOSITION

- Direct interests, primarily in private companies, but also in listed companies
- Companies active in all sectors of the economy, including defensive sectors, quality companies with stable, predictable revenues and growing companies
- Stakes in high-performing investment funds

ADVANTAGES

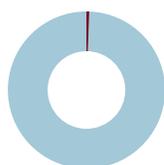
- Expected long-term returns that exceed those of the stock markets
- Focus on quality partnerships and long-term value creation, particularly through organic growth, acquisitions and operational efficiency

Other Investments

These portfolios feature activities that are complementary to those of other investment activities, for greater diversification.

\$2.3 B

NET ASSETS



0.6%

OF CDPQ'S
OVERALL PORTFOLIO

2 portfolios: Active Overlay Strategies / Asset Allocation

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

ACTIVE OVERLAY STRATEGIES

Results over five years

This portfolio consists of non-capitalized investment activities with an absolute-return objective. Over five years, the mandate has posted negative investment results of -\$12 million. Although it benefited from the positive performance of external funds over the period, in 2015 and 2016 it was affected by certain strategies that have since ended.

It should be noted that CDPQ decided to close this portfolio as of January 1, 2020 as part of the repositioning of its external fund and tactical management activities. These activities have been transferred to other portfolios.

2019 results

Investment results of \$206 million were due to the good performance of external funds and, to a lesser extent, to tactical management activities.

ACTIVE OVERLAY STRATEGIES PORTFOLIO

COMPOSITION

- Non-capitalized portfolio
- Investments in external funds
- Internally managed positions on financial markets, mainly in the form of financial instruments that are liquid and transparent

ADVANTAGES

- Moderate risk-return profile
 - Diversification
 - Low correlation with equity markets
-

Other Investments (continued)

ASSET ALLOCATION

Results over five years

Asset Allocation includes two types of activities: active strategies, to improve the risk-return profile of CDPQ's overall portfolio, and investments, to balance the weights of less-liquid assets. The Asset Allocation portfolio includes certain positions in these activities, as the other positions are taken in various specialized portfolios.

Over five years, the investment results totalled \$29 million for positions taken in the Asset Allocation portfolio. Active asset allocation strategies in liquid markets added value, benefiting in particular from U.S.-dollar positions. Conversely, the overall defensive positioning of asset allocation activities shaved off value, given the generally favourable environment over the period.

Results in 2019

Over one year, Asset Allocation activities posted losses of \$174 million due to a positioning that favoured less-liquid asset portfolios at the expense of liquid portfolios, while the latter performed better in 2019. However, relative investment strategies proved to be good for the portfolio.

RETURN BY SPECIALIZED PORTFOLIO

Table 18, on page 53, presents the returns of the specialized portfolios and mandates compared to their benchmark indexes for the five-year and one-year periods ended December 31, 2019.

ASSET ALLOCATION PORTFOLIO

COMPOSITION

- Non-capitalized portfolio
- Positions on financial markets, mainly in the form of financial instruments that are liquid and transparent

ADVANTAGES

- Calibration of the risk-return profile of CDPQ's overall portfolio
 - Enhancement of the overall portfolio's return
 - Exposure to asset classes used to diversify the overall portfolio
-

TABLE 18

SPECIALIZED PORTFOLIO RETURNS IN RELATION TO BENCHMARK INDEXES

(for periods ended December 31, 2019)

Specialized portfolios	Net assets \$B	5 years			1 year		
		Investment results \$M	Return %	Index %	Investment results \$M	Return %	Index %
Fixed Income							
Rates	31.2	2,872	N/A	N/A	1,456	4.8	5.2
Credit	66.4	9,629	N/A	N/A	6,234	10.9	9.3
Short Term Investments	0.9	128	1.0	0.9	15	1.7	1.6
Long Term Bonds	3.1	722	5.4	5.3	362	12.6	12.5
Real Return Bonds	1.3	166	2.8	2.8	98	8.0	8.0
Total	102.9	18,640	4.3	3.4	8,165	8.9	8.0
Real Assets							
Real Estate	39.7	10,164	7.2	8.8	(1,128)	(2.7)	1.4
Infrastructure	27.8	7,287	9.2	7.8	1,688	7.1	17.7
Total	67.5	17,451	8.0	8.6	560	1.0	7.2
Equities							
Global Quality mandate ¹	42.8	19,921	11.7	9.4	6,819	18.2	17.3
Canada mandate ²	22.3	8,193	7.3	6.5	4,084	20.5	23.1
Growth Markets mandate ³	20.2	7,309	9.2	7.3	2,999	17.2	14.3
Alternative Beta mandate	14.9	5,987	N/A	N/A	2,528	17.3	21.2
Global Value mandate	10.1	1,173	N/A	N/A	959	12.1	20.2
Equity Markets ⁴	116.9	48,663	10.0	8.8	17,686	17.2	18.0
Private Equity	50.2	19,763	12.5	8.7	4,483	10.5	11.8
Total	167.1	68,426	10.7	8.9	22,169	15.3	16.3
Other Investments							
Active Overlay Strategies	0.7	(12)	N/A	N/A	206	N/A	N/A
Asset Allocation ⁵	1.6	29	N/A	N/A	(174)	N/A	N/A
Total⁶	340.1	106,058	8.1	7.2	31,146	10.4	11.9

1. Includes the history of the Global Quality Equity specialized portfolio before 2016.

2. Includes the history of the Canadian Equity specialized portfolio before 2016.

3. Includes the history of the Emerging Markets Equity specialized portfolio before 2016.

4. Includes the activities of the Alternative Beta mandate, the Relationship Investing mandate, the Strategic mandate over four years, the Global Value mandate over three years, and the five-year returns of the closed Equity Markets portfolios.

5. Includes the specialized portfolio and overlay operations.

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

Risk Management

CDPQ continues to emphasize diversification in order to optimize its portfolio's risk-return profile.

HIGHLIGHTS

1

In 2019, market risk remained stable compared to 2018, slightly above that of the benchmark portfolio.

2

CDPQ has enhanced its post-investment monitoring process.

3

Numerous stress tests were carried out to assess the overall portfolio's behaviour in several scenarios.

CHANGES IN RISK MEASUREMENT

Risk management is at the core of CDPQ's activities, both in its portfolio management and its business processes. Each year, numerous studies are completed to strengthen this aspect and enhance the range of analysis and measurement tools. CDPQ is known for its solid risk management culture and its risk management practices are deemed today to be world class.

In risk analysis, the teams take various factors within CDPQ's portfolio into account, specifically the global economic context, changes in financial markets and sectoral and geographic concentrations. Several risks present in 2018 continued to be monitored in 2019 and will remain on the radar in 2020, including:

- The central banks' normalization process and adjustments to monetary policies.
- A possible correction in valuations should markets turn risk-averse.
- Geopolitical tensions around the world.

- Trade tensions between the United States and China.
- A potential slowdown in the global economy.
- Brexit negotiations and instability in Europe.
- The impact of climate change and disruptive technologies on the business environment.
- Tensions related to social inequalities around the world and the rise of populist movements.
- An ongoing competitiveness issue in Canada, the appreciation of the Canadian dollar, changes in the oil sector and household debt.

In light of the exceptional COVID-19 pandemic and its significant impact on the global economy and financial markets, CDPQ took early action to mobilize its employees to develop risk scenarios and conduct resilience tests on its portfolio assets. At the same time, CDPQ has already begun anticipating the structural changes to business, the economy, politics, society, geopolitics and finance that are likely to occur following this health crisis.

Market risk

As part of its objective to build a robust and resilient portfolio, CDPQ seeks to establish an optimum risk-return profile, consistent with its risk assessment and market valuations. During the first half of the last decade, market risk for the overall portfolio diminished greatly, mainly as a result of the following factors:

- CDPQ’s adoption of an absolute-return management approach with an emphasis on the quality of investments and securities, including the implementation of the Global Quality strategy, a pillar in absolute-return management.
- Increased exposure to foreign currencies with globalization.

Over the last five years, market risk has remained rather stable. As can be seen in Figure 19, it continued to decrease until mid-2017, then increased slightly until the end of 2019. Thus, the overall portfolio’s absolute risk amounted to 14.0% at December 31, 2014 compared to 13.7% at December 31, 2019. This level of market risk reflects the cautious approach adopted by CDPQ as a result of the current economic and political environment.

The benchmark portfolio’s absolute risk was at the same level as that of the overall portfolio at the beginning of the period, but at 13.6%, was slightly lower at the end. In between, they generally changed in tandem, showing more or less pronounced differences at certain times.

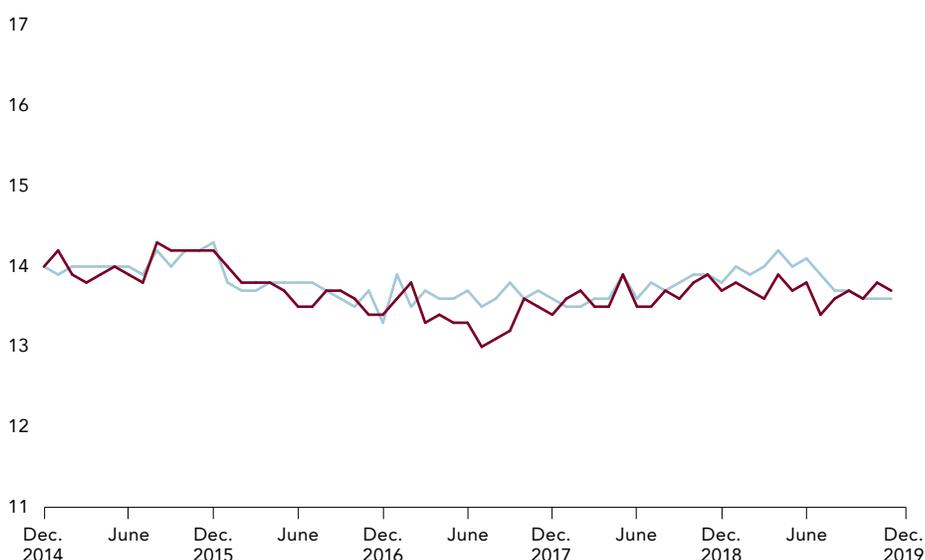
Figure 21, on page 56, illustrates the absolute risk ratio for the overall portfolio compared to the absolute risk for the benchmark portfolio. CDPQ uses this ratio to establish the absolute risk limit used to manage market risk for the overall portfolio. It should be noted that as of December 31, 2014, the ratio was at 1.00, showing that the risk-taking to generate added value was identical to that of the benchmark portfolio. Over a five-year period, the ratio increased slightly, reaching 1.01 on December 31, 2019. This is explained by the slightly more pronounced decrease in market risk for the benchmark portfolio compared to the overall portfolio.

Table 20, on page 56, shows that over one year, the market risk level remained unchanged for Fixed Income and Real Assets. It increased slightly for Equities, because of the appreciation in value of certain riskier portfolio investments, especially for Private Equity. The most significant variation can be found, however, in Other Investments because of the implementation of a strategy allowing each depositor to personalize their exposure to interest rates.

FIGURE 19

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

- CDPQ absolute risk
- Benchmark portfolio risk



1. The risk figures preceding July 2017 were adjusted to reflect the changes in the risk calculation methodology that occurred in 2017.

Risk Management (continued)

Credit risk

In 2019, credit risk increased once more as a result of deployment in Credit portfolio mandates. To assess the credit risk, CDPQ relies on:

- The potential capital loss risk, a quantitative measurement including the probability of default by an issuer, correlations between issuers and recovery assumptions.

- Internal ratings given to each investment file by a committee comprising Risk Management and Investment Team members based on fundamental analyses.

The committee follows the ratings closely, including any differences with those by credit agencies, which requires it to review its ratings periodically. During the year, more than 220 issuers in the portfolio were reviewed.

TABLE 20

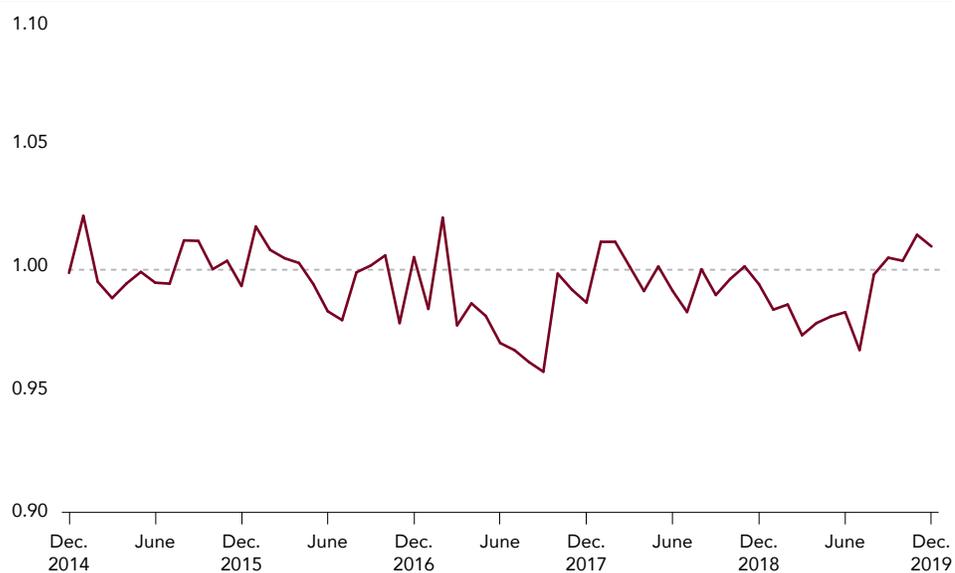
MARKET RISK – ABSOLUTE (as at December 31 – as a percentage)

Asset class	2019	2018
Fixed Income	6.0	6.0
Real Assets	17.0	17.0
Equities	23.5	23.4
Other Investments	0.6	0.3
Overall	13.7	13.7

FIGURE 21

ABSOLUTE RISK RATIO¹

- Absolute risk ratio



1. The risk figures preceding July 2017 were adjusted to reflect the changes in the risk calculation methodology that occurred in 2017.

Concentration risk

In 2019, concentration risk for the overall portfolio remained generally stable for the year. To mitigate this risk, CDPQ relies on both the geographical and sectoral diversification of its assets. It may also take more concentrated positions in certain investments when attractive opportunities arise. It should be noted that the contribution to market risk for CDPQ's 30 largest issuers was 15% in 2019, compared to 16% in 2018.

Counterparty risk

Throughout the year, the counterparty risk generated by the use of over-the-counter derivative financial instruments remained low. CDPQ uses several means to mitigate this risk, including:

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

Liquidity risk

As of December 31, 2019, CDPQ continued to have an adequate amount of liquidity. The amount increased during the year as a result of:

- The reconstitution of a reserve at the beginning of 2019 after it decreased in the wake of the market movements at the end of 2018.
- Overall portfolio rebalancing activities and the issuance of debt securities as part of the financing program.

The reserve includes primary liquidities, which are very liquid assets that can be used immediately without loss of value, and secondary liquidities, which are assets that are a little less liquid, but that can be quickly converted in addition to being resilient. Each year, CDPQ establishes a minimum liquidity threshold to be maintained in the reserve in order to:

- Meet its potential commitments as well as those of its depositors.
- Rebalance the overall portfolio.
- Maintain the desired flexibility in the event of a crisis, specifically to seize investment opportunities.

Throughout the year, CDPQ had a sufficient liquidity reserve to meet its potential commitments, even in the event of a major market correction (see Note 11 to the Consolidated Financial Statements, page 164).

REVIEW OF OVERSIGHT AND PROCESSES

CDPQ's risk management is based on guidelines applied daily by its teams (see Note 11 to the Consolidated Financial Statements, page 164). It is also based on continuous strengthening of its oversight and processes. With the implementation of several initiatives, 2019 was no exception.

Influence of the Risk function on investment

Risk Management plays a key role in CDPQ's investment activities. This was apparent in several ways, including:

- An active presence on many committees, including the Investment-Risk Committee, the Investment and Risk Management Committee, the Operational Risk Committee and the Investment, Research and Currency Committees.
- Good governance of its risk processes.
- An influential role in the analysis and development of the strategic plan.
- The integration of business unit risk managers on each investment team.

Risk Management (continued)

Strategic planning of investments and monitoring of strategic risks

When preparing the annual strategic plan, the teams complete analyses to determine the issues associated with the proposed strategies and to determine the possible impacts from the new initiatives on portfolio risk. Several analyses were produced in 2019 in order to determine the strategic priorities for 2019–2023.

Strengthen post-investment monitoring

In 2019, CDPQ enhanced its post-investment monitoring process. To that end, it reviewed its committees and governance to include systematic monitoring of investments once they have been made, specifically in the Equity Markets portfolio. This framework fosters better decision-making on the basis of specific targets assigned to each investment. Operational monitoring analyses for companies in the portfolio are also produced to identify potential risks and issues.

Analysis framework for large-scale transactions

In 2019, CDPQ developed an analysis framework adapted for larger-scale transactions. This helps investment teams better assess the risks associated with the transactions using a series of pre-established qualitative and quantitative criteria. Tolerance thresholds were also set to mitigate concentration risk resulting from this type of transaction.

Mitigation of operational risks

Operational risks may result from transactional activities, the growth and globalization of CDPQ, as well as from organizational transformations undertaken to attain strategic objectives. The Operational Risk Committee is responsible for identifying and prioritizing risks and determining the options and means to mitigate them.

A priority operational risk map is developed and continuously updated to measure their impact and probability. In 2019, this process gave rise to various risk management initiatives including:

- Establishment of indicators measuring exposure to risk in light of the size of the organization's appetite.
- Strengthening of the due diligence process for investments by formalizing framework agreements with external investigation firms.
- Enhancement of CDPQ's governance regarding supplier management.
- Revision of information asset categorization and controls regarding their day-to-day management.

IMPROVED RISK MANAGEMENT METHODOLOGIES AND TOOLS

CDPQ continued to refine its quantitative analysis methodologies and tools to better monitor risks. During the year, teams completed several initiatives, including:

- Development of an analysis framework providing a complementary view of growth and margin forecasts to compare Equity Market opportunities more efficiently.
- Enhancement of market risk measures to make better-informed decisions regarding investment and portfolio construction.
- Refinement of potential capital loss measurements.
- Improvement in tools used to anticipate risk, specifically those regarding the Asset Allocation portfolio and derivative financial instruments.
- Implementation of a new methodology that shows more precisely the risk regarding investments in Growth Markets.

Risk measurement and stress testing

In addition to the value at risk (VaR), CDPQ measures market risk using various stress tests. Historical and hypothetical scenarios are analyzed to assess its various portfolios' behaviour during favourable and unfavourable market events. Furthermore, the major risk mapping development process was improved, allowing even better-adapted scenarios to be used to better understand and assess their potential impacts on CDPQ.

CDPQ also completed stress tests to validate changes to the Equity Markets portfolio oversight and the oversight of its mandates.

ESG risk assessment

In 2019, the team responsible for assessing risks associated with environmental, social and governance (ESG) factors collaborated with investment teams to structure transactions to prevent this type of risk. In line with the strategy to address climate change, the Stewardship Investing team measured the carbon intensity of nearly 100 files and analyzed their impact on the overall portfolio's intensity.

Compliance

HIGHLIGHTS

1

Programs were applied throughout the year to ensure compliance with depositors' investment policies, the specialized portfolios' investment policies and management mandates.

2

The Codes of Ethics of the Otéra Capital and Ivanhoé Cambridge subsidiaries have been harmonized with CDPQ's Code of Ethics and Professional Conduct.

3

Various activities were maintained to raise employee awareness of the Code of Ethics and Professional Conduct.

The compliance activities of CDPQ include oversight aimed at ensuring adherence to the portfolios' investment policies and to the Code of Ethics and Professional Conduct.

INVESTMENT POLICIES

Programs are in place to certify compliance with depositors' investment policies and portfolio investment policies. In 2019, certificates of compliance with these policies were issued to depositors on June 30 and December 31. Programs to ensure the compliance of activities in the specialized portfolios and management mandates were also maintained.

CODE OF ETHICS AND PROFESSIONAL CONDUCT

Compliance with the Code of Ethics and Professional Conduct for Officers and Employees is essential. At the beginning of each year, all employees must complete a declaration on compliance with the Code and provide the documents required to confirm information on the holdings in their personal portfolios. When they wish to carry out personal transactions, they must first use the pre-authorization system provided for this purpose, which is accessible to

everyone at all times. They are also obligated to report any situation where they have reason to believe that there has been a breach of the Code or any other CDPQ policy.

In 2019, CDPQ carried out several activities to heighten employee awareness of various aspects of the Code of Ethics and Professional Conduct. Mandatory training is provided to all new employees. Furthermore, a meeting is held with all officers to discuss various aspects of the Code. In addition, interactive video clips with specific themes or addressing ethical questions were published on the intranet throughout the year as reminders of how to handle situations involving ethics and professional conduct.

The Code of Ethics and Professional Conduct for Officers and Employees is available on CDPQ's website (www.cdpq.com), in the Governance section.

HARMONIZATION OF ETHICAL PRACTICES AT CDPQ AND ITS SUBSIDIARIES

CDPQ's Board of Directors approved the harmonization of the Codes of Ethics and Professional Conduct of officers and employees at subsidiaries Otéra Capital and Ivanhoe Cambridge so that they will comply with CDPQ's code. Topics covered include: conflicts of interest, gifts and entertainment, outside activities and protection of reputation, personal transactions, confidentiality of information, loan agreements, memberships and declarations of interests, reporting, complaint handling and sanctions. In addition, the declaration of adherence to the Code was updated to provide for greater disclosure of the interests of related persons. The new Codes of Ethics were approved by the Boards of Directors of Otéra Capital and Ivanhoé Cambridge.

It should be recalled that CDPQ's Code of Ethics was the subject of an in-depth analysis carried out by Norton Rose Fulbright. Nearly 80 codes of ethics of institutions comparable to CDPQ in Québec, Canada and internationally were reviewed by its experts. The analysis indicated that CDPQ's Code and ethical practices are among the most rigorous in the world.

To promote better coordination on ethical practices between CDPQ and its subsidiaries, a coordinating committee was formed with the Chief Compliance Officers of CDPQ and its subsidiaries, chaired by the Vice-President, Head of Ethics and Compliance.

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 2019, CDPQ processed 45 requests for access to documents, including 36 for CDPQ, 1 for CDPQ and CDPQ Infra, and 8 for CDPQ Infra. All of the requests were handled within the legally prescribed time limit. Of these 45 requests, 22 were accepted, 11 were accepted in part, 2 were referred to another entity, 7 were refused and 3 were withdrawn. The requests received concerned issues such as variable compensation, the number of employees and the payroll, minutes of meetings, the Réseau express métropolitain (REM) and several other

subjects of an administrative or budgetary nature. Three requests were subject to an application for review by the Commission d'accès à l'information (CAI). Responses to requests for access are available on CDPQ's website.

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

CYBERSECURITY

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

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

The management of cybersecurity risks also applies to the service providers that host CDPQ's data. All such suppliers are subject to a verification process by a team independent of the service delivery team in order to ensure that their systems meet the organization's security standards. In addition, CDPQ has established security conditions that must be met before a supplier can be authorized to host its data.

Compliance (continued)

LANGUAGE POLICY

CDPQ complies with the requirements of the Charter of the French Language and its language policy, which stipulates French as the everyday language of work for all employees in its offices in Québec. CDPQ considers the quality and use of the French in its spoken and written communications to be of paramount importance.

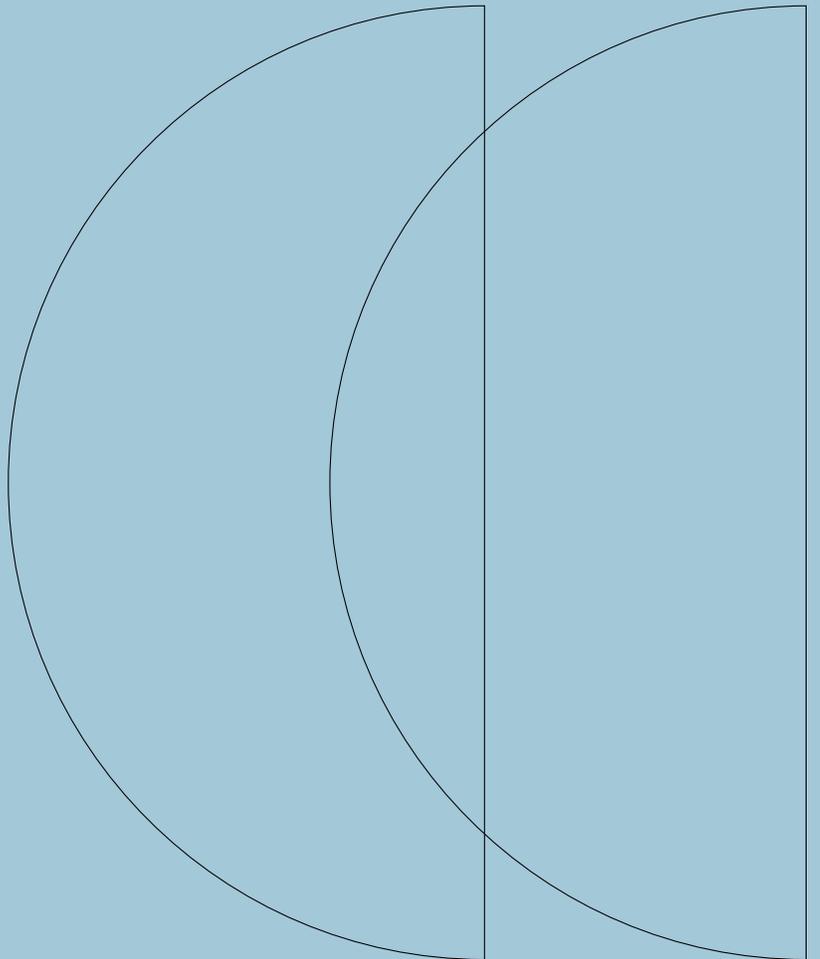
To that end, CDPQ provides its employees with various tools that foster correct French usage, as well as a number of reference works, including a lexicon that it compiled to define terms specific to its investing activities.

In 2019, articles on the proper use of expressions and idioms were published regularly on the employee intranet. CDPQ also encouraged employees to use the tools and references available on the website of the Office québécois de la langue française, as well as other language tools available to them.

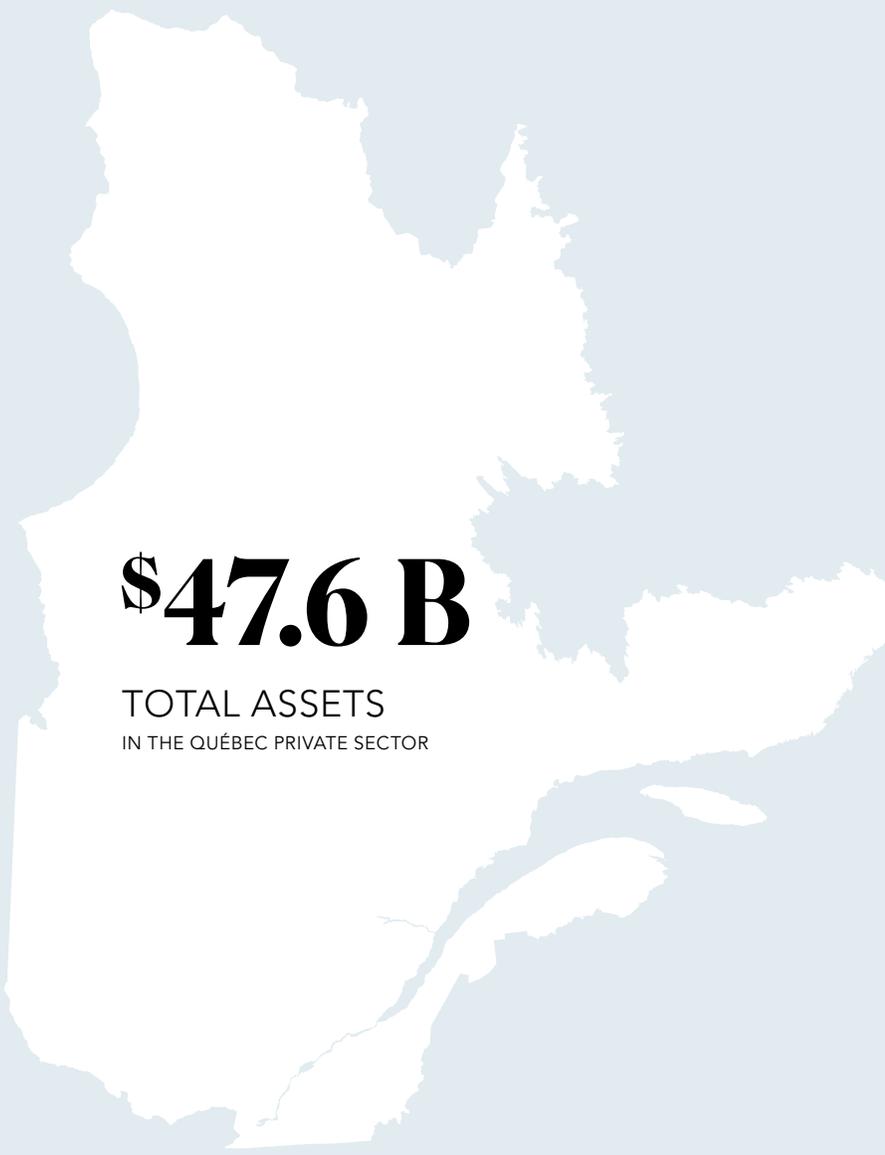
COMPLAINT MANAGEMENT

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

CDPQ in Québec



Strengthening Québec's economy for today and tomorrow.



