

Second-Party Opinion

Caisse de dépôt et placement du Québec Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Caisse de dépôt et placement du Québec ("CDPQ") Green Bond Framework is credible, impactful and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds - Renewable Energy, Clean Transportation, Energy Efficiency, Pollution Prevention and Control, Sustainable Water and Wastewater Management and Forest, Agricultural Land and Land Management - are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG Goals 6, 7, 11, 12 and 15.



PROJECT EVALUATION / SELECTION Caisse de dépôt et placement du Québec ("CDPQ") has established a Green Bond working group to evaluate and select eligible investments. The working group is comprised of representatives from the climate risks and issues, investment stewardship, treasury, asset management, legal affairs and public affairs teams. CDPQ's Liquidity and Funding Management Committee will be responsible for final approval. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS CDPQ's treasury department will be responsible for maintaining a Green Bond Register and will allocate an amount equivalent to the Green Bond net proceeds to eligible investments. The register will be reviewed annually by the Green Bond working group, and pending allocation, unallocated proceeds may be temporarily invested in high quality liquid assets in the form of government bonds, money market securities and/or cash. CDPQ intends to allocate within 12 months of issuance. This is in line with market practice.



REPORTING CDPQ has committed to issuing an annual Green Bond report until full allocation. The report will include the allocation of net proceeds in aggregate and at the category level, the share of financing versus refinance and the amount of unallocated proceeds, if applicable. In addition, CDPQ is committed to reporting on relevant impact metrics, where feasible. Sustainalytics views CDPQ's allocation and impact reporting as aligned with market practice.

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Introduction

Created in 1965 and headquartered in Québec City, Canada, CDPQ is one of Canada's leading institutional asset manager acting as the sole asset manager for the majority of the public-sector pension and insurance plans of the Province of Québec. CDPQ invests the funds received from its depositors in four primary asset classes (Fixed Income, Real Assets, Equities and Other Investments). As of December 31, 2020, CDPQ managed assets for over 40 depositors and, had more than CAD 365 billion in assets under management, with nearly two thirds of its assets invested internationally.

CDPQ has developed the CDPQ Green Bond Framework (the "Framework") under which CDP Financial Inc, a wholly-owned subsidiary of CDPQ, intends to issue green bonds and use the proceeds toward existing or future investments that finance activities that reduce GHG emissions and energy consumption and improve resource efficiency.

The Framework defines eligibility criteria in six areas:

1. Renewable Energy
2. Clean Transportation
3. Energy Efficiency
4. Pollution Prevention and Control
5. Sustainable Water and Wastewater Management
6. Forest, Agricultural Land and Land Management

CDPQ engaged Sustainalytics to review the CDPQ Green Bond Framework, dated April, 2021, and provide a Second-Party Opinion on the Framework's environmental and social credentials and its alignment with the Green Bond Principles 2018 (GBP 2018).¹ This Framework has been published in a separate document.²

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent³ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the ICMA Green Bond Principles 2018
- The credibility and anticipated positive impacts of the use of proceeds
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.3, which is informed by market practice and Sustainalytics expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of CDPQ's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. CDPQ representatives have confirmed (1) they understand it is the sole responsibility of CDPQ to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² The CDPQ Green Bond Framework is available on Caisse de dépôt et placement du Québec's website at: <https://cdpq.com/en/investor-relations>

³ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

(3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and CDPQ.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that CDPQ has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the CDPQ Green Bond Framework

Sustainalytics is of the opinion that the CDPQ Green Bond Framework is credible, impactful and aligns with the four core components of the GBP 2018. Sustainalytics highlights the following elements of CDPQ's Green Bond Framework:

