The *2023 Canadian Pension Climate Report Card* analyzes, assesses and ranks the progress made by eleven of Canada's largest pension managers and three international pension managers in their approach to climate risk and investment decisions as they relate to the climate crisis. Information is current to December 31, 2023. View the full report at shiftaction.ca/reportcard2023.

shift ACTION FOR PENSION WEALTH AND PLANET HEALTH

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC (CDPQ)

CDPQ is the investment manager for more than 48 client depositors, including public pension funds, insurance plans and other government funds. As of December 31, 2023, over 86% of the CDPQ's assets under management were pension funds, including the Quebec Pension Plan for 6.4 million contributors and beneficiaries.

Assets Under Management (AUM): $424 billion (June 30, 2023)

OVERALL SCORE	Paris-Aligned Target	Interim Targets	Climate Urgency	Climate Engagement	Climate Integration	Fossil Fuel Exclusions
B+	A–	B	A	B–	B+	B–

OVERALL CLIMATE SCORE	B+

Summary and 2023 Updates

CDPQ maintains its position as a climate leader among Canadian pension managers in 2023, but in 2024 must work to maintain its leadership by aligning with the recommendations of the *United Nations' High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities.*[1]

CDPQ has centered climate change in its investment strategy and demonstrated a willingness and ability to follow through on its climate commitments by:

- Completing its divestment of oil production, refining and coal mining in 2022.
- Achieving interim targets in carbon emissions intensity reduction and on track to achieve 2030 target for low-carbon investments.
- Financing and stewarding the decarbonization of carbon-intensive companies, particularly coal utilities.
- Co-filing a climate-related shareholder proposal at the annual general meeting of a large emitter (although an analysis of CDPQ's votes on select 2022 climate-related shareholder resolutions demonstrated a surprisingly low level of support).
- Enhancing its climate-related financial disclosures (although it has yet to incorporate scope 3 emissions).
- Differentiating itself from other Canadian pension managers with its new focus on restoring nature, protecting biodiversity, and improving the disclosure of nature-related financial risks.

What CDPQ still needs to do

- ☐ Publicly acknowledge the consensus science, including from the Intergovernmental Panel on Climate Change and the International Energy Agency, that limiting global temperature increase to 1.5°C requires an immediate end to expansion as well as the rapid phase-out of oil, gas, coal and related infrastructure.
- ☐ Align CDPQ's climate strategy and sustainable investing policies with the recommendations of the *United Nations' High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities'* for financial institutions.[2]
- ☐ Achieve at least a 50% absolute reduction in GHG emissions by 2030, taking into account and calculating direct and indirect emissions (scope 3).
- ☐ Adopt a policy that states that carbon offsets will not be counted toward CDPQ's net-zero commitment, interim emissions reduction targets, or the net-zero commitments and interim targets of portfolio companies.
- ☐ Disclose scope 3 emissions measurement and establish scope 3 emissions reduction targets.
- ☐ Build on public advocacy for mandatory standardized climate risk disclosure to become a vocal proponent of stringent, ambitious, Paris-aligned climate and energy policies that provide certainty for companies and investors.
- ☐ Engage owned companies using time-bound criteria and a process that escalates to divestment to ensure they rapidly develop profitable and credible net-zero pathways. Set targets to measure the success of climate engagements.
- ☐ Set an expectation that owned companies:
  - ☐ tie executive compensation to the achievement of climate targets;
  - ☐ refrain from lobbying against climate action, directly or through industry associations; and
  - ☐ refrain from directing capital toward fossil gas expansion.
- ☐ Provide specific direction to external managers on handling climate-related risks and aligning investments with net-zero pathways.
- ☐ Strengthen coal exclusion policy, including in fixed income markets.
- ☐ Divest from fossil gas producers.
- ☐ Exclude any new investments in fossil gas production and fossil gas pipelines.
- ☐ Release a timeline and plan for the managed phase-out of existing oil pipeline and fossil gas assets, including a commitment, by the end of 2024, to transform Énergir's business model.
- ☐ Require climate expertise on the Board of Directors, explicitly differentiated from "Sustainable Investing/ESG" expertise.
- ☐ Avoid climate-related conflicts of interest and refrain from re-appointing directors with concurrent corporate directorships with fossil fuel companies to the Board.
- ☐ Establish minimum time that must elapse between holding a fossil fuel directorship and joining the board.
- ☐ Integrate into its pre-investment criteria the principles of the United Nations Declaration on the Rights of Indigenous Peoples and specify in proxy voting guidelines that the fund will vote in favour of proposals requiring companies to demonstrate the Free, Prior and Informed Consent of Indigenous Peoples for projects that affect their traditional lands and waters.
- ☐ Build on climate leadership and biodiversity efforts by developing a policy of not investing or financing businesses linked to deforestation, and of eliminating agricultural commodity-driven deforestation from CDPQ's investment and credit portfolios by 2025.