\$47.6 B

TOTAL ASSETS
IN THE QUÉBEC PRIVATE SECTOR

\$3.3 B

NEW INVESTMENTS
AND COMMITMENTS IN 2019

155%

INCREASE IN ASSETS IN THE QUÉBEC
PRIVATE SECTOR OVER THE LAST 10 YEARS

More than
750

NUMBER OF COMPANIES WE PARTNER
WITH, INCLUDING SOME **650 SMEs**

**To maximize our impact in Québec, we focus
on the private sector with a three-fold approach:**

- We foster Québec companies' **growth and globalization**
- We support **innovation and the next generation**
- We develop, finance and undertake **impactful projects**

Growth and globalization

We finance and support Québec companies of all sizes in their growth projects, both in Québec and internationally.



1

1.
Sollio Cooperative Group

Joint investment with the Fonds de solidarité FTQ, Fondation and Desjardins Capital to finance the acquisition initiatives for this agri-food company, the largest in Québec, formerly called La Coop fédérée.



2



3



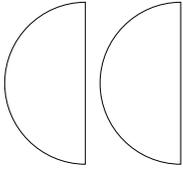
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2.
eStructure

Reinvestment in a Québec operator of data centres for companies and cloud computing service providers for the acquisition of a new data centre in Calgary.

3.
Nuvei
Co-investment with Novacap in this major supplier of payment technology to acquire the British group SafeCharge International.

4.
Top Aces
Share-capital investment in this global leader in airborne training to acquire new equipment to enhance and diversify its service offering internationally.



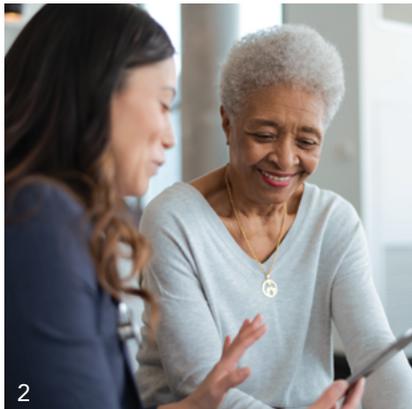
Innovation and the next generation

We contribute to developing new economy ecosystems and support innovative companies, in addition to stimulating entrepreneurship.



1.
Artificial intelligence
Creation of the \$250-million CDPQ-AI Fund to accelerate the commercialization of artificial intelligence solutions. Three investments have already been made: Element AI, Dialogue and Talent.com (formerly Neuvoo).

2.
Technology sectors
Investment in AlayaCare, a cloud platform for home care providers and a stake in Amplitude, a Québec life sciences fund that targets biotech startups.



3.
Entrepreneurship
Emphasis on the expansion of companies owned by women, with the continuation of Cheffes de file activities and support of programs such as Cellules Femmessor – Croissance and Réseau des Femmes d'affaires du Québec's Développement économique féminin.

4.
Supporting innovation
Creation of a \$50-million envelope to be used for seed funds to foster the emergence of new, innovative companies, investment in Inovia funds and coaching of eight start-ups from innovative sectors that are part of Espace CDPQ | Axe IA.

Impactful projects

We design, develop and finance major infrastructure and real estate projects and we support the renewable energy sector. These projects generate tangible benefits for Québec's economy.

1.

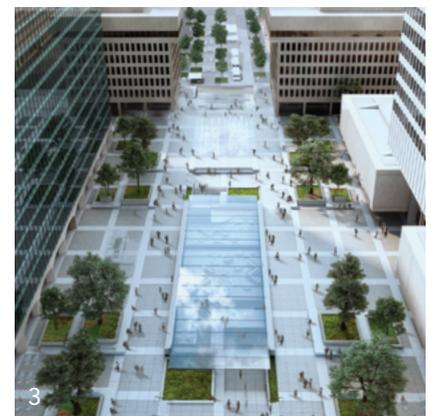
REM

Continuation of this major public transportation project, with the launch of about 20 work sites, including ten stations, two maintenance centres and several kilometres of tracks.

2.

Montreal Eaton Centre

Progress in the transformation of the user experience, including the completion and opening of the Time Out Market, where 16 of the city's best chefs work.



3.

Place Ville Marie

Continuation of the transformation of the shopping gallery and revitalization of the Esplanade, with a new-concept culinary experience completed underneath. Le Cathcart Restaurants et Biergarten offers a diversified gastronomic menu under a unique glass ceiling.



Contributing tangibly to Québec's economic growth

CDPQ plays a leading role in Québec's economy. We have deep knowledge of our home market, where our activities contribute to stimulating growth. Our impact can be seen through our investments in the private sector, in innovative companies and globalizing businesses. We support impactful projects and initiatives that foster entrepreneurship. As a result of our teams' expertise and know-how, our actions generate tangible benefits for both our depositors and the Québec economy.

The private sector is the main driver of Québec's economy, which is why we have focused on making the majority of our investments in that sector over the last several years. There are five types of investments: Private Equity, Equity Market, Corporate Credit, Infrastructure and Real Estate. In 2019, our assets in the private sector in Québec were \$47.6 billion, up \$28.9 billion over the last ten years, which is a 155% increase.

To maximize our impact in Québec, we have based our strategy on three major pillars: the growth and globalization of Québec companies, support for innovation and the next generation and implementation of impactful projects. This approach led to new commitments and investments totalling \$3.3 billion in 2019 and \$21.9 billion over the last five years.

We leverage our strategic advantages to optimize our impact, including the expertise of our teams in many sectors, our business relationships in Québec and around the world, our offices in ten countries and our network of partners in Québec and international markets. Our accomplishments extend well beyond the dollars we invest.

As at December 31, 2019, CDPQ's total assets in Québec were \$66.7 billion.

Over 70% of this amount, or \$47.6 billion, was invested in the private sector.

Building strong Québec companies through long-term partnerships

One of CDPO's major objectives in Québec is to foster the emergence and growth of strong Québec companies that will stand out in their industry and compete with the best in the world, carving out a place for themselves in global markets. To that end, we create long-term partnerships with them. And to support their growth, globalization, innovation and next-generation projects, we offer customized financing solutions adapted to their needs and leverage our team's unique know-how.

Thus, in 2019, we supported the expansion of several companies of varying size, including Nuvei, Alt Hotels, Golf Avenue and eStructure. We were particularly active with new-economy companies, through efforts such as the implementation of a new \$250-million fund for those specializing in artificial intelligence. We also invested in a technology company in the health care sector, AlayaCare, and in Dialogue, which offers companies a platform for health care services.

Table 23, on page 70, lists the 20 largest investments in Québec in the Private Equity, Infrastructure and Equity Markets portfolios.

HIGHLIGHTS – PRIVATE EQUITY AND INFRASTRUCTURE

In 2019, CDPO's Private Equity and Infrastructure assets in Québec totalled \$17.3 billion (see Table 22). Private Equity investments include direct investments in private companies as well as shares of publicly traded companies from initial public offerings or large transactions.

We also invest in publicly traded Québec companies with a market capitalization of less than \$1.5 billion, which stimulates their growth as well as Québec's equity market.

TABLE 22

ASSETS AND COMMITMENTS IN QUÉBEC – PRIVATE EQUITY AND INFRASTRUCTURE

(as at December 31 – in millions of dollars)

	2019			2018		
	Assets	Undisbursed commitments	Assets and undisbursed commitments	Assets	Undisbursed commitments	Assets and undisbursed commitments
Small and medium-sized businesses	1,863	713	2,576	2,670	607	3,277
Large businesses	15,407	1,542	16,949	10,911	1,980	12,891
Total	17,270	2,255	19,525	13,581	2,587	16,168

HIGHLIGHTS – EQUITY MARKETS

Assets invested in Québec publicly traded equities totalled \$8.9 billion as at December 31, 2019. Securities in Québec companies amounted to 35.5% of the total assets in the Canada mandate at the end of the year. This is more than double the weighting of these securities in the overall S&P/TSX index, which included 16.1% of Québec company securities during that period.

HIGHLIGHTS – INVESTMENT FUNDS

In 2019, we created a fund dedicated to promising Québec companies in the artificial intelligence (AI) field. The goal of the CDPQ–AI Fund, with a \$250-million envelope, is to stimulate the growth of companies whose product offering is based on AI. Almost \$170 million has already been deployed in three companies since its inception: Element AI, a global developer of artificial intelligence software solutions; Dialogue, a health care services platform for companies and Talent.com (formerly Neuvo), a job site that today is experiencing one of the strongest growth rates globally.

Over the last five years, we have significantly increased our stake in venture capital and private equity funds. During the last year, we invested in:

- Inovia, which targets technology companies in the start-up and growth phases.
- Novacap International Industries V, targeting companies in the industrial and manufacturing sectors.
- Teralys Capital, which CDPQ has entrusted with a management mandate for various start-up funds.
- Amplitude, a Québec fund specialized in life sciences.

In addition to increasing our investment scope, our partnerships with specialized funds provide us with another advantage: access to a pipeline of promising businesses, from which potential targets for direct investments often emerge. Several investments from the last few years have resulted from this strategy, including those in Hopper, Breather, Element AI, Dialogue and AlayaCare.

TABLE 23

TOP 20 INVESTMENTS IN QUÉBEC – PRIVATE EQUITY, INFRASTRUCTURE AND EQUITY MARKETS
(as at December 31, 2019)

Alimentation Couche-Tard	Knowlton Development Corporation (kdc/one)
Boralex	Lightspeed
BRP	McInnis Cement
Canadian National Railway Company	National Bank of Canada
CDPQ Infra (REM)	Nuvei
CGI Group	Osisko Gold Royalties
Cogeco Communications	SNC-Lavalin Group
Dollarama	Stella-Jones
Gildan Activewear Inc.	Trencap (Énergir)
Industrial Alliance, Insurance and Financial Services	WSP Global Group

Optimizing our impact on the private sector through financing

CDPQ has always played an essential role in financing in Québec. For the last ten years, we have increased our activities in the private sector. Since private companies are one of the main driving forces of economic activity, financing their growth projects helps support Québec's economy while generating attractive long-term returns for our depositors.

Several companies in Québec, both public and private, have benefited from financing from CDPQ over the years. As a long-standing partner, we have supported numerous projects that have helped companies expand in local and international markets. In 2019, we continued to increase our activities in this space and completed large-scale transactions, including:

- \$300 million in financing to Sollio Cooperative Group, jointly with the Fonds de solidarité FTQ, Fondation and Desjardins Capital, to support capital acquisitions and investments, by the largest agri-food company in Québec, formerly named La Coop Fédérée.
- \$135 million in financing to support the growth of Logibec, a Québec company specialized in the development and implementation of IT solutions for the health care field.

In addition, with the objective of proposing financing that is adapted to companies' projects and needs, CDPQ's fixed income teams work jointly with private equity teams. This collaboration resulted in the integration of a financing component in certain share capital investments.

In public bonds, medium-term return expectations decreased because of low interest rates. For this reason, we have continued, for the last three years, to pursue a strategy aimed at gradually reducing our exposure to bonds from developed countries. We remain, however, a major holder of bonds from the public sector in Québec, whether issued by the Québec government, crown corporations, municipalities or para-governmental organizations.

As at December 31, 2019, CDPQ's holdings of private and public-sector bonds totalled \$29.5 billion. This is shown in detail in Table 24.

TABLE 24

ASSETS IN QUÉBEC – CORPORATE SECURITIES AND BONDS

(as at December 31 – in billions of dollars)

	2019	2018
Private sector: corporate securities	10.4	10.6
Québec public sector		
Government of Québec	12.6	13.4
Hydro-Québec	5.6	5.1
Other crown corporations	0.8	0.9
Municipalities and para-governmental corporations	0.1	0.1
Subtotal	19.1	19.5
Total	29.5	30.1

Innovating to develop public infrastructure projects

CDPQ Infra was created in 2015 as a unique model to finance and construct public infrastructure projects. This subsidiary of CDPQ is responsible for the development, construction and operation of the Réseau express métropolitain (REM), a new and entirely automated, electric and accessible light-rail transit system.

As the largest public transit project in Québec in 50 years, the REM will also be one of the five largest automated networks in the world. It will connect downtown Montréal, university hubs, the South Shore, the North Shore, the West Island and the Montréal-Trudeau Airport. The route will cover 67 kilometres and have 26 stations to provide high-frequency service that will facilitate daily travel. In service 20 hours per day, 7 days a week, it will connect to the Montréal metro's main lines through connections at the Bonaventure, McGill and Édouard-Montpetit stations.

CONSTRUCTION IN FULL SWING

About twenty work sites were underway simultaneously in 2019 on the network's various branches, and numerous works were completed. For example, the tunnel-boring machine capable of piercing rock and carving out the tunnel

is being assembled and will start boring between the Technoparc and the Montréal-Trudeau airport. Some 2 kilometres of tracks were installed in the median of Highway 10 on the South Shore. The construction of ten stations has started, while excavation work is ongoing at several points along the network. The Saint-Eustache maintenance centre was completed, and numerous columns for the raised sections have appeared on Montréal's landscape, especially in the West Island and Pointe-Saint-Charles sectors. Lastly, the design for the trains, which are specially developed to travel through extreme winter conditions, was approved, and manufacturing has started.

The first REM traffic tests will take place at the end of 2020, while the branch linking the South Shore with downtown Montréal is scheduled to be commissioned in 2021.

An impactful project

The economic benefits in Québec from the REM project are considerable:

\$4 billion in Québec content

34,000 jobs during construction

\$2 billion in salaries paid

1,000 permanent jobs created.

In addition, the project will create a centre of expertise for operating and maintaining automated electric transit infrastructure. The REM's construction will be carbon neutral. Its operations will reduce GHG emissions by approximately 680,000 tonnes over 25 years.

Generating stable income through real estate

CDPQ has two subsidiaries specializing in real estate: Ivanhoé Cambridge and Otéra Capital. Through them, we are a leader in Québec real estate. Investments by these well-established companies offer the advantage of generating stable and continuous income as a result of current yields.

As at December 31, 2019, CDPQ's real estate assets in Québec totalled \$11.1 billion. The assets and commitments for both subsidiaries are detailed in Table 25, while the 10 largest Real Estate portfolio investments in Québec are shown in Table 26 on page 74.

IVANHOÉ CAMBRIDGE

Ivanhoé Cambridge develops, acquires and manages high-quality properties and real estate projects. Founded and established in Québec, the company is one of the leading owners and building managers in the province. As at December 31, 2019, it owned 41 buildings in Québec, totalling \$6.8 billion in value. Its portfolio in Québec includes six shopping centres, nine office buildings, twenty logistics and industrial buildings, three luxury hotels and two residential complexes. Its shopping centres and office buildings in Québec total almost 11 million square feet (almost one million square metres).

During the year, Ivanhoé Cambridge continued work on its Projet Nouveau Centre, to revitalize Montréal's downtown through initiatives representing investments of \$1 billion. Two components have been completed to date: renovation of the Fairmont The Queen Elizabeth hotel and construction of the Maison Manuvie. Furthermore, major transformations are underway at Place Ville Marie and Montreal Eaton Centre. Approximately \$200 million were invested in these projects.

TABLE 25

ASSETS AND COMMITMENTS IN QUÉBEC – REAL ESTATE

(as at December 31 – in millions of dollars)

	2019			2018		
	Assets	Undisbursed commitments	Assets and undisbursed commitments	Assets	Undisbursed commitments	Assets and undisbursed commitments
Shopping centres	2,945	190	3,135	3,118	308	3,426
Offices	4,899	51	4,950	4,751	105	4,856
Multiresidential	845	734	1,579	994	487	1,481
Other	2,396	41	2,437	2,421	102	2,523
Total	11,085	1,016	12,101	11,284	1,002	12,286

In both cases, one of the objectives sought by Ivanhoé Cambridge involves creating living spaces for those who work and live downtown, specifically by developing inviting restaurant spaces focused on providing a gourmet experience. As part of this initiative, Time Out Market and Le Cathcart Restaurants et Biergarten opened their doors in the Montreal Eaton Centre and Place Ville Marie, respectively. Both places offer a varied menu, with or without table service, under the supervision of several famous chefs. Furthermore, Place Ville Marie’s Esplanade was completely revitalized and the shopping gallery stores have been entirely renovated. The same applies to the Montreal Eaton Centre, which was merged with the former Complexe Les Ailes and is now home to Décathlon.

Ivanhoé Cambridge also acquired a portfolio of industrial buildings, specifically including warehouses, distribution centres and logistics buildings. Lastly, Ivanhoé Cambridge sold two properties: Carrefour de l’Estrie, a shopping centre located in Sherbrooke, and Rockhill, a housing complex in Montréal that it had renovated over the last few years.

OTÉRA CAPITAL

Otéra Capital is a leading mortgage lender in Canada that also has a presence in the United States. Among its investments, Otéra Capital finances some 210 commercial buildings in 11 regions in Québec, for a total of \$4.3 billion as at December 31, 2019. During the year, it granted about ten new loans and refinancing in Québec.

TABLE 26

**TOP TEN QUÉBEC INVESTMENTS –
REAL ESTATE PORTFOLIO**
(as at December 31, 2019)

- Édifce Jacques-Parizeau, Montréal
- Fairmont Le Château Frontenac, Québec City
- Fairview Pointe-Claire, Pointe-Claire
- Galleries d’Anjou, Montréal
- Laurier Québec, Québec City
- Le 1000 De La Gauchetière, Montréal
- Montreal Eaton Centre, Montréal
- Place Ste-Foy, Québec City
- Place Ville Marie, Montréal
- World Trade Centre Montreal, Montréal¹

1. Sold in January 2020.

Supporting Québec's entrepreneurs with Espace CDPQ

Unique in Québec, Espace CDPQ was created by CDPQ to rally partners and stakeholders around a common ambition: accelerate the growth and globalization of innovative Québec SMEs.

Based in Place Ville Marie, Espace CDPQ is home to SME coaches and investors, with fifteen venture capital companies and six organizations dedicated to the development and coaching of innovative companies. For more information on Espace CDPQ's activities and its partners, consult www.espacecdpq.com.

2019 HIGHLIGHTS

During the year, Espace CDPQ's investment partners completed 159 investments and reinvestments in Québec, including 19 co-investment transactions. Together, these companies represent \$4.4 billion in capital under management. In addition, all of Espace CDPQ's 21 partners – who have more than 1,500 companies in their portfolios – organized and held almost 6,000 business meetings and events, reaching some 25,000 visitors from the business community.

In October 2019, 19 technology companies selected by the accelerators who were part of Espace CDPQ's three regional hubs (Québec, Shawinigan and Sherbrooke) participated in the second edition of a two-day entrepreneurial boot camp. During this event, experienced entrepreneurs, business management experts and Espace CDPQ investors were able to explore new perspectives, develop relationships with investors and consider various solutions to their growth challenges. In addition to about thirty business contacts made between the companies participating and the experts, the event also helped BioIntelligence, a company based in Sherbrooke that participated in the first edition, obtain financing from Real Ventures.

Moreover, in line with the creation of Espace CDPQ | Axe IA, which stems from a strategic partnership with Mila, an artificial intelligence (AI) research institute in Québec, eight start-ups from innovative sectors benefited from about thirty technology and marketing acceleration activities. In fact, in addition to having a presence in the Axe IA shared workspace located at Mila, these companies were able to participate in technology co-development sessions with Mila's experts and meetings with entrepreneurs and AI experts. The objective of this initiative, launched in 2019, is to accelerate the marketing of new AI products.

Inspiring a strong entrepreneurial culture in Québec

The emergence of a new generation of companies is one of the keys to ensuring sustainable growth of Québec's economy. That is why we attach considerable importance to the development of entrepreneurship. To that end, we have associated with various partners over the years to implement concrete initiatives to promote entrepreneurship.

DEVENIR ENTREPRENEUR

Devenir entrepreneur — an entrepreneurship awareness initiative launched in the fall of 2015 by CDPQ, Desjardins Group and National Bank — has continued to grow. Various campaigns took place during the year. For example, the Devenir entrepreneure campaign was repeated for International Women's Day. Five discussions with entrepreneurs were also completed in video or podcast form. Popularity of the devenirentrepreneur.com platform has steadily grown since it was launched; it had almost 900,000 unique visitors in 2019. The ranks of social media subscribers also rose continuously.

SEMAINE DES ENTREPRENEURS À L'ÉCOLE

CDPQ again participated in the Semaine des entrepreneurs à l'école in 2019. This initiative, of which we are a founding partner, is organized in conjunction with teachers. The objective: Develop an entrepreneurial culture among young people and encourage them to carry out their own project. In November 2019, more than 25,000 young people from elementary school to university levels learned about the reality of being an entrepreneur. Across Québec, local entrepreneurs volunteered to facilitate in-class conferences to share their passion and experience in the field with students.

CERCLE DES GRANDS ENTREPRENEURS DU QUÉBEC

In 2019, Cercle des Grands entrepreneurs du Québec honoured six great entrepreneurs from Québec: brothers Alain, Bernard and Laurent Lemaire, Jean Coutu, Guy Laliberté and Madeleine Paquin. This initiative, launched in 2018 by CDPQ, National Bank and Desjardins Group, was created to honour and showcase great entrepreneurs whose achievements and ideals have contributed to Québec's entrepreneurial vitality and economic development. Following the tribute gala held in February 2019, an interactive exhibition detailing these entrepreneurs' achievements travelled around Québec.

COMPANIES OWNED BY WOMEN

In the same year, in addition to the various entrepreneurial activities we invested in, we put special focus on the development and growth of companies owned by women by continuing our Cheffes de file activities. This flagship initiative is intended for women entrepreneurs who are heads of companies with sales between \$5 and \$20 million. The Cheffes de file is a community of around 60 women entrepreneurs from 11 regions across Québec, fostering co-development and discussion of best practices.

We also supported other programs such as Cellules Femmessor – Croissance in various regions in Québec, and Réseau des Femmes d'affaires du Québec's Développement économique féminin, an initiative that focuses on commercializing companies owned by women.

**devenir
entrepreneur**

semaine
des entrepreneurs
à l'école



LES
CHEFFES
DE FILE

femmessor
| financing +
guidance

Contributing to the development of qualified experts and supporting local expertise

As a key player in Québec's financial industry, we specifically emphasize the development of a qualified pool of experts in the fields related to our activities, such as finance, economics, entrepreneurship and stewardship investing. We are also involved in practical training for the next generation by offering internships to a large number of students each year. Furthermore, the scale of our activities means we collaborate with numerous service providers in Québec, which contributes to developing solid local expertise.

CLOSE COLLABORATION WITH QUÉBEC'S UNIVERSITIES

Over the years, CDPQ has formed numerous partnerships with Québec's major universities. This collaboration involves funding for research chairs and the creation of training programs with various themes.

Finance and economics

A new partnership concluded in 2019 with the École des sciences de la gestion de l'Université du Québec à Montréal (ESG UQAM), jointly with Hydro-Québec and Québec's Ministère des Finances, resulted in the launching of the Chaire en macroéconomie et prévisions. Its research will be focused on understanding, explaining and better forecasting major macroeconomic events, such as recessions. Furthermore, the Chair's activities will help train the next generation of highly qualified economists.

CDPQ is the exclusive partner of ESG UQAM's Chaire Caisse de dépôt et placement du Québec en gestion de portefeuille. The Chair's objective is to train a new generation of portfolio management specialists while carrying out cutting-edge scientific research, specifically regarding derivative financial instruments, corporate finance, international investment management and FinTech (financial technology).

In addition, CDPQ partners with the McGill International Portfolio Challenge and ESG UQAM's Salle des marchés.

Entrepreneurship

During 2019, CDPQ joined forces with Université de Sherbrooke to launch the CDPQ – Stratégies d'expansion program, whose objective is to support technology companies, fostering their growth and globalization. Their managers will receive tools, training and tailored coaching for 18 to 24 months, in addition to having access to Espace CDPQ partners.

CDPQ is also a founding partner of the Académie de la relève entrepreneuriale–CDPQ at Université Laval; its first phase ended in 2019 after having supported three cohorts with a total of 32 entrepreneurs. The second phase of this free program, worth \$20,000, was launched in 2020.

CDPQ also partners with PortailCoop – HEC Montréal, the largest digital library in the world dealing with cooperatives and mutuals, as well as HEC Montréal's Programme en entrepreneuriat : culture, médias et divertissement and Université du Québec à Trois-Rivières' Carrefour d'entrepreneuriat et d'innovation.

Artificial intelligence

CDPQ is a founding partner of HEC Montréal's Creative Destruction Lab – Montréal. This program for technology start-ups with high growth potential focuses on the data science and artificial intelligence sector. It consists of mentorships with experienced entrepreneurs and angel investors.

Stewardship Investing

CDPQ supports research on responsible investing at Concordia University, Université de Sherbrooke and Polytechnique Montréal. The research studies the implementation methods for the United Nations' Principles for Responsible Investment (PRI), including the main emerging risks under the World Economic Forum's definition.

Other fields

Since 2018, the Fonds CDPQ pour la relève journalistique provides the opportunity for ten young journalists or students to receive a \$10,000 scholarship and a paid internship in professional media, with a portion devoted to economics and finance.

Internships

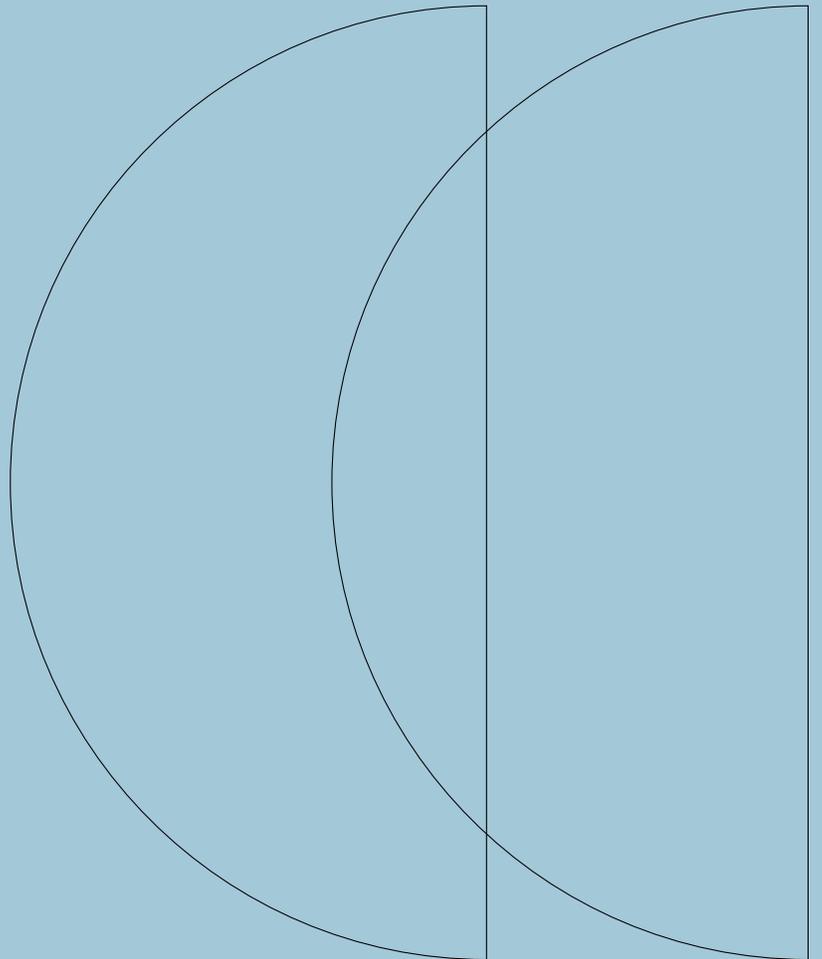
CDPQ employs numerous students as part of our internship program in finance and other key sectors. In 2019, we hired 204 students and interns for periods ranging from four to eight months, an increase of nearly 28% compared to the previous year.

A LARGE NETWORK OF SUPPLIERS IN QUÉBEC

CDPQ and its subsidiaries use the services of many Québec companies in carrying out our activities. This requires the support of more than 2,200 suppliers that have a business establishment in Québec. In 2019, expenditures in Québec by CDPQ and its subsidiaries, including CDPQ Infra, increased in comparison to 2018, reaching more than \$2 billion.

As stipulated in 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.

Reports of the Board of Directors and Board Committees



Report of the Board of Directors

HIGHLIGHTS

1

Monitored the activities of the special selection committee to choose the new President and Chief Executive Officer.

2

Reviewed and confirmed CDPQ's strategic directions.

3

Regularly monitored progress on the construction of the Réseau express métropolitain (REM).

THE BOARD OF DIRECTORS

MANDATE

The mandate of the Board of Directors includes ensuring that the organization takes the necessary measures to attain the objectives stated in its mission, and that CDPQ is managed in compliance with the provisions of its incorporating act and regulations.

For a full description of the mandate of the Board of Directors, consult the Governance section of CDPQ's website (www.cdpq.com).

COMPOSITION (AS AT DECEMBER 31, 2019)

As at December 31, 2019, the Board consisted of 14 members out of a maximum of 15. During the year, the Government of Québec, after having consulted the Board, appointed as independent members Ravy Por, Leader – Partnerships and Outreach, Advanced Analytics at Desjardins Group; Maria S. Jelescu Dreyfus, Chief Executive Officer and Founder of Ardinall Investment Management; Lynn Jeannot, Corporate Director and Alain Côté, Corporate Director. The Government of Québec also confirmed renewal of the mandates of Diane Lemieux, President and Chief Executive Officer of the Commission de la construction du Québec and Jean La Couture, Corporate Director and President of Huis Clos Ltée.