- Use of Proceeds:
 - The eligible categories –Renewable Energy, Clean Transportation, Energy Efficiency, Pollution Prevention and Control, Sustainable Water and Wastewater Management and Forest, Agricultural Land and Land Management – are aligned with those recognized by the GBP 2018.
 - Sustainalytics notes that CDPQ has specified within its Framework that eligible investments shall meet relevant thresholds defined by the associated Climate Bond Sector Criteria and Climate Bond Taxonomy as of March 2021. The Framework outlines that investments may also include loans to and direct investments in companies that derive at least 90% of their revenues from sources that meet the eligibility criteria. By placing a threshold, Sustainalytics believes that CDPQ has ensured that proceeds from the green bond(s) will be directed to environmental activities that generate positive impact.
 - Within the "Renewable energy" category, CDPQ intends to allocate bond proceeds to projects that will supply renewable energy from sources including wind, solar, marine, geothermal and hydropower. Sustainalytics notes the following:
 - Geothermal projects will be expected to result in direct emissions below 100 grams of CO₂ per kilowatt-hour (CO₂/kWh).
 - Eligible hydropower projects must have a power density of more than 5 watts per square meter or lifecycle emissions of less than 100 grams of CO₂/kWh if it became operational before January 1, 2020 and must have a power density of more than 10 watts per square meter or lifecycle emissions of less than 50 grams of CO₂/kWh if it became operational after January 1, 2020 .
 - Infrastructure for the purpose of renewable energy or energy efficiency integration is eligible if at least 90% of the electricity used is derived from renewable sources.

- Within the “Clean Transportation” category, CDPQ intends to finance low-carbon passenger and freight transportation along with supporting infrastructure. Sustainalytics notes that CDPQ intends for all low-carbon transportation projects to meet the Climate Bonds Initiative’s threshold for low-carbon transport, which is less than 25 grams of CO₂ per tonne-kilometer (gCO₂/t-km) for freight and less than 50 grams of CO₂ per passenger-kilometer (gCO₂/p-km) for passenger vehicles.
- The “Energy Efficiency” category considers investments in equipment or technology that will result in a minimum of 20% in energy savings. Such projects include smart grid, district heating and cooling, energy storage and efficient lighting. Sustainalytics notes the inclusion of a minimum energy improvement threshold positively and considers these projects to be in line with market practice. CDPQ has confirmed that district heating projects financed with green bond proceeds will not include projects where the energy is derived from fossil fuel sources. CDPQ has also confirmed that heating, cooling and cogeneration projects using biomass or biofuel will comply with the Climate Bonds Initiative criteria for energy efficiency. CDPQ has confirmed that feedstocks used will be sustainable, including being certified under best practice certification standards such as Roundtable on Sustainable Biomaterials (RSB), Roundtable on Responsible Soy (RTRS), Forest Stewardship Council (FSC) and International Sustainability Carbon Certification (ISCC Plus). Sustainalytics has communicated to CDPQ that cogeneration from bioenergy sources should emit less than 100 grams of CO₂/kWh for electricity and less than 30 grams of CO₂/kWh for heat.
- The “Pollution Prevention and Control” category includes investments in waste management activities such as waste prevention, waste reduction and waste recycling as well as equipment or technologies aimed at reducing air emissions associated with greenhouse gases. Sustainalytics notes that such technologies will be limited to direct air capture.
- Within the “Sustainable Water and Wastewater Management” category, CDPQ intends to invest in water infrastructure projects, such as water network and equipment for efficient water supply, distribution and storage, as well as water treatment and rainwater harvesting projects. Sustainalytics considers this to be in line with market practice.
- Within the “Forest, Agricultural Land and Land Management” category, CDPQ intends to finance projects in the areas of reforestation, sustainable forest management, and natural forests.
- CDPQ will use internationally recognized certification schemes such as FSC, Programme for the Endorsement of Forest Certification (PEFC) or equivalent standards to determine eligibility for all sustainable forestry projects. See Appendix 1 for Sustainalytics’ assessment of these programs. For investment in agriculture and land management projects, including cultivating eligible forested land, Sustainalytics notes that the Framework excludes livestock production and the use of general-purpose road vehicles. This category also includes investments in information systems and associated technologies supporting precision agriculture and resource efficiency.
- CDPQ has listed the following as exclusionary criteria: nuclear power generation; weapons and munitions; fossil fuels; and tobacco. Sustainalytics is of the opinion that these exclusions strengthen the Framework.
- Project Evaluation and Selection:
 - CDPQ has established a Green Bond working group to evaluate and select eligible investments. The working group is comprised of representatives from various teams, including climate risks and issues, investment stewardship, treasury, asset management, legal affairs and public affairs. Once the working group has completed initial eligibility evaluation and selection, CDPQ’s Liquidity and Funding Management Committee will be responsible for final approval.
 - The Green Bond working group will, on a best effort basis, substitute additional green assets for any assets that are no longer eligible. The working group will also be responsible for approving allocations of net proceeds as well as any future updates to the Framework.
 - CDPQ intends to allocate within 12 months of issuance and has defined a look-back period of 24 months prior to the date of issuance.
 - Sustainalytics considers the project selection process to be in line with market practice.
- Management of Proceeds:

- CDPQ’s treasury department will be responsible for maintaining a Green Bond Register and will allocate an amount equivalent to the Green Bond net proceeds to eligible investments. The register will contain relevant information associated with each green bond issuance, such as eligible investments names, categories and allocation amounts. The register will be reviewed annually by the Green Bond working group.
- Pending allocation, unallocated proceeds may be temporarily invested in high quality liquid assets in the form of government bonds, money market securities and/or cash.
- Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - CDPQ has committed to issuing a publicly available Green Bond report on an annual basis until full allocation. The report will include both allocation and impact reporting.
 - Regarding allocation, the report will detail the allocation of net proceeds in aggregate and at the category level, the share of financing versus refinance, and the amount of unallocated proceeds, if applicable.
 - Regarding impact reporting, the report will aggregate relevant quantitative impact metrics and qualitative performance descriptions, on a selection of eligible investments and subject to confidentiality considerations. Sample impact measures include amount of renewable energy generated; decrease in water use, annual energy saved, and greenhouse gas emissions reduced or avoided, and number of people provided with access to clean power.
 - Until the full allocation of proceeds, CDPQ will engage a third party to conduct an annual verification of its allocation of net proceeds to eligible green investments and reporting metrics. The auditor will be responsible for verifying that the net proceeds have been allocated to eligible investments or otherwise invested in approved financial instruments.
 - Sustainalytics considers CDPQ’s reporting process to be in line with market practice.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the CDPQ Green Bond Framework aligns with the four core components of the GBP 2018. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of CDPQ

Contribution of Framework to CDPQ’s sustainability strategy

CDPQ formally started its responsible investment journey in 1994 when it published its first shareholder voting policy. In 2004, it published its first responsible investment policy and two years later became one of the founding members of the United Nations Principles for Responsible Investment. In 2017, CDPQ developed a climate change strategy in alignment with its overarching mission of supporting the transition towards a sustainable economy through its investments. The strategy, which covers the entire portfolio, is built on four key pillars: factoring in climate change considerations into each of its investment decisions; increasing its low-carbon investments by 80% between 2017 and 2020; reducing the carbon footprint per dollar invested by 25% between 2017 and 2025; and exercising stronger climate leadership within the industry and through dialogue with the companies in its portfolio. CDPQ achieved its 2020 goal of increasing low-carbon investments by 80% by achieving a 95% increase compared to 2017. In 2019, CDPQ became a founding member of the United Nations Net-Zero Asset Owner Alliance, pledging to transition its investment portfolios to net-zero GHG emissions by 2050. Sustainalytics is of the opinion that the green bonds issued under the CDPQ Green Bond Framework will directly contribute to CDPQ’s ability to fulfill the goals associated with its climate change strategy.

CDPQ provides annual progress updates in its stewardship investing report, the most recent of which captures its progress in 2019.⁴ This report details that CDPQ exceeded its initial target to increase low-carbon investments by 50% by 2020, from a baseline of CAD 18 billion in 2017. In 2018, CDPQ increased its 2020

⁴ CDPQ, 2019 Stewardship Investing Report,
https://www.cdpq.com/sites/default/files/medias/pdf/en/ra/id2019_rapport_investissement_durable_en.pdf

target to 80%, translating into a renewed target of CAD 32 billion in low-carbon investments by 2020. As of 2019, the low-carbon asset portfolio totaled CAD 34 billion, up 95% over 2017. In line with the third pillar of its climate change strategy, in 2017 CDPQ became the first institutional investor (among its peer group) to commit to reducing the carbon intensity of its global portfolio and, as of 2018, is on track to meet its 2025 goal of reducing its carbon footprint by 25% with a 10% reduction in its portfolio's carbon intensity. In 2018, CDPQ assessed climate risk by measuring the carbon intensity of 150 investment opportunities and their impact on the carbon intensity of the overall portfolio. In order to ensure it meets its objectives, CDPQ set carbon intensity budgets and targets for its investment portfolios and has linked the variable compensation of all employees within the organization to the achievement of these targets. As of 2017, the reference year for future reductions, approximately three-quarters of CDPQ's portfolio was made up of low-or very low-intensity assets as defined by CDPQ.