FULL ANALYSIS	
Paris-Aligned Target	**A-**

2023 updates:

- No updates.

CDPQ has committed to reach net-zero emissions by 2050, has set and achieved ambitious interim targets to reduce emissions intensity, and has demonstrated a commitment to real-world decarbonization through its $10 billion transition envelope. The investment manager is a member of the Net Zero Asset Owner Alliance (NZAOA), which will require it to limit its use of carbon offsets and account for scope 3 emissions.

While CDPQ has not yet placed a limit on the role of carbon offsets in achieving its net-zero commitment, its *2021 Sustainable Investing Report* references NZAOA's position that "efforts must be focused first on reducing GHG (greenhouse gas) emissions, while detailing measures that must also be implemented to capture already-emitted GHGs to meet the targets of the Paris Agreement" (p.27). The NZAOA states that "to align to a 1.5°C pathway (scenarios P3 and P4) ... the primary focus must remain on deep decarbonization in energy, urban, infrastructure and industrial systems, as well as reversing emissions growth from land use systems; however, investments in CDR (carbon dioxide removal) and negative emissions technologies and solutions will also be complementary and necessary to accelerate progress and keep global average warming to 1.5°C."[3] The United Nations' High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities is clear that carbon offsets should not be counted toward interim emissions reductions.[4]

CDPQ's NZAOA membership will also require the pension manager to incorporate scope 3 into its climate strategy and net-zero emissions commitment, but CDPQ has not yet done this.[5] According to its *2022 Sustainable Investing Report*, CDPQ has analyzed scope 3 emissions of portfolio companies but found inconsistencies in data quality and coverage. CDPQ states that good quality scope 3 data will be useful in risk assessment "more specifically in files associated with fossil fuels."[6]

Interim Targets	B

2023 updates:

- Reported a 53% reduction below 2017 levels in portfolio's carbon intensity.
- Reported low-carbon assets rising to $47 billion, en route to $54 billion by 2025.
- Concluded three transactions as part of its $10-billion "transition envelope."
- Reported nearly $37 billion invested in companies with a science-based decarbonization target.

CDPQ is progressing against its interim targets in a number of areas and has increased the ambition of some targets since they were first set. However, CDPQ has yet to commit to lowering absolute emissions in its portfolio and has not yet incorporated scope 3 emissions.

Emissions reduction

After achieving its initial 2025 portfolio emissions intensity target four years ahead of schedule, CDPQ committed to reduce its portfolio's carbon intensity by 60% below 2017 levels by 2030. As of December 31, 2022, CDPQ had achieved a 53% reduction, as reported in its *2022 Sustainable Investing Report*. The investment manager said the decrease was "largely due to our low-carbon assets, the decarbonization efforts of our portfolio companies and our exit from oil production and refining."[7] Scope 3 emissions are not yet incorporated into CDPQ's portfolio footprint and 2030 interim target and CDPQ has not disclosed a plan or timeline for incorporating scope 3. However, CDPQ's NZAOA membership will require scope 3 emissions to be incorporated.