DIRECTOR COMPENSATION

The compensation of CDPQ's directors is determined by an order-in-council of the Government of Québec. Their compensation for 2019 is provided in Table 28 on page 81. The directors are also entitled to be reimbursed for their travel and living expenses.

COMPENSATION OF THE CHAIRMAN OF THE BOARD

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

ACTIVITY REPORT

Strategic directions

The Board reviewed and approved CDPQ's strategic directions as well as the strategic priorities of each team.

During the year, the Board also:

- Alongside senior management, reviewed various economic and financial scenarios that could have an impact on the evolution of CDPQ's strategy.
- Regularly monitored the results and risks associated with the strategies, at each step in their deployment.

The Board also adopted CDPQ's business plan and annual budget and received regular progress reports from senior management.

TABLE 27

DIRECTOR ATTENDANCE AT BOARD AND COMMITTEE MEETINGS IN 2019¹

Directors	Board of Directors		Audit Committee		Investment and Risk Management Committee		Human Resources Committee	Governance and Ethics Committee	
	6 reg.	9 spec.	6 reg.	2 spec.	6 reg.	3 spec.	7 reg.	6 reg.	1 spec.
Elisabetta Bigsby	5/5	5/8	–	–	–	–	6/6	–	–
Ivana Bonnet-Zivcevic	6	6	–	–	–	–	7	–	–
Sylvain Brosseau	6	9	–	–	6	3	7	–	–
Alain Côté	2/2	2/2	1/1	0/0	–	–	–	–	–
Patricia Curadeau-Grou	2/2	2/3	–	–	2/2	2/2	–	–	–
Michel Després	5	6	–	–	–	–	–	–	–
Gilles Godbout	6	9	6	2	6	3	–	–	–
Lynn Jeannot	0/0	0/0	–	–	–	–	0/0	–	–
Maria S. Jelescu Dreyfus	1/1	0/1	–	–	1/1	0/0	–	–	–
François Joly	6	9	6	2	6	3	–	–	–
Jean La Couture	6	9	–	–	6	3	–	–	–
Diane Lemieux	6	9	–	–	–	–	–	–	–
Wendy Murdock	5	8	–	–	6	3	–	6	1
Ravy Por	2/2	2/2	–	–	–	–	–	2/2	0/0
François R. Roy	6	9	6	2	–	–	–	6	1
Michael Sabia	6	9	–	–	–	–	–	–	–
Robert Tessier	6	9	–	–	–	–	7	6	1

1. Directors justify their absences from regular meetings of a Committee or the Board to CDPQ's Secretariat. During 2019, directors were not able to attend certain meetings, due mainly to health reasons or to obligations related to family or work commitments.

TABLE 28

COMPENSATION PAID TO INDEPENDENT DIRECTORS UNDER ORDER-IN-COUNCIL¹

(in dollars)

Directors	Annual compensation	Compensation as Committee Chair	Attendance fees	Total compensation
Elisabetta Bigsby	17,121	5,352	14,322	36,795
Ivana Bonnet-Zivcevic ²	19,777	830	18,027	38,634
Sylvain Brosseau	19,777	–	28,644	48,421
Patricia Curadeau-Grou	5,091	–	7,286	12,377
Alain Côté	6,830	–	3,736	10,566
Gilles Godbout	19,777	–	19,969	39,746
François Joly ³	19,777	6,182	32,318	58,277
Jean La Couture ²	19,777	6,182	22,199	48,158
Wendy Murdock	19,777	–	25,904	45,681
Ravy Por	6,830	–	4,670	11,500
François R. Roy	19,018	5,945	26,838	51,801
Total	173,552	24,491	203,913	401,956

1. In accordance with the terms of the Order-in-Council:

- The compensation includes an increase.
- The attendance fee for each special Board or Committee meeting of short duration, held by conference call, is half of the attendance fee allowed for a regular meeting.
- Members who are retired from the public sector receive total reduced compensation.

2. These directors received attendance fees for attending a meeting of CDPQ's Selection Committee.

3. This director received attendance fees for attending the Audit Committee meetings of CDPQ's real estate subsidiaries.

Report of the Board of Directors (continued)

Financial results, internal controls and management systems

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

- Reviewing the quarterly financial statements and approving the consolidated financial statements as at June 30 and December 31.
- Evaluating the integrity of all controls applied to data used to prepare the financial statements and related notes.
- Reviewing the returns of the investment units and approving the news releases announcing the annual financial results and the semi-annual update.
- Reviewing and approving CDPQ's Annual Report.
- Approving the review of the External Auditor Independence Policy and the Internal Audit Charter.
- Approving the review of the Fair Value Measurement Policy.
- Approving the review of the Policy – Tax Management.
- Monitoring progress in technology projects to upgrade financial information systems and their security.
- Reviewing and approving delegations of authority.

See the Report of the Audit Committee on page 84 for more information on the responsibilities discharged by the Committee and the Board.

Investment and risk management

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

- Approved, on the Committee's recommendation, investment proposals under its authority, taking into account, among other things, the impact of each one on the level and concentration of risk in the specialized portfolio in question and in CDPQ's overall portfolio.
- Monitored progress on the construction of the Réseau express métropolitain (REM).
- Approved changes to the investment policies of certain specialized portfolios.
- Approved changes to the Integrated Risk Management Policy and to the governance of the decision-making process.

- Monitored the foreign currency hedging management plan.
- Approved changes to the investment policies, including:
 - the market risk limits of the specialized portfolios and CDPQ's overall portfolio;
 - changes to the benchmark indexes and the performance objectives of the specialized portfolios and major mandates; and
 - the limits on the use of derivative financial instruments and on concentration.
- Approved liquidity risk oversight and ensured that CDPQ's overall strategy for managing this risk was followed.

For all the activities of the Board and the Investment and Risk Management Committee, see the Report of the Investment and Risk Management Committee on page 105.

Corporate governance

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

- Evaluated its own operations and that of its committees as well as the performance of each chair.
- Reviewed the composition of its committees.
- Approved the expertise and experience profile of each of its independent members.
- Approved changes to the Donations and Sponsorships Policy.
- Reviewed the Code of Ethics and Professional Conduct applicable to officers and employees of CDPQ.
- Appointed members to the Boards of Directors of the real estate subsidiaries.

In addition, the Board has reviewed ethics and governance practices at Ivanhoé Cambridge and Otéra Capital.

Orientation and continuing education

The Board recognizes the importance of providing its members with the necessary training and support to enable them to carry out their role in accordance with the provisions of the Act respecting the Caisse de dépôt et placement du Québec and the mandate of the Board of Directors, and in line with best practices. CDPQ deploys an orientation process as soon as a new director is appointed to facilitate the director's integration and to allow him or her to become familiar with the role, the requirements of the related duties and the strategic orientations of the organization. This process includes:

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

At Board and committee meetings, as well as at Board-related events, directors attend presentations by CDPQ representatives and, from time to time, by outside representatives on topics relevant to CDPQ's activities and strategic priorities. CDPQ also encourages participation in training sessions offered by various external organizations and shares recommended publications with administrators.

In 2019, directors received training on various subjects, including:

- The economy
- Governance and ethics
- Cybersecurity
- Artificial intelligence and new technologies
- Stewardship investing and climate change
- Innovation
- Risk management

See the Report of the Governance and Ethics Committee on page 87 for more information on the responsibilities discharged by the Committee and the Board regarding governance and ethics.

Supervision of senior management and human resources management

At the beginning of the year and with assistance from the Human Resources Committee, the Board approved the detailed objectives of Michael Sabia, President and Chief Executive Officer, for 2019 and reviewed his performance and total compensation conditions.

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

In addition, the Board approved, on the recommendation of the Human Resources Committee, senior management appointments. At the beginning of the year, the Board approved the appointment of Charles Emond as Executive Vice-President, Québec and Global Strategic Planning. Mr. Emond was subsequently appointed President and Chief Executive Officer of CDPQ in early 2020. During the year, the Board approved giving Mr. Emond additional responsibility for International Private Equity. He therefore became Executive Vice-President, Québec, Private Equity and Strategic Planning. This appointment followed the departure of Stephane Etroy, who held the position of Executive Vice-President, International Private Equity. In addition, the Committee reviewed and recommended to the Board of Directors the appointment of Martin Coiteux as Chief Economist.

In 2019, the Board, on the recommendation of Robert Tessier, Chairman of the Board, approved the establishment of a special committee to select a successor to Michael Sabia as President and Chief Executive Officer. This process led to the appointment of Charles Emond to this role for a five-year mandate commencing February 1, 2020. In collaboration with the Human Resources Committee, the Board established the compensation and employment conditions of the new President and Chief Executive Officer, based on parameters set by the government, as well as his objectives for 2020.

See the Report of the Human Resources Committee on page 89 for more information on the responsibilities discharged by the Committee and the Board.

Report of the Audit Committee

HIGHLIGHTS

1

Reviewed and monitored preparation of the financial statements.

2

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

3

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

THE AUDIT COMMITTEE

MANDATE

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

For a complete description of the Committee's mandate, consult the Governance section of CDPQ's website (www.cdpq.com).

COMPOSITION (as at December 31, 2019)

The composition of the Committee was reviewed in 2019.

The Committee consisted of three independent members, including professionals with accounting or financial expertise as well as the experience and knowledge required to read and understand financial statements and to fulfill their roles properly.

- Chair: François Joly (guest member at meetings of the Investment and Risk Management Committee)
- Members: Gilles Godbout, Alain Côté and François R. Roy (whose mandate expired on December 16, 2019)

The Chairman of the Board attends the Committee meetings.

ACTIVITY REPORT

Number of meetings in 2019: 8

Financial reporting

In 2019, the Committee fulfilled its financial reporting responsibilities, which included the following:

- Reviewed various aspects of the financial statements with the Finance group and the co-auditors, being the Auditor General of Québec and EY, including:
 - The process used to prepare financial statements;
 - The valuation of investments;
 - Treasury items, including liquidity, leverage and financing; and
 - The confirmation that an audit of returns had been performed by an external firm to ensure that their calculation and presentation comply with industry standards.
- Reviewed the quarterly results, budget monitoring reports and year-end budget estimates.
- Revised disclosures of operating expenses and external management fees.

- Reviewed the report on the financial certification process that enables the President and Chief Executive Officer and the Executive Vice-President and Chief Financial and Operations Officer to certify publicly that the disclosure controls and procedures and the internal financial reporting controls are adequate and effective.
- Recommended that the Board adopt the consolidated financial statements as at June 30 and December 31.
- Reviewed preparatory work on the Annual Report and the news releases announcing CDPQ's financial results.
- Arranged for the Chair of CDPQ's Audit Committee to attend meetings of the real estate subsidiaries' audit committees and reviewed the committees' annual activity reports.
- Discussed with the co-auditors their reports following the interim review as at June 30 and the audit as at December 31.
- Discussed with the co-auditors their plan for auditing CDPQ's financial statements and their internal quality control procedures.
- Reviewed and recommended to the Board an update to the External Auditor Independence Policy, monitored its application and approved EY's fees.
- Reviewed and recommended to the Board an update to the Fair Value Measurement Policy.
- Approved and updated the Liquidity Contingency Plan.
- Held regular discussions with the Executive Vice-President and Chief Financial and Operations Officer without the presence of other members of senior management.
- Met regularly with the co-auditors to discuss various aspects of their mandate without the presence of senior management.

Internal audit

In 2019, the Committee confirmed the appointment of Marylène Roy as Vice-President, Internal Audit.

During the year, the Committee carried out the following activities with the Internal Audit group:

- Reviewed and approved the 2019–2021 Internal Audit Plan.
- Revised and recommended to the Board an update to the Internal Audit Charter.
- Reviewed Internal Audit's progress reports prepared under the Internal Audit Plan to address such matters as internal control mechanisms, risk management processes and optimal use of resources.
- Monitored the implementation of Internal Audit's recommendations by CDPQ senior management.
- Monitored activities carried out by the internal audit units of the real estate subsidiaries.
- Reviewed the results of the institution's continuous audit program.
- Validated that the Internal Audit team was able to act independently from CDPQ senior management.
- Held periodic discussions with the Vice-President, Internal Audit, without the presence of senior management.

Report of the Audit Committee (continued)

Internal controls and plan for the optimal use of resources

The Committee reviewed many aspects of internal controls and the optimal use of resources in 2019. It carried out the following activities:

- Reviewed the plan to ensure optimal use of resources and monitored and analyzed the effects of all the activities implemented under the plan.
- Reviewed the results from work to assess the design and effectiveness of internal financial reporting controls and disclosure controls and procedures, including those of the real estate subsidiaries and CDPQ Infra.
- Monitored technological projects to update financial reporting systems.
- Monitored international tax management activities, revised and recommended to the Board the updated Policy – Tax Management.
- Reviewed the results of the evaluation carried out by members addressing the effectiveness of Committee operations.
- Reviewed and recommended to the Board changes in delegations of authority.

Risk management

The Investment and Risk Management Committee helped the Audit Committee fulfill its duty to implement a risk management process. The Committee therefore carried out the following activities to monitor investment and risk management work:

- Discussed with the Executive Vice-President, Legal Affairs and Secretariat:
 - Reports on compliance with the Act respecting CDPQ, depositors' investment policies and the specialized portfolios' investment policies.
 - Reports on legal proceedings involving CDPQ or its real estate subsidiaries.
- Received copies of the Investment and Risk Management Committee's minutes of meetings.
- Arranged for the Chair of the Audit Committee to attend the meetings of the Investment and Risk Management Committee.

USE OF EXTERNAL EXPERTS

The Audit Committee did not use the services of external experts in 2019. It nevertheless endorsed senior management's use of external firms for an independent review of the fair value of certain investments.

Report of the Governance and Ethics Committee

HIGHLIGHTS

1

Reviewed the performance evaluation process used for the Board.

2

Reviewed the Codes of Ethics and Professional Conduct of CDPQ and its real estate subsidiaries.

GOVERNANCE AND ETHICS COMMITTEE

MANDATE

The Committee ensures that CDPQ adheres to the highest standards of governance and ethics. For a full description of the Governance and Ethics Committee's mandate, consult the Governance section of CDPQ's website (www.cdpq.com).

COMPOSITION (as at December 31, 2019)

The composition of the Committee was reviewed in 2019.

It consisted of three independent members:

- Chair: Robert Tessier
- Members: Wendy Murdock and Ravy Por

François R. Roy served as Chair of the Committee until December 16, 2019, when his term expired.

ACTIVITY REPORT

Number of meetings in 2019: 7

Composition of the Board and its committees

- Reviewed the composition of the Board and recommended the renewal of the mandates of one independent member and one non-independent member, as well as the appointment of four independent members.
- Reviewed the composition of the committees and made a recommendation to the Board.

Activities of the Board and its committees

- Appointed members to the Boards of Directors of the real estate subsidiaries.
- Reviewed the performance evaluation process used for the Board, its chairman, the committees and their chairs, including directors' self-assessments; analyzed the results and made recommendations to improve certain processes, as necessary.
- Reviewed an orientation program for new directors designed to ensure the harmonious and swift integration of new members onto the Board of Directors.
- Reviewed the mandates of the Board of Directors and its committees.
- Analyzed the results of a report by the Institute for Governance of Private and Public Organizations on the governance of Crown corporations, which made recommendations on improvements in certain areas.
- Obtained assurance that the Board had all the information and time required to analyze issues affecting CDPQ.
- Maintained a program involving presentations and discussions outside the formal framework of Board meetings, to allow directors to discuss matters among themselves and with senior management.
- Verified throughout the year that discussion sessions are held in each committee and by the Board without the presence of senior management.

Report of the Governance and Ethics Committee (continued)

Rules of ethics and professional conduct

Regarding rules of ethics and professional conduct, the Committee's activities included the following:

- Reviewed the Code of Ethics and Professional Conduct applicable to officers and employees of CDPQ and reviewed the report on how the rules on ethics and professional conduct were being applied at CDPQ.
- Reviewed the Codes of Ethics and Professional Conduct applicable to employees and officers of the real estate subsidiaries, with a view to harmonizing them with CDPQ's Code.
- Reviewed the Code of Ethics and Conduct for Directors.
- Reviewed the report on the annual process of declarations of director interests.
- Reviewed the rules on declarations of interests, verified that the declarations complied with the provisions in effect, and transmitted the declarations to the authorities designated under the Act respecting CDPQ.
- Reviewed reports on transactions involving securities of companies that have ties with CDPQ directors.

CDPQ activities

- Reviewed the Donations and Sponsorships Policy.
- Reviewed the report on donation and sponsorship activities during the year.
- Studied the reports on stewardship investing activities.
- Studied the report on designating members to the Boards of Directors of companies in which CDPQ invests.

USE OF EXTERNAL EXPERTS

The Governance and Ethics Committee did not use the services of external experts in 2019.

Report of the Human Resources Committee

HIGHLIGHTS

1

Reviewed the updated talent management process to ensure a strong and engaged succession.

2

Revised the strategy and monitoring of diversity and inclusion activities.

3

Revised the expanded employee training program focused on key future competencies for CDPQ.

HUMAN RESOURCES COMMITTEE

MANDATE

The mandate of the Human Resources Committee is to review the orientations and strategies used by CDPQ to manage its human resources, including performance evaluation, succession planning and executive compensation, as well as its general human resources management practices. For a full description of the mandate of the Human Resources Committee, please consult the Governance section of CDPQ's website (www.cdpq.com).

COMPOSITION (as at December 31, 2019)

The Committee is composed of four independent members:

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

ACTIVITY REPORT

Number of meetings in 2019: 7

President and Chief Executive Officer

The Committee reviewed Michael Sabia's objectives for 2019 as President and Chief Executive Officer and recommended that the Board of Directors approve them. Furthermore, the Committee reviewed the performance evaluation and total compensation conditions for the President and Chief Executive Officer and recommended them to the Board of Directors for approval.

Senior executives

Two major appointments were made at the beginning of 2019. The Committee reviewed and recommended to the Board of Directors the appointment of Martin Coiteux as Chief Economist and Charles Emond as Executive Vice-President, Québec and Global Strategic Planning. During the year, the Committee approved giving Mr. Emond additional responsibility for International Private Equity. He therefore became Executive Vice-President, Québec, Private Equity and Strategic Planning. This appointment followed the departure of Stephane Etroy, who held the position of Executive Vice-President, International Private Equity.

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

Key strategies and policies for integrated talent management

In 2019, the Committee focused on several initiatives concerning integrated talent management. In particular, the Committee reviewed:

- The updated talent management process to create a strong and engaged succession.
- The strategy on diversity and inclusion activities.
- The expanded offering of the professional development program.

Report of the Human Resources Committee (continued)

- The broader rotation program for CDPQ's young recruits.
- The performance management program for the various teams as well as variable compensation, more specifically to continue to strengthen alignment of performance management and compensation with CDPQ's strategy.
- Risk mitigation measures regarding talent management as well as talent management indicators, including indicators of gender diversity within CDPQ.

Committee operations

The Committee reviewed the results of the evaluation carried out by its members, addressing the effectiveness of the Committee's operations.

Use of external experts

In implementing the variable compensation program, the Committee and the Board used the services of Hugessen Consulting, an independent consulting firm recognized for its expertise in the compensation of pension fund personnel. The Committee takes Hugessen Consulting's recommendations into account but makes its own decisions, which may be based on information other than the firm's recommendations.

COMPENSATION POLICY

Committee's work on compensation

During 2019, the Committee, with advice from Hugessen Consulting, ensured that the Compensation Policy met its strategic objectives of paying for long-term performance, offering competitive compensation and linking the interests of management and depositors. The Committee reviewed how CDPQ's Compensation Policy was applied. It analyzed the proposed variable compensation and proposals for the application of the co-investment program and ensured that the proposals were aligned with Compensation Policy and market practices.

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

Moreover, the Committee received an update on compensation market trends with regard to salary reviews. It also discussed the salary conditions of CDPQ's employees for 2020 and recommended them to the Board for approval.

Salary freeze and postponed variable compensation

Given the exceptional economic context in 2020 related to the COVID-19 pandemic, CDPQ decided to freeze the salaries of all leaders in the organization for the current year. In addition, payment of variable compensation for 2019 performance is postponed to the third quarter of 2020. In light of this, Mr. Sabia asked for his 2019 variable compensation to also be postponed to the third quarter of 2020. These measures also apply to leaders in CDPQ's subsidiaries.

In addition, the Executive Committee postponed and co-invested the maximum possible of their variable compensation for a period of three years — until 2022 — as of January 1, 2020. These postponed amounts will rise and fall in tandem with CDPQ's returns, showing their commitment to executing the organization's mission and their full alignment with results that will be delivered to depositors.

Framework

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

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

Reference markets and compensation levels¹

For the position of President and Chief Executive Officer, the reference market consists of a sample of the seven largest Canadian pension funds, as listed in Table 33 on page 98. 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 37 organizations listed in Table 35 on page 99. 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 16 firms whose assets under management are greater than \$20 billion. The list is provided in Table 34 on page 98.

For non-investment positions, the Québec market serves as the reference, and must notably include public-sector jobs. It therefore contains a representative sample of large public- and private-sector Québec firms and financial-sector companies. The current sample comprises the 49 organizations listed in Table 36 on page 99. For these positions, total compensation must be within the third quartile (75th percentile) of the reference market.

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

In 2019, CDPQ retained the services of Willis Towers Watson for benchmarking its reference markets and engaged McLagan's services regarding positions outside Canada.

Strategic objectives of the Compensation Policy

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

The total Compensation Policy therefore has the following three objectives:

1. **Pay for performance:** variable compensation aligned with the returns delivered to depositors. This goal has four key components:
 - Long-term focus: to compensate sustainable performance over several years.
 - Risk-return balance: 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 individual contribution, portfolio performance or achievement of business plans, and CDPQ performance.
 - Emphasis on CDPQ's overall perspective, with greater emphasis on employees' contributions to CDPQ's strategic priorities and overall performance, with a greater weighting on leadership and targeted behaviours and a component tied to reducing the overall portfolio's carbon intensity.
2. **Offer competitive compensation:** to attract, motivate and retain employees with experience and expertise that allow CDPQ to achieve its strategic objectives, within the guidelines in the Internal Bylaw, as described above.
3. **Link the interests of management and depositors:** to ensure that their individual and team efforts are conducive to CDPQ's long-term success.

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

Report of the Human Resources Committee (continued)

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

Components of total compensation

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

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

Base salary

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

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

For 2019, the Board of Directors approved the following recommendations made by CDPQ’s senior management:

- Maintain 2019 salary scales close to the median of the reference markets, as measured by recognized external firms.

- Grant a merit increase budget, which is at the median of the market increase forecasts.

Variable compensation

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

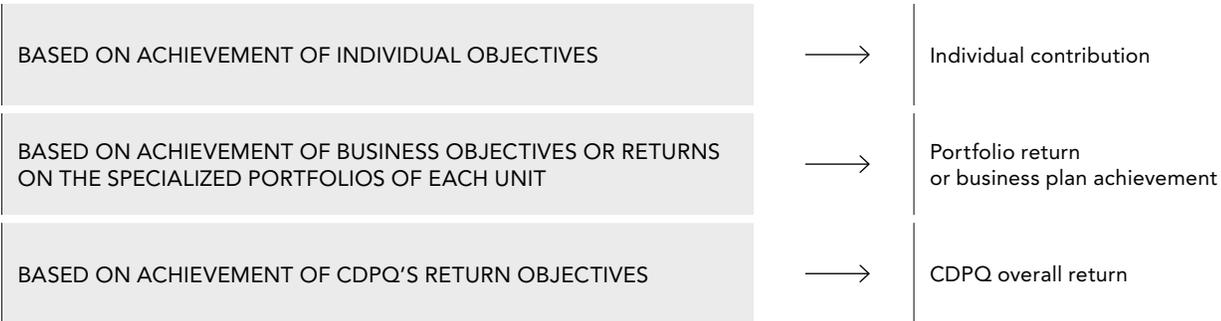
Variable compensation at CDPQ serves to recognize performance, attainment of objectives and contribution to the achievement of strategic orientations. It is an important part of employee total compensation. Accordingly, it has direct influence on the positioning of total compensation in comparison with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

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

This variable compensation program recognizes consistent performance and requires eligible employees to defer a portion of this variable compensation into a co-investment account over a three-year period (see Figure 31 on page 95). This mechanism continues to link the interests of management to those of depositors by having these amounts vary according to the absolute return generated for depositors.

FIGURE 29

VARIABLE COMPENSATION COMPONENTS



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

Components of variable compensation

Variable compensation is never guaranteed; it always depends on the evaluation of performance criteria as established by the variable compensation program. Accordingly, employees receive variable compensation based on the three components outlined in Figure 29 on page 92.

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

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

Results since 2015

Over the last 10 years, CDPQ has changed its major strategic orientations significantly. Its strategy has resulted in increasing net assets more than two and a half times over 10 years thanks to an annualized return of 9.2%.

Over the last five years, CDPQ has had major accomplishments, a good number of which have been presented in this report. The Committee presents the following highlights.

- Over five years, CDPQ has achieved an annualized return of 8.1% and investment results of \$106.0 billion. This performance is 0.9% greater than that of its benchmark index, creating \$11.0 billion in value added. In addition, the overall portfolio reacted to the market swings of late 2018 as expected.
- In 2019, with investors enjoying the longest bull market in history, CDPQ generated investment results of \$31.1 billion and a 10.4% return, below the 11.9% of its benchmark index. The -1.6% difference was largely due to the Real Estate and Infrastructure portfolios, assets that are, by definition, focused on the long term.
- In five years, CDPQ has completed investments and commitments in Québec totalling \$21.9 billion, including \$3.3 billion in 2019. It focused on the private sector, which represents \$47.6 billion, on total assets of \$66.7 billion. As a partner of over 750 Québec companies, CDPQ seeks to strengthen its impact, both on its partners and on the Québec economy, by focusing its efforts on three pillars: growth and globalization, innovation and the next generation and implementing impactful projects. It supports the new economy in Québec to help the champions of tomorrow emerge.

TABLE 30

POSITIONING OF TOTAL COMPENSATION BY POSITION TYPE

Position type	Maximum total compensation under the Bylaw ¹	Average positioning of the total compensation awarded in 2019 relative to the reference markets under the Bylaw
Investment positions	90th percentile	Between the 24th and 70th percentile and, on average, at the 42nd percentile
Non-investment positions	75th percentile	

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

Report of the Human Resources Committee (continued)

- For both the five-year period and for 2019, CDPQ was very active in the number of transactions completed, in addition to drawing on the main pillars of its investment strategy:
 - In Equity Markets, by adopting an absolute-return management style, which today applies to the vast majority of its portfolios, CDPQ has outperformed its benchmark index in the five-year period, generating value added of over \$5 billion.
 - In Private Equity, the decision to reduce the proportion of funds in favour of direct stakes in companies was advantageous over five years and for the year.
 - In Fixed Income, the strategic shift of activities to diversify sources of return, particularly in private credit, resulted in value added of \$3.9 billion over five years.
 - In Real Assets, over \$16 billion in infrastructure investments were made in the five-year period, and the portfolio has undergone a significant transition that has resulted in over \$11 billion in acquisitions, capital investments and sales in 2019 alone.
- Over five years, an increasingly larger share of capital was deployed internationally as CDPQ globalized its activities. Its presence in markets outside of Canada therefore increased by \$138.9 billion, with a significant increase in the United States and growth markets. To seize the most attractive investment opportunities around the world, CDPQ works with the best partners. These partnerships have resulted in the conclusion of major transactions and created innovative investment platforms.
- Lastly, CDPQ continued to take concrete action to address climate change. It is well on its way to meeting the ambitious objectives it set in 2017: reduce its carbon footprint by 25% per dollar invested by 2025 and increase its low-carbon investments by \$14 billion by the end of 2020.

2019 variable compensation

Taking into account variable compensation both paid and deferred, employees' total compensation in 2019 was slightly below the median of the reference markets for an 8.1% performance over five years.

More specifically, a study by Willis Towers Watson showed that the employees' total compensation ranked between the 24th and 70th percentiles 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 (see Table 30, page 93).

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

"We reviewed CDPQ's returns and benchmark indexes for 2019, 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 2019 return multiples, the 2015–2019 average return multiples and the 2019 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 2019 is reasonable in the prevailing market conditions and given CDPQ's performance in 2015, 2016, 2017, 2018 and 2019."

Co-investment: deferred variable compensation

The purpose of co-investment is to better align the interests of those employees with the most influence on CDPQ's financial and organizational performance with the interests of depositors over the long term. The value of the deferred and co-invested variable compensation varies — upward or downward — along with CDPQ's average absolute overall return during the deferral 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 31 on page 95 illustrates this mechanism.

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

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

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

CDPQ offers such employees the option of deferring and co-investing an additional portion of their variable compensation into the co-investment account. Since 2019, this option has been offered to all employees in Canada.

Performance units: long-term program applicable to international subsidiaries only

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

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

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.

