

2023 Report on Positive Transformation

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A report on positive transformation to account for:

What we want to do

— our intentions

What we do

— our approach and strategies

Where we are now

— our current results and achievements

The structure of this report differs from previous ones. Fondaction's general approach and investment practices continue to be based on recognized benchmarks that impose standards that are among the highest in the industry. This is crucial for Fondaction. However, this report does not follow the usual disclosure standards of an annual or sustainable development report. Instead, it focuses on Fondaction's actions in support of positive transformation. It reflects Fondaction's firm and growing commitment to increase and amplify its impact, both as a company and as an investment fund.

1

Our positioning: Fondaction and its intentions

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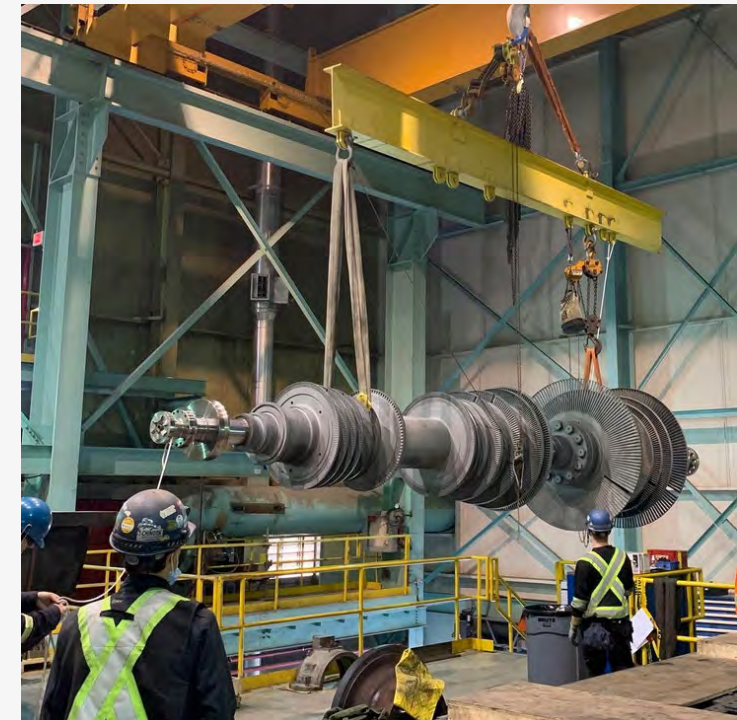


1.1

Fondaction's mission

A two-fold mission:

- Support Quebec workers in their efforts to save more for their retirement, particularly by raising awareness and offering an accessible savings product;
- Harness these accumulated savings to benefit Quebec's economy, society and environment, by investing them in ways that meet people's needs while protecting our environment and respecting the limits of natural ecosystems.



[Enerserv](#) contributes to energy efficiency from renewable sources by providing inspection and repair services for hydroelectric power plant turbine-generator sets.



1.2

Our vision and conviction

Become THE fund for positive transformation.

Our assessment is crystal clear: the current economic model is unsustainable. **The economy must and will be transformed to become fairer, more inclusive, greener and more performant.**

The situation is serious and the need for action is urgent: we are witnessing an environmental crisis and growing social inequalities.

Change is essential, unavoidable and must be radical: there are no more excuses; we must invest either in a positive future or against it.

The effort will be monumental: we'll need the support of those who also want to work for change.

[Innergex](#) produces renewable energy with a gross installed capacity of 4,226 MW in Canada, the United States, France and Chile.

1.3

The positive transformation of the economy



Issues	<ul style="list-style-type: none">• concentration of wealth (the rich get richer, and the rest have less and less purchasing power)• shrinking middle class• declining social mobility	<ul style="list-style-type: none">• Significant negative effects for groups that are victims of sexism, racism or other forms of discrimination• Social costs and social divisions• Need for solutions other than just increasing diversity	<ul style="list-style-type: none">• Climate change has a major impact on life on Earth• Biodiversity is vital to sustain life, including human life• The planet’s resources are limited	<ul style="list-style-type: none">• The prevailing economic model, based on unlimited growth in the face of limited resources, is unsustainable• A healthy, resilient Quebec economy creates wealth and quality jobs
Answer	<ul style="list-style-type: none">• Fondation is, in itself, a tool for distributing wealth and sharing ownership• Solutions that enable everyone to meet their basic needs are required to maintain social peace and democracy	<ul style="list-style-type: none">• Companies with diversity and inclusion are more successful and offer greater investment opportunities• Inclusion helps attract and retain high-performance employees	<ul style="list-style-type: none">• Fighting against climate change opens up a host of opportunities and new markets.• Using fewer resources is a competitive advantage• All businesses will have to adapt	<ul style="list-style-type: none">• We need to decouple growth from pollution, resource use and/or greenhouse gas (GHG) emissions, and go even further• Solving environmental and social challenges requires innovation• Companies whose products and services contribute to positive transformation must grow and export

1.4

Our intentions

An impact company

that enables people of modest means to prepare for retirement while improving the world they will live in.

An impact investment fund

that drives and accelerates change by investing in high-performing, sustainable companies and organizations¹ that will make up tomorrow's economy, by helping to:

- fight against climate change;
- protect biodiversity;
- reduce inequalities;
- end exclusions;
- achieve greater social justice.

¹ Fondaction manages a diversified portfolio divided into two broad categories: development capital investments and other investments (listed investments on the financial markets).

Our intentions

- Reduce inequalities in access to pension plans
- Increase financial inclusion of the underserved
- Reduce the number of people who are financially vulnerable in retirement
- Improve financial literacy, raise awareness and encourage people to save for retirement

- Mobilize and direct capital to address societal challenges
- Develop innovative financial solutions that enable needed change
- Drive changes in the business models of companies, funds and other investors to increase their sustainability and social impact

2 Our approach and strategies

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2.1

A lever for transformation

From the beginning, Fondaction has been driven by the belief that finance can be a powerful, positive and sustainable lever for transformation.

Things need to change, and the economy needs to be transformed. That's why, to give money meaning, Fondaction works with those who mobilize for the positive transformation of the Quebec economy, to make it fairer, more inclusive, greener and more performant.

Today, nearly 215,000 Fondaction shareholders have collectively accumulated more than \$3.3 billion in savings. It's all these individuals' money that's funding a transformation that's more necessary than ever, and it's our commitment and leadership that's helping to change the world of finance, including our own way of doing things as financiers.



"Let me start by telling you about our shareholders. Who our shareholders are. When we understand our shareholders, where we come from, we better understand why we do what we do at Fondaction.

Fondaction is a movement that, first and foremost, engages those who need to save for their retirement and want the world to be a better place when they retire.

There are now nearly 215,000 people who have accumulated more than \$3.3 billion and want Fondaction to invest it sustainably, for the long term."

Geneviève Morin

Sommet de la finance durable, May 19, 2022

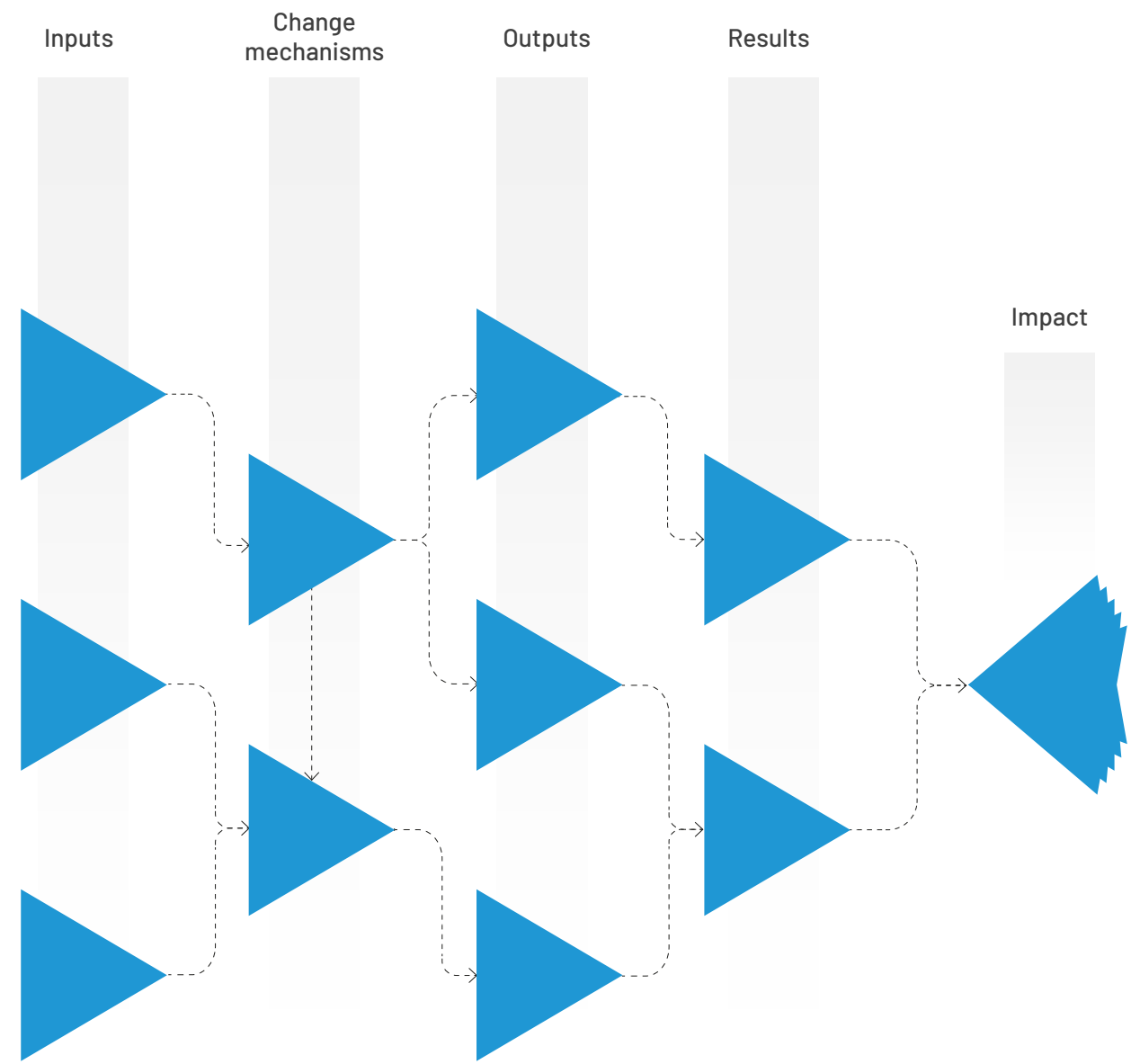


2.2 Our theory of change

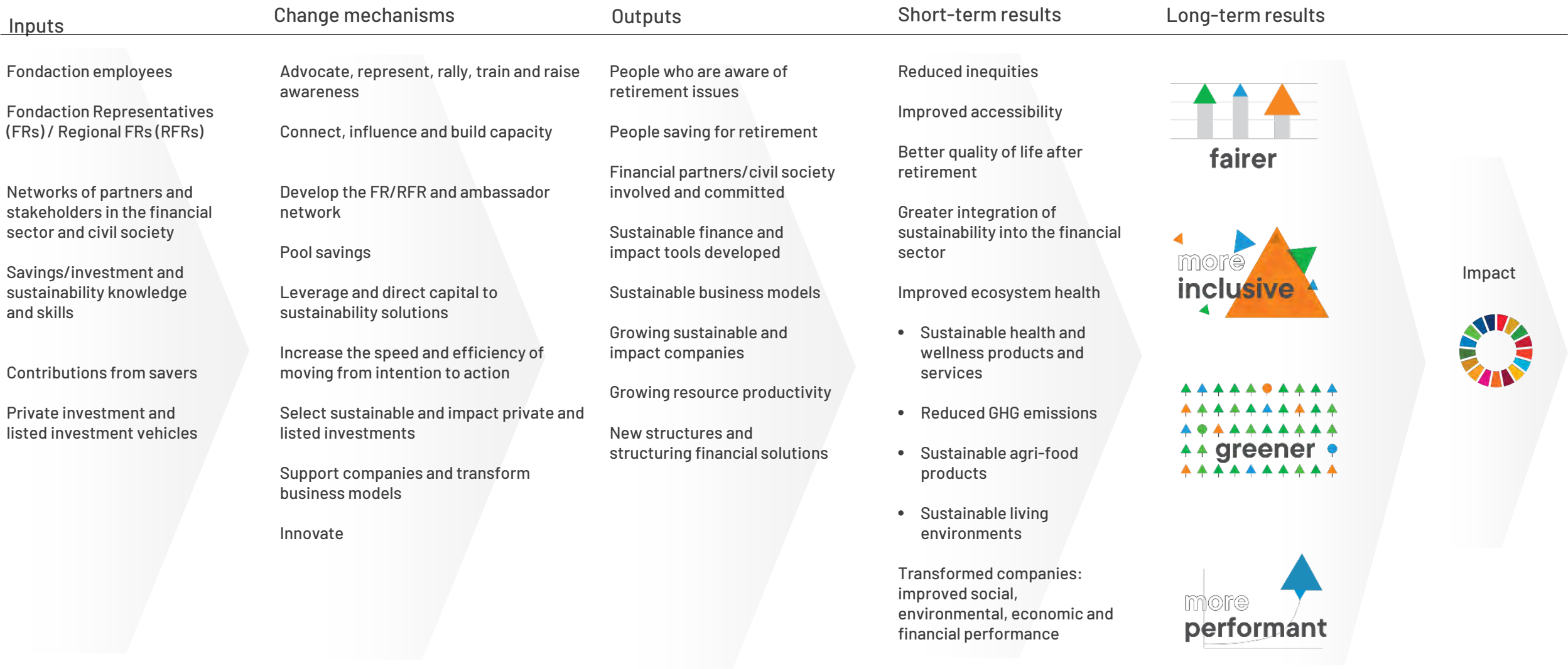
Art Massif-Wood Structure specializes in the design, manufacture and installation of wood structures for all types of buildings and facilities. Here, we see the observation tower at Sainte-Anne-de-la-Pocatière, Quebec.