CDPQ should strengthen its emissions reduction commitments by setting absolute emission reduction targets and fully incorporating scope 3 emissions.

Investments in low-carbon assets

CDPQ is targeting $54 billion in low-carbon assets by 2025, using Climate Bonds Initiative criteria. As of December 31, 2022, CDPQ's low-carbon assets totalled $47 billion, up $29 billion over five years (*2022 Sustainable Investing Report*).[8]

Investment in decarbonization

According to its *2022 Sustainable Investing Report*,[9] CDPQ in 2022 concluded three transactions as part of its $10-billion "transition envelope" to reduce emissions from carbon-intensive companies.

These investments were reviewed by independent external experts to validate the rigour of these assets' decarbonization plans and to ensure alignment with the Paris Agreement. The selected companies had to meet specific standards set by the Climate Bonds Initiative or the Science Based Targets initiative (SBTi), including having a proven decarbonization strategy, having an implementation plan, and disclosing their progress both internally and externally.

CDPQ's 2022 transition envelope investments were largely electric utilities that have a plan to phase out coal, ramp up renewable energy, and invest in electricity transmission and distribution. Based on these companies' decarbonization plans, CDPQ expects the carbon footprint of these three investments to decrease by almost 60% by 2030 and close to 70% by 2035.[10]

AUM covered by a science-based decarbonization target

While CDPQ's carbon intensity reduction target covers the entire portfolio, it has not yet set a target for AUM covered by a science-based decarbonization plan. However, CDPQ reported that, as of December 31, 2022, "in addition to our low-carbon assets, nearly $37 billion is invested in companies with a science-based decarbonization target certified by the SBTi" (*2022 Sustainable Investing Report*).[11] This is a small increase over the $35 billion CDPQ reported one year earlier (*2021 Sustainable Investing Report*, p.22).

Communication of Climate Urgency	A

2023 updates:

- No update.

CDPQ acknowledges the existential emergency of the climate crisis and embraces its responsibility as an institutional investor to influence the likelihood of achieving the 1.5°C goal.

Sample language: Message from the President and CEO in CDPQ's *2021 Climate Strategy*:

"As a long-term global investor, we have a key role to play in limiting the impacts of climate change. We need to go further, innovate and enable our companies to move faster in responding to this issue… We know that global greenhouse gas emissions can only be reduced significantly by acting directly at the source, which is why we have provided specialized tools—across the organization—to reduce the carbon intensity of our assets. This firmly places the fight against climate change at the heart of our approach and priorities. Our teams work with carbon budgets to limit the environmental impact of all our portfolios. In addition, variable compensation for all our employees is tied to the achievement of our climate targets… We are also raising our portfolio's carbon intensity reduction target to 60% by 2030… Today, we believe it is essential to go further and faster. The climate crisis demands that we do so. We must act concretely, on multiple fronts, and move to the next stage in climate investing" (p.3).

Sample language from the President and CEO in CDPQ's *2022 Sustainable Investing Report*:

"As a manager of public funds, building a more equitable and sustainable world is not a choice. It is a responsibility that goes with our fiduciary duty. … We acted early and decisively to address climate change, which represents a great risk to our companies."[12]

Climate Engagement	B–

2023 updates:

- Co-filed climate-related shareholder proposal at Berkshire Hathaway's AGM.
- Snapshots of CDPQ's climate-related proxy votes reflect a mixed record.

SUMMARY

CDPQ's engagement process, including expectation-setting and escalation, could be strengthened with explicit targets for the success of its climate-related engagements, the addition of time-bound milestones for companies to achieve, and strengthened direction for external managers.

DETAILS

Expectations for owned companies

CDPQ's exclusion of coal miners and oil producers and its willingness to use divestment sends a strong signal to owned companies that the pension manager expects them to have a credible plan to transition to a net-zero economy. CDPQ's proxy voting guidelines (see below) similarly set the expectation that owned companies disclose and manage climate risk such that CDPQ can align its portfolio with net-zero emissions by 2050.