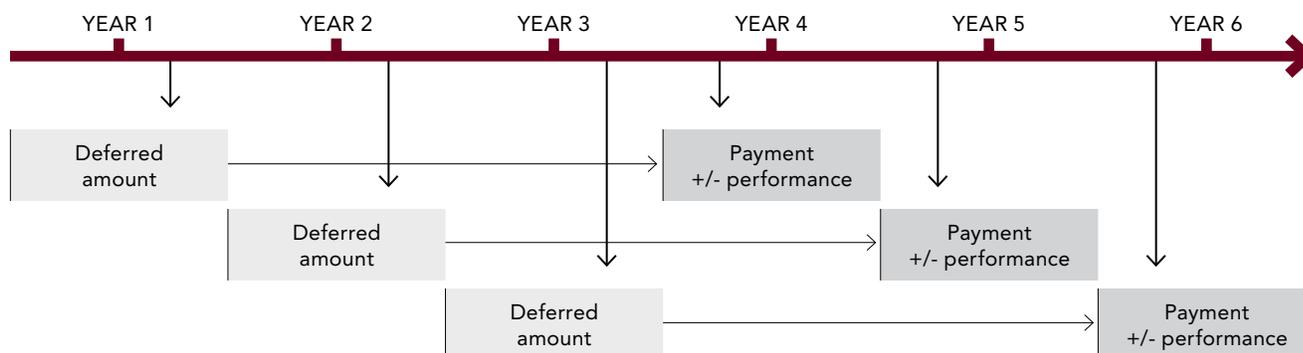
At the end of this period, the units acquired will be settled based on the achievement of performance objectives established at the time they were granted and converted into performance factors that have a threshold and a maximum cap. When the performance over five years is less than the threshold, no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

Pension plan

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

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

FIGURE 31
DEFERRED AND CO-INVESTED VARIABLE COMPENSATION



Report of the Human Resources Committee (continued)

Benefits

Employees enjoy a range of competitive benefits, including group insurance (such as medical, dental and life insurance). Moreover, senior executives benefit from specific perquisites paid as an allowance. Note that CDPQ requires senior executives to undergo annual health checkups.

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

Performance review

At the beginning of 2019, the Committee recommended to the Board a series of non-financial individual objectives proposed by the President and Chief Executive Officer. A series of major business objectives aimed to achieve targets aligned with CDPQ's strategy and business plan.

- An initial major objective involved pursuing the implementation of CDPQ's investment strategy by seizing and creating opportunities that would benefit overall performance, particularly by continuing to increase partnership development activities, to strengthen the diversification of asset classes and regions and to focus on the efficiency of the collaborative decision-making process.
- A second objective included investing in the development of talent to foster succession planning at all levels in the organization, including his own successor.
- A third objective was to ensure the deployment of the investment strategy to address climate change, particularly in assuring that the strategy contributes to the transition toward a low-carbon economy, while seizing the resulting profitable investment opportunities.
- A fourth objective consisted of maximizing CDPQ's impact in Québec by supporting solid and promising Québec companies, notably by increasing activities to support the development of the new Québec economy, by undertaking impactful projects to energize Québec's economy, including monitoring the Réseau express métropolitain (REM) project.

Following the evaluation process for these objectives, the Board determined that the President and Chief Executive Officer had surpassed the objectives that he had been given at the beginning of the year and that his performance during 2019 greatly exceeded their expectations of him.

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.

In accordance with his request, Mr. Sabia has received no salary increase since he was appointed in 2009. In 2019, his base salary remained unchanged at \$500,000.

The President and Chief Executive Officer's annual variable compensation was determined on the basis of the same three components as in 2018, presented in Figure 32 on page 97.

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. In light of Mr. Sabia stepping down, the co-investment was not applied to his variable compensation in 2019, as the balance of the co-investment account automatically becomes payable.

This year, the component linked to CDPQ's overall return corresponds to the return over the five-year period from 2015 to 2019. The annualized return for this period is 8.1%, with \$11.0 billion of value added in relation to the benchmark portfolio. This return represents solid performance over five years.

As for the component based on the organization's objectives, in the past five years under Mr. Sabia's leadership, CDPQ:

- Pursued the investment strategy that focuses on quality through globalization, the creation of long-term partnerships, absolute-return management, less-liquid assets and credit activities.
- Continued to build an overall resilient portfolio, meaning one that performs well when markets are turbulent while also mitigating risk.

- Continued supporting Québec companies in their growth, notably internationally, and investing in the new Québec economy, with many transactions during the year and with the close monitoring of the work under way on the various branches of the REM.
- Strengthened post-investment asset management and value.
- Reviewed the governance model for CDPQ subsidiaries.
- Continued deploying the investment strategy to address climate change with the conclusion of transactions in renewable energy and sustainable industry, and with the launch of an alliance of investors supported by the United Nations to achieve carbon-neutral portfolios by 2050. Through the strong leadership he exemplified, Mr. Sabia allowed CDPQ to join the ranks of institutional investors that are leading on ESG matter at the international level.

To conclude, Michael Sabia was a motivational leader who rallied CDPQ's teams around a shared vision. He mobilized teams that continued to deploy CDPQ's strategy to generate solid results in the long term. The Committee and the Board believe that Mr. Sabia delivered remarkable performance that has greatly surpassed the objectives that were set for him.

The Board of Directors have awarded him variable compensation of \$3,857,000. As indicated previously, the payment of this variable compensation is postponed to the third quarter of 2020. In light of Mr. Sabia stepping down, and pursuant to the variable compensation program, his co-investment account will be fully disbursed, including the credited returns as at December 31, 2019.

The other employment conditions to which Mr. Sabia 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.

When he was appointed in 2009, Mr. Sabia waived membership in any pension plan. He also waived any severance pay, regardless of cause. Even so, given that membership in the basic pension plan is mandatory under the provisions of the Pension Plan of Management Personnel (PPMP, under *Retraite Québec* rules), Mr. Sabia is obligated to be a member despite his waiver. In 2019, contributions to the mandatory basic plan represented an annual cost to CDPQ of \$19,394.

Appointment of Charles Emond as President and Chief Executive Officer

The Board appointed Charles Emond as President and Chief Executive Officer effective February 1, 2020. The compensation and other employment conditions of the President and Chief Executive Officer are based on parameters set by the government after consultation with the Board of Directors.

Mr. Emond's annual base salary was set at \$550,000. The other employment conditions to which Mr. Emond is entitled are aligned with CDPQ's policies and comply with its Internal Bylaw. He receives \$40,000 in perquisites and is a member of CDPQ's Employee Group Insurance Plan.

FIGURE 32

VARIABLE COMPENSATION COMPONENTS OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

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

Report of the Human Resources Committee (continued)

In terms of variable compensation, 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.

Mr. Emond participates in the basic pension plan under the Pension Plan of Management Personnel (PPMP) and, like the members of senior management, has participated in the Supplemental Pension Plan for Designated Officers (SPPDO) since being hired.

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

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

Compensation of the President and Chief Executive Officer and the five most highly compensated executives for 2017–2019

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

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

Pursuant to the Act respecting the Caisse de dépôt et placement du Québec, CDPQ discloses, for itself and its wholly owned subsidiaries, the compensation of the President and Chief Executive Officer as well as that of the five most highly compensated executives reporting directly to him (see Table 37, page 100).

TABLE 33

REFERENCE MARKET – PRESIDENT AND CHIEF EXECUTIVE OFFICER

<ul style="list-style-type: none"> • Alberta Investment Management Corporation (AIMCo) • British Columbia Investment Management Corporation (BCI) 	<ul style="list-style-type: none"> • CPP Investments • Healthcare of Ontario Pension Plan (HOOPP) • Ontario Municipal Employees Retirement System (OMERS) 	<ul style="list-style-type: none"> • Ontario Teachers' Pension Plan (OTPP) • Public Sector Pension Investment Board (PSP Investments)
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TABLE 34

REFERENCE MARKET – INVESTMENT EXECUTIVE VICE-PRESIDENT POSITIONS

<ul style="list-style-type: none"> • Addenda Capital • Alberta Investment Management Corporation (AIMCo) • British Columbia Investment Management Corporation (BCI) • Canada Post Pension Plan • Connor, Clark & Lunn Financial Group • CPP Investments 	<ul style="list-style-type: none"> • Desjardins Global Asset Management • Healthcare of Ontario Pension Plan (HOOPP) • Hydro-Québec Pension Plan • iA Financial Group • Investment Management Corporation of Ontario (IMCO) 	<ul style="list-style-type: none"> • Ontario Municipal Employees Retirement System (OMERS) • Ontario Teachers' Pension Plan (OTPP) • Public Sector Pension Investment Board (PSP Investments) • Sun Life Financial • Workplace Safety and Insurance Board (Ontario)
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TABLE 35

REFERENCE MARKET – INVESTMENT POSITIONS

- Addenda Capital
- Air Canada Pension Plan
- Alberta Investment Management Corporation (AIMCo)
- Alberta Teachers' Retirement Fund Board
- ATB Financial
- Axiom Infrastructure
- Bimcor
- British Columbia Investment Management Corporation (BCI)
- Canada Post Pension Plan
- CN Investment Division
- Connor, Clark & Lunn Financial Group
- CPP Investments
- CWB Wealth Management
- Desjardins Global Asset Management
- Economical Insurance
- Export Development Canada (EDC)
- Fiera Capital Corporation
- Healthcare of Ontario Pension Plan (HOOPP)
- HRM Pension Plan
- Hydro-Québec Pension Plan
- iA Financial Group
- Intact Investment Management
- Investment Management Corporation of Ontario (IMCO)
- Ontario Municipal Employees Retirement System (OMERS)
- Ontario Pension Board (OPB)
- Ontario Teachers' Pension Plan (OTPP)
- OPTrust
- Public Sector Pension Investment Board (PSP Investments)
- Richardson GMP
- Richter Family Office
- Sun Life Financial
- TELUS Pension Plan
- The Civil Service Superannuation Board of Manitoba
- University of Toronto Asset Management Corporation (UTAM)
- Vestcor
- Workers' Compensation Board of Alberta
- Workplace Safety and Insurance Board (Ontario)

TABLE 36

REFERENCE MARKET – NON-INVESTMENT POSITIONS

- AbbVie Canada
- Addenda Capital
- Aimia
- Air Canada
- Alcoa
- Bell Canada
- BMO
- Bombardier
- Bombardier Aerospace
- Bombardier Transportation
- Broadridge Financial Solutions
- Canadian National Railway Company
- CGI
- CIBC Mellon
- Cirque du Soleil
- CN Investment Division
- Cogeco
- Cominar Real Estate Investment Trust
- Desjardins Group
- Énergir
- Fonds de Solidarité FTQ
- GE Canada
- Hydro-Québec
- iA Financial Group
- IBM Canada
- Intact Financial Corporation
- Intact Investment Management
- Kruger
- La Capitale Financial Group
- Laurentian Bank
- Loto-Québec
- Manulife Financial
- Merck Canada
- Molson Coors Beverage Company
- Northbridge Financial Corporation
- Pfizer Canada
- Power Corporation of Canada
- Public Sector Pension Investment Board (PSP Investments)
- Québecor
- RGA Canada
- Rio Tinto
- Royal Bank of Canada
- Saputo
- SSQ Insurance
- TELUS
- TMX Group
- UAP
- VIA Rail Canada
- Yellow Pages Group

Report of the Human Resources Committee (continued)

TABLE 37

SUMMARY OF THE COMPENSATION OF THE PRESIDENT AND CEO AND THE FIVE MOST HIGHLY COMPENSATED EXECUTIVES FOR 2017–2019

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

Name and main position	Year	Base salary A	Variable compensation paid for the year B	Co-investment amount for the year ¹ C	Variable compensation awarded for the year D=B+C	Pension value ² E	Other compensation ³ F	Total compensation awarded for the year G=A+D+E+F
Michael Sabia ⁴ President and Chief Executive Officer	2019	\$ 500,000	\$ 3,857,000	\$ N/A	\$ 3,857,000	\$ 20,000	\$ 48,300	\$ 4,425,300
	2018	\$ 500,000	\$ 1,320,000	\$ 1,980,000	\$ 3,300,000	\$ 20,000	\$ 48,100	\$ 3,868,100
	2017	\$ 500,000	\$ 1,160,000	\$ 1,740,000	\$ 2,900,000	\$ 20,000	\$ 48,500	\$ 3,468,500
Macky Tall Head of Liquid Markets, CDPQ President and Chief Executive Officer, CDPQ Infra	2019	\$ 500,000	\$ 593,900	\$ 1,854,100	\$ 2,448,000	\$ 90,000	\$ 42,100	\$ 3,080,100
	2018	\$ 485,000	\$ 1,113,700	\$ 811,300	\$ 1,925,000	\$ 92,200	\$ 42,000	\$ 2,544,200
	2017	\$ 445,000	\$ 978,700	\$ 646,300	\$ 1,625,000	\$ 84,600	\$ 42,300	\$ 2,196,900
Stephane Etroy ⁵ Executive Vice-President and Head of Private Equity	2019	£ 440,000	£ 1,100,000	N/A	£ 1,100,000	£ 13,200	£ 490,900	£ 2,044,100
	2018	£ 440,000	£ 591,300	£ 722,700	£ 1,314,000	£ 10,000	£ 391,700	£ 2,155,700
	2017	£ 419,000	£ 565,740	£ 691,400	£ 1,257,140	£ 9,500	£ 335,700	£ 2,021,340
Emmanuel Jaclot ⁶ Executive Vice-President and Head of Infrastructure	2019	€ 425,000	€ 22,700	€ 1,114,300	€ 1,137,000	€ 38,300	€ 6,800	€ 1,607,100
	2018	€ 248,000	€ 504,900	€ 617,100	€ 1,122,000	€ 10,000	€ 5,600	€ 1,385,600
	2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Charles Emond ⁷ Executive Vice-President, Québec, Private Equity and Strategic Planning	2019	\$ 458,000	\$ 0	\$ 2,200,000	\$ 2,200,000	\$ 87,100	\$ 36,300	\$ 2,781,400
	2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Anita M. George ⁸ Executive Vice-President and Head of Strategic Partnerships – Growth Markets	2019	INR 40,301,000	INR 0	INR 71,200,000	INR 71,200,000	N/A	INR 890,400	INR 112,391,400
	2018	INR 40,301,000	INR 25,871,400	INR 31,620,600	INR 57,492,000	N/A	INR 795,100	INR 98,588,100
	2017	INR 39,116,000	INR 24,211,000	INR 29,591,300	INR 53,802,300	N/A	INR 795,100	INR 93,713,400

- As mentioned on page 94 of this Annual Report, under the variable compensation program, senior executives must defer a minimum of 55% of their awarded variable compensation into a co-investment account. Due to the exceptional situation related to COVID-19, the members of the Executive Committee decided, at the beginning of 2020, to co-invest the maximum of the variable compensation allowed under tax law for a period of three years — i.e. until 2022 — as of January 1, 2020 (see the sidebar on page 90).
- The pension value is based on a calculation that allocates the total pension value over the period corresponding to the executive's career. This value is calculated by Willis Towers Watson.
- Amounts indicated include employer contributions to group insurance premiums, perquisites and the health care account. This category may also include other allocated amounts, depending on the executive.
- Mr. Sabia stepped down at the beginning of 2020.
- For Mr. Etroy, "Other compensation" includes the value of performance units awarded (£396,000 in 2019, £308,000 in 2018 and £252,000 in 2017) as well as an allocation of £87,500 per year. In addition to the total compensation awarded, there are temporary allowance instalments (£290,000 in 2017 and £410,000 per year since 2018) paid up to the moment he stepped down at the beginning of 2020. His compensation is presented in pounds sterling.
- For Mr. Jaclot, in addition to total compensation awarded, he receives a temporary allowance of €280,000 in annual instalments until May 2023. In addition, total compensation awarded includes compensatory amounts (€300,000 in 2019 and €300,000 in 2020). His compensation is presented in euros.
- For Mr. Emond, total compensation awarded includes compensatory amounts related to his hiring (\$713,000 in 2019, \$1,482,000 in 2020 and \$1,769,000 in 2021).
- This executive's compensation is presented in Indian rupees.

TABLE 38

SUMMARY OF THE DEFERRED AND CO-INVESTED COMPENSATION OF THE PRESIDENT AND CEO AND OF THE FIVE MOST HIGHLY COMPENSATED EXECUTIVES FOR 2016–2019

Name and main position	Fiscal year	Deferred and co-invested compensation ¹	Cumulative return at the time of payment	Previously co-invested compensation disbursed in 2019 ²
Michael Sabia President and Chief Executive Officer	2019	N/A		
	2018	\$ 1,980,000		
	2017	\$ 1,740,000		
	2016	\$ 1,740,000	\$ 362,580	\$ 2,102,580
Macky Tall Head of Liquid Markets, CDPQ President and Chief Executive Officer, CDPQ Infra	2019	\$ 1,854,100		
	2018	\$ 811,300		
	2017	\$ 646,300		
	2016	\$ 760,000	\$ 158,368	\$ 918,368
Stephane Etroy Executive Vice-President and Head of Private Equity	2019	£ N/A		
	2018	£ 722,700		
	2017	£ 691,400		
	2016	£ 350,000	£ 72,933	£ 422,933
Emmanuel Jaclot Executive Vice-President and Head of Infrastructure	2019	€ 1,114,300		
	2018	€ 617,100		
	2017	N/A		
	2016	N/A	N/A	N/A
Charles Emond Executive Vice-President, Québec, Private Equity and Strategic Planning	2019	\$ 2,200,000		
	2018	N/A		
	2017	N/A		
	2016	N/A	N/A	N/A
Anita M. George Executive Vice-President and Head of Strategic Partnerships – Growth Markets	2019	INR 71,200,000		
	2018	INR 31,620,600		
	2017	INR 29,591,300		
	2016	INR 12,500,000	INR 2,604,741	INR 15,104,741

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

Report of the Human Resources Committee (continued)

TABLE 39

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

This table summarizes the values recognized for financial statement purposes for the President and CEO and the five most highly compensated executives who participate in a defined benefit pension plan¹.

Name and main position	Years of credited service ²	Annual benefits payable ³			Supplemental plan		
		At year-end (\$)	At age 65 (\$)	Accrued obligation at start of year ⁴ (\$)	Change due to compensatory items ⁵ (\$)	Change due to non-compensatory items ⁶ (\$)	Accrued obligation at year-end ⁴ (\$)
Michael Sabia ⁷ President and Chief Executive Officer	10.8	32,700	32,700	0	0	0	0
Macky Tall Head of Liquid Markets, CDPQ President and Chief Executive Officer, CDPQ Infra	15.5	116,700	253,400	1,145,300	91,000	326,500	1,562,800
Emmanuel Jaclot Executive Vice-President and Head of Infrastructure	0.4	4,700	311,700	0	56,300	16,200	72,500
Charles Emond Executive Vice-President, Québec, Private Equity and Strategic Planning	0.9	9,200	183,300	0	115,800	26,200	142,000

- The table above presents the changes in value of the pension plan benefits for senior executives, in compliance with accounting rules. These values are presented for information purposes as the value reflected in the compensation summary is determined following current benchmarking practices. The following executives do not participate in a defined benefit pension plan: Stephane Etroy and Anita M. George.
- This is the number of years of credited service in the basic plan.
- Annual benefits equal the amount of pension payable under the basic plan and the supplemental plan at year-end or at age 65.
- The obligations do not include those of the basic plan because employer and employee contributions are remitted to Retraite Québec, which assumes the liability for the benefits. CDPQ's contribution was \$19,394 per executive in 2019.
- The change due to compensatory items includes the annual cost of pension benefits, base salary changes in relation to the salary increase assumption used, plan changes or the award of additional years of service.
- 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.
- When Mr. Sabia was appointed in 2009, he waived membership in any pension plan. Under Retraite Québec rules, however, membership in the Pension Plan of Management Personnel is mandatory, as described at www.retraitequebec.gouv.qc.ca/en/.

TABLE 40

**SUMMARY OF SEVERANCE PAY FOR THE PRESIDENT AND CEO
AND THE FIVE MOST HIGHLY COMPENSATED EXECUTIVES**

Name and main position	Precipitating event	Theoretical amount payable
Michael Sabia ¹ President and Chief Executive Officer	Contract termination	\$ 0
Macky Tall ² Head of Liquid Markets, CDPQ President and Chief Executive Officer, CDPQ Infra	Non-voluntary termination	\$ 1,250,000
Stephane Etroy ³ Executive Vice-President and Head of Private Equity	Non-voluntary termination	£ 802,000
Emmanuel Jaclot ⁴ Executive Vice-President and Head of Infrastructure	Non-voluntary termination	€ 638,000
Charles Emond ⁵ Executive Vice-President, Québec, Private Equity and Strategic Planning	Non-voluntary termination	\$ 2,500,000
Anita M. George ⁶ Executive Vice-President and Head of Strategic Partnerships – Growth Markets	Non-voluntary termination	N/A

1. When he was appointed in 2009, Mr. Sabia waived any severance pay, regardless of cause.
2. In the event of dismissal without just and sufficient cause, this executive's employment contract provides for severance equal to his annual base salary, increased by an amount equal to his annual target variable compensation and, if applicable for the current year, the amount of his target variable compensation and the average of the target variable compensation for the last three years corresponding to his responsibilities as President and Chief Executive Officer of CDPQ Infra, prorated to the months worked during the months preceding the termination of his employment.
3. In the event of dismissal without just and sufficient cause, this executive's employment contract provides for severance equal to 18 months of his annual base salary, allocation and cost of benefits and, if applicable for the current year, the benefit includes the variable compensation corresponding to the average of his variable compensation for the previous four years, prorated to the months worked during the months preceding the termination of his employment. As he resigned voluntarily, this severance is not payable.
4. In the event of dismissal without just and sufficient cause, this executive's employment contract provides for severance equal to 18 months of his annual base salary and, if applicable for the current year, the variable compensation corresponding to the average of the variable compensation of the last four years, prorated to the months worked during the months preceding the termination of his employment.
5. This executive's employment contract when hired as Executive Vice-President sets out severance in the event of dismissal without just and sufficient cause of \$2,500,000.
6. This executive's employment contract does not provide special conditions related to the termination of her employment.

Report of the Human Resources Committee (continued)

TABLE 41

REFERENCE MARKETS AND CDPQ TOTAL COMPENSATION FOR 2019 FOR THE PRESIDENT AND CEO AND THE FIVE MOST HIGHLY COMPENSATED EXECUTIVES¹

Main position	Maximum total compensation based on reference market ²	Total compensation awarded in 2019 ³
President and Chief Executive Officer	\$ 6,029,000	\$ 4,425,300
Head of Liquid Markets, CDPQ		
President and Chief Executive Officer, CDPQ Infra	\$ 4,862,000	\$ 3,080,100
Executive Vice-President and Head of Private Equity ⁴	£ 5,663,000	£ 2,044,100
Executive Vice-President and Head of Infrastructure ⁴	€ 3,561,000	€ 1,607,100
Executive Vice-President, Québec, Private Equity and Strategic Planning ⁵	\$ 3,807,000	\$ 2,781,400
Executive Vice-President and Head of Strategic Partnerships – Growth Markets ⁶	N/A	N/A

1. Willis Towers Watson, *Compensation of the President and Chief Executive Officer Study and Global Market Compensation Study*, Caisse de dépôt et placement du Québec, 2019.
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 2019 (Table 37, column G). This compensation was awarded for an 8.1% five-year annualized net return (2015 to 2019).
4. With limited market data, the maximum total compensation based on the reference market does not include the pension component or any form of "carried-interest" variable compensation program.
5. The reference market for this executive was indicated based on his responsibilities in 2019.
6. Due to the nature of this position, market data are not available.

Report of the Investment and Risk Management Committee

HIGHLIGHTS

1

Reviewed risk-return reports.

2

Reviewed reports on specialized portfolio reporting.

THE INVESTMENT AND RISK MANAGEMENT COMMITTEE

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

MANDATE

The Committee's mandate is to ensure that risk management policies are in place with the objective of achieving an optimal risk-return relationship. For a complete description of the Committee's mandate, consult the Governance section of CDPQ's website (www.cdpq.com).

COMPOSITION (as at December 31, 2019)

The composition of the Committee was reviewed in 2019.

It consisted of five independent members:

- Chair: Jean La Couture
- Members: Sylvain Brosseau, Gilles Godbout, Maria S. Jelescu Dreyfus and Wendy Murdock
- Guest member: François Joly, Chair of the Audit Committee

The Chairman of the Board attends the Committee meetings.

ACTIVITY REPORT

Number of meetings in 2019: 9

The Committee introduced various mechanisms to provide the Audit Committee and the Board with the necessary assurance regarding the implementation of a risk management process. The Committee:

- Provided a report on its activities to the Board after each meeting.
- Made copies of its minutes available to the Audit Committee and the Board.
- Invited the Chair of the Audit Committee to attend each meeting.

Risk management guidelines and policies

In 2019, the Committee fulfilled its responsibilities in ways that included the following:

- Reviewed reports on specialized portfolio reporting.
- Reviewed and recommended to the Board the market risk limits for CDPQ's specialized and overall portfolios, as well as proposed changes to the benchmark indexes and performance objectives for the specialized and major mandate portfolios.

Report of the Investment and Risk Management Committee (continued)

- Reviewed and recommended to the Board changes to the investment policies of certain specialized portfolios.
- Received an update on currency management.
- Received an update on the resilience of specialized portfolios and CDPQ's overall portfolio.
- Revised and recommended to the Board an increase in the minimum liquidity reserves.
- Revised and recommended to the Board proposed changes to the governance of the investment committees.
- Reviewed the report on the use of derivative financial instruments.
- Reviewed the report on the management of operational risks.
- Reviewed the process used to value less-liquid assets.
- Reviewed the tax report.
- Reviewed the update to the Directive – Inter-portfolio Investments.
- Reviewed, at each Committee meeting, risk-return reports for CDPQ as a whole, including the overall portfolio's positioning with respect to risk levels, the benchmark portfolio and strategic orientations.
- Reviewed the Risk Group's business plan.

Investment proposals

- Reviewed and recommended investment proposals under the Board's authority, considering the analysis submitted by the team responsible for the transaction, the project's risk analysis and, more specifically, its impact on the risk level and concentration of the specialized portfolio concerned and CDPQ's overall portfolio, as well as the investment's compliance with the risk oversight policies and guidelines.
- Discussed the risk-return relationship for each investment proposal submitted to the Committee.
- Received follow-up reports on investment proposals authorized by the Board as well as investments that were authorized by CDPQ's senior management but did not come under the Board's purview.

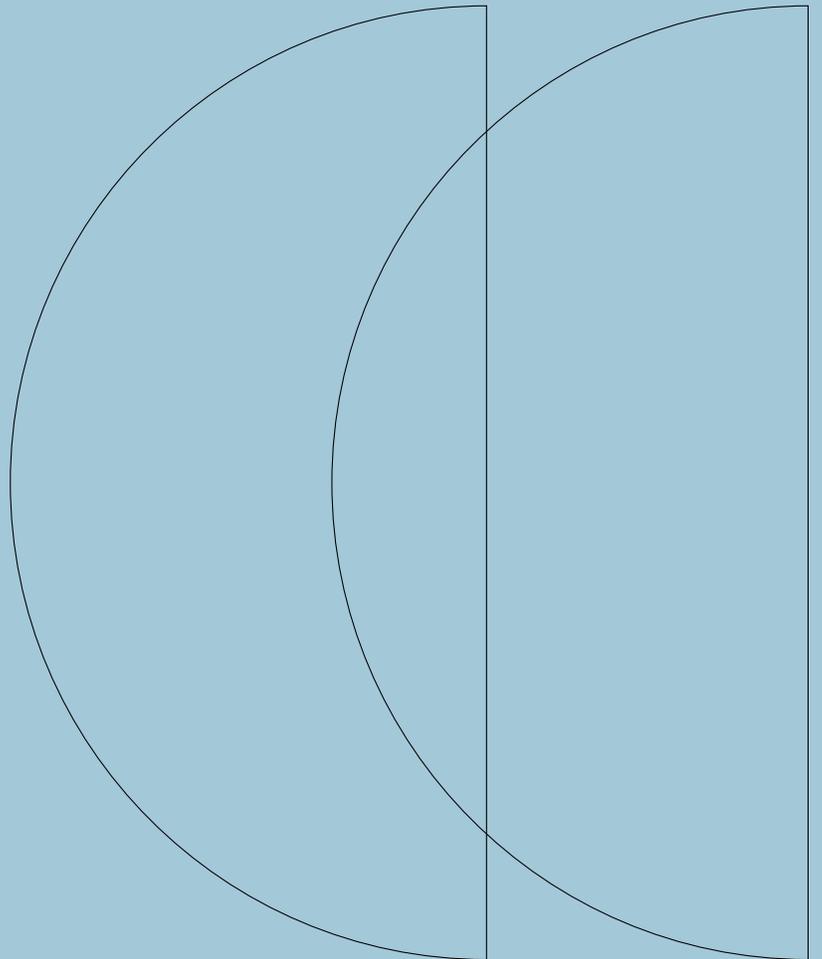
Depositors

- Analyzed the certificates of compliance with the depositors' investment policies and the specialized portfolios' investment policies.

USE OF EXTERNAL EXPERTS

The Investment and Risk Management Committee did not use the services of external experts in 2019.