The theory of change is a logical framework that explains how a program or strategy can achieve a desired impact. It is expressed in the form of a diagram linking the various components of a system, and of a description of how the components of the diagram are linked. The theory of change framework is organized around five components: inputs, change mechanisms, outputs, short- and long-term results and final impact.

Theory of change diagrams should be read from left to right. The first column describes the inputs change agent wants to harness in their transformation system, while the second column illustrates the change mechanisms put in place to act on the inputs used. The change mechanisms then influence the outputs (3rd column), which in turn influence the short- and long-term results (4th column), and finally the final impact (5th column).



Fondaction’s theory of change





2.3 Impact savings

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Courant Plus is a zero-carbon logistics start-up offering courier services and local transport of goods by cargo bike and 100% electric truck in the Greater Montréal area.

Our approach

Fondaction’s impact savings are a long-term lever for collective change. They are designed to improve retirement readiness, autonomy and financial inclusion for those who need it most.

By promoting a more accessible savings solution and better financial and extra-financial literacy among targeted groups of [employers](#) who choose to offer Fondaction’s retirement savings solution, we enable people who are too often forgotten to save and to become full-fledged agents of change.

Fondaction’s impact savings contribute to the positive transformation of the economy by improving the quality of life after retirement, enhancing the social performance of participating organizations and empowering our savers.

In short, it’s about:

- Facilitating access to savings for those who need it most;
- Helping to meet the significant need for retirement savings;
- Empowering people to act collectively in support of positive transformation.

In the graphic on the right, we identify the Sustainable Development Goals to which Fondaction’s impact savings contribute, as well as the targeting methods used to direct these savings to the people and sectors that need them most.



Sustainable Development Goals

Developed by the United Nations (UN), the [Sustainable Development Goals](#) (SDGs) provide us with a roadmap for achieving a better, more sustainable future for all. They address the global challenges we face, including poverty, inequality, climate change, environmental degradation, prosperity, peace and justice. The goals are interrelated and, to leave no one behind, it’s important to achieve each of them and each of their targets by 2030.

Savings impact model

Prioritizing of savers through individual characteristics

1. Targeted savers
Individuals most likely to have inadequate retirement savings

Direct impact on people and their quality of life after retirement

Prioritizing of savers through group characteristics

2. Sustainability organizations and companies

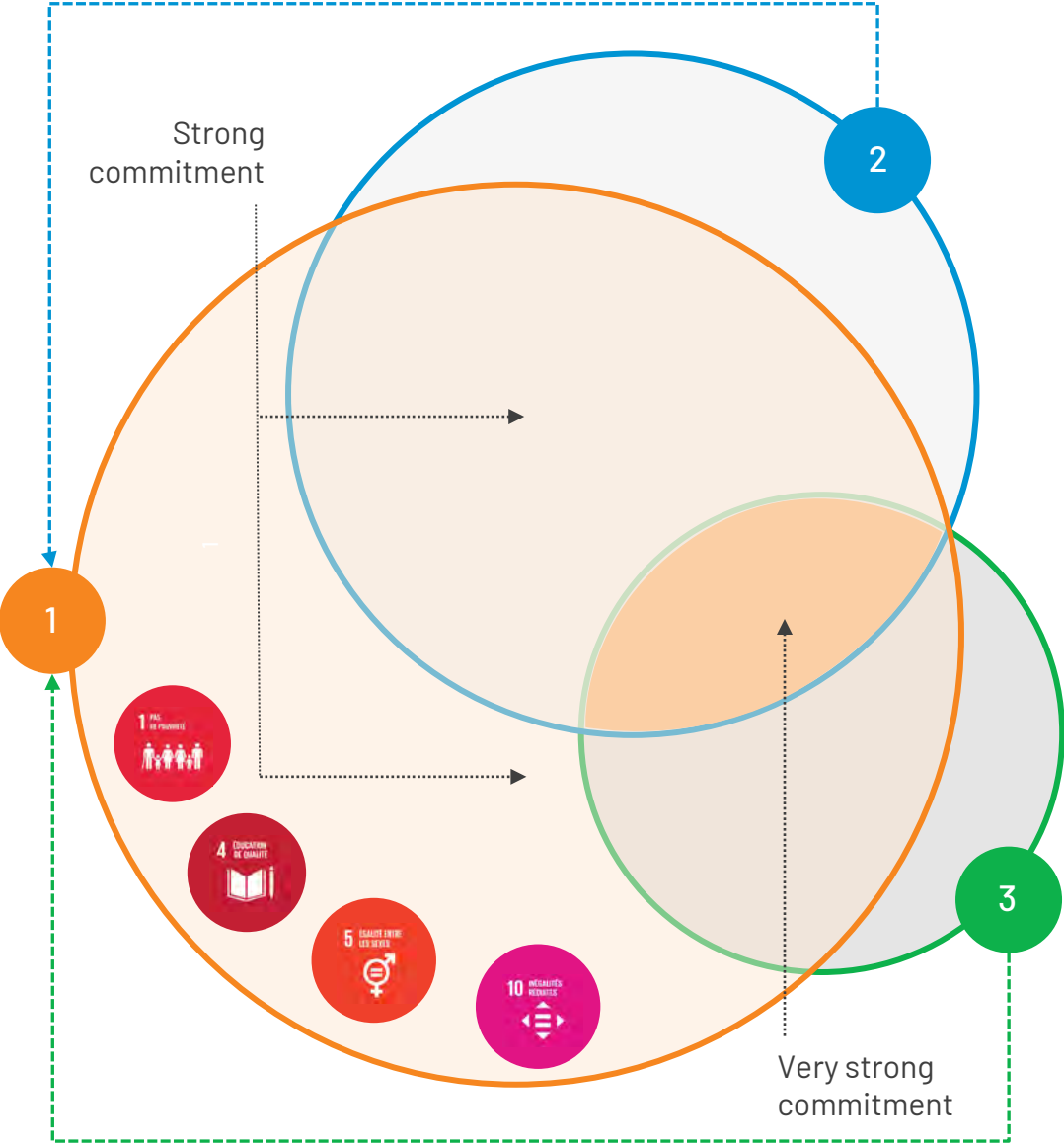
- Industries with a high proportion of employees with unmet retirement savings needs
- Purpose-driven organizations
- Organizations committed to inclusion and impact

Indirect impact on the social performance of these industries

3. Poorly equipped organizations and companies

Companies that don't offer a pension plan or whose plan doesn't meet needs

Direct impact on corporate social performance



Prioritizing of savers

We are strategically focusing our efforts on driving savings among individuals and employee groups with these key characteristics:

- People for whom the tax credit offers a proportionally larger benefit;
- People lacking or having inadequate supplemental pension plan;
- Savers who will not maximize their public pension plan;
- Workers whose job security depends on external circumstances related to their industry;
- People in need of better financial and extra-financial literacy.

There are multiple stages involved in our approach to impact savings. During stage one, we developed an impact model and a theory of change. Next, we implemented a relevance plan that outlines the commercialization strategy and the operationalization roadmap. Future stages involve working towards targets and impact measurements.





2.4

Capital deployment

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Other investments (listed investments on the financial markets): our strategy	<u>28</u>

The [Pierre Du Moulin](#) company brings together entrepreneurs from the agricultural and agri-food sectors who want to revitalize farmland in Charlevoix by implementing sustainable and organic farming projects.

Giving money meaning

Fondaction leverages its savers' capital by focusing its investments on companies and funds with positive impact that seize opportunities to transform the economy.

Fondaction prioritizes investments that focus on:

- encouraging companies whose activities are in line with the principles of sustainable development and integrate environmental, social and governance factors into their decision-making processes;
- supporting companies in their endeavours to expand, enhance productivity, reduce their environmental footprint, foster innovation and promote inclusion in order to increase their value, durability and sustainability;
- endorsing strategic initiatives and projects that yield significant economic benefits, increase access to quality jobs, protect the environment and reduce inequalities;
- empowering workers to collectively influence the sustainable development of Quebec.

Fondaction invests in different asset classes to achieve positive social and environmental benefits and generate a competitive financial return.

The company's diversified portfolio is divided into two main categories: development capital investments and other investments:

- **The development capital investments portfolio comprises direct investments in companies, investments in specialized funds, interests in structuring projects, primarily in real estate, and a portfolio of shares in Quebec-based companies;**
- **The other investments portfolio consists of several investments made through external managers on the equity market, as well as bonds and a few alternative investments.**

The performance, sustainability risk management process and governance of these categories are presented in the **annual MD&A**, which can be found [here](#).

Responsibility and conviction as an investor

By its nature and origins, Fondaction seeks to act positively in the interests of its shareholders and society in general by investing in assets that have a positive impact on society.

Fondaction understands its fiduciary duty by integrating the concept of sustainability.

The desire for positive transformation is reflected in innovative and responsible asset allocation and management.

Fondaction's strategy is based on the belief that the most resilient companies over the long term are those that:

- integrate a broad approach to risks and opportunities, particularly those related to environmental, social and governance (ESG) issues; and
- provide products and services consistent with an economy that meets people's needs while respecting the planet's limits.

Operationalization

Our approach is to systematically integrate environmental, social, economic, territorial and governance criteria into our capital deployment processes.

By taking a broader view of risks and opportunities, we aim to balance financial returns to shareholders with positive economic and social impacts across market cycles and economic fluctuations.

This is achieved through:

- Analyses that take into account both tangible and intangible financial and non-financial factors;
- Exclusions and performance thresholds expected of companies and asset managers;
- Selection of economic activities and sustainable and impact companies;
- Tailored support to improve overall company performance;
- The choice of external managers for other investments (listed investments on the financial markets) and the nature of the mandates entrusted to them.