CDPQ does not prohibit owned companies from directing capital expenditure toward fossil fuel expansion or lobbying against climate action, nor does it set expectations for owned companies to tie executive compensation to the achievement of climate targets. CDPQ must strengthen its expectations on capital expenditure, lobbying and compensation in order to ensure its own companies are not undermining CDPQ's climate commitments.

Direction given to external managers

CDPQ's oil exclusion policy is incorporated into any new external management agreement, while the Quebec pension manager "work(s) to raise awareness" about the policy among its current external managers (*2022 Sustainable Investing Report*).[13] CDPQ also says that "ongoing dialogue and engagement with … external managers to promote ESG best practices and value creation" is a "Sustainable Investing Lever of Influence."[14] But this ongoing dialogue and engagement appears to focus largely on social issues, with just 13% of discussions in 2022 with portfolio companies and external managers focused on climate change and environmental risks.[15]

Proxy voting

CDPQ's *Policy Governing the Exercise of Voting Rights of Public Companies*, last updated in October 2020, states that CDPQ will generally support proposals that call for Task Force on Climate-Related Financial Disclosures (TCFD) disclosure, the adoption of greenhouse gas reduction targets and accountability to achieve them, climate scenario analysis, and disclosure of lobbying activities, "especially with regard to climate lobbying carried out by companies and their professional associations." CDPQ states that it may vote against a Committee or Board Chair "if no progress has been made after a process of commitment concerning the lack of climate change initiatives and measures" (pp.14-15).

In 2022, CDPQ voted against the re-election of Board members responsible for sustainability and climate-related issues at 10 companies to underscore their lack of ambition on decarbonization (*2022 Sustainable Investing Report*).[16] CDPQ also voted for the majority of a select number of climate-related shareholder proposals at the annual meetings of Canadian banks and pipeline companies during the 2023 AGM season, referring to key clauses in its *Policy Governing the Exercise of Voting Rights of Public Companies*.[17] However, an analysis by Investors for Paris Compliance of proxy voting patterns of Climate Action 100+ (CA 100+) signatories in 2022 shows a surprising lack of support for climate-related proposals from CDPQ. According to the analysis, of 23 select North American climate-related shareholder resolutions at the AGMs of companies in the oil and gas, finance, manufacturing and retail sectors, CDPQ voted for just one-third and against two-thirds.[18]

Collaborative engagement

CDPQ is a member of CA100+ and says that its collaborative engagement activities "are aimed at demanding the implementation of concrete plans and the adoption of decarbonization targets aligned with the Paris Agreement," (*2022 Sustainable Investing Report*).[19] However, few details of its CA100+ engagements, other than with Berkshire Hathaway (below), are provided.

Climate-related shareholder proposal at Berkshire Hathaway

CDPQ continued its engagement efforts, begun in 2020, to raise awareness at Berkshire Hathaway, an American multinational conglomerate, on climate and ESG issues. At the company's 2022 annual meeting, CDPQ co-filed a shareholder proposal requesting that Berkshire Hathaway set GHG emissions reduction targets as well as disclosure targets for climate risks for the entire conglomerate, in accordance with the TCFD framework.[20] The proposal was overwhelmingly defeated by Berkshire Hathaway shareholders.[21]

Policy engagement

CDPQ occasionally provides comments on sustainability-related public and government consultations, such as to the International Sustainability Standards Board and other bodies setting standards and policies for climate risk reporting.[22] But CDPQ must become more vocal and assertive in its advocacy to help ensure that governments in Quebec, Canada and around the world are developing and implementing stringent and durable laws, policies and regulations that accelerate emissions reductions in line with the Paris Agreement. For example, a number of Canadian investors, including the British Columbia Investment Management Corporation (BCI) and Ontario's University Pension Plan, made a joint submission in September 2022 to a Government of Canada consultation on capping oil and gas emissions, encouraging the government "to adopt the most practical and effective regulatory changes, in order to incentivize emission reduction innovation and implementation to further limit climate change and to reduce systemic risk in our portfolios."[23]

Climate Integration	B+

2023 updates:

- CDPQ's *2022 TCFD Report* provides significantly more detailed disclosure than in previous years.
- "Sustainable Investing/ESG" was added as a "specialty of expertise" on its board skills matrix, although this does not necessarily indicate climate risk expertise.
- Began integrating the restoration of nature and protection of biodiversity into investment and asset management processes.