Board of Directors and Executive Committee



Organizational Structure

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

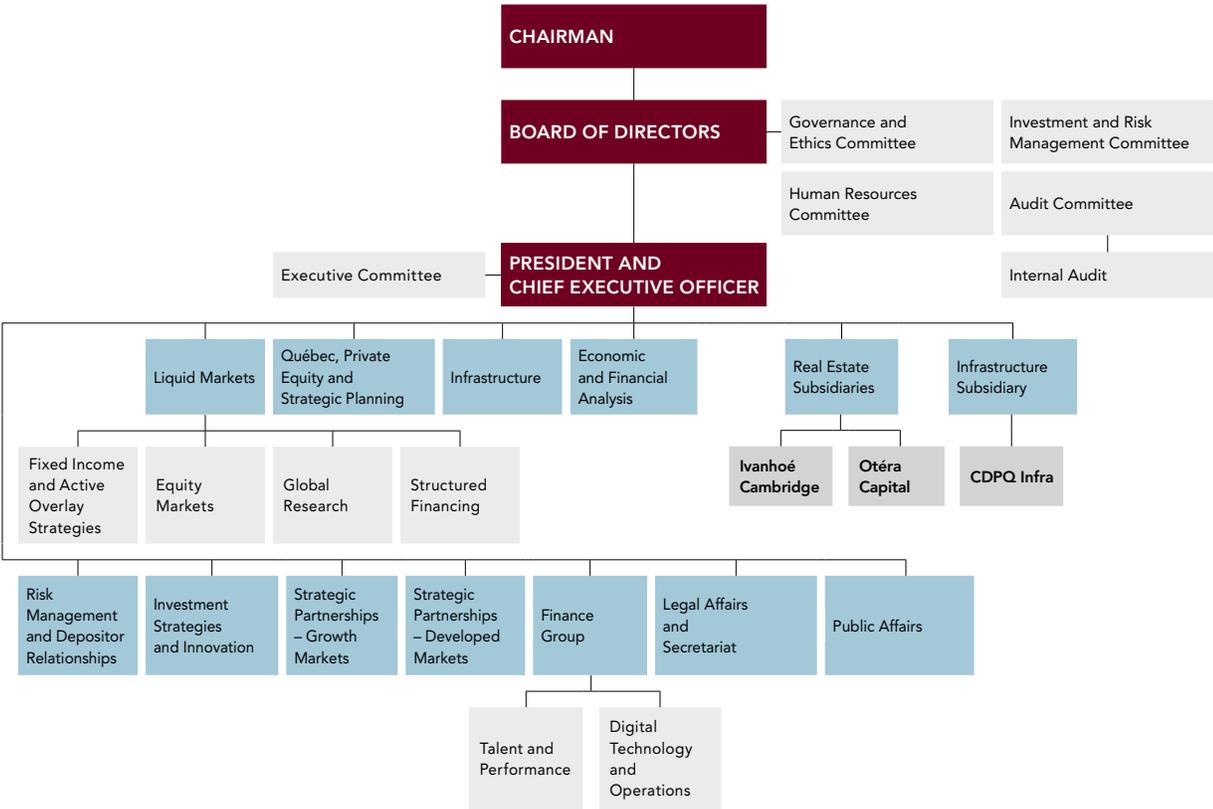
The Executive Committee is composed of the President and Chief Executive Officer and senior officers from CDPQ’s various units (see Figure 42). As at December 31, 2019, CDPQ employed 1,285 employees in all of its offices. Of this number, 1,125 employees were located in its offices in Québec. To support its globalization strategy and generate

promising investment opportunities, CDPQ also opened offices in several countries over the past few years. As at December 31, 2019, 160 employees worked in these international offices.

CDPQ also has real estate subsidiaries, Ivanhoé Cambridge and Otéra Capital, that had over 1,400 employees at the end of 2019, and an infrastructure subsidiary, CDPQ Infra, which acts as owner-operator of infrastructure projects and had 65 employees at the end of 2019. These subsidiaries are overseen by their own Boards of Directors (see Figures 43 and 44, page 109).

FIGURE 42

ORGANIZATIONAL STRUCTURE (as at December 31, 2019)



REAL ESTATE AND INFRASTRUCTURE SUBSIDIARIES

Real estate investments, which take the form of equities and debt, involve primarily office buildings, shopping centres and residential, industrial and logistics properties in key cities worldwide. The holdings are divided into two sectors: Real Estate and Real Estate Debt. The Real Estate sector consists of the assets of Ivanhoé Cambridge, a global real estate industry leader. The Real Estate Debt sector consists of the holdings of Otéra Capital, one of the largest

commercial real estate financing companies in Canada. Figure 43 presents the organizational structure of the real estate operations. More information on the real estate subsidiaries can be found at www.ivanhoecambridge.com and www.oteracapital.com.

The infrastructure subsidiary established in 2015, CDPQ Infra, aims to effectively and efficiently carry out major public infrastructure projects. Figure 44 presents the organizational structure of CDPQ Infra. More information on CDPQ Infra's operations can be found at www.cdpqinfra.com.

FIGURE 43

ORGANIZATIONAL STRUCTURE – REAL ESTATE SUBSIDIARIES (as at December 31, 2019)

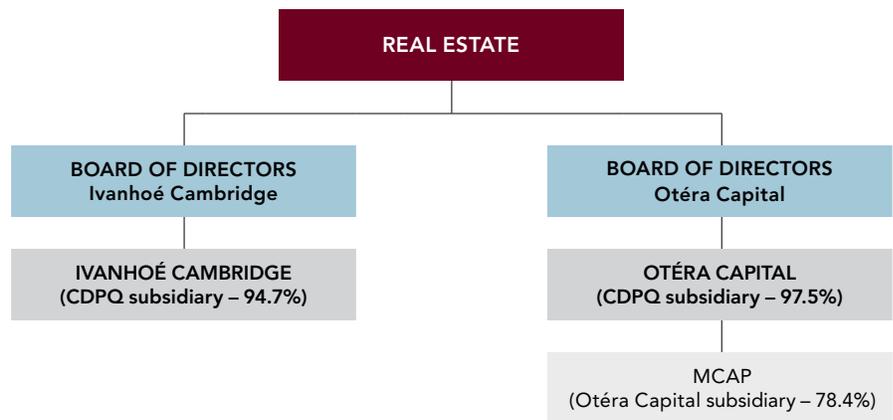
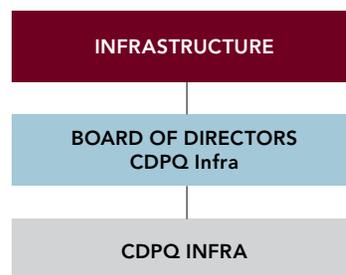


FIGURE 44

ORGANIZATIONAL STRUCTURE – INFRASTRUCTURE SUBSIDIARY (as at December 31, 2019)



Board of Directors

ROBERT TESSIER

Chairman of the Board
Caisse de dépôt et placement du Québec
Committees: Governance and Ethics (Chair),
Human Resources
Member since March 2009
End of term: October 2021
Place of residence: Québec, Canada

IVANA BONNET-ZIVCEVIC

President and Chief Executive Officer
Crédit Agricole CIB in Italy
Committee: Human Resources (Chair)
Member since December 2017
End of term: December 2021
Place of residence: Milan, Italy

SYLVAIN BROSEAU

President and Chief Executive Officer
Walter Global Asset Management
Committees: Investment and Risk Management,
Human Resources
Member since July 2018
End of term: July 2022
Place of residence: Québec, Canada

ALAIN CÔTÉ

Corporate Director
Committee: Audit
Member since August 2019
End of term: August 2023
Place of residence: Québec, Canada

MICHEL DESPRÉS

President and Chief Executive Officer
Retraite Québec
Member since March 2016
End of term: March 2020
Place of residence: Québec, Canada

GILLES GODBOUT

Corporate Director
Committees: Audit,
Investment and Risk Management
Member since January 2013
End of term: January 2020
Place of residence: Québec, Canada

LYNN JEANNIOT

Corporate Director
Committee: Human Resources
Member since December 2019
End of term: December 2023
Place of residence: Québec, Canada

MARIA S. JELESCU DREYFUS

Chief Executive Officer, Ardinall Investment Management
Committee: Investment and Risk Management
Member since November 2019
End of term: November 2023
Place of residence: New York, United States

FRANÇOIS JOLY

Corporate Director
Committees: Audit (Chair),
Investment and Risk Management (Guest Member)
Member since March 2013
End of term: March 2020
Place of residence: Québec, Canada

JEAN LA COUTURE

President Huis Clos Ltée,
Conflict and Litigation Advisors
Committee: Investment and Risk
Management (Chair)
Member since January 2013
End of term: April 2022
Place of residence: Québec, Canada

DIANE LEMIEUX

President and Chief Executive Officer
Commission de la construction du Québec

Member since December 2014

End of term: April 2022

Place of residence: Québec, Canada

WENDY MURDOCK

Corporate Director

Committees: Investment and Risk Management,
Governance and Ethics

Member since March 2016

End of term: March 2020

Place of residence: New York, United States

RAVY POR

Leader – Partnerships and Outreach,
Advanced Analytics, Desjardins Group

Committee: Governance and Ethics

Member since August 2019

End of term: August 2022

Place of residence: Québec, Canada

MICHAEL SABIA¹

President and Chief Executive Officer
Caisse de dépôt et placement du Québec

Member from March 2009 to January 2020

Place of residence: Québec, Canada

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

1. Charles Emond was appointed President and Chief Executive Officer effective February 1, 2020 to replace Mr. Sabia.

Executive Committee^{1,2,3}

MAXIME AUCOIN

Executive Vice-President
and Head of Investment Strategies
and Innovation

CLAUDE BERGERON

Chief Risk Officer
and Head of Depositor Relationships

ANI CASTONGUAY

Executive Vice-President
Public Affairs

MARTIN COITEUX

Chief Economist

MARC CORMIER

Executive Vice-President
and Head of Fixed Income
and Active Overlay Strategies

CHARLES EMOND¹

Executive Vice-President,
Québec, Private Equity
and Strategic Planning

ANITA M. GEORGE

Executive Vice-President
and Head of Strategic Partnerships –
Growth Markets
CDPQ India

ÈVE GIARD³

Executive Vice-President
Talent and Performance

EMMANUEL JACLOT

Executive Vice-President
and Head of Infrastructure

MAARIKA PAUL

Executive Vice-President
and Chief Financial and Operations Officer

MICHAEL SABIA¹

President and Chief Executive Officer

ALEXANDRE SYNNETT

Executive Vice-President
Digital Technology and Operations

MACKY TALL

Head of Liquid Markets, CDPQ
President and Chief Executive Officer, CDPQ Infra

MARIO THERRIEN

Senior Managing Director
and Head of Strategic Partnerships –
Developed Markets

KIM THOMASSIN

Executive Vice-President
Legal Affairs and Secretariat

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

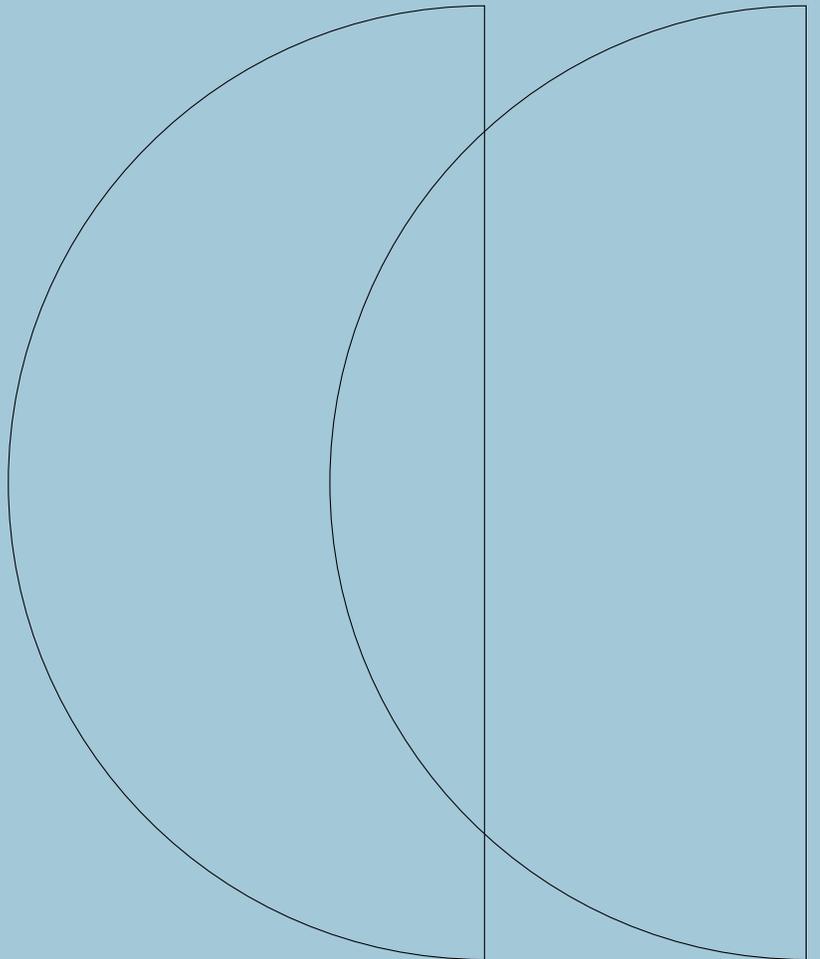
1. Charles Emond was appointed President and Chief Executive Officer effective February 1, 2020 to replace Mr. Sabia.

2. Stéphane Etroy stepped down in November 2019.

Oona Stock stepped down in December 2019.

3. Ève Giard was appointed to her position in February 2020.

Sustainable Development Report



Sustainable Development Report

2019–2020 ACTION PLAN

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

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

In 2019, CDPQ accomplished numerous activities that resulted in positive and sustainable social and environmental changes. This report presents a summary of these actions. Detailed information on completed measures can be found in previous CDPQ reports.

Direction: Strengthen sustainable development governance

Objective: Strengthen eco-responsible practices

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

Measure / Foster concluding agreements with social economy companies

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

-  An initiative is underway to create a list of social economy enterprises, especially for catering services. Agreements have already been concluded with certain suppliers.

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

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

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

-  The overall waste reclamation rate at Ivanhoé Cambridge reached 61% in 2019.

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

-  The overall waste reclamation rate at Édifice Jacques-Parizeau has reached 66.4%, which is higher than the average for offices which is 58.5%.

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

Measure / Continue reducing the mass of paper documents

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

- ✓ In 2019, 1,110 boxes of paper documents were destroyed and 440 new boxes were sent to the warehouse. The number of boxes sent to the warehouse was therefore reduced by 670.

Measure / Raise employee awareness on adopting document management best practices

Indicator / Execute a communications plan regarding document management best practices

- ✓ Several articles were published on the intranet and meetings were held to help teams structure their information.

Measure / Train new employees on good document management practices

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

- ✓ Fourteen orientation sessions were held for new employees. These sessions specifically provided information regarding document management best practices and the best tools to use for their documents.

ACTION 4: Encourage employees to adopt sustainable mobility

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

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

- ✓ The communications plan was completed and contained several activities to encourage employees to use public transportation to travel to and from work and to limit the number of business trips in order to reduce greenhouse gas (GHG) emissions. Four articles were published on the intranet and two meetings were organized with all employees.

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

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

- ✓ Calls for tender now require a description of sustainable development initiatives.

Indicator / Conclude a carbon credit purchase agreement

- ✓ An agreement was concluded and a carbon credit purchase procedure has been implemented.

LEGEND

- ⌚ Ongoing
 - ✓ Completed
-

Sustainable Development Report (continued)

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

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

Indicator / Percentage of environmental certification renewals

- ✓ In 2019, 100% of the buildings managed renewed their certification.

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

- ✓ In 2019, 96% of properties managed by Ivanhoé Cambridge held environmental certifications.

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

Measure / Reduce internal kWh consumption for IT services

Indicator / Reduction of the number of cabinets in data centres

- ✓ As a result of switching several applications to cloud-based computing, CDPQ has reduced the number of cabinets needed in data processing centres, which results in a reduction of kWh consumed.

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

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

- ✓ All IT equipment identified as outdated in 2019 was given to non-profit organizations.

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

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

Indicator / Removal of water bottles from meetings held at CDPQ

- ✓ Single-use water bottles are no longer offered during meetings held at CDPQ.

Objective: Strengthen consideration of sustainable development principles

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

Measure / Integrate sustainable development elements into CDPQ's intranet

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

- ✓ Publication of several articles on the intranet:
 - End of single-use water bottle distribution.
 - Quiz on the ecological impact of emails.
 - Sustainable development at Espace CDPQ: development of an urban garden.
 - Quiz on business travel – reduce your GHG emissions.
 - Offsetting GHG emissions: CDPQ takes a major step toward carbon neutrality.

Enhancement of several intranet sections:

- Promotion of videoconferencing in the Business Travel section.
- Promotion of public transportation in the Work Environment section.
- Promotion of recycling best practices at work in the Recycling section.

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

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

Indicator / Launch of a rotation program

- ✓ The rotation program was deployed and four people participated in it in 2019.

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

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

- ✓ 204 people were hired as interns during 2019.

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

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

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

- ✓ Fourteen women participated in Effet A's Défi 100 jours in Montréal and two people participated in Paris (a first). A networking activity bringing together participants from former CDPQ Défi 100 jours cohorts and those of the most recent cohort was organized, at the launch activity in fall 2019. In addition, CDPQ led a mentorship program with experienced managers for 13 women from investment sectors.

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

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

- ✓ A multi-year strategy and annual action plan were developed and deployed in 2019, with an accent on women in investment and senior leadership positions. The strategy has three main areas:

- Strengthening the adoption of diversity and inclusion within the organization and the governance associated with them.
- Deployment of talent management initiatives fostering inclusion and emergence of talents.
- Implementation of tangible actions that will help CDPQ exercise positive influence within the industry, its partners and its portfolio companies.

Objective: Continue developing knowledge and skills regarding sustainable development

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

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

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

- ✓ Two tree planting activities were held in 2019 in collaboration with Soverdi, and almost one hundred employees participated.

Sustainable Development Report (continued)

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

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

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

Indicator / Organize at least ten guided visits each year

- ✓ In 2019, 21 guided visits for employees and the greater community were organized.

Measure / Hold luncheons on visual arts-related topics

Indicator / Organize at least one luncheon each year

- ✓ One visit to the exhibition of works from the Pierre Bourgie collection was organized in 2019.

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

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

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

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

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

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

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

- ✓ Participation in the Chromatic Festival and proposal for a contemporary art circuit in collaboration with MASSIVart, in certain Ivanhoé Cambridge properties in downtown Montréal.

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

Indicator / At least one collaborative project implemented

- ✓ Renewal of the partnership with Héritage Montréal for a three-year period. Support for the Canadian Centre for Architecture and McCord Museum for the mobile application for urban circuits highlighting our architectural heritage.

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

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

Measure / Identify relevant initiatives for CDPQ and participate in them

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

- ✓ • Member of the Quebec Colloquium on Responsible Investment's organizing committee.
- Member of the Principles for Responsible Investment's (PRI) – Québec Network Advisory Committee.
- Member of the Principles for Responsible Investment's (PRI) – Francophonie Network Advisory Committee.
- Founding member of the Investor Leadership Network (ILN), a coalition of investors supporting three major initiatives on developing competencies in sustainable infrastructure, investment diversity and climate change disclosure.
- Member of the Canadian Coalition for Good Governance, where CDPQ has contributed to collaborative commitments dealing with environmental, social and governance (ESG) themes, and the publication of an article on executive compensation and the integration of ESG criteria.
- Member of an investor group that promotes the adoption of an advisory vote on executive compensation. This group contacted Canadian companies to encourage them to adopt the vote on a voluntary basis.
- Member of the Net-Zero Alliance, whose members aim to be carbon neutral by 2050 and therefore, lead their portfolio companies to reduce their carbon footprint over the same period.

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

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

Direction: Develop a sustainably prosperous economy – green and responsible

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

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

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

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

- ✓ CDPQ is continuing its partnership with the Fonds d'action québécois pour le développement durable, thereby helping five organizations with their sustainable development initiatives. CDPQ also supported organizations whose missions deal with sustainable development or the social economy, such as ACEM Microcrédit Montréal, SVX, La Tablée des Chefs, L'ILOT, Montreal Indigenous Community NETWORK and Un vélo une ville.

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

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

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

ACTION 20: Promote stewardship investing

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

Indicator / Consolidation of ILN activities

- ✓ Managers involved in ILN participated in work meetings and in meetings with external partners to develop, structure and consolidate the activities undertaken for this international effort since it was launched in June 2018. ILN's governance was also defined in 2019.

Sustainable Development Report (continued)

Direction: Manage natural resources responsibly while respecting biodiversity

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

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

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

Indicator / Establish reduction targets for each property

-  New reduction targets were established for 42% of buildings managed in conjunction with environmental certification renewals.

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

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

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

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

Measure / In partnership with CDPQ, participate in greening and biodiversity initiatives (e.g. volunteer tree planting activities, greening a schoolyard or lot)

Indicator / Complete at least two greening projects

-  Two projects were completed: the first involved planting trees on Mount Royal, in collaboration with Les amis de la montagne and a second was to cultivate an urban garden on the roof of the Montreal Eaton Centre. During the latter initiative, more than 500 edible plants were grown and donated to the Dans la Rue organization. Ivanhoé Cambridge estimates that approximately 130 kilograms of vegetables, fine herbs and edible flowers were produced during the 2019 season.

Direction: Foster social inclusion and reduce social and economic inequality

Objective: Help recognize, develop and maintain skills, particularly among the most vulnerable

ACTION 23: Foster access to work for the most vulnerable members of society (Ivanhoé Cambridge)

Measure / Continue social reintegration initiatives

Indicator / Support at least two organizations with missions to foster social reintegration

- ✓ In 2019, Ivanhoé Cambridge partnered with about forty organizations that help homeless people. A contribution of more than \$300,000 provided more than 20,000 people with clothes and food and a place to sleep in 2019.

Objective: Support and promote the activities of community organizations and social economy enterprises that make a contribution to social inclusion and reduce inequalities

ACTION 24: Raise the profile of Collectivité, an initiative to encourage and recognize employee engagement in the community

Measure / Recognize employees' involvement through visibility on the intranet or through a donation of up to \$1,000 to the organization

Indicator / At least 40 donations by CDPO linked to employee involvement

- ✓ CDPO made 49 donations, for a total of almost \$50,000 to various organizations as a result of the donation program to causes supported by employees according to their involvement (BoD, fundraising campaign, etc.).

Measure / Encourage employees to share their expertise with organizations through the Bénévoles d'affaires platform

Indicator / At least 100 employees who are members of NPO Boards of Directors

- ✓ Almost 150 employees are members of NPO Boards of Directors.

Measure / Create opportunities for collective commitment in support of causes by encouraging employees who organize team volunteering activities

Indicator / Organize at least one volunteer activity per year

- ⊞ Several volunteering activities were organized during the year, including three with Centraide. Almost one hundred employees participated in and donated their time to organizations such as Sentier Urbain, Maison de Quartier Villeray and Pause Famille.

ACTION 25: Strengthen support for and promotion of community and social economy organizations that help achieve social inclusion and reduce inequalities by encouraging employee involvement (Ivanhoé Cambridge)

Measure / Implement a volunteer program in partnership with NPOs

Indicator / Propose a volunteer program through donation and sponsorship partnerships

- ✓ The concept of employee volunteers is included in our agreements with community organizations.

Sustainable Development Report (continued)

Direction: Support sustainable mobility

Objective: Support the electrification of various means of transportation and improve energy efficiency in this sector to develop the economy and reduce greenhouse gas emissions

ACTION 26: Expand the application of the Sustainable Development Plan to all CDPQ subsidiaries

Measure / Develop an action plan specific to CDPQ Infra's activities and its Réseau Express Métropolitain (REM) project

Indicator / Plant 250,000 trees to offset the greenhouse gases emitted during construction of the REM

- 🕒 To date, the mandated organization (TOUS LES JOURS) has planted 140,000 trees in the Communauté métropolitaine de Montréal's Greenbelt.

Direction: Encourage the production and use of renewable forms of energy as well as energy efficiency to reduce greenhouse gas emissions

Objective: Optimize the production of renewable forms of energy for the benefit of all Quebecers

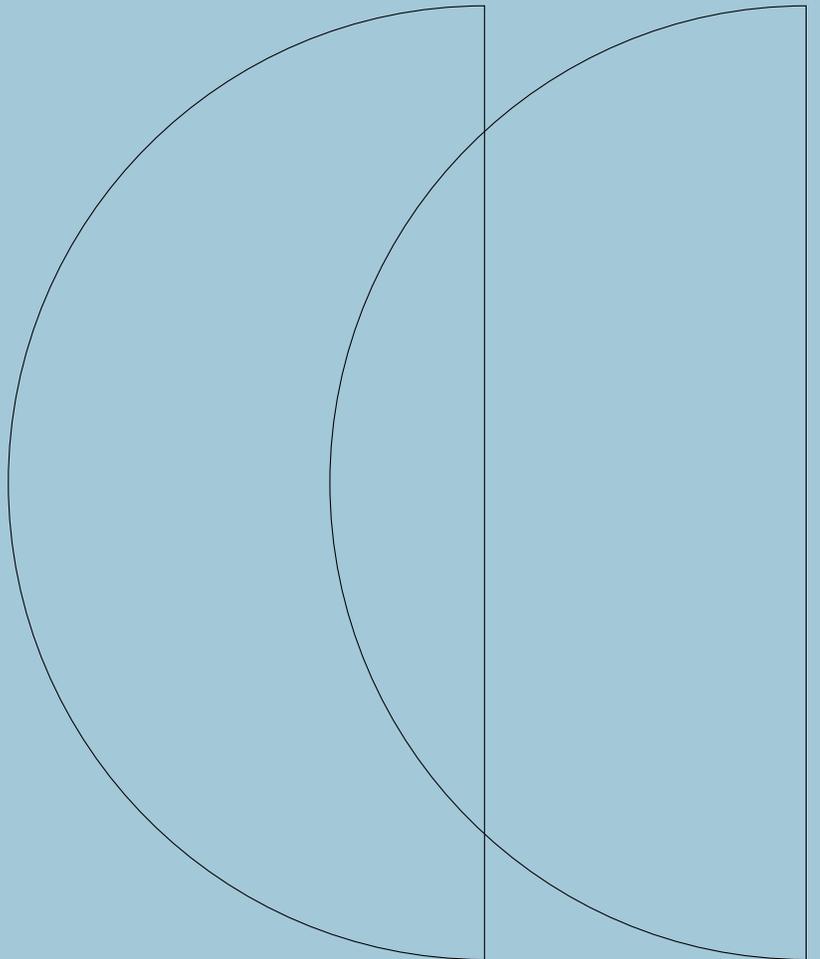
ACTION 27: Carry out projects that optimize the production of renewable forms of energy (Ivanhoé Cambridge)

Measure / Propose a strategy on renewable energy

Indicator / Complete a feasibility study

- 🕒 A grant application for the installation of solar panels on one of Ivanhoé Cambridge's shopping centres in Ontario was submitted to the federal government. A study exploring the renewable energy potential within Ivanhoé Cambridge's industrial building portfolio was started at the end of the year in collaboration with one of their partners.

Financial Report



Change in Assets

NET ASSETS ATTRIBUTABLE TO DEPOSITORS

Net assets attributable to depositors grew from \$225.9 billion as at December 31, 2014 to \$340.1 billion as at December 31, 2019, an increase of \$114.2 billion over five years. This growth was primarily due to investment results of \$106.0 billion, in addition to depositors' net contributions of \$8.2 billion (see Table 48, page 125).

During 2019, net assets attributable to depositors increased by \$30.6 billion to \$340.1 billion, compared to \$309.5 billion as at December 31, 2018. This increase was due to \$31.1 billion of investment results, which was offset by \$0.5 billion in depositors' net withdrawals.

TOTAL ASSETS

As at December 31, 2019, total assets reached \$392.6 billion, compared to \$350.0 billion at the end of 2018 (see Table 45). This \$42.6 billion increase was due to the reinvestment of investment income, net gains realized on financial instruments at fair value and greater investment liabilities. The liabilities to total assets ratio was stable, having increased slightly to 13% as at December 31, 2019, compared to 12%

as at December 31, 2018. CDPQ's liabilities consist primarily of securities sold under repurchase agreements, securities sold short and the financing programs issued by its subsidiary, CDP Financial, which are used to finance investments.

ASSETS UNDER MANAGEMENT AND ASSETS UNDER ADMINISTRATION

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

As at December 31, 2019, CDPQ's assets under management and administered assets totalled \$123.9 billion, up \$33.5 billion from one year earlier (see Table 46).

This growth came primarily from the portfolio administered by MCAP, a subsidiary of Otéra Capital. This company administers \$100.4 billion of Canadian residential, commercial and construction mortgages.

TABLE 45

FINANCIAL INFORMATION – FINANCIAL POSITION

(as at December 31 – in millions of dollars)

	2019	2018
ASSETS		
Investments	382,467	342,004
Other assets	10,152	7,999
Total assets	392,619	350,003
LIABILITIES		
Investment liabilities	49,830	38,207
Other liabilities	2,680	2,285
Total liabilities	52,510	40,492
Net assets	340,109	309,511

TABLE 46

FINANCIAL INFORMATION – TOTAL ASSETS UNDER MANAGEMENT

(as at December 31 – in millions of dollars)

	2019	2018
Total assets	392,619	350,003
Assets under management	20,581	19,589
Assets under administration	103,303	70,814
Assets under management and assets under administration	123,884	90,403
Total assets under management	516,503	440,406

INVESTMENT RESULTS

Over five years, investment results amounted to \$106.0 billion. The Equities asset class contributed the most, generating results of \$68.4 billion, including \$48.7 billion from Equity Markets and \$19.8 billion from Private Equity. In addition, Fixed Income contributed \$18.6 billion and Real Assets contributed \$17.5 billion.

In 2019, investment results of \$31.1 billion (see Table 47) came mainly from Equities, at \$22.2 billion, and Fixed Income, at \$8.2 billion.