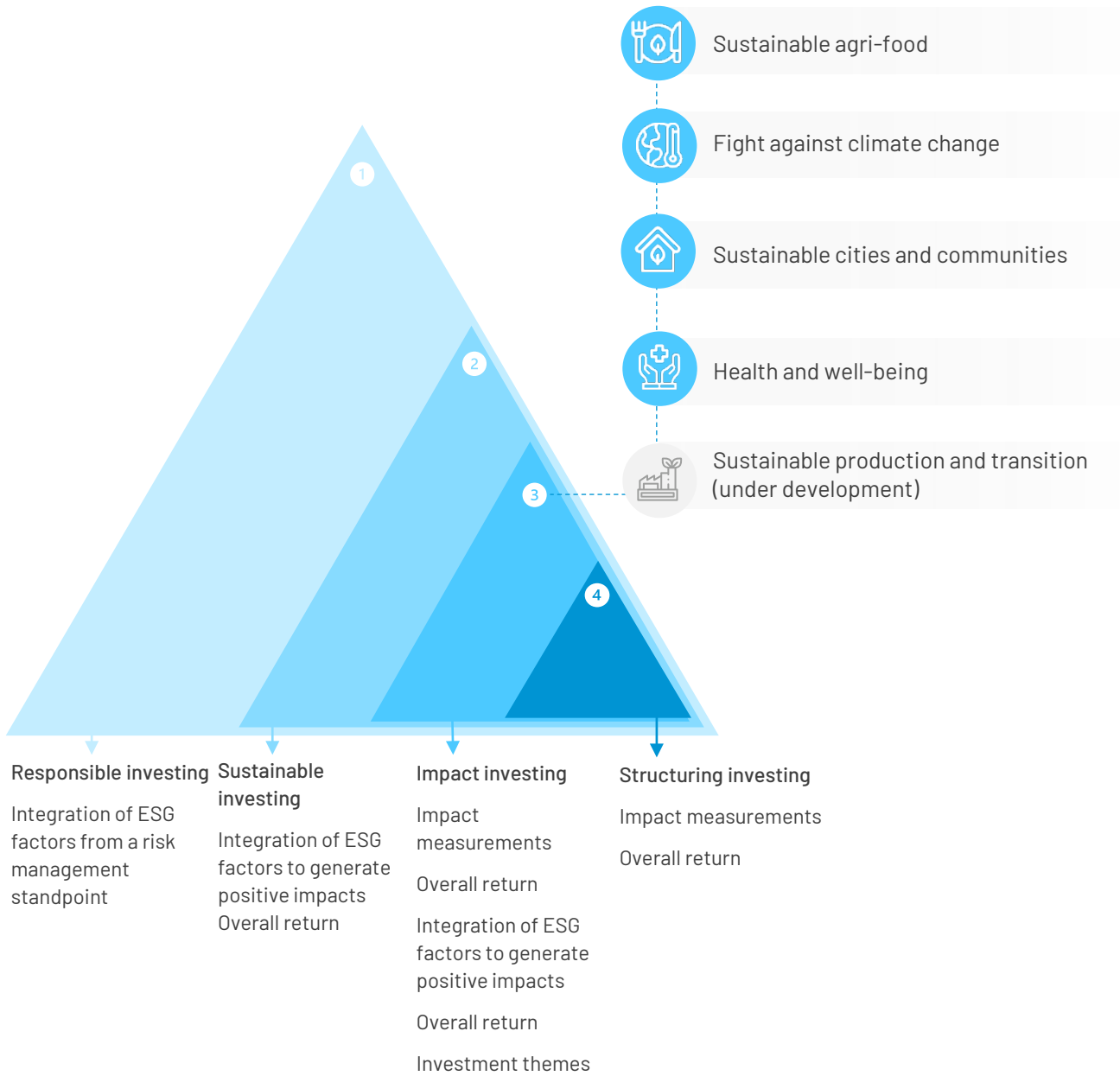


Transported by cargo sailboat and electric trucks in recycled jute sacks, [William Coffee](#)'s coffee beans are roasted in energy-efficient ovens and come mainly from fair trade sources.

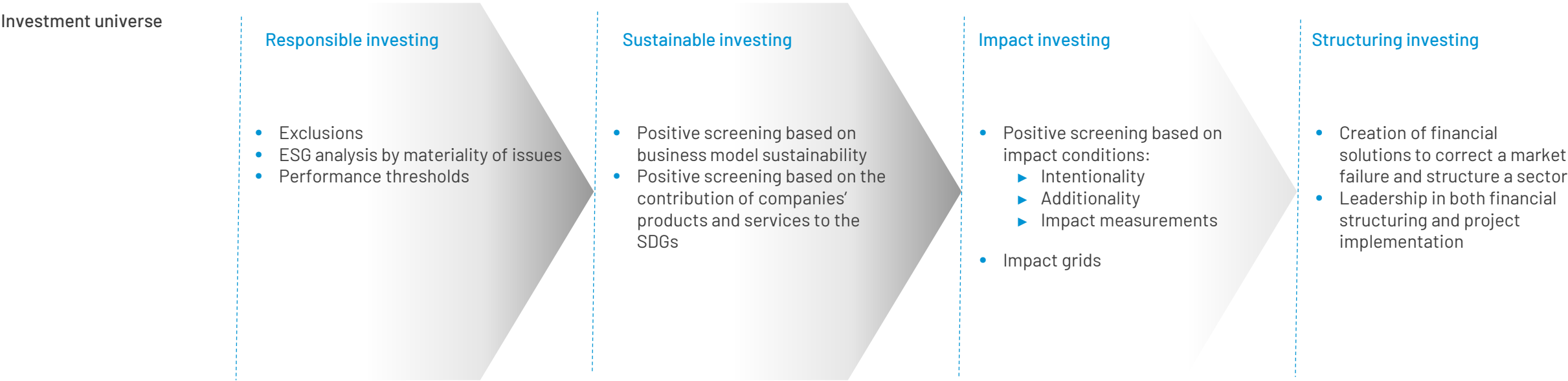
Development capital investments: our strategy

The development capital investment portfolio’s strategy is dedicated to the ongoing search for sustainable financial solutions. Our goal is to decrease investments that only fall into the responsible category, and increase those in the sustainable or impact categories.

We determine the level of alignment with strategy using the *sustainable finance spectrum* (refer to opposite and next page). This tool assesses corporate practices and their societal impacts across four distinct categories: responsible investing, sustainable investing, impact investing and structuring investing.



Identification and selection process for development capital investments





Responsible investing

Fondaction's exclusion approach avoids certain industries whose activities are deemed harmful to society and the environment.

We automatically exclude companies from the following sectors:

- Weapons
- Fossil fuels
- Gambling
- Pornography
- Tobacco

Our approach also involves the systematic integration of ESG factors into the selection and management of our investments. By considering these factors, Fondaction examines the risks and opportunities in order to generate long-lasting and beneficial outcomes for its shareholders and society at large, across market cycles and major economic shifts.

Responsible investing (more)

The investment process thoroughly assesses environmental, social and governance criteria. A rigorous, systematic analysis is performed to determine if a company meets the specified social performance (ESG) standards required for responsible investing.




There are many ways to gather relevant information for the analysis: questionnaires, interviews with employees and managers, site visits, external expertise, etc.

ESG analysis covers four distinct dimensions:

- Entrepreneurial;
- Social;
- Territorial;
- Environmental.

These dimensions help detect extra-financial risks and opportunities and assess the company’s sustainability level.

Categories of societal performance thresholds

 Environment <ul style="list-style-type: none">• Fossil energy• Deforestation• Greenhouse gases• Insecticides and pesticides• Animal freedom• Residual materials• Genetically modified organisms• Chemicals• Animal testing	 Society <ul style="list-style-type: none">• Diversity and inclusion• Human rights• Labour rights• Health and safety• Public services	 Governance <ul style="list-style-type: none">• Legal and regulatory compliance• Corruption• Ethics and privacy• Tax practices
--	--	--

Sustainable investing

Sustainable investing at Fondaction goes further than integrating ESG criteria. We invest in companies with a sustainable business model whose products and services contribute to the Sustainable Development Goals (SDGs). Companies must fulfill two conditions:

- meet the requirements of our ESG approach;
- create positive sustainability impacts through their business activities.

Fondaction uses the 17 SDGs of the UN to measure portfolio sustainability. The SDGs provide a comprehensive framework that outlines the issues to resolve and the targets to be met, thus contextualizing the contribution of the companies assessed. To do so, it's necessary to determine whether the product or service offered by the company contributes at least to the achievement of an SDG target. An investment may relate primarily to one or two SDGs.

Demonstrating a contribution to the SDG target must fulfill three requirements:

1. **There's a direct link**, meaning the product or service must have a direct impact on the target; indirect links are not accepted.
2. **There's a logical link**, meaning there must be a cause-and-effect relationship;
3. **It's reasonable**, meaning there should be no major discrepancies between the data and their interpretation in relation to the market.

The aim is to identify and characterize how these companies contribute to achieving the SDGs. It should be noted that some companies can have a negative impact on the SDGs.

The company's level of contribution to the selected SDG is determined by assigning a contribution index based on the proportion of sales resulting from products or services that address societal issues. This, in combination with the ESG analysis, establishes the company's position on the sustainable finance spectrum.

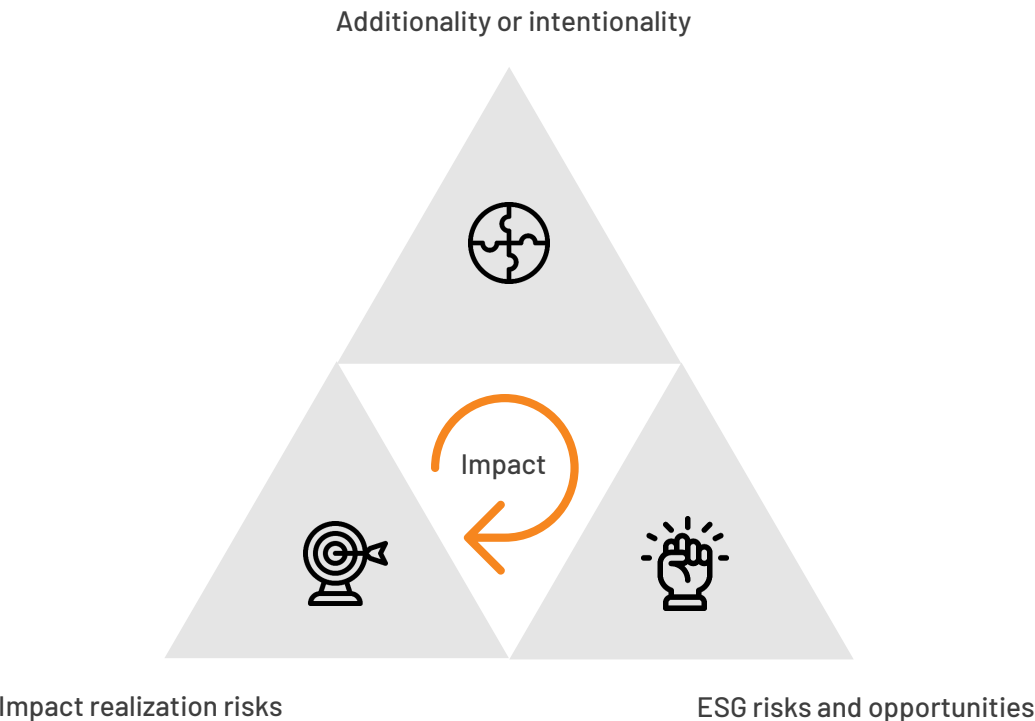
Impact investing

At Fondaction, impact investing relies on three principles that compose the impact model: additionality or intentionality; ESG risks and opportunities; and impact realization risks. Implementing these principles allows us to recognize potential impact investments, prevent negative effects, as well as monitor and evaluate impact results.

- **Additionality or intentionality:** We aim to invest capital purposefully to implement solutions that address societal issues. This involves selecting companies whose products and services contribute to solving sustainability issues. For an investment to make a difference, it must add to what would have occurred if it hadn't happened.
- **ESG risks and opportunities:** we must make sure that company operations do not hinder the achievement of SDGs, and that they create opportunities to improve performance.
- **Impact realization risks:** we need to identify and manage the risks of achieving impact by using appropriate indicators to measure results and taking steps where necessary to optimize activities.

Our impact investments consist of direct investments in companies, indirect investments in impact funds and investments in structuring projects.

Impact model





Structuring investing

Structuring investments are made in promising, innovative projects in which Fondation provides leadership, from the financial set-up to the implementation of the projects themselves.

These structuring projects mainly consist of specialized financial vehicles designed to structure a particular sector of the economy by implementing solutions that respond to a market failure and specific societal issues, and that produce positive, measurable impacts.

Each structuring investment reflects a specific theory of change that functions as a conceptual framework for initiating such changes. This makes it possible to clearly structure the project's objectives and the logic surrounding the generation of positive impacts.

When formalizing the associated theory of change, impact indicators need to be selected to measure and manage impacts effectively.

[SOFIAC](#) helps companies and property owners increase their profitability and competitiveness through the development, financing and implementation of self-financed energy efficiency projects.

Other investments

Listed investments on the financial markets: our strategy under development

Objective

The other investments portfolio (essentially comprising listed investments on financial markets) aims to complement the assets in order to optimize the risk-return relationship for all of Fondaction's investments over a 10-year period. This portfolio consists mainly of stocks, fixed-interest securities and various absolute return funds. It aims to achieve an attractive return and diversify the portfolio while maintaining the necessary liquidity for operations.

The goal is to develop a sustainability and impact strategy for other investments, drawing in particular on the approach adopted for development capital investments and the results achieved to date.

For several years, Fondaction has favored Quebec-based managers, requiring its external investment advisors to incorporate ESG factors into their investment processes and to avoid investing in companies with fossil fuel reserves. In addition, Fondaction invites them to make efforts to reduce the carbon footprint of their portfolios. We give mandates to managers seeking to adopt impact objectives and invest in green bonds. These are examples of our application of sustainable development principles to this portfolio.

Over the past few months, Fondaction has deepened its reflection and conducted further research. It has also engaged in discussions with partners to ensure consistency in its approach towards these investment activities. The goal is to develop a sustainability and impact strategy for other investments, drawing in particular on the approach adopted for development capital investments and the results achieved to date. We conducted an analysis of listed investments' sustainability and an assessment of external managers' sustainability practices.

Initial results are presented on pages [44](#) and [45](#).



2.5 Our multireferential model

Our multireferential model based on dual materiality

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Multireferential model

32

Aménagement Côté Jardin stands out in the field of ecological urban planning, as much for the design of its projects as for its worksite practices.