Accountable Paris-aligned membership

CDPQ is a member of the Net Zero Asset Owner Alliance. CDPQ, the Investment Management Corporation of Ontario and the University Pension Plan are the only investment managers in this report to be members of an accountable and credible Paris-aligned body.

Transparency and disclosure of holdings

CDPQ discloses its investments and their valuations in an "Additional Information" report which accompanies its annual report and financial statements. While the format makes the information difficult to use and interpret, the report provides significantly more disclosure than most Canadian pension funds.

Transparency and disclosure of climate risk

CDPQ's *2022 TCFD Report*, included as an appendix to its *2022 Sustainable Investing Report*, provides much more detail than in previous years, including:

- Uses NZAOA methodology, as well as an internally-developed methodology inspired by the Partnership for Carbon Accounting Financials, to measure and report carbon intensity of CDPQ's portfolio, broken down by asset class, time horizon and investment universe, and including significant contextual information on the quality of the emissions data and how it was compiled.[24]
- Made an effort to measure its portfolio's scope 3 emissions, reporting that "inconsistencies in the quality and coverage of the data disclosed by our companies and data providers … limits our ability to calculate this data at the portfolio level."[25] CDPQ could set a clear expectation requiring investee companies to measure and disclose their scope 3 emissions, and advocate for faster and more stringent standards and laws requiring corporate disclosure of scope 3.
- Conducted a detailed risk and opportunity analysis for physical and transition risks of its portfolio, and described how these risks might impact portfolio companies and how risks are being managed.[26]

Scenario analysis

CDPQ has a partnership with S&P Global to use the Climanomics tool to better understand, measure and report on physical climate risks, as well as quantify transition risks, over the short, medium and long term.[27] The Climanomics tool uses Shared Socioeconomic Pathways established by the IPCC that include four scenarios, ranging from low-emissions (1.7°C of global heating by 2050) to high-emissions (2.4°C by 2050).[28] In its *2022 TCFD Report*, CDPQ provides significant details on how this scenario analysis is factored into its investment process, including validating an asset's climate risks and opportunities against CDPQ's carbon budgets and climate targets, and informing CDPQ's engagement, monitoring, disclosure and compensation practices. This process helped inform CDPQ's decision to divest oil assets, develop its transition sleeve, and prioritize engagement activities.[29]

Board climate expertise and/or fossil fuel entanglement

CDPQ added "Sustainable Investing/ESG" as a "specialty of expertise" on its board skills matrix, reporting that five of 12 directors had this expertise (*2022 Annual Report*, p.108). This does not necessarily indicate climate risk expertise, however, and conflates climate risk with other ESG issues. Seven percent of the Board (or 1 of 14 directors) has a fossil fuel entanglement: Maria S. Jelescu Dreyfus remains on the Board of Directors of Pioneer Natural Resources as well as Nabors Energy Transition Corp (*2022 Annual Report*, p.101).

Executive compensation and climate

CDPQ continues linking compensation of senior staff to carbon reduction targets, having had carbon budgets and annual carbon reduction targets for each of its portfolios in place since 2017.[30] According to CDPQ's *2022 Sustainable*

Investing Report, all portfolio managers are required to incorporate carbon budgets into their investment decisions "on equal footing with their performance objectives."[31]

In 2022, CDPQ also introduced qualitative indicators for executing the organization's climate strategy as metrics for team performance (*2022 Annual Report*, p.117). According to Bertrand Millot, CDPQ's Head of Sustainability, linking compensation to climate "has proven to be an efficient measure, as shown by the fact we have met and even surpassed our carbon reduction targets since it was implemented. Our results have shown that you can reach climate targets, and achieve the returns needed to meet our clients' needs at the same time."[32]

Biodiversity

CDPQ is taking action to protect biodiversity and restore nature, joining the Taskforce on Nature-related Financial Disclosures, developing biodiversity indicators in its investment process and joining a number of different global initiatives for protecting biodiversity.[33]

Fossil Fuel Exclusions	B–

2023 updates:

- "Essentially completed" exit from the oil sector, including production and refining.
- Finalized exit from coal mining.