NET WITHDRAWALS BY DEPOSITORS

Total net withdrawals by depositors as at December 31, 2019 were \$0.5 billion, mainly due to net withdrawals of \$2.9 billion made by the Government of Québec's Generations Fund.

TABLE 47

FINANCIAL INFORMATION – INVESTMENT RESULTS

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

	2019	2018
Net investment income	9,893	9,336
Operating expenses	(630)	(585)
Net income	9,263	8,751
Net gains on financial instruments at fair value	21,883	3,039
Investment results	31,146	11,790

TABLE 48

FINANCIAL INFORMATION – SUMMARY OF CHANGES IN NET ASSETS

(for the period from 2015 to 2019 – in billions of dollars)

	2019	2018	2017	2016	2015	5 years
Net assets, beginning of year	309.5	298.5	270.7	248.0	225.9	225.9
Investment results	31.1	11.8	24.6	18.4	20.1	106.0
Net contributions (net withdrawals) by depositors	(0.5)	(0.8)	3.2	4.3	2.0	8.2
Net assets, end of year	340.1	309.5	298.5	270.7	248.0	340.1

Analysis of Operating Expenses and External Management Fees

Operating expenses represent portfolio management and administration costs. External management fees are amounts paid to institutional fund managers, active in the stock markets, to manage securities belonging to CDPQ.

For 2019, operating expenses totalled \$630 million, compared to \$585 million in 2018. The increase — less than in previous years — once again stems from the continued execution of an investment strategy focused on globalization, less-liquid assets and credit activities, which requires adding new expertise.

Over the last five years, the hiring of talent in global markets and targeted sectors made a significant contribution to the \$106.0 billion in investment results generated during the period, as well as to the \$31.1 billion produced in 2019.

External management fees totalled \$127 million, up \$32 million from 2018, mainly due to an increase in the value of the investments managed externally in certain markets.

Operating expenses and external management fees amounted to \$757 million in 2019, compared to \$680 million in 2018. This amount represents 23 cents per \$100 of average net assets (see Figure 49).

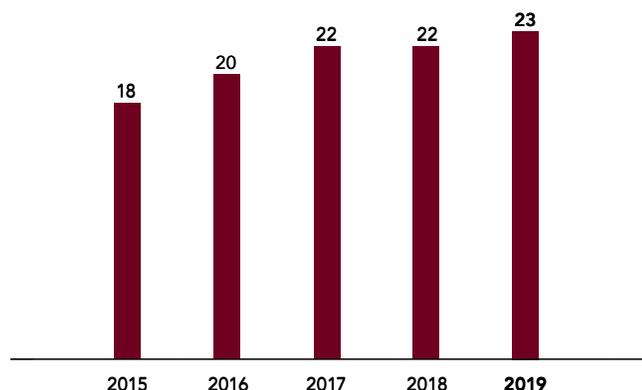
Operating expenses and external management fees, at 23 cents per \$100 of average net assets, rose slightly from the previous year and compare favourably with the industry. Over the last five years, operating expenses and external management fees grew at an average annual rate of 1 cent per \$100 of average net assets, in line with the execution of the strategies indicated above and the increase in the value of externally managed securities.

OPERATIONAL EFFICIENCY

CDPQ periodically reviews its processes to maintain tight control over its operating expenses. It aims to maintain operating expenses at a level that is comparable to that of institutional fund managers of the same size with similar operations. CDPQ has been benchmarking its costs by asset class for many years.

FIGURE 49

OPERATING EXPENSES AND EXTERNAL MANAGEMENT FEES EXPRESSED PER \$100 OF DEPOSITORS' AVERAGE NET ASSETS
(for periods ended December 31 – in cents)



CDP Financial

CDP Financial is a wholly owned subsidiary of CDPQ. Its transactions are designed to optimize the cost of financing the operations of CDPQ and its subsidiaries, to diversify their sources of financing and to match financed assets in terms of currencies and interest rates. To achieve its objectives, it has various financing programs on the local and international institutional markets it uses for short-, medium- and long-term borrowing.

SHORT-TERM BORROWING

As at December 31, 2019, short-term financing totalled \$8.8 billion, with \$1.0 billion denominated in Canadian dollars and \$6.0 billion denominated in U.S. dollars. In 2019, the average maturity of the borrowings denominated in Canadian dollars was 83 days, and transactions totalled \$4.7 billion. The average maturity for borrowings denominated in U.S. dollars was 81 days, with transactions totalling \$18.2 billion.

TERM BORROWING

As at December 31, 2019, the fair value of CDP Financial's outstanding term notes totalled \$12.3 billion, compared to \$9.6 billion at the end of 2018 (see Figure 50). The \$2.7-billion increase over 2018 is mainly due to the issuance of two new notes of US\$2 billion each, which were partially offset by the repayment of a US\$1.75-billion note that matured.

CREDIT FACILITY

During the year ended December 31, 2019, CDP Financial renewed a credit facility with an authorized maximum amount of US\$4 billion with a banking syndicate formed of 10 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, 2019, the financing can be broken down as follows: Debt instruments denominated in U.S. dollars represented 85%, while 10% were denominated in Canadian dollars and 5% were denominated in euros.

CREDIT RATING AGENCIES REAFFIRM CDPQ'S FINANCIAL STRENGTH

Dominion Bond Rating Services (DBRS), Fitch Ratings Inc. (Fitch), Moody's Investors Service (Moody's) and Standard & Poor's (S&P) reaffirmed their investment-grade credit ratings with a stable outlook in 2019 (see Table 51). The credit ratings of CDP Financial and CDPQ were published in July, August and September 2019.

FIGURE 50

BREAKDOWN OF LIABILITIES – CDP FINANCIAL
(fair market value as at December 31 – in billions of dollars)

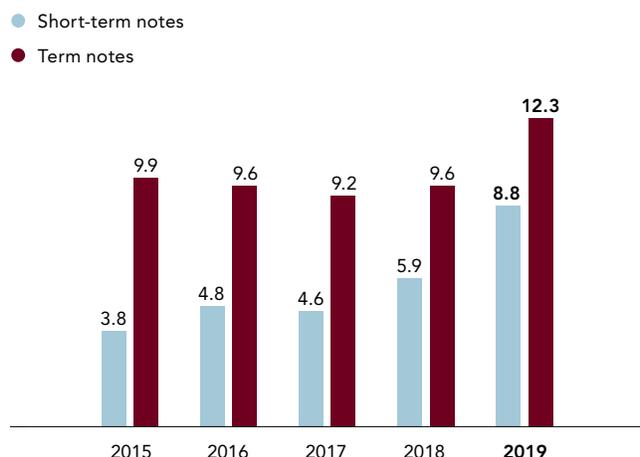


TABLE 51

CREDIT RATINGS

	Short-term	Long-term
DBRS	R-1 (high)	AAA
Fitch	F1+	AAA
Moody's	Prime-1 (Aaa)	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 its subsidiaries that exclusively offer services related to financing, administrative and management activities. Net assets attributable to depositors presented in the Consolidated Statement of Financial Position reflect the combined net value of the accounts of each of the depositors of CDPQ. Note 2 to the Audited Consolidated Financial Statements as at December 31, 2019 describes the significant accounting policies used by CDPQ.

FINANCIAL REPORTING

The consolidated financial statements of CDPQ are prepared in accordance with the prevailing accounting standards, namely International Financial Reporting Standards (IFRS), as stipulated in the Act respecting the Caisse de dépôt et placement du Québec.

EXTERNAL AUDIT

In accordance with the Act respecting CDPQ, the co-auditors audited all of CDPQ's accounting records and issued an unqualified auditors' report for each of the 72 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. Accordingly, CDPQ, which is qualified as an investment entity, does not consolidate its subsidiaries, particularly its real estate, real estate debt, private equity, infrastructure and fixed income 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 151.

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 financial measures inconsistent with IFRS. CDPQ is of the opinion that these measures provide relevant information, complementary to the analysis of its financial reporting (see General Notes 3 and 6 on page 187).

Adoption of new IFRS

Since January 1, 2019, CDPQ has applied IFRS 16 – *Leases*, which establishes a single model for recognizing and measuring leases. Under this model, CDPQ recognizes the majority of leases in the Consolidated Statement of Financial Position. CDPQ elected to apply the standard retrospectively by recognizing the cumulative impact of the initial application of IFRS 16 as at January 1, 2019. Adopting this new standard resulted in an increase in assets and liabilities in the order of \$307 million as at January 1, 2019, calculated by discounting future lease payments using CDPQ's marginal borrowing rate.

Fair Value Measurement

FAIR VALUE MEASUREMENT POLICY

Investment valuation is a process whereby a fair value is assigned to each of CDPO's investments with a view to preparing the consolidated financial statements. Measurement of investments at fair value is performed periodically in accordance with CDPO's Investment Valuation Policy, which is approved by the Board of Directors. This comprehensive policy is further supported by the valuation directive and protocols that indicate the valuation methodology to be applied 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 CDPO's investments semiannually. Accordingly, the Valuation Committee recommends these fair values to the Audit Committee. The policy complies with the standards and practices of Canadian and international valuation bodies and demonstrates a rigorous governance framework for financial instrument valuation processes.

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

In addition, to ensure the reasonableness of the fair value determined, CDPO performs back-testing, compares the established fair value with values of comparable transactions and uses external valuers.

Co-auditors have access to all valuation files as part of the audit of the year-end consolidated financial statements.

CONCEPTUAL FRAMEWORK

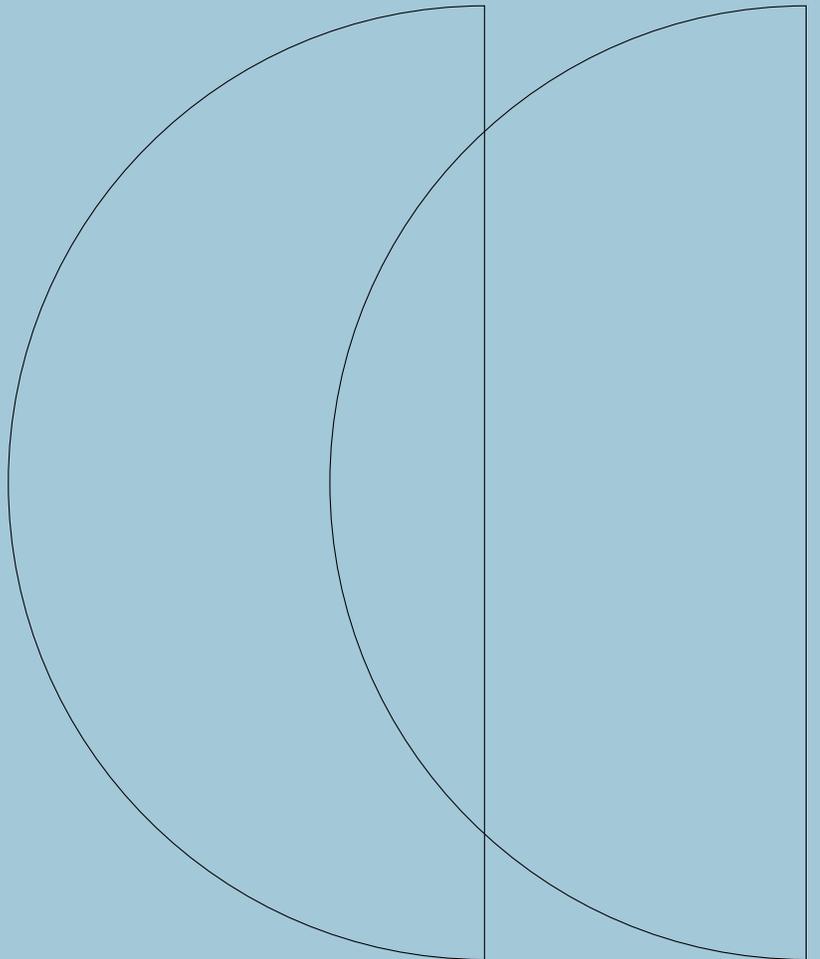
IFRS define fair value and provide guidelines on measurement and disclosures related to fair value. Entities are required to maximize the use of relevant observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair value must be established by assuming that the investments 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.

CDPO 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 its main depositors, CDPO 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, 2019 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 151, 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 ("la Caisse") 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, la Caisse'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 la Caisse is subject, including the *Act respecting the Caisse de dépôt et placement du Québec*.

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

The Auditor General of Québec and Ernst & Young LLP (the "co-auditors") have audited the consolidated financial statements of la Caisse as at December 31, 2019 and 2018 and for the years then ended 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 as at December 31, 2019 and 2018 and for the years then ended. It is assisted in its responsibilities by the Audit Committee, of which all members are independent directors. This Committee meets with management and the co-auditors, examines the consolidated financial statements, and recommends the approval thereof to the Board of Directors.



CHARLES EMOND

President and Chief Executive Officer

Montréal, February 18, 2020



MAARIKA PAUL, FCPA, FCA, CBV, ICD.D

Executive Vice-President and
Chief Financial and Operations Officer

Independent Auditors' Report

To the National Assembly

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of la Caisse de dépôt et placement du Québec and its subsidiaries (the "Group"), which comprise the Consolidated Statements of Financial Position as at December 31, 2019 and 2018 and the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Changes in Net Assets Attributable to Depositors and the Consolidated Statements of Cash Flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018 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 this auditors' report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in the Group's 2019 Annual Report:

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 do 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 2019 Annual Report is expected to be made available to us after the date of this report. If, based on the work we will perform on the 2019 Annual Report, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Independent Auditors' Report

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. 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 and 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. We remain solely responsible for our audit opinion.

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

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

Report on other legal and regulatory requirements

As required by the *Auditor General Act* (CQLR, chapter V-5.01), we report that, in our opinion, these accounting standards have been applied for the current fiscal year on a basis consistent with that of the preceding year, except for the accounting policy changes related to leases explained in Note 2.

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

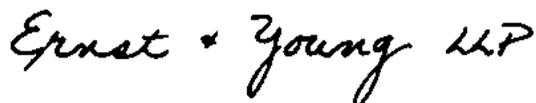
Auditor General of Québec,



Guylaine Leclerc, FCPA auditor, FCA

Canada, Montréal, February 18, 2020

Ernst & Young LLP¹



¹ FCPA auditor, FCA, public accountancy permit n°A114960

Canada, Montréal, February 18, 2020

Consolidated Statements of Financial Position

(in millions of Canadian dollars)

December 31, 2019

December 31, 2018

ASSETS

Cash	994	675
Amounts receivable from transactions being settled	6,223	4,587
Advances to depositors	960	903
Investment income, accrued and receivable	1,391	1,352
Other assets	584	482
Investments (Note 4)	382,467	342,004
Total assets	392,619	350,003

LIABILITIES

Amounts payable on transactions being settled	1,537	1,113
Other financial liabilities	1,143	1,172
Investment liabilities (Note 4)	49,830	38,207
Total liabilities excluding net assets attributable to depositors	52,510	40,492

Net assets attributable to depositors	340,109	309,511
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The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board of Directors,



CHARLES EMOND



FRANÇOIS JOLY

Consolidated Statements of Comprehensive Income

For the years ended December 31

(in millions of Canadian dollars)	2019	2018
Investment income	10,838	10,222
Investment expense	(945)	(886)
Net investment income (Note 8)	9,893	9,336
Operating expenses (Note 9)	(630)	(585)
Net income	9,263	8,751
Net gains on financial instruments at fair value (Note 8)	21,883	3,039
Investment result before distributions to depositors (Note 8)	31,146	11,790
Distributions to depositors	(14,739)	(12,222)
Net income and comprehensive income attributable to depositors	16,407	(432)

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, 2017	88	6	1,975	296,443	298,512
Attributions and distributions					
Net income and comprehensive income attributable to depositors	–	–	–	(432)	(432)
Distributions to depositors	11,691	–	531	–	12,222
Participation deposits					
Issuance of participation deposit units	(14,566)	–	–	14,566	–
Cancellation of participation deposit units	4,290	–	–	(4,290)	–
Net deposits					
Net withdrawals	(791)	–	–	–	(791)
BALANCE AS AT DECEMBER 31, 2018	712	6	2,506	306,287	309,511
Attributions and distributions					
Net income and comprehensive income attributable to depositors	–	–	–	16,407	16,407
Distributions to depositors	14,284	–	455	–	14,739
Participation deposits					
Issuance of participation deposit units	(18,515)	–	–	18,515	–
Cancellation of participation deposit units	4,473	–	–	(4,473)	–
Net deposits					
Net withdrawals	(548)	–	–	–	(548)
BALANCE AS AT DECEMBER 31, 2019	406	6	2,961	336,736	340,109

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)	2019	2018
Cash flows from operating activities		
Net income and comprehensive income attributable to depositors	16,407	(432)
Adjustments for:		
Unrealized net (gains) losses on commercial paper, term notes and loans payable	(514)	591
Distributions to depositors	14,739	12,222
Net changes in operating assets and liabilities		
Amounts receivable from transactions being settled	(1,636)	(2,140)
Advances to depositors	(57)	153
Investment income, accrued and receivable	(39)	43
Other assets	(102)	(227)
Investments	(40,695)	(10,594)
Amounts payable on transactions being settled	424	(989)
Other financial liabilities	(29)	481
Investment liabilities	5,938	671
	(5,564)	(221)
Cash flows from financing activities		
Net change in commercial paper payable	365	2,386
Issuance of commercial paper payable	9,844	5,443
Repayment of commercial paper payable	(7,078)	(6,649)
Net change in loans payable	85	(80)
Issuance of term notes payable	5,313	–
Repayment of term notes payable	(2,330)	–
Net withdrawals	(548)	(791)
	5,651	309
Net increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	1,035	947
Cash and cash equivalents at the end of the year	1,122	1,035
Cash and cash equivalents comprise:		
Cash	994	675
Investments		
Short-term investments	27	–
Securities purchased under reverse repurchase agreements	101	360
	1,122	1,035
Supplemental information on cash flows from operating activities		
Interest and dividends received	10,433	10,115
Interest paid	(855)	(800)

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)

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CONSTITUTION AND NATURE OF OPERATIONS

La Caisse de dépôt et placement du Québec (“la Caisse”), 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”).

La Caisse 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.

La Caisse’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 la Caisse’s financial position, financial performance and cash flows. La Caisse’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 la Caisse’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 la Caisse’s operational purposes and management of demand deposits, term deposits, and the financing activities.

INDIVIDUAL FUNDS

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

The individual funds of depositors are as follows:

Fund 300: Base Québec Pension Plan (formerly the Québec Pension Plan Fund), administered by Retraite Québec

Fund 301: Government and Public Employees Retirement Plan, administered by Retraite Québec

Fund 302: Pension Plan of Management Personnel, administered by Retraite Québec

Fund 303: Pension Plan for Federal Employees Transferred to Employment with the Gouvernement du Québec, administered by Retraite Québec

Fund 305: Pension Plan of Elected Municipal Officers (PPEMO), administered by Retraite Québec

Fund 306: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d’urgence – Volet à prestations déterminées, administered by the Comité de retraite

Fund 307: Fonds d’assurance automobile du Québec, administered by the Société de l’assurance automobile du Québec

Fund 310: Régime de retraite des chauffeurs d’autobus de la Société de transport de Laval, administered by the Comité de retraite

Fund 311: Supplemental Pension Plan for Employees of the Québec Construction Industry – General Account, administered by the Commission de la construction du Québec

Fund 312: Supplemental Pension Plan for Employees of the Québec Construction Industry – Retirees Account, administered by the Commission de la construction du Québec

Fund 313: Supplemental Pension Plan for Employees of the Québec Construction Industry – Supplementary Account, administered by the Commission de la construction du Québec

Fund 314: Deposit Insurance Fund, administered by the Autorité des marchés financiers

Fund 315: Dedicated account, administered by La Financière agricole du Québec

CONSTITUTION AND NATURE OF OPERATIONS

INDIVIDUAL FUNDS (continued)

- Fund 316:** Retirement Plans Sinking Fund – RREGOP (RPSF-RREGOP), administered by the ministère des Finances, Government of Québec
- Fund 317:** Retirement Plans Sinking Fund – PPMP (RPSF-PPMP), administered by the ministère des Finances, Government of Québec
- Fund 318:** Retirement Plans Sinking Fund – Others (RPSF-Others), administered by the ministère des Finances, Government of Québec
- Fund 326:** Crop Insurance Fund, administered by La Financière agricole du Québec
- Fund 328:** Survivor’s Pension Plan, administered by the Secrétariat du Conseil du trésor
- Fund 329:** Fonds d’assurance-garantie, administered by la Régie des marchés agricoles et alimentaires du Québec
- Fund 330:** Fonds de la santé et de la sécurité du travail, administered by the Commission des normes, de l’équité, de la santé et de la sécurité du travail
- Fund 331:** Régime de retraite des employés du Réseau de transport de la Capitale, administered by the Comité de retraite
- Fund 332:** Fonds des cautionnements des agents de voyages – cautionnements individuels, administered by the Office de la protection du consommateur
- Fund 333:** Compensation Fund for Customers of Travel Agents, administered by the Office de la protection du consommateur
- Fund 334:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d’urgence – Volet à coût partagé, administered by the Comité de retraite (created on April 1, 2019)
- Fund 335:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d’urgence – Fonds 2020, administered by the Comité de retraite
- Fund 336:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d’urgence – Fonds 2030, administered by the Comité de retraite
- Fund 337:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d’urgence – Fonds 2040, administered by the Comité de retraite
- Fund 338:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d’urgence – Fonds 2050, administered by the Comité de retraite
- Fund 339:** Fonds d’indemnisation des services financiers, administered by the Autorité des marchés financiers
- Fund 340:** Régimes de retraite de la Ville de Terrebonne, administered by the Comité de retraite conjoint des Régimes de retraite de la Ville de Terrebonne
- Fund 342:** Régime de retraite de l’Université du Québec, administered by the Comité de retraite du Régime de retraite de l’Université du Québec
- Fund 343:** Parental Insurance Fund administered by the Conseil de gestion de l’assurance parentale (reactivated on May 1, 2019)
- Fund 344:** Réserve administered by La Financière agricole du Québec
- Fund 347:** Régime de retraite du personnel des CPE et des garderies privées conventionnées du Québec, administered by the Investment Committee
- Fund 351:** Generations Fund, administered by the ministère des Finances, Government of Québec
- Fund 353:** Superannuation Plan for the Members of the Sûreté du Québec – Participants’ Fund (SPMSQ-part.), administered by Retraite Québec
- Fund 354:** Superannuation Plan for the Members of the Sûreté du Québec – Employers’ Fund (SPMSQ-empl.), administered by the ministère des Finances, Government of Québec
- Fund 361:** Pension Plan of the non-teaching Staff of the Commission des écoles catholiques de Montréal, administered by the Secrétariat du Conseil du trésor
- Fund 362:** Régime de retraite pour certains employés de la Commission scolaire de la Capitale, administered by the Secrétariat du Conseil du trésor
- Fund 363:** Régime de retraite des employés de la Ville de Laval, administered by the Comité de retraite
- Fund 367:** Territorial Information Fund, administered by the ministère des Finances, Government of Québec
- Fund 368:** Fonds de partenariats stratégiques (formerly Education and Good Governance Fund – Capitalized Fund), administered by the Autorité des marchés financiers

CONSTITUTION AND NATURE OF OPERATIONS

INDIVIDUAL FUNDS (continued)

- Fund 369:** Accumulated Sick Leave Fund, administered by the ministère des Finances, Government of Québec
- Fund 371:** Accumulated Sick Leave Fund – ARQ, administered by the Agence du revenu du Québec
- Fund 372:** Fonds commun de placement des régimes de retraite de l'Université Laval, administered by the Comités de retraite
- Fund 373:** Retirement Plan for Active Members of the Centre hospitalier Côte-des-Neiges, administered by Retraite Québec
- Fund 374:** Fiducie globale Ville de Magog, administered by the Comité de retraite mixte
- Fund 376:** Régime de retraite des employées et employés de la Ville de Sherbrooke, administered by the Comité de retraite des employées et employés de la Ville de Sherbrooke
- Fund 378:** Pension Plan of Peace Officers in Correctional Services – Employees' Contribution Fund administered by Retraite Québec
- Fund 383:** Régime complémentaire de retraite des employés réguliers de la Société de transport de Sherbrooke, administered by the Comité de retraite
- Fund 384:** Régime de retraite des cadres de la Ville de Québec, administered by the Bureau de la retraite
- Fund 385:** Régime de retraite des employés manuels de la Ville de Québec, administered by the Bureau de la retraite
- Fund 386:** Régime de retraite des fonctionnaires de la Ville de Québec, administered by the Bureau de la retraite
- Fund 387:** Régime de retraite du personnel professionnel de la Ville de Québec, administered by the Bureau de la retraite
- Fund 388:** Régime de retraite des policiers et policières de la Ville de Québec, administered by the Bureau de la retraite
- Fund 389:** Régime de retraite des pompiers de la Ville de Québec, administered by the Bureau de la retraite
- Fund 393:** Régime de retraite de la Corporation de l'École Polytechnique, administered by the Comité de retraite
- Fund 395:** Retirement Plan for the Mayors and Councillors of Municipalities, administered by Retraite Québec
- Fund 399:** Additional Québec Pension Plan, administered by Retraite Québec (created on February 1, 2019)

SPECIALIZED PORTFOLIOS

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

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

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

02

SIGNIFICANT ACCOUNTING PRINCIPLES

STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The accounting policies described below have been applied consistently to all reporting periods presented, with the exception of matters pertaining to the adoption of IFRS 16.

ADOPTION OF A NEW IFRS

In January 2016, the IASB issued the final version of IFRS 16 – *Leases*, which replaces IAS 17 – *Leases* and the related interpretations on the recognition and measurement of leases. IFRS 16 establishes a lease accounting model for lessees. Under this model, la Caisse recognizes the majority of leases on the Consolidated Statements of Financial Position. La Caisse elected to apply the standard retrospectively with the cumulative effect of initially applying IFRS 16 recognized as at January 1, 2019. The adoption of this standard resulted in an increase in assets and liabilities of \$307 million as at January 1, 2019, calculated by discounting future lease payments using la Caisse’s incremental borrowing rate.

PRESENTATION AND MEASUREMENT BASIS

La Caisse 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 la Caisse’s consolidated financial statements and the publication thereof on February 18, 2020.

FUNCTIONAL AND PRESENTATION CURRENCY

La Caisse’s consolidated financial statements are presented in Canadian dollars, which is the functional currency.

SIGNIFICANT ACCOUNTING PRINCIPLES

FOREIGN CURRENCY TRANSLATION

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

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

USE OF JUDGMENTS AND ESTIMATES

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

JUDGMENT

Qualification as an investment entity

Judgment is required when qualifying la Caisse as an investment entity. La Caisse 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. La Caisse does not satisfy the third typical characteristic of an investment entity because la Caisse and the depositors are related. However, la Caisse nonetheless qualifies as an investment entity, as management believes that having depositors related to the investment entity does not compromise la Caisse'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 la Caisse 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 la Caisse and any entity in which la Caisse 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.

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

La Caisse 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 la Caisse 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.

La Caisse 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.

La Caisse has significant influence over an associate when it has the power to participate in the financial and operating policy decisions of the entity. It 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.

SIGNIFICANT ACCOUNTING PRINCIPLES

FINANCIAL INSTRUMENTS

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

CLASSIFICATION AND MEASUREMENT

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

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

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

FAIR VALUE MEASUREMENT

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

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

Cash

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

Investments

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

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

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

Variable-income securities comprise equities and convertible securities of public companies, private companies (including investment funds, private investment funds and infrastructure funds), and hedge funds. Purchases and sales of equities, convertible securities and hedge 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 la Caisse's investment in controlled entities that are not consolidated under IFRS 10. La Caisse'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, commercial paper payable, loans payable, term notes payable and derivative financial instruments.

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

Derivative financial instruments

In managing its investments, la Caisse 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

La Caisse 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 la Caisse has transferred substantially all of the risks and rewards of the financial asset such that it no longer retains control over the asset. If la Caisse 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

La Caisse 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 la Caisse 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

La Caisse 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 la Caisse, respectively. Loaned securities are not derecognized from, and borrowed securities are not recognized in, the Consolidated Statements of Financial Position because la Caisse or the counterparty, respectively, retains the risks and rewards of the securities. Income and expenses resulting from securities lending and borrowing transactions are presented under "Investment income" and "Investment expense", respectively, in the Consolidated Statements of Comprehensive Income.

SIGNIFICANT ACCOUNTING PRINCIPLES

FINANCIAL INSTRUMENTS (continued)

NET ASSETS ATTRIBUTABLE TO DEPOSITORS

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

Demand deposits and term deposits

Demand deposits bear interest at a variable rate and are repayable on demand. Term deposits bear interest at a fixed or variable rate and are repayable at maturity. Demand deposits and term deposits represent la Caisse'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 fund's net assets. The per-unit value of the net assets is determined by dividing the individual fund's net assets by the number of outstanding units. Depositors can purchase or cancel participation deposit units at that value at the beginning of each month. The difference between the proceeds of cancellation and the carrying value at issuance is recovered in the depositor's demand deposit account. In addition, holders of participation deposit units are entitled to receive distributions. Participation deposit units are financial instruments defined as depositor's equity in the Regulation and are subordinate to all other categories of financial liabilities.

NET INCOME

DIVIDEND AND INTEREST INCOME AND EXPENSE

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

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

EXTERNAL MANAGEMENT FEES

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

INCOME TAX

Under federal and provincial income tax legislation, la Caisse is exempt from income tax in Canada. Income from foreign affiliates is subject to withholding taxes in certain countries. Withholding taxes are presented under "Net investment income" in the Consolidated Statements of Comprehensive Income.