From exclusion to making an impact

Fondaction requires its external investment advisers to integrate ESG factors into their investment processes

We also avoid purchasing shares in companies with fossil fuel reserves, provide significant efforts to reduce carbon footprints and add green bonds to our portfolios.

There are good reasons to believe that methods can evolve in a positive way, which will increase the impact of financial market investments by using the structured methodology of private investment. Incidentally, on March 30th, the Global Impact Investing Network (GIIN) published the first edition of its [Guidance for Pursuing Impact in Listed Equities](#). This new approach is aimed at helping investors make a difference, mainly by investing in financial markets.

The sustainability and impact strategy for other investments will proceed through several stages. In the first stage, we developed a model to analyze and assess the sustainability of the portfolio and external managers. We plan to carry on this work by engaging in discussions, especially with our partners, both GIIN and non-GIIN members. At a later stage, we'll adopt goals, targets, and impact measures to serve as the foundation of our disclosure in future reports.

The exclusion of shares in companies with fossil fuel reserves, efforts to reduce carbon footprints and the addition of green bonds are examples of the application of sustainable development principles.



In 2018, Fondaction was the first Quebec-based organization to join the GIIN and the first Canadian institution to be invited to sit on its prestigious Investors' Council. This council brings together around 50 of the world's leading impact investing organizations.

Our multireferential model based on dual materiality

We believe that companies seeking to advance sustainable development goals must understand and manage their positive and negative impacts transparently, reliably and objectively. They must operate within what our planet has to offer, and not exceed the ecosystem's capacity to support their production.

In recent years, this understanding has sparked a growing demand for information, and created a divide between two approaches: a financial or accounting-based approach, and an extra-financial approach, which takes into account stakeholders and the company's economic, environmental and social impact. In our view, this dichotomy must be overcome, as it impedes positive transformation, which requires a nuanced understanding of multiple interdependencies.

Dual materiality reflects both the impacts of the economic, social and natural environment on the organization and the impacts of the organization on these three dimensions of sustainable development. It's a comprehensive solution that facilitates the integration of both types of materiality in a consistent manner.

In our opinion, dual materiality should be viewed as a socio-economic tool that shapes a broader societal understanding of the issues facing humankind.

Our sustainable finance strategy is aligned on the United Nations Sustainable Development Goals (SDGs). Accordingly, our sustainability assessment methodology is based on the SDGs, both for our savings and investment activities.

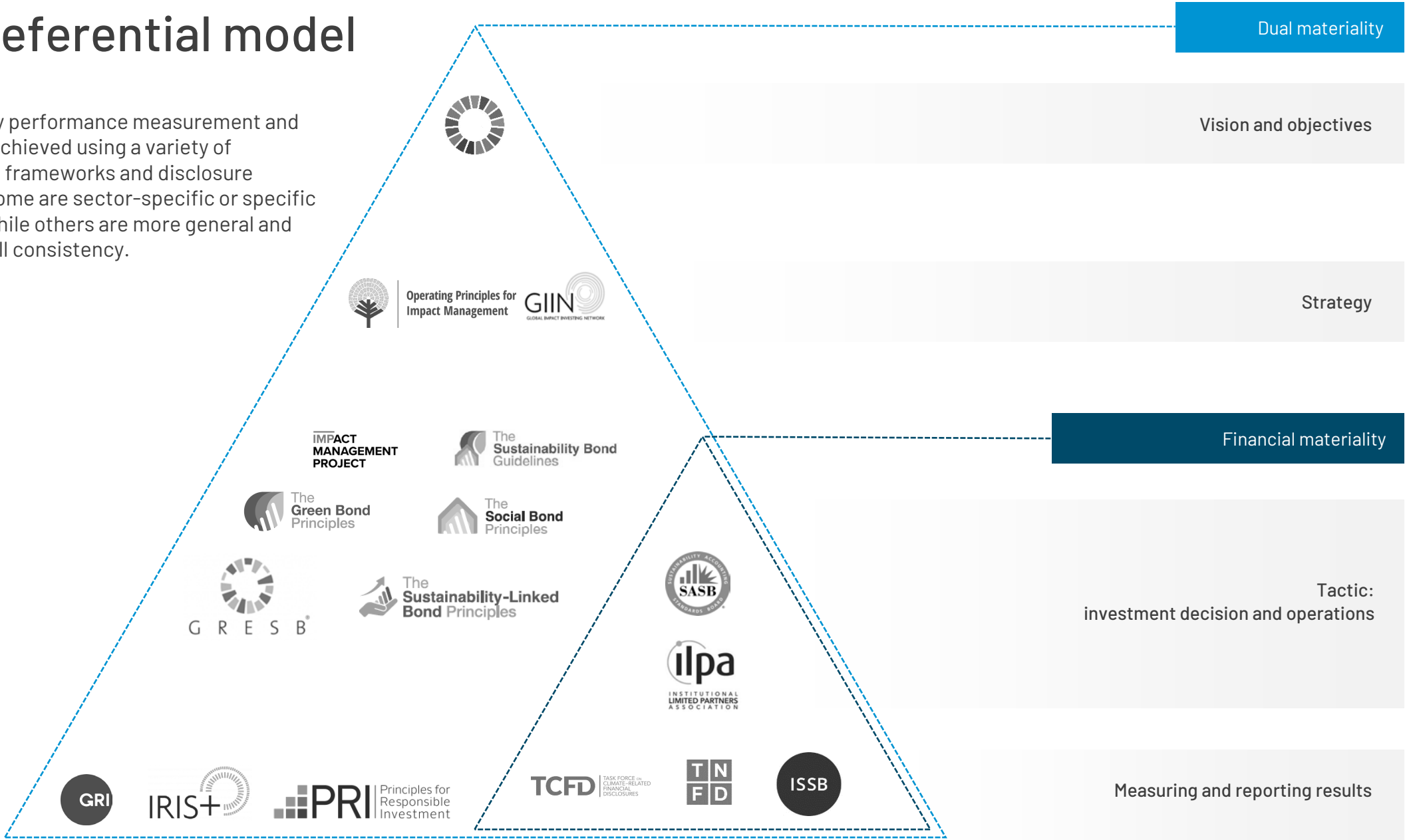
To develop and implement its sustainable finance strategy, Fondaction uses a multi-referential framework that incorporates various standards and tools, based on:

1. the degree of sustainability integration attained in the investment process;
2. the most appropriate measures for evaluating activities;
3. the relevant information to be disclosed.

Our private investment and listed investment strategies prioritize impact investing as the preferred tool for contributing to the SDGs. In this context, we use the Operating Principles for Impact Management and the tools developed by the GIIN as benchmarks for making the right choices and optimizing our impact management system.

Multireferential model

Sustainability performance measurement and reporting is achieved using a variety of management frameworks and disclosure standards. Some are sector-specific or specific to finance, while others are more general and ensure overall consistency.



At an operational level, our analyses and selection of investments, managers and investment products are based on different frameworks and principles:

- For direct investments, we use the Sustainability Accounting Standards Board's materiality matrix and the Global Real Estate Sustainability Benchmark's ESG evaluation questionnaires. These are our key tools for assessing the risks and opportunities associated with ESG and sustainability.
The SDG targets enable us to filter sustainable investment files and determine under which conditions impact investment applies, while the IMP model, developed by the Impact Management Project, allows enables us to qualify selected projects as impact investments.
- As for listed investments, the ESG questionnaire recently developed by the Institutional Limited Partners Association is integrated into the fund managers' evaluation process for extrafinancial performance. We use the principles governing green bonds, social bonds and sustainable bonds developed by The International Capital Market Association to identify and classify bonds within the sustainable finance spectrum.

The core of the concept of dual materiality is whether investors should solely focus on how sustainability-related matters impact their financial results or also consider how their governance and operations affect individuals, society, and the planet.

Fondaction believes that businesses must go beyond their own results and seek to understand their impact on their environment.

3 Our results

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Setting targets and metrics

As an impact company and an impact investment fund, we strive to present our results based on pre-established targets in order to measure our progress.

This first edition of the *Report on Positive Transformation* presents a number of results, many of which lay the foundation for measuring the future scope of our activities. In subsequent reports, the presentation of results will be structured around more explicit objectives and targets.

To assess the impact of its strategy, Fondaction measures the carbon exposure of its portfolio and evaluates its performance in terms of efforts to decarbonize the economy.

Fondaction calculates its carbon footprint each year to estimate the GHG emissions funded by its investments. This enables it to assess the associated environmental impact and climate risk

In addition, Fondaction has been calculating avoided emissions for several years in the different companies and projects funded through its development capital portfolio. Based on robust methods and recognized reference scenarios, this calculation allows the investment team to assess its projects’ evolution and environmental performance

The methodologies associated with these metrics are presented on page 75 of the document available [here](#).

Carbon footprint of the entire portfolio at May 31, 2023 ¹	Avoided emissions for fiscal year 2022-2023
22.6 tonnes CO ₂ eq/\$M	1.84 M tonnes CO ₂ eq

By way of comparison, the carbon footprint at May 31, 2022 was 20.9 tonnes CO₂ eq/\$M. Avoided emissions were 1.49 million tonnes CO₂ eq for fiscal year 2021-2022.

1. To assess its portfolio’s exposure to GHG emission risks, Fondaction has adopted the Global GHG Accounting and Reporting Standard for the Financial Industry published by the Partnership for Carbon Accounting Financials.



3.1 Savings

Portrait of savers	<u>37</u>
FR network and financial literacy	<u>38</u>

Portrait of savers

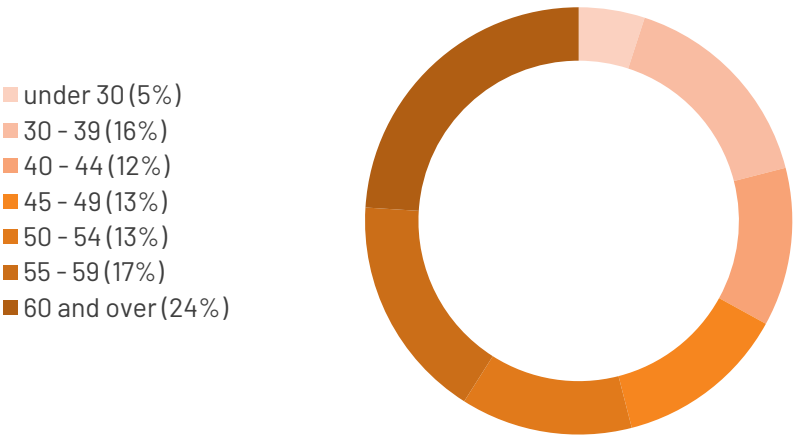
Over the past two years, Fondaction has raised record amounts, reaching nearly \$730 million in subscriptions: \$369 million in 2022-2023 and \$360 million in 2021-2022. The increase in share issuances has enabled Fondaction to welcome over 41,500 new shareholders, 49% of whom are under the age of 45.

In all, more than 136,000 shareholders have contributed over the past two years.

As shown below, the majority of Fondaction savers are women. Unlike the typical makeup of the retirement savings market in Quebec, women make up more than half of Fondaction’s subscribers and represent more than 55% of savers who contribute by payroll deduction. In terms of generations, the distribution of Fondaction’s shareholders follows the demographic trends in Quebec, which are marked by population aging.

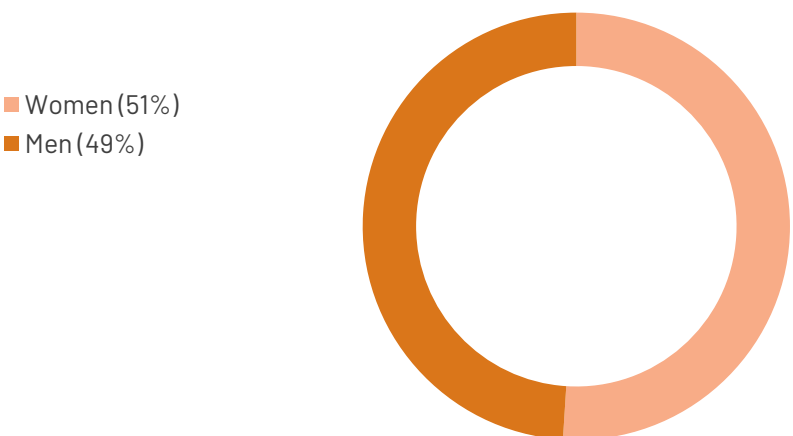
Shareholder distribution by age

(as at May 31, 2023)



Shareholder distribution by gender

(as at May 31, 2023)



FR network and financial literacy

The Fondaction Representatives (FRs) network is the key instrument that makes Fondaction’s financial product so accessible, particularly outside the major urban centres. This network is made up of 375 FRs, including 25 Regional Fondaction Representatives (RFRs), coming from a variety of workplaces. New members are constantly being recruited into the FR network, ensuring a sustained presence in the workplace.