CDPQ excludes investment in new thermal coal projects, oil producers and oil pipelines. By the end of 2022, it finalized its exit from coal mining and "essentially completed" its exit from the oil sector. While CDPQ is a leader among Canadian funds for its fossil fuel exclusions, the fund has not yet placed a formal exclusion on new gas assets, even though many gas producers are covered by CDPQ's oil exclusion policy because they produce both oil and gas.

Oil production

CDPQ said in its *2022 Sustainable Investing Report* that "oil production is a sector that does not meet either our long-term goals or our sustainability requirements. With this in mind, we announced in 2021 our intention to divest from our assets in this sector. Our teams ensure that this commitment is fulfilled while ensuring that our depositors' returns are protected through promising investments in transition energies."[34]

The report, issued in April 2023, stated that CDPQ's "exit from the oil sector under active management is essentially completed,"[35] including all direct investments in internal management, debt and equity and any new external management agreement, as well as ongoing efforts "to raise awareness among our current external managers."[36] The report went on to note that "as at December 31, 2022, we had only $0.2 billion in assets under active management in this sector, or 0.05% of our net assets. … We only have a single investment left, which we will divest from in the course of 2023."[37] As of December 31, 2023, CDPQ did not disclose this remaining investment, or whether it was divested.

Oil refining

CDPQ also provides a passing reference to its exit from oil *refining* in both its *2022 Annual Report* (p.135) and a section of its *2022 Sustainable Investing Report* about portfolio carbon intensity reductions.[38] CDPQ's original commitment in 2021 to exit oil production did not include mention of oil refining.

Oil pipelines

CDPQ committed in its *2021 Climate Strategy* to no longer invest in the construction of oil pipelines by the end of 2022 (pp.3, 9). As of December 31, 2023, CDPQ continues to hold a 16.6% stake in the Colonial pipeline, the largest pipeline for refined oil products in the US.[39]

Coal

In its *2022 Sustainable Investing Report*, CDPQ reported that "we finalized our exit from the coal mining industry and we support our companies' transition to more sustainable energy sources."[40] As a member of the Net Zero Asset Owner Alliance, CDPQ committed in 2020 to:

- No new thermal coal projects;
- Progressive elimination of most assets fuelled by thermal coal in industrialized countries by 2030;
- An almost complete elimination of assets in this sector, worldwide, by 2040.[41]

Reclaim Finance's Coal Policy Tool was unable to score CDPQ's coal exclusion policy, saying that it excludes some coal companies based on their revenues from thermal coal, but "lacks precise information to be properly analysed."[42] While its coal exclusion policy is not strong enough, CDPQ is one of five Canadian pension funds (alongside IMCO, UPP, OMERS and the Healthcare of Ontario Pension Plan) examined in this report who have placed any limits on coal investment.

CDPQ also joined the Powering Past Coal Alliance in 2021, an organization consisting of national and subnational governments, businesses and organizations working to advance the transition from coal to renewable energies.[43]

Fossil Gas

In its *2022 Sustainable Investing Report*, CDPQ notes that "we are also tracking our exposure to natural gas, an industry still necessary to meet today's energy needs. ... For now, we consider natural gas a necessary energy source for the transition and an alternative to more polluting energies, such as coal. At the same time, we continue to raise awareness among our portfolio companies, encouraging them to adopt best practices and meet our high sustainability requirements."[44]