Based on the above, Sustainalytics is of the opinion that the CDPQ Green Bond Framework is aligned with its climate change strategy and sustainable development efforts and will further CDPQ's ability to fulfill its net-zero GHG emissions commitment.

Well positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are anticipated to have positive environmental impacts, it is important to acknowledge that the eligible activities may be associated with environmental and/or social risks. Some key risks associated with the eligible green investments include, land use change and biodiversity loss associated with large-scale infrastructure development such as renewable energy facilities, and risks related to occupational health and safety and the potential impact to local communities. While Sustainalytics acknowledges that as an investor, CDPQ has a limited role in the development and operations of specific eligible activities which they are financing under the Framework, we note that CDPQ has policies and procedures in place during the investment decision-making process to help mitigate and manage potential risks that may arise.

CDPQ manages the environmental risks of their investments through the application of an enterprise-wide Policy on Responsible Investment (the "Policy")⁵. One of the guiding principles of the Policy is to encourage companies financed by CDPQ to take necessary measures to respect and to protect the environment in which they operate. The Policy also outlines the steps CDPQ takes to integrate environmental criteria into the investment analysis and decision-making process in order to systematically consider all risks and opportunities associated with potential investments. CDPQ's Board of Directors is responsible for approving the Policy, while the Responsible Investment Committee is charged with reviewing the activities related to responsible investment and to make necessary recommendations to CDPQ's Executive Committee.

As noted in the Policy's guiding principles, CDPQ encourages companies to respect workers' rights; to guarantee workers a safe working environment; to prohibit any form of abuse; and to respect the communities where they carry out their operations. These factors are also taken into consideration through integration of social risk mitigation criteria in the investment analysis and decision-making process as discussed above. CDPQ manages its own occupational health and safety risk through its Code of Ethics and Professional Conduct⁶ which applies to all officers and employees of CDPQ.

CDPQ states that it proactively engages with its stakeholders through dialogue with board members and officers and through exercising proxy voting rights as a shareholder. It is also committed to undertaking a collaborative approach to engaging with investor networks in the area of responsible investment, and is a member of a number of key organizations in this area, including the United Nations Principles for Responsible Investment, the Carbon Disclosure Project, the CDP Water Disclosure Project, the Extractive Industry Transparency Initiative, the Canadian Coalition for Good Governance and the Pension Investment Association of Canada. CDPQ applies a Policy on the Principles Governing the Exercise of Voting Rights of Public

⁵ CDPQ, Policy on Responsible Investment: https://www.cdpq.com/sites/default/files/medias/pdf/en/politique_investissement_responsable_en.pdf

⁶ CDPQ, Code of Ethics and Professional Conduct: https://www.cdpq.com/sites/default/files/medias/pdf/en/code_ethique_dirigeants_employes_en.pdf

Companies⁷ that provides its management teams and employees a guide for exercising voting rights with adherence to sound governance practices.

Based on these policies and procedures, Sustainalytics is of the opinion that CDPQ has implemented appropriate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All six use of proceeds categories are aligned with those recognized by the GBP 2018. Sustainalytics has focused below where the impact is specifically relevant in the local context.

The role of institutional investors in supporting a transition to a low-carbon economy

Institutional investors are both susceptible to climate change risk and uniquely positioned to take actions which will lead to positive impact. With vast portfolio exposure across the global economy, the implications of climate change are systemic and readily apparent with the number of extraordinary weather events increasing annually and leading to significant long-term financial and human consequences, including a rise in third-party liability claims for insurance companies and physical damages associated with climate change.⁸ As an institutional investor with a long-term investment horizon, such events will impact CDPQ's ability to provide the economic returns for its depositors.