OPERATING EXPENSES

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

SIGNIFICANT ACCOUNTING PRINCIPLES

NET GAINS ON FINANCIAL INSTRUMENTS AT FAIR VALUE

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

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

DISTRIBUTIONS TO DEPOSITORS

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

03

NEW IFRS STANDARDS

No issued or amended standard not yet effective for the year is expected to have an impact on the consolidated financial statements.

04

INVESTMENTS AND INVESTMENT LIABILITIES

A) INVESTMENTS

The following table shows the fair values of the investments. The geographic allocation is determined according to the country of the issuer's principal place of business. The 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, 2019			December 31, 2018		
	Canada	Foreign	Fair value ¹	Canada	Foreign	Fair value ¹
Investments						
Cash equivalents						
Short-term investments	27	–	27	–	–	–
Securities purchased under reverse repurchase agreements	101	–	101	360	–	360
Total cash equivalents	128	–	128	360	–	360
Fixed-income securities						
Short-term investments	64	74	138	116	106	222
Securities purchased under reverse repurchase agreements	12	3,524	3,536	4,540	3,735	8,275
Corporate debt	742	1,273	2,015	793	1,356	2,149
Bonds						
Governments	41,969	22,042	64,011	33,840	9,299	43,139
Government corporations and other public administrations	6,425	574	6,999	5,940	393	6,333
Corporate sector	11,970	6,094	18,064	9,944	9,042	18,986
Bond funds	–	1,603	1,603	–	1,552	1,552
Total fixed-income securities	61,182	35,184	96,366	55,173	25,483	80,656
Variable-income securities						
Equities and convertible securities						
Public companies	30,322	86,863	117,185	26,042	80,230	106,272
Private companies	3,317	16,001	19,318	3,600	13,498	17,098
Hedge funds	–	1,321	1,321	–	2,247	2,247
Total variable-income securities	33,639	104,185	137,824	29,642	95,975	125,617
Interests in unconsolidated subsidiaries						
Investments in real estate holdings	17,975	31,019	48,994	18,343	32,228	50,571
Investments in real estate debt	14,290	1,197	15,487	13,395	–	13,395
Private equity investments	3,945	27,972	31,917	2,989	23,286	26,275
Infrastructure investments	3,674	19,230	22,904	2,991	16,586	19,577
Investments in fixed-income securities	4,809	14,592	19,401	4,019	11,924	15,943
Investments in hedge funds	77	4,345	4,422	108	5,501	5,609
Stock market investments	1,039	2,230	3,269	1,041	1,753	2,794
Total interests in unconsolidated subsidiaries	45,809	100,585	146,394	42,886	91,278	134,164
Derivative financial instruments (Note 5)	10	1,745	1,755	28	1,179	1,207
Total investments	140,768	241,699	382,467	128,089	213,915	342,004

1. The total cost of the investments amounts to \$320,839 million as at December 31, 2019 (\$289,453 million as at December 31, 2018).

EQUITIES IN GROWTH MARKETS

La Caisse has Qualified Foreign Institutional Investor status and obtained an investment quota to access the Chinese capital markets. Although la Caisse has a long-term investment strategy, it must meet the conditions set by the regulatory authorities in the event of a repatriation of invested capital. As at December 31, 2019, the fair value of securities invested in China amounted to \$2,187 million (\$1,629 million as at December 31, 2018).

INVESTMENTS AND INVESTMENT LIABILITIES

B) INVESTMENT LIABILITIES

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

	December 31, 2019			December 31, 2018		
	Canada	Foreign	Fair value ¹	Canada	Foreign	Fair value ¹
Investment liabilities						
Non-derivative financial liabilities						
Securities sold under repurchase agreements	15,131	8,396	23,527	9,856	2,683	12,539
Securities sold short						
Equities	104	15	119	91	433	524
Bonds	172	3,496	3,668	3,976	3,302	7,278
Commercial paper payable	8,794	–	8,794	5,921	–	5,921
Loans payable	149	219	368	128	162	290
Term notes payable	12,332	–	12,332	9,598	–	9,598
Total non-derivative financial liabilities	36,682	12,126	48,808	29,570	6,580	36,150
Derivative financial instruments (Note 5)	27	995	1,022	35	2,022	2,057
Total investment liabilities	36,709	13,121	49,830	29,605	8,602	38,207

1. The total cost of the investment liabilities amounts to \$47,780 million as at December 31, 2019 (\$33,493 million as at December 31, 2018).

05

DERIVATIVE FINANCIAL INSTRUMENTS

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

Forward contracts are commitments that enable the purchase or sale of an underlying item, the quantity and price of which are determined in the contract, which includes a predetermined maturity date. 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 la Caisse:

	December 31, 2019			December 31, 2018		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Exchange markets						
Interest rate derivatives						
Futures contracts	-	-	69,325	-	-	120,930
Equity derivatives						
Futures contracts	-	-	19,204	-	-	24,394
Options	-	-	-	61	29	1,080
Warrants	6	-	51	1	-	15
Commodity derivatives						
Futures contracts	2	3	777	3	1	845
Total exchange markets	8	3	89,357	65	30	147,264
Over-the-counter markets						
Interest rate derivatives						
Swaps	177	-	5,974	65	3	1,860
Swaps settled through a clearing house	-	-	80,525	-	-	115,320
Forward contracts	10	10	1,459	28	4	4,376
Options	174	214	41,329	152	5	2,807
Currency derivatives						
Swaps	62	53	5,492	-	107	1,695
Forward contracts	894	413	80,848	333	1,332	59,226
Options	151	36	24,191	164	72	18,361
Credit default derivatives						
Swaps settled through a clearing house	-	-	31,043	-	-	18,805
Options	3	-	4,742	-	-	-
Equity derivatives						
Swaps	112	144	9,697	311	389	14,149
Options	164	149	22,916	89	115	7,630
Warrants	-	-	2	-	-	3
Total over-the-counter markets	1,747	1,019	308,218	1,142	2,027	244,232
Total derivative financial instruments	1,755	1,022	397,575	1,207	2,057	391,496

06

FAIR VALUE MEASUREMENT

A) POLICY, DIRECTIVE, PROTOCOLS AND PROCEDURES RELATED TO FAIR VALUE MEASUREMENT

La Caisse's valuation procedures are governed by la Caisse 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 la Caisse. 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 investments, infrastructure investments and specialized financing, the policy provides for an external review, over a period of three years, of substantially all the fair value of these investments. External reviews include valuations by independent valuers, observations of comparable transactions in the market, or valuations by a partner.

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

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

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

B) FAIR VALUE VALUATION TECHNIQUES

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

SHORT-TERM INVESTMENTS, SECURITIES PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS, SECURITIES SOLD UNDER REPURCHASE AGREEMENTS, COMMERCIAL PAPER PAYABLE, LOANS PAYABLE AND TERM NOTES PAYABLE

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

CORPORATE DEBT

The fair value of the corporate debt is determined using a discounted cash flow technique that primarily uses observable and unobservable inputs such as the interest rate curves and credit spreads that make up the discount rates. La Caisse 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 AND CONVERTIBLE SECURITIES

Public companies

The fair value of equities and convertible securities of public companies is determined based on closing prices observed on major stock exchanges, which represent the active market.

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

Private companies

The fair value of equities and convertible securities of private equity investment companies is primarily determined according to the market approach, which includes techniques based on comparable company multiples and comparable transaction multiples. La Caisse 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.

FAIR VALUE MEASUREMENT

FAIR VALUE VALUATION TECHNIQUES (continued)

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

La Caisse may also use information about recent transactions carried out in the market for valuations of private equity investments 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. La Caisse ensures that the valuation techniques used by the fund's administrator or general partner to determine net asset values are in compliance with IFRS. Furthermore, the net asset value is adjusted to reflect certain factors such as purchases and sales of fund units between the date of the most recent financial statements provided by the fund and the valuation date, the quoted price of the underlyings when there are securities of publicly listed corporations, or when there are other indications requiring judgment to be made.

INTERESTS IN UNCONSOLIDATED SUBSIDIARIES

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

Investments in real estate holdings

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

The fair value of interests in the form of debt instruments in these subsidiaries is determined using the discounted cash flow technique, which is supported mainly by observable inputs such as the interest rates and credit spreads that make up the discount rates.

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

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

Investments in real estate debt

The fair value of la Caisse's interests in real estate debt subsidiaries is determined using an enterprise valuation technique. Enterprise value reflects the fair value of the assets held directly by these subsidiaries, which primarily include commercial mortgages. The fair value of interests in the form of equity instruments held by these subsidiaries corresponds to the net assets in the audited financial statements.

The fair value of interests in the form of debt instruments in these subsidiaries is determined using the discounted cash flow technique. This valuation primarily uses observable inputs such as the interest rates and credit spreads that make up the discount rates.

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

FAIR VALUE MEASUREMENT

FAIR VALUE VALUATION TECHNIQUES (continued)

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

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

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

SECURITIES SOLD SHORT

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

NET ASSETS ATTRIBUTABLE TO DEPOSITORS

Demand deposits

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

Term deposits and distributions payable to depositors

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

Participation deposits

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

C) FAIR VALUE HIERARCHY

La Caisse'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.

FAIR VALUE MEASUREMENT

FAIR VALUE HIERARCHY (continued)

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

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts receivable from transactions being settled	–	6,223	–	6,223
Advances to depositors	–	960	–	960
Investment income, accrued and receivable	–	1,391	–	1,391
Investments				
Cash equivalents	–	128	–	128
Short-term investments	–	138	–	138
Securities purchased under reverse repurchase agreements	–	3,536	–	3,536
Corporate debt	–	–	2,015	2,015
Bonds	63,550	26,409	718	90,677
Equities and convertible securities				
Public companies	115,487	616	1,082	117,185
Private companies	–	2,722	16,596	19,318
Hedge funds	–	1,078	243	1,321
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	–	9,304	39,690	48,994
Investments in real estate debt	–	12,386	3,101	15,487
Private equity investments	–	–	31,917	31,917
Infrastructure investments	–	–	22,904	22,904
Investments in fixed-income securities	–	3,273	16,128	19,401
Investments in hedge funds	–	4,422	–	4,422
Stock market investments	–	1,039	2,230	3,269
Derivative financial instruments	8	1,747	–	1,755
	179,045	75,372	136,624	391,041
Financial liabilities excluding net assets attributable to depositors				
Amounts payable on transactions being settled	–	1,537	–	1,537
Other financial liabilities	–	1,143	–	1,143
Investment liabilities				
Securities sold under repurchase agreements	–	23,527	–	23,527
Securities sold short	1,167	2,614	6	3,787
Commercial paper payable	–	8,794	–	8,794
Loans payable	–	368	–	368
Term notes payable	–	12,332	–	12,332
Derivative financial instruments	3	1,007	12	1,022
	1,170	51,322	18	52,510
Net assets attributable to depositors				
Demand deposits	–	406	–	406
Term deposits	–	6	–	6
Distributions payable to depositors	–	2,961	–	2,961
Participation deposits	–	336,736	–	336,736
	–	340,109	–	340,109

FAIR VALUE MEASUREMENT

FAIR VALUE HIERARCHY (continued)

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts receivable from transactions being settled	–	4,587	–	4,587
Advances to depositors	–	903	–	903
Investment income, accrued and receivable	–	1,352	–	1,352
Investments				
Cash equivalents	–	360	–	360
Short-term investments	–	222	–	222
Securities purchased under reverse repurchase agreements	–	8,275	–	8,275
Corporate debt	–	76	2,073	2,149
Bonds ¹	45,984	23,304	722	70,010
Equities and convertible securities				
Public companies	105,631	641	–	106,272
Private companies	–	1,138	15,960	17,098
Hedge funds	–	1,947	300	2,247
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	–	12,254	38,317	50,571
Investments in real estate debt	–	10,613	2,782	13,395
Private equity investments	–	–	26,275	26,275
Infrastructure investments	–	–	19,577	19,577
Investments in fixed-income securities	–	7,174	8,769	15,943
Investments in hedge funds	–	5,609	–	5,609
Stock market investments	–	1,041	1,753	2,794
Derivative financial instruments	65	1,142	–	1,207
	151,680	80,638	116,528	348,846
Financial liabilities excluding net assets attributable to depositors				
Amounts payable on transactions being settled	–	1,113	–	1,113
Other financial liabilities	–	1,172	–	1,172
Investment liabilities				
Securities sold under repurchase agreements	–	12,539	–	12,539
Securities sold short ¹	5,805	1,989	8	7,802
Commercial paper payable	–	5,921	–	5,921
Loans payable	–	290	–	290
Term notes payable	–	9,598	–	9,598
Derivative financial instruments	30	2,007	20	2,057
	5,835	34,629	28	40,492
Net assets attributable to depositors				
Demand deposits	–	712	–	712
Term deposits	–	6	–	6
Distributions payable to depositors	–	2,506	–	2,506
Participation deposits	–	306,287	–	306,287
	–	309,511	–	309,511

1. Due to a change in the fair value hierarchy classification determination method, bonds with a value of \$45,984 million and securities sold short with a value of \$5,289 million were reclassified from Level 2 to Level 1 as at December 31, 2018.

FAIR VALUE MEASUREMENT

FAIR VALUE HIERARCHY (continued)

TRANSFERS BETWEEN LEVELS OF THE FAIR VALUE HIERARCHY

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

During the year ended December 31, 2018, due to changes in the availability of observable inputs given changing market conditions, financial instruments with a value of \$237 million were transferred from Level 1 to Level 2, of \$62 million from Level 1 to Level 3, of \$306 million from Level 2 to Level 1, of \$645 million from Level 2 to Level 3, and of \$1,077 million from Level 3 to Level 2.

D) LEVEL 3: RECONCILIATION BETWEEN OPENING AND CLOSING BALANCES

For financial instruments classified in Level 3 of the hierarchy, reconciliations between the opening and closing balances as at December 31, 2019 and 2018 are as follows:

								2019
	Opening balance (assets / liabilities)	Gains (losses) recognized in compre- hensive income ²	Purchases	Sales	Settlements	Transfers	Closing balance (assets / liabilities)	Unrealized gains (losses) on financial instruments held at year-end ²
Corporate debt	2,073	13	454	(227)	(298)	–	2,015	(32)
Bonds	722	37	113	(106)	(11)	(37)	718	21
Equities and convertible securities	16,260	656	3,043	(1,711)	–	(327)	17,921	476
Interests in unconsolidated subsidiaries	97,473	(649)	18,976	(4,413)	–	4,583	115,970	(449)
Derivative financial instruments ¹	(20)	(2)	–	–	10	–	(12)	(2)
Securities sold short	(8)	2	–	–	–	–	(6)	2

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

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

FAIR VALUE MEASUREMENT

LEVEL 3: RECONCILIATION BETWEEN OPENING AND CLOSING BALANCES (continued)

								2018
	Opening balance (assets / liabilities))	Gains (losses) recognized in compre- hensive income ²	Purchases	Sales	Settlements	Transfers	Closing balance (assets / liabilities))	Unrealized gains (losses) on financial instruments held at year-end ²
Corporate debt	2,014	(53)	638	(209)	(317)	–	2,073	(54)
Bonds	143	45	–	–	(16)	550	722	38
Equities and convertible securities	15,318	1,804	3,284	(3,359)	–	(787)	16,260	1,218
Interests in unconsolidated subsidiaries	73,906	7,554	20,399	(4,253)	–	(133)	97,473	7,436
Derivative financial instruments ¹	(28)	(2)	–	(1)	11	–	(20)	(1)
Securities sold short	(6)	(2)	–	–	–	–	(8)	(2)

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

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

E) LEVEL 3: FAIR VALUE MEASUREMENT BASED ON REASONABLY POSSIBLE ALTERNATIVE ASSUMPTIONS

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

FAIR VALUE MEASUREMENT

LEVEL 3: FAIR VALUE MEASUREMENT BASED ON REASONABLY POSSIBLE ALTERNATIVE ASSUMPTIONS (continued)

The following tables present 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, 2019
	Fair value	Valuation techniques	Unobservable inputs	Range (weighted average)
Included in the sensitivity analysis				
Corporate debt	1,713	Discounted cash flows	Credit spreads	0.4% to 2.4% (1.5%)
			Discount rates	6.0% to 9.3% (6.9%)
Equities and convertible securities				
Private equity investments	6,833	Comparable company multiples	EBITDA multiples	8.7 to 16.0 (11.7)
Infrastructure investments	5,311	Discounted cash flows	Discount rates	6.0% to 9.8% (8.7%)
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	39,690	Comparable company multiples	Price-to-book value ratios	1.05
		Discounted cash flows	Discount rates	4.0% to 13.5% (6.4%)
			Credit spreads	0.0% to 9.8% (1.6%)
		Capitalization of revenue	Capitalization rate	2.7% to 10.5% (5.3%)
		Net real estate assets	Discounts to net asset value	0.0% to 8.0% (2.3%)
Private equity investments	12,001	Comparable company multiples	EBITDA multiples	9.0 to 17.0 (12.4)
Infrastructure investments	16,983	Discounted cash flows	Discount rates	6.0% to 13.8% (9.2%)
Investments in fixed-income securities	9,894	Discounted cash flows	Discount rates	6.9%
			Credit spreads	1.1% to 8.5% (3.6%)
	92,425			
Excluded from the sensitivity analysis				
Financial instruments ¹	44,181	Recent transactions ²	n.a.	n.a.
		Broker quotes ³	n.a.	n.a.
		Net assets ³	n.a.	n.a.
Net financial instruments classified in Level 3	136,606			

n.a.: not applicable

- The fair value of financial instruments presented in this item includes corporate debt, bonds, equities, interests in unconsolidated subsidiaries, derivative financial instruments and securities sold short.
- When fair value is determined based on recent transaction information, this value is the most representative indication of fair value. Consequently, la Caisse did not conduct a sensitivity analysis.
- When fair value is determined using broker quotes or net asset value, this value is the only reasonable indication of fair value. Consequently, la Caisse is unable to conduct a sensitivity analysis.

FAIR VALUE MEASUREMENT

LEVEL 3: FAIR VALUE MEASUREMENT BASED ON REASONABLY POSSIBLE ALTERNATIVE ASSUMPTIONS (continued)

				December 31, 2018
	Fair value	Valuation techniques	Unobservable inputs	Range (weighted average)
Included in the sensitivity analysis				
Corporate debt	1,861	Discounted cash flows	Credit spreads	1.2% to 11.1% (3.9%)
			Discount rates	7.5% to 9.3% (7.8%)
Equities and convertible securities				
Private equity investments	5,191	Comparable company multiples	EBITDA multiples	6.8 to 16.5 (11.4)
Infrastructure investments	3,642	Discounted cash flows	Discount rates	6.0% to 10.3% (9.7%)
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	38,317	Comparable company multiples	Price-to-book value ratios	1.06
		Discounted cash flows	Discount rates	4.8% to 13.3% (6.4%)
			Credit spreads	0.0% to 12.0% (1.6%)
		Capitalization of revenue	Capitalization rate	4.1% to 12.6% (5.3%)
		Net real estate assets	Discounts to net asset value	0.0% to 17.5% (5.1%)
Private equity investments	4,263	Comparable company multiples	EBITDA multiples	8.5 to 13.0 (12.2)
Infrastructure investments	10,682	Discounted cash flows	Discount rates	7.2% to 13.0% (9.0%)
Investments in fixed-income securities	6,525	Discounted cash flows	Discount rates	6.4%
			Credit spreads	0.9% to 9.4% (4.6%)
	70,481			
Excluded from the sensitivity analysis				
Financial instruments ¹	46,019	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				
	116,500			

n.a.: not applicable

- The fair value of financial instruments presented in this item includes corporate debt, bonds, equities, interests in unconsolidated subsidiaries, derivative financial instruments and securities sold short.
- When fair value is determined based on recent transaction information, this value is the most representative indication of fair value. Consequently, la Caisse did not conduct a sensitivity analysis.
- When fair value is determined using broker quotes or net asset value, this value is the only reasonable indication of fair value. Consequently, la Caisse is unable to conduct a sensitivity analysis.

FAIR VALUE MEASUREMENT

F) SENSITIVITY ANALYSIS OF FAIR VALUE

The following analysis shows the sensitivity of fair value measurements to reasonably possible alternative assumptions for the significant unobservable inputs shown in the preceding tables of Note 6e. La Caisse identified reasonably possible alternative assumptions using its judgment and knowledge of the markets. The following table shows the increases and decreases in fair value that would result from these alternative assumptions for the main financial instruments classified in Level 3 of the fair value hierarchy that are subject to a sensitivity analysis:

	December 31, 2019		December 31, 2018	
	Increase	Decrease	Increase	Decrease
Sensitivity of fair value	6,263	(5,609)	4,691	(4,348)

As at December 31, 2019, the fair value sensitivity analysis above shows an increase in fair value of \$2,754 million (\$2,800 million as at December 31, 2018) and a decrease in fair value of \$2,392 million (\$2,551 million as at December 31, 2018) attributable to investments in real estate holdings.

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

07

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset and a financial liability must be offset in the Consolidated Statements of Financial Position when la Caisse 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. La Caisse has a legally enforceable right of set-off when this right is exercisable in the normal course of business and in the event of default, insolvency or bankruptcy.

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

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

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	December 31, 2019					
	Gross amounts recognized	Amounts offset	Net amounts presented in the Consolidated Statements of Financial Position ¹	Amounts subject to master netting agreements	Collateral received/ pledged ²	Net amounts
Financial assets						
Amounts receivable from transactions being settled	6,223	–	6,223	(602)	–	5,621
Securities purchased under reverse repurchase agreements ³	8,502	(4,865)	3,637	(3,622)	(13)	2
Derivative financial instruments ³	1,777	(5)	1,772	(930)	(475)	367
	16,502	(4,870)	11,632	(5,154)	(488)	5,990
Financial liabilities						
Amounts payable on transactions being settled	1,537	–	1,537	(602)	–	935
Securities sold under repurchase agreements ³	28,414	(4,865)	23,549	(3,622)	(19,866)	61
Derivative financial instruments ³	1,062	(5)	1,057	(930)	(108)	19
	31,013	(4,870)	26,143	(5,154)	(19,974)	1,015

	December 31, 2018					
	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	4,587	–	4,587	(498)	–	4,089
Securities purchased under reverse repurchase agreements	10,859	(2,224)	8,635	(6,869)	(1,759)	7
Derivative financial instruments ³	1,257	(36)	1,221	(981)	(114)	126
	16,703	(2,260)	14,443	(8,348)	(1,873)	4,222
Financial liabilities						
Amounts payable on transactions being settled	1,113	–	1,113	(933)	–	180
Securities sold under repurchase agreements	14,763	(2,224)	12,539	(6,434)	(6,102)	3
Derivative financial instruments ³	2,111	(36)	2,075	(981)	(1,016)	78
	17,987	(2,260)	15,727	(8,348)	(7,118)	261

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

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

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

08

INVESTMENT RESULT BEFORE DISTRIBUTIONS TO DEPOSITORS

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

	2019			2018		
	Net investment income	Net gains (losses) ¹	Total	Net investment income	Net gains (losses) ¹	Total
Cash management activities	40	(7)	33	23	3	26
Investing activities						
Short-term investments	1	(7)	(6)	4	14	18
Securities purchased under reverse repurchase agreements	100	(204)	(104)	144	214	358
Corporate debt	95	13	108	152	13	165
Bonds	2,658	3,555	6,213	2,661	(172)	2,489
Equities and convertible securities	4,273	18,336	22,609	3,655	(2,713)	942
Interests in unconsolidated subsidiaries	3,661	(620)	3,041	3,503	8,171	11,674
Net derivative financial instruments	–	699	699	–	(462)	(462)
Other	10	(61)	(51)	80	62	142
	10,838	21,704	32,542	10,222	5,130	15,352
Investment liability activities						
Securities sold under repurchase agreements	(372)	328	(44)	(249)	(283)	(532)
Securities sold short	(58)	(296)	(354)	(101)	(763)	(864)
Financing activities						
Commercial paper payable	–	164	164	(106)	(416)	(522)
Loans payable	(5)	7	2	(3)	(17)	(20)
Term notes payable	(441)	249	(192)	(369)	(412)	(781)
Other						
External management fees	(69)	(58)	(127)	(58)	(37)	(95)
Transaction costs	–	(215)	(215)	–	(163)	(163)
	(945)	179	(766)	(886)	(2,091)	(2,977)
Operating expenses (Note 9)	9,893	21,883	31,776	9,336	3,039	12,375
Investment result before distributions to depositors			31,146			11,790

1. For the year ended December 31, 2019, the net gains (losses) included \$10,142 million in net realized gains and \$11,741 million in net unrealized gains (for the year ended December 31, 2018, net realized gains of \$7,980 million and net unrealized losses of \$4,941 million).

09

OPERATING EXPENSES

The following table shows the operating expenses:

	2019	2018
Salaries and employee benefits	405	377
Information technology and professional services	68	59
Maintenance, equipment and amortization	57	55
Data services and subscriptions	24	21
Rent	19	18
Other expenses	38	37
	611	567
Safekeeping of securities	19	18
	630	585

10

SEGMENT INFORMATION

La Caisse 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 la Caisse's portfolio and match its depositors' assets and liabilities while providing a significant source of liquidity. This segment consists of the Rates, Credit, Short Term Investments, Long Term Bonds, and Real Return Bonds specialized portfolios.
- **Real Assets:** This segment's objective is to expose la Caisse 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 la Caisse's segments:

	December 31, 2019	December 31, 2018
Fixed Income	102,890	94,285
Real Assets	67,481	60,966
Equities	167,117	151,228
Other ¹	2,621	3,032
Net assets attributable to depositors	340,109	309,511

The following table shows the allocation of the investment result before distributions to depositors for each of la Caisse's segments:

	2019	2018
Fixed Income	8,165	1,897
Real Assets	560	4,771
Equities	22,169	4,840
Other ¹	252	282
Investment result before distributions to depositors	31,146	11,790

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

11

RISK IDENTIFICATION AND MANAGEMENT

RISK MANAGEMENT POLICIES, DIRECTIVES AND PROCEDURES RELATED TO INVESTMENT ACTIVITIES

La Caisse 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 la Caisse's Board of Directors. The purpose of this policy is to promote a rigorous risk management culture and practices that help la Caisse 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 la Caisse'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 la Caisse is exposed

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

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

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

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

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

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

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

RISK IDENTIFICATION AND MANAGEMENT

MARKET RISK

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

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

La Caisse 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 la Caisse'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. To summarize, VaR indicates the level of loss that the actual portfolio of la Caisse could exceed in 5% of cases. La Caisse estimates VaR for each instrument held in its specialized portfolios and aggregates the information for la Caisse'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 la Caisse'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, la Caisse's actual portfolio losses could exceed the estimates.

A history of 3,000 days of observation of risk factors is used to measure the volatility of returns and the correlation between the return of financial instruments. 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.

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 la Caisse'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 la Caisse's benchmark portfolio.

The absolute risks of la Caisse'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 the actual portfolio and the absolute risk of the benchmark portfolio, including the risk associated with the underlying investments of unconsolidated subsidiaries whose risk is managed by la Caisse, as a percentage of net assets, according to a 95% confidence level and a history of 3,000 days, as well as the absolute risk ratio, are as follows:

	December 31, 2019			December 31, 2018		
	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	13.7	13.6	1.01	13.7	13.8	0.99

Moreover, when managing market risk, la Caisse uses stress tests that allow it to evaluate the consequences of specific circumstances on the returns of la Caisse'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.

RISK IDENTIFICATION AND MANAGEMENT

MARKET RISK (continued)

CURRENCY RISK

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

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

To strategically manage currency risk, la Caisse 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 portfolios or of certain investments. Moreover, currency risk can be managed by way of natural hedging activities, including the financing of investments in the same currency.

The net exposure to foreign currencies takes into account the effects of currency derivatives, natural hedging and the underlying investments in currencies of unconsolidated subsidiaries whose currency risk is managed by la Caisse. La Caisse'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, 2019 %	December 31, 2018 %
Canadian dollar	50	45
U.S. dollar	21	27
Euro	7	7
Pound sterling	4	4
Mexican peso	2	1
Yen	1	2
Australian dollar	1	1
Other	14	13
	100	100

INTEREST RATE RISK

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

PRICE RISK

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

RISK IDENTIFICATION AND MANAGEMENT

CONCENTRATION RISK

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

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

	December 31, 2019 %	December 31, 2018 %
Canada	34	36
United States	33	30
Europe	14	14
Growth markets	14	14
Other	5	6
	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 la Caisse:

	December 31, 2019 %	December 31, 2018 %
Industry sector		
Real estate	17	19
Industrials	11	12
Financials	10	9
Information technology	6	6
Consumer discretionary	5	5
Health care	5	5
Utilities	5	6
Consumer staples	4	5
Real estate debt	4	4
Energy	4	5
Telecommunication services	4	4
Materials	2	2
Other	3	3
Government sector		
Government of the United States	7	1
Government of Canada	6	5
Government of Québec	3	4
Government corporations and other public administrations in Québec	2	2
Other	2	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, 2019	December 31, 2018
Cash	994	675
Amounts receivable from transactions being settled	6,223	4,587
Advances to depositors	960	903
Investment income, accrued and receivable	1,391	1,352
Investments		
Cash equivalents	128	360
Fixed-income securities	96,366	80,656
Interests in unconsolidated subsidiaries in the form of debt instruments	28,189	27,922
Derivative financial instruments	1,755	1,207
	136,006	117,662
Other items		
Financial guarantees (Note 18)	616	397
	136,622	118,059

La Caisse 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, la Caisse closely monitors changes in the credit cycle of issuers and uses a credit VaR to calculate the potential financial loss related to possible changes in the credit quality of issuers of fixed-income securities.