CDPQ's rationale for continuing to invest in fossil gas does not stand up to the imperatives of climate science. IPCC scenarios in which global heating is limited to 1.5°C require gas use to fall 3-4% per year, starting immediately.[45] CDPQ also appears to ignore the fact that the lifecycle GHG emissions of fossil gas could be just as high as those of coal.[46] In contrast to its position on pipelines and oil supply, CDPQ is implicitly saying that its investments will contribute to the growth of global gas supply. In December 2023, CDPQ announced that it would spend $848 million to increase its stake in Transportadora Associada de Gás S.A. (TAG), which owns and manages a 4,500-km fossil gas pipeline network in Brazil, from 35% to 50%.[47]

Énergir

CDPQ is the majority shareholder (80.9% ownership stake) in Énergir, a Québec-based energy company that distributes natural gas, "renewable" natural gas and electricity.[48] CDPQ states that Énergir has made several concrete changes in recent years, including the implementation of a "detailed decarbonization plan" for 2030 and the adoption of an ESG policy, and that these changes "will enable the company to become a North American leader in sustainability and accelerate the energy transition where it operates."[49] CDPQ's Emmanuel Jaclot, Executive Vice-President and Head of Infrastructure, also claims in CDPQ's *2022 Annual Report* that half of Énergir's assets are now related to electricity, renewable energy and energy services, and that CDPQ's investment "will support the ongoing diversification and decarbonization of Énergir's activities while helping develop innovative energy projects in Québec, such as producing renewable natural gas through biomethanization" (p.75).

However, Énergir is facing criticism in Quebec for developing an emissions reduction target and implementation plan that falls short of Paris alignment, delaying the phase-out of gas appliances and heating equipment in homes and buildings, and receiving compensation from Hydro-Québec for potential revenue losses from the province's accelerating switch from gas to electricity.[50] Énergir is also the subject of a greenwashing complaint to Quebec's Consumer Protection Office related to alleged "false or misleading representations" made to gas customers about the amount of renewable natural gas Énergir is able to deliver to their homes.[51] Moving into 2024, Énergir stands accused of contradicting CDPQ's net-zero commitment over its pursuit of legal action to invalidate a municipal law that would ban gas heating in new buildings in the small city of Prévost.[52]

CDPQ is facing growing pressure within Quebec to use its ownership of Énergir to reorient the gas utility's business model towards a deep, accelerated decarbonization of the provincial economy, driven by renewable energy, efficiency and conservation, while ensuring a just transition for workers.

ADDITIONAL INFORMATION

The information below provides relevant context but did not contribute to the assigned scores. Exception: membership in the Net Zero Asset Owner Alliance or the Paris Aligned Asset Owners was considered when assigning scores.

United Nations Declaration on the Rights of Indigenous Peoples	CDPQ has no policy requiring owned companies to respect Indigenous Peoples' right to free, prior and informed consent for projects affecting them. CDPQ's *Policy Governing the Exercise of Voting Rights of Public Companies* says nothing about how the fund will vote on shareholder proposals related to Indigenous rights. CDPQ reported in 2023 that it developed a new analysis grid that "targets issues to be considered when Indigenous (First Nations and Inuit) perspectives must be taken into account." The tool was developed with Coop Nitaskinan, a worker-based Indigenous solidarity cooperative that brings together members who are committed to the socio-economic and cultural development of First Nations, driven by Indigenous vision and values.[53]
Accountable Paris-aligned memberships	**Net Zero Asset Owner Alliance**
Collaborations and memberships	• 2021 Global Investor Statement to Governments on the Climate Crisis • 2022 Global Investor Statement to Governments on the Climate Crisis • Accounting for Sustainability - CFO Leadership Network • Asia Investor Group on Climate Change • Canada's Net-Zero Advisory Body • Canadian Coalition for Good Governance • Canadian Investor Statement on Climate Change • Carbon Disclosure Project, including 2023-2024 Science-Based Targets Campaign • Ceres Investor Network • Climate Action 100+ • Climate Bonds Initiative • ESG Data Convergence Project • Global Investors for Sustainable Development • IFRS Sustainability Alliance • International Corporate Governance Network • Investor Leadership Network • Powering Past Coal Alliance • Principles for Responsible Investment • Say on Climate • Sustainable Finance Action Council • Sustainable Markets Initiative • Task Force on Climate-Related Financial Disclosures • Taskforce on Nature-Related Financial Disclosures • Terra Carta signatory • United Nations Environment Programme - Finance Initiative