In addition to their exposure to climate change risks, institutional investors are well-positioned to support investments that enable climate resilience. According to a report conducted by the International Renewable Energy Agency in 2018,⁹ under current plans and policies, meeting the 1.5°C pathway would require a doubling of current annual investments in clean technologies. In this context, and with more than CAD 365 billion in net assets under management as at December 31, 2020, CDPQ is well-placed to seize attractive opportunities provided by the energy transition by scaling up long-term green investment, redirecting the flow of finance towards building socio-economic resilience to mitigate and cope with the effects of climate change. In this context, financing initiatives that mitigate climate risk, naturally aligns with the business objectives for many long-term, institutional investors, such as CDPQ.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons

⁷ CDPQ, Policy on the Principles Governing the Exercise of Voting Rights of Public Companies:

https://www.cdpq.com/sites/default/files/medias/en/lacaisse/gouvernance/documents/politique_exercice_droit_vote_en.pdf

⁸ Mercer, Investing in a Time of Climate Change: https://www.mmc.com/content/dam/mmc-web/insights/publications/2019/apr/FINAL_Investing-in-a-Time-of-Climate-Change-2019-Full-Report.pdf

⁹ International Renewable Energy Agency, Transforming The Energy System: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2019/Sep/IRENA_Transforming_the_energy_system_2019.pdf

Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Sustainable Water and Wastewater Management	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Forest, Agricultural Land and Land Management	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally

Conclusion

Caisse de dépôt et placement du Québec has developed the CDPQ Green Bond Framework under which CDP Financial Inc., a wholly-owned subsidiary of CDPQ, will issue green bonds and use the proceeds toward existing or future investments in the following categories: Renewable Energy, Clean Transportation, Energy Efficiency, Pollution Prevention and Control, Sustainable Water and Wastewater Management and Forest, Agricultural Land and Land Management. Sustainalytics considers that the projects funded by the green bond proceeds will enable a reduction in GHG emissions and energy consumption and notes that the use of proceeds categories are recognized by the Green Bond Principles 2018.

The CDPQ Green Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Sustainalytics believes that the CDPQ Green Bond Framework is aligned with CDPQ's overall sustainability strategy and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 11, 12 and 15. Additionally, Sustainalytics is of the opinion that CDPQ has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Caisse de dépôt et placement du Québec (through CDP Financial Inc.) is well-positioned to issue green bonds and that CDPQ Green Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018.

Appendices

Appendix 1: Sustainalytics' Analysis of FSC and PEFC Certifications

	FSC ¹⁰	PEFC ¹¹
Background	Founded in 1993 after the 1992 Earth Summit in Rio failed to produce any international agreements to fight against deforestation, FSC aims to promote sustainable forest management practice.	PEFC was founded in 1999 in response to the specific requirements of small- and family forest owners as an international umbrella organization providing independent assessment, endorsement and recognition of national forest certification systems.
Basic Principles	<ul style="list-style-type: none"> • Compliance with laws and FSC principles • Tenure and use rights and responsibilities • Indigenous peoples' rights • Community relations and workers' rights • Benefits from the forests • Environmental impact • Management plans • Monitoring and assessment • Special sites – high conservation value forests (HCVF) • Plantations 	<ul style="list-style-type: none"> • Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle • Maintenance and enhancement of forest ecosystem health and vitality • Maintenance and encouragement of productive functions of forests (wood and no-wood) • Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems • Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water) • Maintenance of socioeconomic functions and conditions • Compliance with legal requirements
Governance	<p>The General Assembly, consisting of all FSC members, constitutes the highest decision-making body.</p> <p>At the General Assembly, motions are proposed by one member, seconded by two more, and</p>	PEFC's governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders.

¹⁰ Forest Stewardship Council, at: <https://www.fsc.org/en>

¹¹ Programme for the Endorsement of Forest Certification, at: <https://www.pefc.org/>

	<p>deliberated and voted on by all members. Members are entitled to vote to amend the bylaws, initiate new policies, and clarify, amend or overturn a policy decision by the board.</p> <p>Members apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers.</p> <p>Each chamber holds 33.3% of the weight in votes, and within each chamber the votes are weighted so that the North and South hold an equal portion of authority, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.</p> <p>The votes of all individual members in each sub-chamber represent 10% of the total vote of the sub-chamber, while the votes of organizational members make up the other 90%.</p> <p>The members vote for the board of directors, which is accountable to the members. There is an international board elected by all members and a US board, elected by the US-based members.</p>	<p>Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.</p> <p>The Board of Directors supports the work of the GA and together the GA and the Board make the formal approval of final draft standards. Standards are developed by working groups.</p> <p>In general, PEFC's governance structure is more representative of industry and government stakeholders than of social or environmental groups, which gives industry and governments more influence in the decision-making process. However, the organization does include stakeholders from all sectors.</p>
Scope	<p>FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>	<p>Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization (Guide 59)¹² and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>
Chain-of-Custody	<ul style="list-style-type: none"> The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards. CoC standard includes procedures for tracking wood origin. CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products. CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC. 	<ul style="list-style-type: none"> Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC. Only accredited certification bodies can undertake certification. CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content. The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials.