RISK IDENTIFICATION AND MANAGEMENT

CREDIT RISK (continued)

CONCENTRATION OF CREDIT RISK

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

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

	December 31, 2019 %	December 31, 2018 %
Credit rating		
AAA – AA	64	26
A	5	32
BBB	11	18
BB or lower	16	19
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, la Caisse uses recognized credit rating agencies.

COUNTERPARTY RISK RELATED TO DERIVATIVE FINANCIAL INSTRUMENTS

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

To limit its exposure to the counterparty risk arising from transactions involving over-the-counter derivative financial instruments, la Caisse carries out transactions with financial institutions in accordance with management's criteria regarding the quality of the issuer. Moreover, la Caisse 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, 2019, the legal agreements and the collateral received helped reduce exposure to the counterparty risk of over-the-counter derivative financial instruments. The maximum exposure to this risk was \$317 million related to 33 counterparties (\$61 million related to 33 counterparties as at December 31, 2018).

RISK IDENTIFICATION AND MANAGEMENT

LIQUIDITY RISK

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

To ensure that sources of liquidity and potential liquidity requirements are properly aligned, la Caisse 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, la Caisse may issue commercial paper and term notes payable as well as a committed credit facility totalling US\$4 billion to meet its contractual commitments and financial obligations. As at December 31, 2019, la Caisse had close to \$46 billion in liquidity in the form of government bonds and money market securities (\$37 billion as at December 31, 2018).

Furthermore, to manage liquidity risk, la Caisse conducts simulations of scenarios over different horizons and examines events that could lead to a liquidity crisis.

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 la Caisse manages its liquidity risk and financing requirements.

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

	December 31, 2019				
	On demand	Less than 1 year	1 year to 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Amounts payable on transactions being settled	–	(1,537)	–	–	(1,537)
Other financial liabilities	–	(677)	(59)	(465)	(1,201)
Investment liabilities					
Securities sold under repurchase agreements	–	(23,577)	–	–	(23,577)
Securities sold short	–	(3,787)	–	–	(3,787)
Commercial paper payable	–	(8,822)	–	–	(8,822)
Loans payable	–	(368)	–	–	(368)
Term notes payable	–	(2,487)	(8,648)	(2,955)	(14,090)
Net assets attributable to depositors					
Demand and term deposits	(406)	(6)	–	–	(412)
Distributions payable to depositors	–	(2,961)	–	–	(2,961)
	(406)	(44,222)	(8,707)	(3,420)	(56,755)
Derivative financial instruments					
Derivative instruments with net settlement	–	(57)	62	109	114
Derivative instruments with gross settlement					
Contractual cash flows receivable	–	102,277	4,143	1,342	107,762
Contractual cash flows payable	–	(101,694)	(4,102)	(1,491)	(107,287)
	–	526	103	(40)	589
Other items					
Commitments (Note 18)	(9)	(19,713)	(74)	(411)	(20,207)
Financial guarantees (Note 18)	–	(106)	(305)	(205)	(616)
	(9)	(19,819)	(379)	(616)	(20,823)
	(415)	(63,515)	(8,983)	(4,076)	(76,989)

RISK IDENTIFICATION AND MANAGEMENT

LIQUIDITY RISK (continued)

	December 31, 2018				
	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	–	(1,113)	–	–	(1,113)
Other financial liabilities	–	(881)	–	–	(881)
Investment liabilities					
Securities sold under repurchase agreements	–	(12,562)	–	–	(12,562)
Securities sold short	–	(659)	(3,802)	(5,540)	(10,001)
Commercial paper payable	–	(5,939)	–	–	(5,939)
Loans payable	–	(290)	–	–	(290)
Term notes payable	–	(2,746)	(3,019)	(5,680)	(11,445)
Net assets attributable to depositors					
Demand and term deposits	(712)	(6)	–	–	(718)
Distributions payable to depositors	–	(2,506)	–	–	(2,506)
	(712)	(26,702)	(6,821)	(11,220)	(45,455)
Derivative financial instruments					
Derivative instruments with net settlement	–	(4,409)	157	50	(4,202)
Derivative instruments with gross settlement					
Contractual cash flows receivable	–	72,651	1,245	1,016	74,912
Contractual cash flows payable	–	(73,629)	(1,274)	(1,105)	(76,008)
	–	(5,387)	128	(39)	(5,298)
Other items					
Commitments (Note 18)	(11)	(18,474)	(134)	(347)	(18,966)
Financial guarantees (Note 18)	–	(40)	(357)	–	(397)
	(11)	(18,514)	(491)	(347)	(19,363)
	(723)	(50,603)	(7,184)	(11,606)	(70,116)

Moreover, concerning net assets attributable to depositors, the Regulation sets monthly limits for cancelling participation units, i.e., a depositor is limited to a maximum reimbursement of all their participation units in all of la Caisse's specialized portfolios of \$50 million (in 2018, \$15 million plus the proceeds of \$2 million multiplied by the number of months that have elapsed since receipt of the notice of withdrawal). Any participation units that are not cancelled given the maximum amount permitted is carried forward to the first day of the subsequent month and are cancelled as soon as the limit permits. The purpose of the limits is to ensure optimal management of la Caisse's overall liquidity. Moreover, substantially all depositors are required to invest with la Caisse in accordance with the Act or the respective applicable legislation.

RISK IDENTIFICATION AND MANAGEMENT

LIQUIDITY RISK (continued)

FINANCING-LIQUIDITY RISK

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

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

				December 31, 2018
	Currency	Nominal value ¹	Maturity	Interest rate %
Loans payable	USD	290	Less than one year	2.37
		290		
Commercial paper payable	CAD	1,000	Less than one year	1.90
	USD	4,945	Less than one year	2.60
		5,945		
Term notes payable	USD	2,390	November 2019	4.40
	EUR	1,171	June 2020	3.50
	CAD	1,000	July 2020	4.60
	USD	2,732	July 2024	3.15
	USD	1,707	November 2039	5.60
		9,000		

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

Commercial paper payable is issued at fixed rates, with maturities not exceeding 12 months, guaranteed by la Caisse's assets. The nominal value for all outstanding commercial paper may never exceed CA\$3 billion and US\$10 billion (US\$5 billion as at December 31, 2018) in accordance with the limit prescribed in the commercial paper issuance information document.

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

Furthermore, during the year ended December 31, 2019, la Caisse renewed its credit facility arranged with a banking syndicate for a total amount of approximately CA\$5 billion, i.e., in two tranches of US\$2 billion 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 la Caisse. As at December 31, 2019 and 2018, no amount had been drawn on this credit facility.

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CAPITAL MANAGEMENT

La Caisse defines its capital as net assets attributable to depositors. La Caisse'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. La Caisse'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.

La Caisse is not subject to external capital requirements.

Furthermore, la Caisse's objective is to maintain its AAA credit rating to ensure access to capital markets at the best cost through its CDP Financial Inc subsidiary. Consequently, the Board of Directors has limited the amount of notes that la Caisse 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).

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FINANCIAL ASSETS TRANSFERRED BUT NOT DERECOGNIZED

La Caisse 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 la Caisse retains most of the risks such as credit risk, interest rate risk, currency risk, and price risk, as well as most of the related rewards such as cash flows.

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

	December 31, 2019	December 31, 2018
Financial assets transferred but not derecognized		
Bonds	33,897	15,001
Equities	10,359	12,420
	44,256	27,421
Associated financial liabilities		
Loans payable ¹	368	237
Securities sold under repurchase agreements ²	28,414	14,763
	28,782	15,000

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

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

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GUARANTEES

FINANCIAL ASSETS PLEDGED AS COLLATERAL

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

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

	December 31, 2019	December 31, 2018
Securities borrowing	99	120
Securities sold under repurchase agreements	28,535	14,935
Exchange-traded derivative financial instruments	1,037	715
Over-the-counter derivative financial instruments	994	1,545
	30,665	17,315

FINANCIAL ASSETS RECEIVED AS COLLATERAL

La Caisse receives financial assets as collateral for transactions involving securities lending, securities purchased under reverse repurchase agreements and derivative financial instruments. If the fair value of the collateral received decreases, la Caisse may, in certain cases, request additional collateral. La Caisse is authorized to sell or repledge as collateral certain securities in the absence of default by the counterparty. However, no security received as collateral was sold or repledged as collateral for the years ended December 31, 2019 and 2018.

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

	December 31, 2019	December 31, 2018
Securities lending	16,238	12,488
Securities purchased under reverse repurchase agreements	8,483	10,454
Over-the-counter derivative financial instruments	193	–
	24,914	22,942

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RELATED PARTY DISCLOSURES

RELATED PARTY TRANSACTIONS

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

La Caisse 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 la Caisse's activities as an investment entity, it may make investments in several investment categories, including investments in unconsolidated subsidiaries, joint ventures and associates.

As a result of the adoption of IFRS 16 on January 1, 2019, la Caisse recognized a right-of-use asset and a lease liability arising from a related party transaction.

RELATED PARTY DISCLOSURES

COMPENSATION OF KEY MANAGEMENT PERSONNEL

La Caisse'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 la Caisse's key management personnel:

	2019	2018
Salaries and other short-term employee benefits	14	9
Post-employment benefits	1	2
Other long-term employee benefits	5	7
	20	18

OTHER RELATED PARTIES

La Caisse 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, la Caisse 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, la Caisse 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 la Caisse. These agreements were signed in the subsidiary's normal course of business.

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INTERESTS IN OTHER ENTITIES

SUBSIDIARIES

CONSOLIDATED SUBSIDIARY

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

UNCONSOLIDATED SUBSIDIARIES

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

INTERMEDIATE SUBSIDIARIES

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

INTERESTS IN OTHER ENTITIES

The following table shows the ownership interests held in the main consolidated and unconsolidated subsidiaries as at December 31, 2019 as well as the comparative ownership interests as at December 31, 2018:

		December 31, 2019	December 31, 2018
	Principal place of business	Ownership interest %	Ownership interest %
Consolidated subsidiary			
CDP Financial Inc	Canada	100.0	100.0
Unconsolidated subsidiaries			
Real estate debt			
Otéra Capital Inc ¹	Canada	97.5	97.5
Energy			
Southern Star Acquisition Corporation	United States	79.9	100.0
Tenedora de Energía Renovable Sol y Viento S.A.P.I. de C.V. ²	Mexico	67.1	67.1
Trencap LP (Énergir) ³	Canada	64.7	64.7
Hedge funds			
CTA ALP Fund, LP	United States	100.0	100.0
CTA FCW Fund, LP	United States	100.0	100.0
CTA JNM Fund, LP	United States	–	100.0
CTA QN5 Fund, LP	United States	100.0	100.0
CTA WLH Fund, LP	United Kingdom ⁸	100.0	100.0
EMN ANF Fund, LP (formerly AIM Quantitative Global SF II Ltd)	United States	100.0	100.0
EMN CDM Fund, LP	United States	100.0	–
EMN CNM Fund, LP	United States	100.0	100.0
EMN DLC Fund, LP (formerly DSAM Neutral LP)	United Kingdom ⁸	100.0	100.0
EMN ENP Fund, LP	United States	100.0	100.0
GMAC ASO Fund Inc	Singapore ⁹	100.0	–
Ionic Pamli Global Credit Strategies Fund	United States ⁹	100.0	100.0
Kildonan Quebec Fund Ltd	United States ⁹	–	100.0
Private debt fund			
Global Credit Opportunities (Canada) LP	Canada	100.0	100.0
Private investment funds			
Apollo Hercules Partners LP	United States ⁹	97.6	97.6
EC Partners LP	Singapore	100.0	100.0
GSO Churchill Partners LP	United States ⁹	98.0	98.0
GSO Churchill Partners II LP	United States ⁹	98.0	98.0
KKR-CDP Partners LP	United States ⁹	90.1	90.1
Real estate – Ivanhoé Cambridge Group			
Careit Canada DCR GP	Canada	94.7	94.2
Careit Canada GP	Canada	94.7	94.2
IC Australia Trust	Australia	94.7	94.2
IC Investments US GP	Canada	94.7	94.2
IC Investments Mexico GP	Canada	94.7	94.2
IC Multi Equities LP	Canada	94.7	–
Ivanhoé Cambridge Inc	Canada	94.7	94.2
SITQ E.U. LP	United States	94.6	94.1
Industrials			
CDPQ Infra Inc	Canada	100.0	100.0
Einn Volant Aircraft Leasing Holdings Ltd	Ireland ¹⁰	90.5	90.5
Patina Rail LLP ⁴	United Kingdom	75.0	75.0
Spinner US AcquireCo Inc (Student Transportation of America)	United States	79.9	79.9
Trust No. 2431 ⁵	Mexico	43.0	43.0
Materials			
McInnis Cement Inc ⁶ (formerly Beaudier Ciment Inc)	Canada	27.5	57.3
Services			
Datamars SA ⁷	Switzerland	64.8	64.8

- Otéra Capital Inc owns 78.4% of MCAP Commercial LP as at December 31, 2019 (78.1% as at December 31, 2018).
- Voting rights amount to 60.0%.
- Trencap LP owns 61.1% of Noverco Inc, which owns 100.0% of Énergir Inc and 100.0% of Valener Inc, which together own 100.0% of Énergir LP.
- Patina Rail LLP owns 40.0% of Eurostar International Limited.
- La Caisse exercises control through a majority of the members of the board of directors. Trust No. 2431 owns 49.0% of ICA Operadora de Vías Terrestres, S.A.P.I. de C.V.

- La Caisse exercises control over McInnis Cement Inc since it holds 50.0% of the seats on the board of directors of McInnis Holding LP as well as the deciding vote in the event of an impasse.
- Voting rights amount to 55.0%.
- Constituted in the United States.
- Constituted in the Cayman Islands in accordance with the limited partner structure.
- 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, 2019 as well as the comparative ownership interests as at December 31, 2018:

		December 31, 2019	December 31, 2018
	Principal place of business	Ownership interest %	Ownership interest %
Consumer discretionary			
MED ParentCo LP	United States	–	47.7
Energy			
HEF HoldCo II, Inc	United States	33.3	33.3
Financials			
USI Advantage Corp ¹	United States	26.0	26.0
Industrials			
Delachaux SA ¹	France	43.0	43.0
DP World Australia B.V.	Australia ³	45.0	–
DP World Canada Investment Inc	Canada	45.0	45.0
DP World Caucedo (Caucedo Investments Inc, Caucedo Services Inc)	Dominican Republic ⁴	45.0	–
DP World Holding UK Limited (UK)	Chile ⁵	45.0	–
Information technology			
Kiwi Holdco Cayco, Ltd (FNZ) ²	United Kingdom ⁶	72.0	72.0

1. Voting rights amount to 50.0%.
2. La Caisse exercises joint control through agreements with the other shareholders.
3. Constituted in the Netherlands.
4. Constituted in the British Virgin Islands.
5. Constituted in the United Kingdom.
6. Constituted in the Cayman Islands.

INTERESTS IN OTHER ENTITIES

ASSOCIATES

The following table shows the ownership interests held in the main associates as at December 31, 2019 as well as the comparative ownership interests as at December 31, 2018:

		December 31, 2019	December 31, 2018
	Principal place of business	Ownership interest %	Ownership interest %
Consumer discretionary			
Cogeco Communications USA Inc	United States	21.0	21.0
SGU Holdings LP	United States ⁸	46.7	46.7
Energy			
Azure Power Global Ltd	India ⁹	49.7	40.3
Corex Resources Ltd	Canada	49.5	49.5
Fluxys SA	Belgium	20.0	20.0
Invenergy Renewables LLC ¹	United States	65.0	53.6
IPALCO Enterprises, Inc	United States	30.0	30.0
London Array Ltd, London Array Unincorporated JV	United Kingdom	25.0	25.0
NSW Electricity Networks Assets Holding Trust, NSW Electricity Networks Operations Holding Trust (TransGrid)	Australia	22.5	22.5
Suez Water Technologies and solutions SA	France	30.0	30.0
Techem GmbH	Germany	24.5	24.5
Transportadora Asociada de Gas SA	Brazil	31.5	–
Financials			
Avison Young (Canada) Inc	Canada	33.3	33.3
First Lion Holdings Inc	Canada	22.3	–
Greenstone Ltd	Australia	30.0	30.0
Hilco Trading LLC	United States	27.3	–
Hyperion Insurance Group Ltd	United Kingdom	29.6	29.6
Industrials			
Airport Holding Kft	Hungary	21.2	21.2
Alix Partners LLP	United States	21.0	21.0
Allied Universal Holdco LLC	United States	41.5	–
Alvest International Equity SAS ²	France	39.9	39.9
Clarios Power Solutions Holdings LP	United States ⁸	30.0	–
Fives Group ³	France	30.4	30.4
Groupe Keolis SAS	France	30.0	30.0
Groupe Solmax Inc	Canada	30.0	30.0
Knowlton Development Corporation Inc ⁴	Canada	35.8	35.8
Lightspeed POS Inc ⁵	Canada	20.4	44.6
NRT Group Holdings Unit Trust, NRT Group Holdings Pty Ltd (Sydney Metro)	Australia	24.9	–
Organización de Proyectos de Infraestructura, S.A.P.I. de C.V. (OPI), OPCEM, S.A.P.I. de C.V. (OPCEM)	Mexico	45.5	45.5
IPL Plastics Inc	Canada	27.1	27.4
PlusGrade Parent LP ⁶	Canada	39.9	39.9
QPH Hold Trust, QPH Hold Co PTY Limited (Port of Brisbane)	Australia	26.7	26.7
TVS Supply Chain Solutions Limited (formerly TVS Logistics services)	India	38.2	38.2
Health care			
ANZ Hospital Topco	Australia	21.3	–
Invekra, S.A.P.I. de C.V.	Mexico	22.7	–
Utilities			
CLP India Pvt Ltd	India	40.0	40.0
Real estate services			
Groupe Foncia	France	29.1	29.1
Information technology			
Nuvei Corporation ⁷	Canada	28.0	–
Telecommunications			
Vertical Bridge Reit LLC	United States	30.0	–
Rail transport			
Bombardier Transportation (Investment) UK Limited	Germany ¹⁰	30.0	27.5

1. Voting rights amount to 45.0%.

2. Voting rights amount to 28.6%.

3. Voting rights amount to 20.3%.

4. Voting rights amount to 27.8%.

5. Voting rights amount to 22.9%.

6. Voting rights amount to 37.5%.

7. Voting rights amount to 22.9%.

8. Constituted in Canada.

9. Constituted in Mauritius.

10. Constituted in the United Kingdom.

INTERESTS IN OTHER ENTITIES

NON-CONTROLLED STRUCTURED ENTITIES

La Caisse holds interests in non-controlled structured entities, the majority of which represent private investment funds or limited partnerships. The interests held by la Caisse do not give it power over the relevant activities of these entities, as control is established by contractual agreement in favour, generally, of a general partner or administrator. The maximum exposure to loss attributable to the various interests held in the main non-controlled structured entities is limited to the fair value of the investment held by la Caisse, i.e., \$28,181 million in 216 companies as at December 31, 2019 (\$25,732 million in 207 companies as at December 31, 2018).

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RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

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

	December 31, 2017	Cash flows from financing activities	Non-Cash Changes		December 31, 2018
			Change in foreign exchange	Change in fair value	
Commercial paper payable	4,556	1,180	182	3	5,921
Loans payable	364	(80)	–	6	290
Term notes payable	9,198	–	607	(207)	9,598
	14,118	1,100	789	(198)	15,809

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COMMITMENTS AND FINANCIAL GUARANTEES

Given the nature of its activities, la Caisse 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 la Caisse, 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, la Caisse may also provide financial guarantees or issue letters of credit to third parties. The maturities of the commitments are disclosed in Note 11.

The commitments and financial guarantees are detailed as follows:

	December 31, 2019	December 31, 2018
Investment purchase commitments	19,702	18,450
Commitments under leases	505	516
Financial guarantees	616	397
	20,823	19,363

LITIGATION

In the normal course of business, la Caisse may be subject to legal actions. Although la Caisse cannot predict the outcomes of any ongoing legal proceedings as at December 31, 2019, it has no reason to believe that the settlement of any one of these proceedings could have a material impact on its financial position.

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SUPPLEMENTARY INFORMATION

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

	SHORT TERM INVESTMENTS (740)		RATES (765)		CREDIT (766)		LONG TERM BONDS (764)	
	2019	2018	2019	2018	2019	2018	2019	2018
Statement of financial position								
Total assets	1,566	868	61,244	50,950	96,714	64,792	3,572	3,681
Total liabilities excluding net assets attributable to holders of participation units	685	2	30,053	18,166	30,784	9,117	508	836
Net assets attributable to holders of participation units	881	866	31,191	32,784	65,930	55,675	3,064	2,845
Statement of comprehensive income								
Net income	15	15	666	926	2,355	2,245	96	82
Net gains (losses) on financial instruments at fair value	0	0	790	(175)	3,879	(1,112)	266	(84)
Investment result before recoveries from (distributions to) holders of participation units	15	15	1,456	751	6,234	1,133	362	(2)
Recoveries (distributions)	(15)	(15)	(666)	(926)	(2,355)	(2,245)	(96)	(82)
Net income and comprehensive income attributable to holders of participation units	0	0	790	(175)	3,879	(1,112)	266	(84)
Statement of changes in net assets attributable to holders of participation units								
Balance at beginning of the year	866	1,892	32,784	40,012	55,675	50,073	2,845	2,929
Net change in participation units for the year	15	(1,026)	(2,383)	(7,053)	6,376	6,714	(47)	0
Net income and comprehensive income attributable to holders of participation units	0	0	790	(175)	3,879	(1,112)	266	(84)
Balance at end of the year	881	866	31,191	32,784	65,930	55,675	3,064	2,845

SUPPLEMENTARY INFORMATION

	REAL RETURN BONDS (762)		INFRASTRUCTURE (782)		REAL ESTATE (710)		EQUITY MARKETS (737)	
	2019	2018	2019	2018	2019	2018	2019	2018
Statement of financial position								
Total assets	1,282	1,311	30,613	24,447	48,651	38,326	118,393	109,820
Total liabilities excluding net assets attributable to holders of participation units	2	116	3,238	1,897	8,952	100	1,706	1,805
Net assets attributable to holders of participation units	1,280	1,195	27,375	22,550	39,699	38,226	116,687	108,015
Statement of comprehensive income								
Net income	26	26	964	771	19	6	2,633	2,611
Net gains (losses) on financial instruments at fair value	72	(27)	724	1,265	(1,147)	2,729	15,053	(3,639)
Investment result before recoveries from (distributions to) holders of participation units	98	(1)	1,688	2,036	(1,128)	2,735	17,686	(1,028)
Recoveries (distributions)	(26)	(26)	(964)	(771)	(19)	(6)	(2,633)	(2,611)
Net income and comprehensive income attributable to holders of participation units	72	(27)	724	1,265	(1,147)	2,729	15,053	(3,639)
Statement of changes in net assets attributable to holders of participation units								
Balance at beginning of the year	1,195	1,185	22,550	15,974	38,226	34,264	108,015	111,961
Net change in participation units for the year	13	37	4,101	5,311	2,620	1,233	(6,381)	(307)
Net income and comprehensive income attributable to holders of participation units	72	(27)	724	1,265	(1,147)	2,729	15,053	(3,639)
Balance at end of the year	1,280	1,195	27,375	22,550	39,699	38,226	116,687	108,015

SUPPLEMENTARY INFORMATION

	PRIVATE EQUITY (780)		ASSET ALLOCATION (771)		ACTIVE OVERLAY STRATEGIES (773)	
	2019	2018	2019	2018	2019	2018
Statement of financial position						
Total assets	52,018	44,479	2,725	5,530	6,058	9,576
Total liabilities excluding net assets attributable to holders of participation units	2,885	2,337	1,087	3,906	5,381	9,047
Net assets attributable to holders of participation units	49,133	42,142	1,638	1,624	677	529
Statement of comprehensive income						
Net income	2,297	1,903	5	(23)	(33)	84
Net gains (losses) on financial instruments at fair value	2,186	3,965	(255)	26	239	(247)
Investment result before recoveries from (distributions to) holders of participation units	4,483	5,868	(250)	3	206	(163)
Recoveries (distributions)	(2,297)	(1,903)	(5)	23	33	(84)
Net income and comprehensive income attributable to holders of participation units	2,186	3,965	(255)	26	239	(247)
Statement of changes in net assets attributable to holders of participation units						
Balance at beginning of the year	42,142	36,500	1,624	1,358	529	573
Net change in participation units for the year	4,805	1,677	269	240	(91)	203
Net income and comprehensive income attributable to holders of participation units	2,186	3,965	(255)	26	239	(247)
Balance at end of the year	49,133	42,142	1,638	1,624	677	529

FINANCIAL CERTIFICATE OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

I, Charles Emond, President and Chief Executive Officer of Caisse de dépôt et placement du Québec, certify that:

1. **Review:** I have reviewed the consolidated financial statements, the tables of returns, the press release announcing the annual results and the Annual Report (hereafter referred to as the "Annual Filings") of Caisse de dépôt et placement du Québec (CDPQ) for the year ended December 31, 2019.
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.
 - 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, 2019 and ending on December 31, 2019 that has had, or is likely to have, a material impact on the ICFR.
8. **Reporting to co-auditors and the Board of Directors or Audit Committee of CDPQ:** I have disclosed, based on our most recent valuation of the ICFR, to the co-auditors and the Board of Directors of CDPQ or its Audit Committee, any fraud that involves management or other employees who have a significant role in the ICFR.

President and Chief Executive Officer



CHARLES EMOND

April 3, 2020

FINANCIAL CERTIFICATE OF THE EXECUTIVE VICE-PRESIDENT AND CHIEF FINANCIAL AND OPERATIONS OFFICER

I, Maarika Paul, Executive Vice-President and Chief Financial and Operations Officer of Caisse de dépôt et placement du Québec, certify that:

1. **Review:** I have reviewed the consolidated financial statements, the tables of returns, the press release announcing the annual results and the Annual Report (hereafter referred to as the "Annual Filings") of Caisse de dépôt et placement du Québec (CDPQ) for the year ended December 31, 2019.
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, 2019 and ending on December 31, 2019 that has had, or is likely to have, a material impact on the ICFR.
8. **Reporting to co-auditors and the Board of Directors or Audit Committee of CDPQ:** I have disclosed, based on our most recent valuation of the ICFR, to the co-auditors and the Board of Directors of CDPQ or its Audit Committee, any fraud that involves management or other employees who have a significant role in the ICFR.

Executive Vice-President and Chief Financial and Operations Officer



MAARIKA PAUL, FCPA, FCA, CBV, ICD.D
April 3, 2020

CONCLUSIONS ABOUT THE DESIGN AND EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

In 2019, 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, 2019, 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 2019 Annual Filings before their public disclosure.

General Notes

1. CDPQ's operations comply with the requirements of the Act respecting the Caisse de dépôt et placement du Québec¹ and investment industry practices. Its financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Each year, CDPQ's co-auditors, the Auditor General of Québec and Ernst & Young LLP, audit the financial statements, the compliance of operations with laws, regulations, policies and guidelines, to the extent they deem appropriate.
2. The 2019 Annual Report Additional Information is an integral part of the 2019 Annual Report and presents, in the first section, the Tables of Returns as at December 31, 2019, for composites of CDPQ's depositors' accounts. These tables and calculations have been audited as at December 31, 2019 by Deloitte LLP for compliance with the Global Investment Performance Standards (GIPS®).
3. In this Annual Report, net assets and investment results are defined as being, in the consolidated financial statements, net assets attributable to depositors and investment results before distributions to depositors.
4. The returns of the specialized portfolios use the time-weighted rate of return formula.
5. The benchmark indexes for the asset classes and overall portfolio are based on the weighted average of the benchmark indexes for the specialized portfolios that comprise them.
6. Unless otherwise stated, returns, which are expressed as a percentage, are presented net of transaction fees, external management fees related to investment funds, and unconsolidated real estate subsidiaries fees, but before operating expenses and other fees. They are annualized for periods of more than one year. They include the return on cash and cash equivalents and they take into account any foreign exchange hedging. The ratio of operating expenses to the average net assets of each specialized portfolio is presented in the notes in the 2019 Annual Report Additional Information.
7. Unless otherwise stated, investment results and net assets attributable to depositors are presented net of operating expenses and other fees.
8. Some returns are expressed in basis points (bps). One hundred basis points equal 1.00% and one basis point equals 0.01%.
9. Unless otherwise stated, all figures are in Canadian dollars. The letters M and B used with dollar amounts designate millions and billions, respectively.
10. Totals (figures or percentages) may vary because of rounding of figures.
11. Unless otherwise stated, all data in the tables and figures are from studies carried out by CDPQ.
12. The tables listing the principal investments present, in alphabetical order, the main cash positions based on information shown in tables 7, 8, 9 and 10 of the 2019 Annual Report Additional Information.
13. To determine whether an asset is classified as a Québec investment, CDPQ uses the location of the head office of the company or of the issuer or, in the case of real estate, the location of the property.

This classification system is widely used in the fund management industry but involves biases. Some companies are included even though their core operations are outside Québec. Similarly, companies with extensive operations in Québec are excluded if their head office is outside the province.

1. The Act respecting the Caisse de dépôt et placement du Québec is available on CDPQ's website at www.cdpq.com.

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