Self-reported assets linked to climate solutions*	$47 billion, or 11.7% of AUM (December 31, 2022) in "low-carbon" assets**
Estimated investments in fossil fuels	$24 billion, or 6% of AUM (December 31, 2022)***
Notable fossil fuel holdings (not a comprehensive list)	• A 35% stake in Transportadora Associada de Gás S.A.,[54] to increase to 50% in 2024.[55] • A 16.6% ownership interest in the Colonial pipeline.[56] • An 80.9% ownership stake in Énergir.[57] • A 79.9% ownership stake in Southern Star Acquisition Corporation, which owns and operates the Southern Star Central Gas Pipeline.[58]

* Definitions vary. Number is not comparable between funds. Self-reported numbers do not necessarily indicate climate-aligned assets.

** CDPQ's low-carbon assets are defined according to the Climate Bonds Initiative taxonomy and are broken down in its *2022 Sustainable Investing Report* by renewable energy, sustainable transportation, low-carbon properties and "other."[59] This amount represents an increase of $8 billion over the previous year and a $29 billion increase since 2017.[60]

*** According to CDPQ's *2022 Sustainable Investing Report*, 3% of CDPQ's holdings are invested in "energy" and 3% are invested in "non-renewable electricity," an amount equal to 6% of CDPQ's December 31, 2022, AUM of $401.9 billion.[61] An analysis of CDPQ's regulatory filings to September 30, 2023 showed CDPQ held shares valued at more than $1 billion in publicly-traded fossil fuel companies.[62]

ENDNOTES

1 United Nations' High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities. (2022). *Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions: Report from the United Nations' High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities*. https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf.

2 Ibid.

3 UN Environment Programme - Finance Initiative. (2021, September). *The Net in Net Zero: The role of negative emissions in achieving climate alignment for asset owners*, p.3. https://www.unepfi.org/themes/climate-change/the-role-of-negative-emissions-in-achieving-climate-alignment-for-asset-owners/.

4 United Nations' High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities. (2022). *Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions: Report from the United Nations' High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities*. P.12. https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf.

5 UN Environment Programme - Finance Initiative. (October 2023). *UN-Convened Net-Zero Asset Owner Alliance - Increasing Ambition, Decreasing Emissions - The third progress report of the Net-Zero Asset Owner Alliance.*, pp.1, 3. https://www.unepfi.org/wordpress/wp-content/uploads/2023/10/NZAOA-Third-Progress-Report.pdf.

6 CDPQ. (2023). *2022 Sustainable Investing Report*. See: "Disclosures according to the Task Force on Climate-related Financial Disclosures (TCFD) - 11 Identify and adapt the metrics used to identify and track climate-related risks and opportunities, by portfolio and by strategy." https://www.cdpq.com/rid2022/en/appendices/index.html#section-3.

7 CDPQ. (2023). *2022 Sustainable Investing Report*. See: "Environment: Our carbon intensity per dollar invested." https://www.cdpq.com/rid2022/en/environment/index.html#section-2/1.

8 CDPQ. (2023). *2022 Sustainable Investing Report*. See: "Environment: Our low-carbon assets." https://www.cdpq.com/rid2022/en/environment/index.html#section-1/1.

9 CDPQ. (2023). *2022 Sustainable Investing Report*. See: "Environment: Our action to accelerate the transition." https://www.cdpq.com/rid2022/en/environment/index.html#section-3/0.

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CDPQ Webpages and press releases

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- CDPQ posts -7.9% six-month return and 6.1% five-year return, outperforming its benchmark portfolio over all periods (press release) (August 17, 2022)
- CDPQ posts a 13.5% return in 2021, 8.9% over five years (press release) (February 24, 2022)
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