Our activist network plays an essential role in the workplace, raising awareness of the individual and collective importance of saving for retirement and contributing to the positive transformation of society. Network members are supported by Fondaction employees working in business development.

In addition to providing a detailed guide to FRs, Fondaction has set up a continuing education program for all network members to keep their knowledge up to date and ensure a level of quality that lives up to expectations. This program is an extension of our commitment to preserving the knowledge and expertise of our activist network. Since the pandemic, it has taken the form of capsules and is available online via the FRs’ virtual training platform.

Covered topics stem from observations in the field, developments in the

work of the FRs or current issues relating to retirement savings.

In 2022-2023:

- 60 new FRs were trained
- 2 activist forums were attended by around 100 FRs
- 2 strategic meetings were held with RFRs
- 1,175 workplace activities were organized

Themes covered in the various activities:

- Compliance rules
- Cybersecurity
- Organization of workplace activities - post-COVID
- Outreach on social networks
- COP 15
- Sustainable development
- Changes related to the 2023 provincial budget
- First Home Savings Account (FHSA)



3.2 Private and listed investments

Responsible investments	<u>40</u>
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Impact investments	<u>48</u>

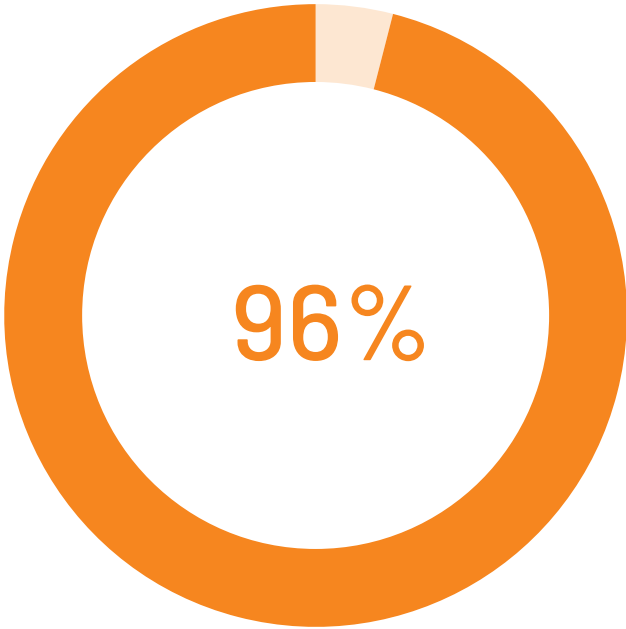
Groupe RCM's modular manufacturing offers a sustainable solution to the increasing demand for multi-unit housing, schools, and retirement homes in communities.

Responsible development capital investments and other responsible investments

Fondaction’s strategy is grounded in the belief that companies that integrate a broader approach to risks and opportunities, particularly those related to ESG factors, will prove the most resilient over the long term.

As at May 31, 2023, responsible investments represented 96% of our total assets. Our goal is to reach 100%. The variation can be attributed to the fact that certain external managers’ mandates have not fulfilled satisfactory ESG criteria. We work with them to raise ESG standards.

The degree of ESG factors’ incorporation directly influences an organization’s ability to create sustainable value and thus generate financial and extra-financial returns.



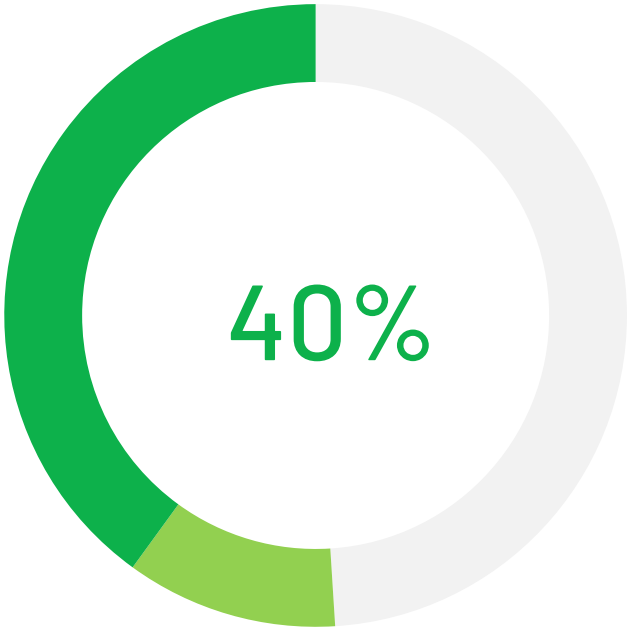
As at May 31, 2023 responsible investments represented 96% of our total assets. Our goal is to reach 100%.

Sustainable investments

A sustainable investment is defined as an investment that not only takes ESG (responsible investing) criteria and factors into account in investment decisions, but also creates sustainability benefits that contribute directly to achieving the Sustainable Development Goals (SDGs).

As at May 31, 2023, sustainable investments had grown to account for 40% of development capital investments. Our goal is to reach 51% in 2025. These are primarily investments in companies that provide a substantial contribution to the SDGs.

In the Other investments portfolio, sustainable investments consist mainly of green, sustainable or social bonds according to the International Capital Market Association classification, as well as shares in impact managers.



As at May 31, 2023, 40% of our development capital investments were sustainable investments. Our goal is to reach 51% in 2025.

Sustainable investments

Sustainable investment (in development capital) at Fondaction integrates ESG factors and directly contributes to at least one target of an SDG. We evaluate the investment’s contribution to the SDGs based on the percentage of sales of qualifying products and services.

Sustainable investments are those that provide a significant or very significant contribution.

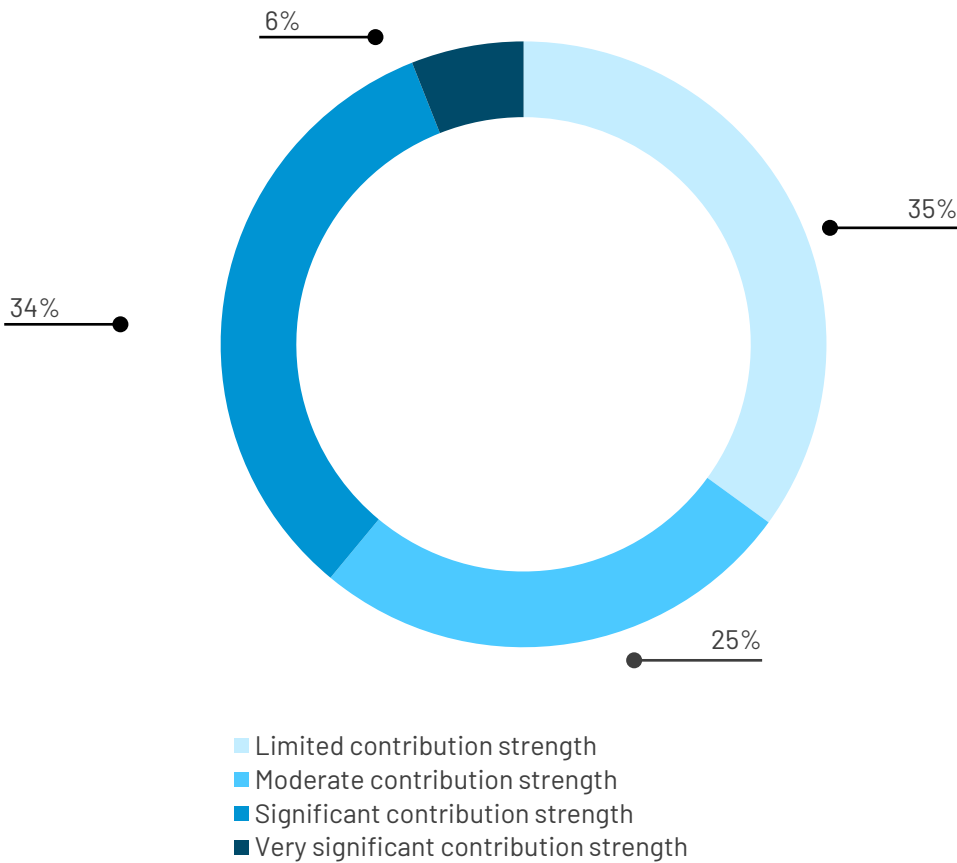
As at May 31, 2023, 40*% of our development capital investments significantly and very significantly contribute to the SDGs, thereby categorizing them as sustainable investments.

Investments with moderate contribution account for 26%, while those with limited contribution constitute 34%. Although the latter investments do make some contribution to the SDGs, they are categorized as responsible investments.

*Before rounding to the nearest unit, this percentage is 39.9%.

Breakdown of fair market value by contribution strength

May 31, 2023



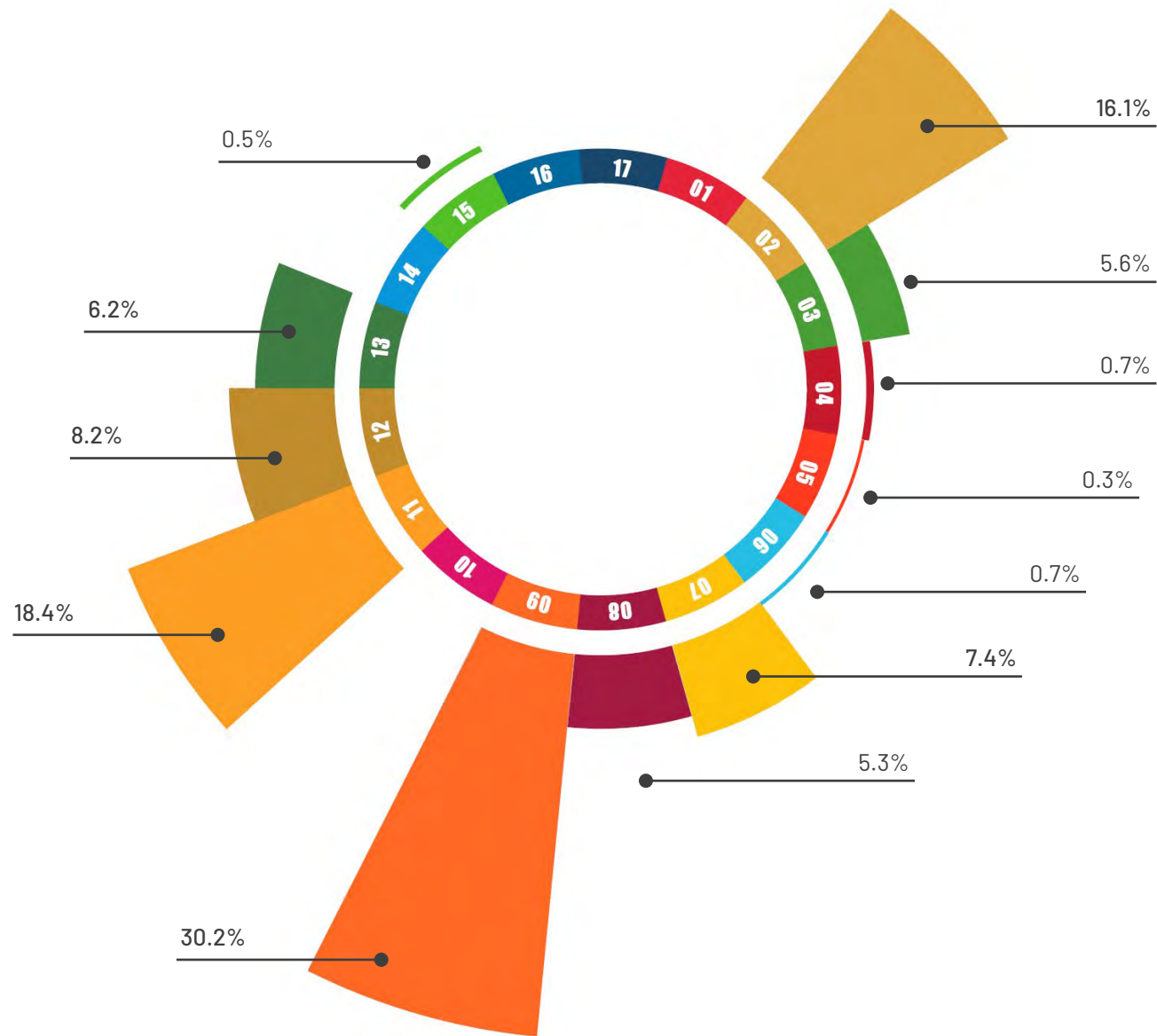
Assessment of the contribution to the SDGs

In 2023, an analysis of all direct investments shows that SDG 9 – Industry, innovation and infrastructure tops the list with 30.2% of the fair market value of direct investments. Following behind are SDG 11 – Sustainable cities and communities, SDG 2 – Zero hunger, SDG 12 – Responsible consumption and production, SDG 7 – Affordable and clean energy and SDG 13 – Climate action, with proportions of 18.4%, 16.1%, 8.2%, 7.4% and 6.2% respectively.