¹² ISO, "ISO/IEC Guide 59:2019", (2019), at: <https://www.iso.org/standard/23390.html>

		<ul style="list-style-type: none"> The CoC standard includes specifications for the physical separation of certified and non-certified wood. The CoC standard includes specifications about procedures for dealing with complains related to participant's chain of custody.
Non-certified wood sources	<p>FSC's Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including:</p> <ol style="list-style-type: none"> Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others, Wood harvested in violation of traditional and civil rights, Wood harvested in forests where high conservation values are threatened by management activities, Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses, Wood from management units in which genetically modified trees are planted. 	<p>The PEFC's Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from:</p> <ol style="list-style-type: none"> forest management activities that do not comply with local, national or international laws related to: operations and harvesting, including land use conversion, <ul style="list-style-type: none"> management of areas with designated high environmental and cultural values, protected and endangered species, including CITES species, health and labor issues, indigenous peoples' property, tenure and use rights, payment of royalties and taxes. genetically modified organisms, forest conversion, including conversion of primary forests to forest plantations.
Accreditation/ verification	<p>FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit every year and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>	<p>Accreditation is carried out by an accreditation body (AB). Like a certification body checks a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF's rules and regulations.</p>
Conclusion	<p>Sustainalytics views both FSC and PEFC as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices¹³ and both have also faced criticism from civil society actors.^{14,15} In certain instances, these standards go above and beyond national regulation</p>	

¹³ FESPA, "FSC, PEFC and ISO 38200", (2018), at: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>

¹⁴ Yale Environment 360, "Greenwashed Timber: How Sustainable Forest Certification Has Failed", (2018), at:

<https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>

¹⁵ EIA, "PEFC: A Fig Leaf for Stolen Timber", (2017), at: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>

	and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are equal or similar to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.
--	--

Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Caisse de dépôt et placement du Québec (green bonds to be issued by CDP Financial Inc., a wholly-owned subsidiary of CDPQ)
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	CDPQ Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	April 15, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds - Renewable Energy, Clean Transportation, Energy Efficiency, Pollution Prevention and Control, Sustainable Water and Wastewater Management and Forest, Agricultural Land and Land Management - are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG Goals 6, 7, 11, 12 and 15.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Caisse de dépôt et placement du Québec's ("CDPQ") has established a Green Bond working group to evaluate and select eligible investments. The working group is comprised of representatives from the climate risks and issues, investment stewardship, treasury, asset management, legal affairs and public affairs teams. CDPQ's Liquidity and Funding Management Committee will be responsible for final approval. Sustainalytics considers the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
|---|---|

- | | |
|--|---|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

CDPQ's treasury department will be responsible for maintaining a Green Bond Register and will allocate an amount equivalent to the Green Bond net proceeds to eligible investments. The register will be reviewed annually by the Green Bond working group, and pending allocation, unallocated proceeds may be temporarily invested in high quality liquid assets in the form of government bonds, money market securities and/or cash. CDPQ intends to allocate within 12 months of issuance. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (*if applicable*):

CDPQ has committed to issuing an annual Green Bond report until full allocation. The report will include the allocation of net proceeds in aggregate and at the category level, the share of financing versus refinance and the amount of unallocated proceeds, if applicable. In addition, CDPQ is committed to reporting on relevant

impact metrics, where feasible. Sustainalytics views CDPQ's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
|
 | |
| <input checked="" type="checkbox"/> Other (<i>please specify</i>): Share of financing versus refinancing; amount of unallocated proceeds; aggregated relevant quantitative impact measures and relevant quantitative and qualitative performance descriptions, on a selection of eligible investments. | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (<i>please specify</i>): renewable energy generated and number of |

people provided with access to clean power.

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Green Bond report |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of

funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.

- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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Sustainalytics

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