Direct investments not aligned with the SDGs are below 1% and are not represented in the graph.

Breakdown of fair market value by SDG

May 31, 2023



Assessment of external managers' ESG and sustainability practices

ESG practices

When selecting managers, we inquire about their ESG approach and require them to adopt certain considerations, such as being signatories to the Principles for Responsible Investment ([PRI](#)). The PRI is a public-private initiative developed in partnership with the United Nations Environment Programme Finance Initiative and the United Nations Global Compact.

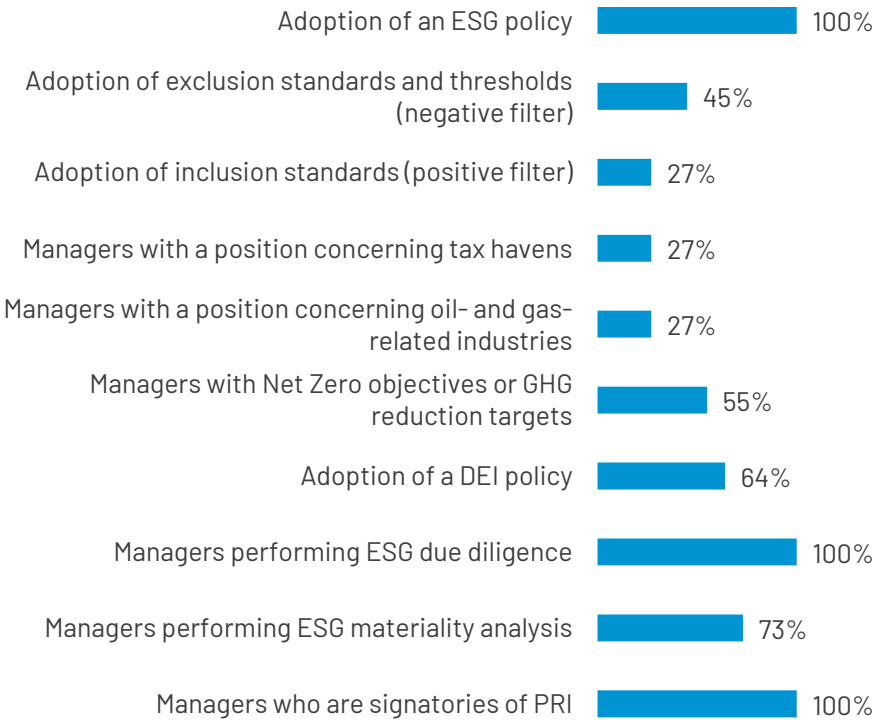
An assessment showed that all our external managers have adopted ESG policies. Additionally, they are all signatories of the PRI and consistently conduct ESG due diligence reviews. Among these managers, 73% apply the principle of relevance (materiality), 64% have adopted a diversity, equity and inclusion (DEI) policy, and 45% have implemented exclusion standards.

With regard to the fight against climate change, all our mandates exclude shares in companies with fossil fuel reserves (gas, oil and coal). However, we note that only 27% of our managers do so for all their assets under management.

Likewise, proactive fight against climate change positions aimed at reducing or achieving "net zero" are not widespread. Only 55% of our assessed managers have adopted "net zero" objectives or GHG reduction targets.

External managers' ESG practices

April 30, 2023



Sustainability practices

The assessment of our 14 external managers indicates that most of them are committed to at least one sustainability standard or leadership principle.

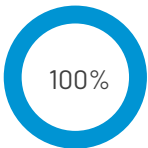
The most prevalent commitments are the SDGs, the Task Force on Climate-related Financial Disclosures (TCFD) and the Green Bond Principles. Nevertheless, only 36% have adopted a sustainability strategy and 45% have set sustainability targets.

It’s important to note that we have not included managers whose actions are limited to ESG risk analysis and do not make a real contribution to achieving the SDGs in our analysis of sustainable finance strategies.

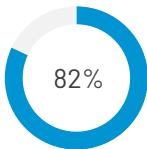
Investment managers’ sustainability practices

April 30, 2023

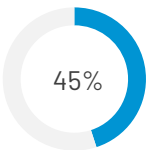
Commitment to sustainability leadership standards/principles



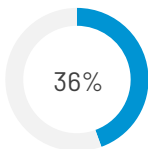
Managers applying climate-related financial disclosures (TCFD)



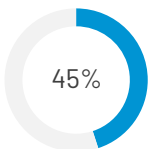
Managers using certified bonds



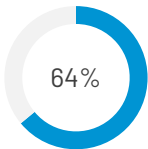
Managers with a sustainable investment strategy



Managers with sustainability targets



Managers contributing to the SDGs



Sustainable real estate strategy

We recognize the significant impact of real estate construction and operations on the environment, economic development, and overall quality of life. Thus, we have established a sustainable real estate strategy founded on three key pillars: Sustainability of the built environment, Social aspects and Sustainable cities and communities. We select real estate projects that are in line with the orientations of this strategy.

Our approach is to move away from the functionalism that characterizes much of today's real estate development and instead focus on creating residential areas that reflect the needs of local residents, developing

sustainable cities and communities, reducing exposure to risk, and ensuring that buildings are durable and long-lasting.

Inspired by industry-leading real estate analysis guidelines, we developed an ESG and sustainable real estate assessment grid. This tool allows us to analyze projects' environmental impact and their positioning in our sustainable finance spectrum. Consequently, we select developers and partners who take sustainable development issues into consideration.

Pillar 1: Sustainability of the built environment

- 1. Increase the use of alternative materials
- 2. Increase the circularity of materials used in real estate projects
- 3. Reduce the impact of buildings on climate change
- 4. Develop adaptation strategies for real estate investments to address climate change

Pillar 2: Social aspects

- 1. Increase the availability of affordable, social and community housing in real estate developments
- 2. Promote mixed-use real estate projects to foster vibrant communities
- 3. Prioritize social and economic inclusion in real estate projects

Pillar 3: Sustainable cities and communities

- 1. Prioritize providing access to sustainable and alternative transportation in real estate development projects
- 2. Develop real estate projects that allow for urban densification while creating a balanced and intelligent living environment
- 3. Create real estate projects that aim to decrease or limit urban scattering and urban sprawl

Real estate results

Indicators

Our sustainable real estate strategy has reached the performance measurement stage. We have implemented sustainability indicators that we'll monitor annually.

Sustainability measurement is being rolled out in two stages.

The first stage covered only direct investments, which account for over 80% of our real estate assets. The second stage will be carried out in 2024 and will cover real estate projects invested through investment funds.

Our goal is to fully implement the strategy for all real estate investments, effectively incorporate interactor metrics, the stage we're at now, and then proceed with the development of impact real estate.

33 %

Ratio of reserved green spaces
Average ratio of green spaces to total surface area

Real estate projects

44% of projects are certified according to an environmental or social standard



25% of projects measure occupant satisfaction



100 %

of real estate projects are accessible by public transport (1.5 km from a public transit service)



trees planted

1,9 millions ft² certified

according to an environmental or social standard



4,751 m³/year

reduction in water consumption

Housing density in residential projects:



253 housing units per ha



26,416 Gj/year

reduction in energy consumption

* Certifications taken into account: LEED, BOMA BEST, BREEAM, Green Globes Design, Novoclimat 2.0, WELL Building Standard

Impact investments

In 2023, impact investments directly deployed by our impact team according to our four themes totaled \$405 million.

We invest from the outset with the intention of having a positive impact on a social and/or environmental issue covered by the theme, based on an intervention logic - in this case, the theory of change - which demonstrates the causal links that can lead to the desired result or impact.

In the following pages, we present fact sheets for nine companies from Fondaction’s impact investment portfolio.



[Lion Electric](#) is an innovative manufacturer of zero-emission vehicles. It designs and produces 100% electric Class 5 to Class 8 urban commercial trucks, and 100% electric buses and minibuses for school, paratransit and public transport.

Impact themes



Sustainable agri-food

A series of pressures are testing the capacity of current food systems to supply safe and nutritious food that is produced in an environmentally responsible manner.



10,380 hectares farmed organically



69% of companies in the agri-food portfolio are impact companies



Fight against climate change

Climate change has major repercussions on the environment and on the safety and lives of people.



1,844,510 tonnes CO₂ eq avoided



91,319 MWh of renewable energy generated



Sustainable cities and communities

Urban sprawl and the devitalization of certain communities are at the centre of the main issues arising from current land use methods. Cities and urban areas represent 70% of GHG emissions and more than 60% of used resources.



151,064 metric tons of materials processed or recovered (residual materials, water, soil, etc.)



60,249 ft² of land rehabilitated



Health and well-being

The increasing prevalence of chronic diseases, the aging of the population and the emergence of new diseases give rise to inclusion and equity issues and a pressure on health services.



8 health and well-being issues addressed by company products and services



1,093,000 beneficiaries of health and well-being products and services



Sustainable agri-food

Issues

The global economic situation, biodiversity loss and climate change are major issues that the current food system is facing. To feed a growing population without destroying the planet, the food system must be transformed to incorporate sustainable and equitable practices.

Change mechanism

By financing innovative Quebec-based companies seeking to increase the sustainability of their processes and improve their business practices and the quality of their products, Fondation helps strengthen the vitality of this crucial sector, foster regional development and expand the supply of healthy food products to everyone.

Objectives

Our first objective is to contribute to the creation of a viable food system based on sustainable production methods and enhanced adaptability in a manner that is respectful of the environment and animal welfare. The second objective is to offer quality food that is safe and nutritious.

Results and impact

Our investments improve production methods and expand access to high-quality, safe and nutritious food, which is essential for the development and health of populations.

Moulins de Soulanges x Fondation



Description of the company

The Montérégie-based company offers a variety of innovative flours for the baking and food sectors, while supporting an environmental and regional approach with the certification of Agriculture Raisonnée™.



[Company website](#)

Investment theme



Sustainable agri-food

Impact of the product or service

Issue

A nutritionally safe and healthy food offering is essential to feeding a population that is constantly increasing without destroying the planet.

Agricultural and food production practices must be strengthened to ensure sustainability and fairness.

The company's contribution

By changing its supply chain, which accounts for 92% of its carbon footprint, this company is revolutionizing its industry. Its strategy aims to reduce and eliminate the use of pesticides while optimizing the efficiency of fertilizers, resulting in a significant improvement in the environmental footprint of wheat production for breadmaking.

The Agriculture Raisonnée® program brings together 300 Quebec bread wheat producers who have chosen to adopt a more responsible approach to agriculture and soil use. Since the program was set up, several producers have been supported in their three-year transition to organic farming.

Results



50% – 70% reduction in herbicide and fungicide use



300 organic producers




9,800 hectares of organic farming


Our action in line with the UN's Sustainable Development Goals

Improve food to make it healthier, more nutritious and derived from sustainable farming practices.




Les Viandes biologiques de Charlevoix x Fondation






Description of the company

A family business, Les Viandes biologiques de Charlevoix (VBC) is a processor and producer of organic meats. The approach of this Saint-Urbain, Quebec business is an integrated one: it ranges from producing the majority of the organic grains and cereals used to feed the animals to commercializing its products.



 [Company website](#)



Sustainable agri-food

Our action in line with the UN's Sustainable Development Goals

Improve food to make it healthier, more nutritious and derived from sustainable farming practices.



Impact of the product or service

Issue

A nutritionally safe and healthy food offering is essential to feeding a population that is constantly increasing without destroying the planet.


Agricultural and food production practices need to be reinforced to make them sustainable and equitable.

The company's contribution


VBC's entire production is organic. In this way, it protects the environment and biodiversity and avoids the use of pesticides, synthetic fertilizers and genetically modified (GMO) seeds. The animals' diet is entirely free of antibiotics and growth hormones.

Sustainable agriculture and circular economy are at the centre of VBC's production. The company uses forest residues to heat its facilities, thereby ensuring the animals' comfort, as this type of heating improves the air quality and reduces moisture. Because this heating system is effective, it enables the conversion of another waste, okara, a food waste, which, when dried, is an organic source of protein for the animals.


Results



100%
Volume of food produced in Quebec



600 hectares of organic production



1,070 tonnes of non-organic meat not produced



Fight against climate change

Issues

Climate change is the greatest contemporary challenge of our century. It has far-reaching consequences for the environment, food security, biodiversity, immigration, social peace, people's quality of life, and so on.

Objectives

Contribute to the fight against climate change by increasing the number of concrete and efficient products, services, projects and actions to reduce GHG emissions and adapt to the impacts of climate change.

Change mechanism

Fondaction contributes to the fight against climate change by adopting a systemic view of climate-related risks and opportunities. The company continues to pave the way by innovating to reduce GHG emissions with the creation of new financial levers and structuring investments in businesses that participate in the ecological transition. Fondaction has selected three sub-themes to structure its offering: Energy and industrial efficiency, Renewable energy and Sustainable mobility.

Results and impact


Creation of innovative financing solutions in line with the long-term horizon of the systemic changes required for transition.

Biomont Énergie x Fondation




Description of the company

Biomont Énergie is a biogas cogeneration plant with a capacity of 4.8 MWh. The plant is powered by methane captured by the Saint-Michel Environmental Complex on the site of the former Miron quarry landfill in Montréal, Quebec.

 [Company website](#)

Investment theme

Impact of the product or service



Fight against climate change

Our action in line with the UN's Sustainable Development Goals

Reduce the GHG footprint and increase the share of renewable energy in energy consumption.



Issue

Climate change has major repercussions on the environment and on the safety and lives of people.

Greenhouse gases (GHGs) are the main cause of climate change.


The energy sector has a crucial role to play in reducing emissions responsible for climate change.

The company's contribution


Capturing the methane produced by the decomposition of landfill waste produces clean energy while avoiding the emission of a GHG far more harmful than CO₂.

The electrical power, which is sold to Hydro-Québec, supplies nearly 2,000 homes. As for the thermal energy produced, it supplies the heating systems of the nearby Cirque du Soleil and TOHU workshops and studios.

Results



46,001 tonnes of CO₂ eq avoided



34,050 MWh of renewable energy generated

Art Massif x Fondation



Description of the company

Art Massif-Wood Structure designs, manufactures and installs glued-laminated timber structures for all types of buildings. The company, which stands out for its complex projects with remarkable design, can also carry out FSC-certified projects. The wood used is SFI®-certified and sourced mainly from sustainably managed forests in Quebec.



[Company website](#)

Investment theme



Sustainable cities and communities

Our action in line with the UN's Sustainable Development Goals

Develop safe, resilient and sustainable human settlements.



Impact of the product or service

Issue

The building sector consumes a lot of energy and natural resources, and is a major producer of greenhouse gases and waste.

Sustainable buildings minimize these negative impacts. They are designed, built, managed and used responsibly throughout their life cycle.

By interacting with its surroundings, eco-building helps to create safe, resilient and responsible living environments.

The company's contribution

Whether used as a structure or as a building component, wood is a material with low environmental impact. Its processing produces fewer contaminants in water and air than metal or concrete manufacturing. It also consumes fewer resources, while keeping its carbon dioxide stored at a rate of one tonne of CO₂ per m³.

Art Massif sources most of its wood from Quebec forests managed according to the principles of sustainable development. Their SFI certification ensures the protection of natural environments and biodiversity, in addition to promoting transparent and responsible use of our forests. The glue used contains no formaldehyde and gives off no fumes. The products used for finishing treatments are low VOC water-based or natural-oil-based.

Results



4,500 tonnes of CO₂ eq avoided



5,000 m³
Quantity/volume of wood used (FSC-certified, SFI-certified and non-certified)



45 jobs contribute to regional development



Sustainable cities and communities

Issues

The growing environmental footprint of cities and the devitalization of certain communities are at the centre of the main issues arising from current land use methods. This situation puts pressure on resources, but also on health and equity between people and between regions.

Objectives

The development of sustainable, healthy, safe and accessible living environments that generate vitality and minimize negative impacts through better management of natural resources, spaces and residual materials in urban, suburban and rural areas.

Change mechanism

By financing innovative companies that offer solutions in the fields of water, soil and residual materials management or urban planning, by financing sustainable real estate projects and companies that develop products for the construction of healthy and sustainable buildings, and finally by supporting distinctive economic sectors throughout Quebec, Fondation helps to ensure that cities and human settlements are safe, resilient and sustainable, while developing distinctive economic sectors that generate economic vitality throughout the province.

Results and impact

Management of resources, spaces and matters that reduces the negative environmental impacts of cities to create accessible, safe, healthy and sustainable living environments.

Waste Robotics x Fondaction



Description of the company

Waste Robotics develops robotic sorting solutions for waste and recyclables management. The company's solutions, based on optical material recognition and machine learning, make robotic extraction safer and more precise.

 [Company website](#)

Investment theme



Sustainable cities and communities

Our action in line with the UN's Sustainable Development Goals

Reduce the environmental impact of cities and communities through better management of resources and residual materials.



Impact of the product or service

Issue

Cities and metropolitan areas account for almost 70% of the world's carbon emissions and over 60% of used resources.

It's important to reduce cities' negative environmental impact per capita, paying specific attention to air quality and waste management.

The company's contribution

Waste Robotics' technology, which integrates artificial intelligence and machine learning, increases sorting centre recovery rates and the quality of residual materials. This more efficient residual materials management reduces the amount of waste going to landfill.

Results



2,654 tonnes of CO₂ eq avoided



18,274 tonnes of residual materials sorted

Groupe C. Laganière x Fondation



Description of the company

Groupe C. Laganière was one of the first Quebec firms to offer soil and water decontamination solutions. The company specializes in decontamination by biodegradation, while ensuring complete traceability. Groupe C. Laganière also offers environmental assessments and manages a contaminated soil treatment centre.

 [Company website](#)

Investment theme



Sustainable cities and communities

Impact of the product or service

Issue

Nature is facing ever-growing pressures, with the UN reporting that human activity has altered 75% of the Earth's surface.

To preserve the planet, it's crucial to restore terrestrial ecosystems, as contaminated land represents a considerable environmental liability that significantly affects the safe development of cities and communities.

The company's contribution

Groupe C. Laganière transforms environmental liabilities into assets through soil decontamination and rehabilitation. Remediation in urban environments stimulates densification and the development of safe living spaces.

Results



60,249 ft² of rehabilitated land




121,370 tonnes of decontaminated soil


Our action in line with the UN's Sustainable Development Goals

Reduce the environmental impact of cities and communities through better management of resources and residual materials.




Mabarex x Fondation






Description of the company

Mabarex specializes in treating wastewater and sludge using biological processes. The company offers turnkey systems, from preliminary study to operation. One of Mabarex’s innovations is a decentralized wastewater treatment unit for municipalities and individuals who don’t have access to a sewage network.

 [Company website](#)



Investment theme



Sustainable cities and communities

Our action in line with the UN’s Sustainable Development Goals

Improve resource management and access to sustainably managed water supply and sanitation services.



Impact of the product or service

Issue

According to the UN, the scarcity of fresh water resources linked with a fast-growing global population is expected to reach 40% by 2030.


Preserving, sanitizing, using rationally, and ensuring sufficient water access are pivotal in safeguarding the planet.

The company’s contribution


Mabarex’s innovative solutions directly impact water purification and preservation by reducing the effects of pollutants, contaminants, and spills while also decreasing the use and emission of chemical products.

Mabarex’s water service promotes superior, regulatory-compliant water management while optimizing resource usage.

Results



80 tonnes of residual chemicals avoided



8,000,000 m³ of material (water) treated

59 |

Fondaction | 2023 Report on Positive Transformation



Health and well-being

Issues

Like many developed nations, Quebec is coping with an aging population and a growing prevalence of chronic diseases. It must find solutions to ensure a good quality of life for the most vulnerable. Chronic diseases continue to be the primary cause of death in OECD countries, putting greater pressure on the health care systems, their resilience and their accessibility. These issues require concrete action and an expanded offering of adapted products and services.

Objectives

Accelerate the implementation of effective solutions to enhance people's health and quality of life, and empower individuals to fully engage in society.

Change mechanism

Fondaction supports businesses whose products and services promote prevention, better personal care and the adoption of healthier lifestyles.

Results and impact

Avoiding health problems and delaying their progression through prevention and better individual care will help alleviate the pressure on our healthcare system. Improving the well-being of individuals with health issues or who are aging by adapting their living environment for the purposes of social inclusion.

Lü – Interactive Playground x Fondaction



Description of the company

Lü’s mission is to reinvent the way physical activity is practiced in schools, in order to maximize children’s overall development. Lü transforms school environments into immersive and interactive spaces using a vast catalogue of edutainment activities validated by education experts and linked to the school curriculum.



[Company website](#)

Investment theme



Health and well-being

Our action in line with the UN’s Sustainable Development Goals

Improve access to health care through prevention, individual care, well-being and inclusion for all, at all ages.



Impact of the product or service

Issue

The increasing prevalence of chronic diseases, the aging of the population and the emergence of new diseases give rise to inclusion and equity issues and a pressure on health services, jeopardizing their resilience and accessibility.

The company’s contribution

Lü’s solutions make a tangible contribution to children’s health and well-being by reinventing the practice of physical activity in schools.

Innovation and know-how foster the development of healthy lifestyle habits and socio-cognitive skills in children.

Results





1,250 units used



1M students have used LÜ


Paraxion x Fondation






Description of the company

Paraxion is a prehospital emergency services company with 38 points of service in 9 administrative regions of Quebec.

 [Company website](#)

Investment theme



Health and well-being

Impact of the product or service

Issue


The increasing prevalence of chronic diseases, the aging of the population and the emergence of new diseases give rise to inclusion and equity issues and a pressure on health services, jeopardizing their resilience and accessibility.


The company's contribution

Operating in nine regions, Paraxion optimizes the delivery of prehospital emergency services, ultimately reducing mortality and morbidity rates among individuals in distress.

Paraxion fosters leadership in excellence and ongoing improvement with all of its partners in the prehospital chain. By converting 30 vehicles to propane, the company is helping to reduce greenhouse gas (GHG) emissions. In addition, it's converting approximately 20 vehicles per year from a fleet of 82 ambulance vehicles, thereby reducing GHG emissions.


Results

 **2,660 tonnes of GHG avoided**

 **45,000 interventions per year**

Our action in line with the UN's Sustainable Development Goals

Improve access to health care through prevention, individual care, well-being and inclusion for all, at all ages.





Structuring investments

To optimize its positive impact and help transform entire sectors, Fondaction has created several structuring investment vehicles. In line with its sustainable finance strategy, structuring investments aim to address market failures linked to pre-defined social and environmental objectives.

In recent years, Fondaction has established multiple funds that tackle particular societal problems and act as financial leverage. Each structuring investment reflects a specific theory of change that acts as a conceptual framework on how the changes will be initiated. This makes it possible to clearly structure the project's objectives and the logic surrounding the generation of positive impacts. When formalizing the associated theory of change, impact indicators need to be selected to measure and manage impacts effectively.

At May 31, 2023, structuring investments represented 5% of development capital investments.

The creation of Fondation Asset Management

Collectively, we are not on track to meet the 2030 Sustainable Development Goals (SDGs) adopted by the United Nations. An urgent call to action is needed to rapidly achieve significant progress for humankind and the planet. However, the absence of large-scale impact solutions remains a major obstacle for investors looking for means to effectively channel their capital towards achieving the SDGs.

So there is a real and potential investor appetite for the type of solutions that Fondation has developed and brought to market.

It was in this spirit that Fondation Asset Management was created in mid-2022. Its aim is to significantly channel more capital into emerging and underserved impact sectors in order to contribute on a large scale and with integrity to the SDGs, while generating competitive financial returns. Fondation Asset Management's vision is to become the leading organization in Quebec and Canada dedicated to creating, developing and managing impact solutions.

At the same time, the financial sector is mobilizing to make socially responsible investments that respond to the current crises. For instance, at COP26, 130,000 billion dollars were committed to fighting against climate change.

In Quebec and Canada, there is a significant and growing demand for impact investing. Capital owners are indeed increasingly interested in specialized investments, but effective financial solutions and credible expertise remain limited. Fondation is well-known for its expertise in creating unique, innovative investment vehicles that meet capital owners' needs while simultaneously generating shareholder value. Fondation is well positioned to seize this window of opportunity, as it already brings experience and innovative financial solutions to the table.

Once they're up and running, impact solutions attract other investors. So there is a real and potential investor appetite for the type of solutions that Fondation has developed and brought to market.

To further research and develop, and to grow and sustain these solutions by attracting new capital from here and around the world, Fondation created a new fund management platform: Fondation Asset Management. This platform will allow us to scale up "our" existing solutions and concentrate on developing new ones, which we hope will be just as unique, innovative and successful.

[Find out more.](#)



Fondaction Asset Management's strategy is based on the identification, development and commercialization of innovative, high-impact solutions. These solutions are coupled with competitive financial articulation to attract institutional capital through platforms that help fill the gap in the creation and financing of pipelines of meaningful impact projects.

The platforms are geared towards producing solid, demonstrable financial returns and impacts.

The goal is to contribute to fairer, more inclusive, greener and more performant societies, while transforming the conventional approach to financing in Canada and beyond.

Fondaction Asset Management's approach to sustainable finance and impact is aligned with Fondaction's vision. Its ability to deliver large-scale impact while remaining in line with international sustainability standards and best practices (Operating Principles for Impact Management, SDG Impact Standards, IMP standards, IRIS+, etc.) is essential and core to its business model.



3.3 Engagement and dialogue

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Increasing and amplifying impact

By maintaining an ongoing dialogue with leaders from different backgrounds, Fondaction aims to develop better consultation and an effective transition to action. Through dialogue, Fondaction aims to:

- Rally financial and civil society stakeholders around sustainability issues;
- Develop the ability to influence the practices and definition of sustainable finance;
- Build capabilities, share knowledge and implement solutions to sustainability challenges.

To anticipate change and bring about the transformation needed, Fondaction is working on two areas: financing the transformation and changing finance.



1st area

Financing the transformation

The first area is to improve access to retirement savings for those who need it the most, and also to funnel and leverage the savings accumulated collectively through our private investment and listed investment strategies. Thus, Fondation pledges and acts to:

- Invest without harming: mitigate negative effects (i.e. by directing 100% of investments towards companies and activities that, at the very least, do no cause further harm to either the planet or people);
- Invest for a better tomorrow: increase positive impacts (i.e. by gearing investments towards companies and activities that generate positive impacts for the planet and for people).



Louis Roy is President and Founder of [OPTEL](#), a world leader in traceability in sectors as diverse and regulated as food and pharmaceuticals. Its offering enables the tracking of every stage in a product's life cycle to ensure compliance and minimize its carbon footprint.

2nd area

Changing finance

Fondaction strives to understand, take action and bring together all financiers to align their investments towards transformation:

- As quickly as possible;
- As decisively as possible;
- As honestly as possible.



In October 2022, Daniel Charron, Vice President, Social Commitment and Public Affairs of Fondaction, was in Paris as part of a week of activities for the *Corridor Québec-France en finance durable* (Québec-France Sustainable Finance Corridor), an initiative of Finance Montréal and the Institut de la finance durable. Here he is speaking at Climate Finance Day 2022, during a panel discussion opened by Elizabeth Maruma Mrema, Executive Secretary of the United Nations Convention on Biological Diversity.

Staying connected to better anticipate and bring about change

To bring about transformation in the most optimal manner, Fondaction also believes in forging connections between the everyday experiences of the majority of people, the real economy and the financial sector. This dialogue fosters a more resolute, rapid and efficient mobilization towards the necessary changes.

Three of the projects initiated in 2022 and 2023 that demonstrate the benefits of Fondaction's commitment and the outcomes of this dialogue are presented in the following pages:

- Biodiversity Indicators for Quebec Investors
- *Génération d'impact*
- Canadian impact investing group

Developed by the [SDA](#), Carré Saint-Laurent is an example of community-oriented revitalization in an area that had been abandoned for too long.



Project

Biodiversity Indicators for Quebec Investors

Issues and challenges

Nature is deteriorating globally, and Quebec is no different. The spring of 2023 brought significant floods and devastating forest fires. Science is clear: our lifestyle is disturbing the natural equilibrium, which is threatened with collapse.

Investors represent an essential lever for rapidly transforming our economy to reverse the loss of biodiversity, which is a key element in the fight against climate change.

To integrate biodiversity effectively, we must develop tools to measure our impact. These tools should be designed in partnership with local experts and environmental organizations.



Marie-Hélène Lafond, Manager, Dialogue, Public Affairs and External Communications of Fondaction, spoke during the launch of the cooperative project aimed at developing biodiversity indicators for Quebec investors, at COP15 in Montréal, in April 2023.

Strategy

Fondaction, in partnership with the Société pour la nature et les parcs du Québec ([SNAP Québec](#)), [Biodiversité Québec](#) and the [Quebec Centre For Biodiversity Science](#), has begun work on developing biodiversity indicators for Quebec investors. The project, in which the [Caisse de dépôt et placement du Québec](#), is also involved, was officially launched during COP15, on the main negotiating stage.

Targets

This project is closely aligned with the expectations and ambitions of the Kunming-Montréal Global Biodiversity Framework and Targets 14 and 19 by fully considering biodiversity and its values in Fondaction’s investment processes.

Result – Preliminary indicators will be tested in 2024.

The project is receiving attention from international groups and associations, as well as government bodies. Following its launch at COP15 and its presentation at a plenary session of this major event, the various participants have presented the project at forums such as the Institut de la finance durable, the Réseau de responsabilité sociale des entreprises, Finance Montréal, Écotech Québec and the Salon AMERICANA, to name but a few. The project was also presented to representatives from the Taskforce on Nature-Related Financial Disclosures (TNFD) and the International Sustainability Standard Board (ISSB). The dialogue successfully achieved its goals of uniting individuals and rallying support.

Project

Génération d'impact

Issues and challenges

Young professionals are motivated to address climate and social issues, but may lack the tools, knowledge and support necessary for meaningful action within their organizations. While resources are available for entrepreneurs where impact is concerned, there are few, if any, for intrapreneurs. There is a need to create a corporate space where proactive individuals from different companies can come together, reflect and share best practices.



Audrey-Sokunthevy Nut is a sustainable investing advisor at Fondation. She developed an educational program to introduce sustainable and impact finance concepts.

Strategy

In partnership with the [Jeune chambre de commerce de Montréal \(JCCM\)](#), Fondation has co-created a program aimed at young professionals who want to change the world without necessarily changing jobs. A first cohort of some twenty young intrapreneurs and leaders in their respective fields completed a staggered program from October 2022 to May 2023. Their challenge as participants was to set up an impact practice within their respective organization. To enhance their knowledge and broaden their perspectives, they had the opportunity to meet seasoned leaders and experts. A second cohort will undergo training and be announced in the fall of 2023.

Targets

Génération d'impact brings together upcoming leaders who are being trained to integrate positive impact into their organizations' practices. For participants, the *Génération d'impact* cohort provides a unique opportunity to develop their impact leadership skills and to network with other JCCM members, as well as the many speakers. With this initiative, our goal is to redefine the standards of success for Montréal's next generation of business leaders. Local businesses can make a positive impact in their sector and the community. They will tackle the challenges associated with inclusion, equity and climate change, thanks to the strength and creativity of these young people who believe in change from within.

Result — Preliminary indicators will be tested in 2024.

The inaugural cohort participants have all received support from their organizations in setting up their challenges, which will be implemented in the summer of 2023. In addition, participants were able to share their experiences and processes at major forums such as the JCCM's *Grande rencontre de la relève d'affaires* in April 2023 and the Montréal Climate Summit in May 2023.

In this first cohort, Fondation helped a female intrapreneur from its own team create a two-workshop training course on concepts related to sustainable development and impact investing, which would be offered to all Fondation employees. The project's objective is to train up to 90% of Fondation employees within a year. This will provide them a common base of fundamental knowledge on sustainable development and its evolution.

Project

Canadian impact investing group

Issues and challenges

Quebec is faced with persistent social, economic, and environmental challenges that demand out-of-the-box thinking to find innovative solutions. Needs are growing in education, healthcare, energy, the fight against climate change and the inclusion of disadvantaged communities, to name but a few. Finance can play a role in solving current problems in our territory, and we strongly believe that impact investing is one of the solutions. Impact investing has made great strides in recent years in both Quebec and Canada, yet the ecosystem remains fragmented and small.

As the sole Canadian member of the Global Impact Investing Network (GIIN)'s Investors' Council, Fondaction contributes to the progress of impact investing and to the development of expertise and knowledge, in particular through its contribution to the GIIN's IRIS+ benchmarking.



The finance sector bears the responsibility of investing capital in projects that benefit society and nature, and turning ideas into portfolios. This emerged as a significant message from the GIIN Investor Forum held in the Netherlands in October 2022. The event attracted more than 1,200 delegates, including part of Fondaction's impact investment team.

The plenary session on achieving large-scale impact provided Stéphan Morency, Vice President and Chief Investment Officer of Fondaction, an opportunity to share his perspective on "scaling with integrity." For Fondaction, preserving integrity while pursuing large-scale impact involves exhibiting the effectiveness of its financial vehicles and innovations.

Strategy

Our goal is to establish a platform for impact investors in Canada, with GIIN's support, by bringing together like-minded investors. This platform will improve the structure of the ecosystem and foster the development of best practices.

We want to encourage the financial sector to make changes and demonstrate that existing solutions can be successful and scaled.

Targets

Create a task force to develop common investment approaches, integrate the different perspectives of institutional investors, impact investors, limited partners and general partners, and identify barriers and gaps to market growth. Map the impact investing ecosystem and provide a set of concrete recommendations for structuring the impact investing market.

Result

In 2023, we created the committee and reunited its original members. The task force's mission is to identify strategies that will support the adoption and deployment of impact investing best practices in the country. This will help to enhance market growth.

4

Internal practices

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4.1

As an organization

From the outset of its operations, Fondaction has been working diligently to incorporate the sustainable development principles into its strategic positioning and its day-to-day activities. In 2005, Fondaction adopted an environmental policy to establish the principles that would enable it to contribute to improving the quality of the environment from a sustainable development perspective. Furthermore, a Responsible Purchasing Plan was adopted in 2008 to promote the principles that govern purchasing practices.

Fondaction's Environmental Responsibility Policy, adopted in 2019, combines these two policies. The Policy is structured around five themes, some of which are supported by scalable action plans. The five areas of action are as follows:

- Sustainable building management
- Responsible purchasing
- Sustainable transportation
- Environmentally responsible events
- Residual materials management

As a purchaser of goods and services, Fondaction follows the objective of its Responsible Purchasing Plan, which is to provide guidelines to employees who make purchases. The Plan applies to all of Fondaction's procurement practices. It takes into account its actual level of influence, sound expense management principles and high standards of quality for the goods and services obtained. The Plan is centred on the following principles:

- Adopting high standards regarding the quality of goods obtained and the excellence of services rendered;
- Acting as a responsible consumer, taking into consideration Fondaction's level of economic influence;
- Giving priority to suppliers with unionized employees or to social economy enterprises;
- Encouraging the selection of local suppliers;
- Promoting practices in line with sustainable development principles.

A commitment to consistency

In the interests of consistency, Fondaction is dedicated to reflecting its vision of positive transformation through its practices. The company continuously applies the principles and impact measures guiding its operations to its internal practices, decision-making, and activities. The goal is to eventually embody change and bring its own vision of positive transformation to life.

As an organization and as an employer, Fondaction is committed to making the economy fairer, more inclusive, greener and more performant.



1. As an organization (more)

The Responsible Purchasing Plan presents a set of criteria organized into four categories (social, environmental, economic and outsourcing) to cover the suppliers' business practices. This plan aims to support the process of purchasing goods and services and proposes a series of factors that could be taken into account when choosing a supplier.

With the planned return by the end of 2023 to its Montréal head office, where major construction and redevelopment work has been underway since 2020, an update of Fondaction's Environmental Responsibility Policy and Responsible Purchasing Plan is planned. This will involve revising the objectives and planning the actions needed to achieve them. Reporting on these objectives and measures will be included in subsequent reports.

The Sustainable Transportation Plan provides employees with several measures to help them adopt environmentally responsible travel behaviours. Using videoconferencing and other digital communication modes between groups and encouraging active transportation help reduce the annual number of kilometres driven by single-occupant vehicles without hindering Fondaction's activities. Widespread use of telecommuting during the pandemic and, subsequently, due to the construction work carried out in Fondaction's main building, has led to a marked reduction in employee travel and, consequently, in greenhouse gas (GHG) emissions related to transport.

It should also be noted that managing GHG emissions to fight climate change is one of the two central components of Fondaction's Environmental Responsibility Policy. Although Fondaction is not subject to any specific GHG emissions regulations, it considers this to be one of the areas in which it can have an impact, even though the environmental impact of its activities is limited. Fondaction has been fully offsetting certain emissions - including those generated by the shareholders' general meeting and by air travel - by purchasing carbon credits for several years now.

4.2

As an employer

As Fondaction is in the services industry, the people (their talents, expertise and experience) constitute its greatest asset. Its corporate culture is as follows: a culture of advocacy and excellence, an inspiring and inclusive culture based on developing each individual's full potential in order to excel as a team and grow and succeed collectively.

Diversity and inclusion are at the centre of discussions, and are seen as important levers for change. Different initiatives in relation to this issue have been carried out, such as training on the unconscious biases of the recruitment team, discussion with employees on diversity, dialogue via our engagement platform. The Diversity and Inclusion Committee was created by Fondaction in 2022 to meet a clear and firm commitment. Comprising several employees, it will define clear targets and monitor progress in subsequent reports.

Fairness is achieved, most notably, through salaries, which are set by collective agreement for unionized employees. Fondaction also formed a parity committee for salary relativity for the purpose of ensuring the fairness of each job category in accordance with the principles set out in the Pay Equity Act. Wage indexation in relation to employees' pay scales is set according to the collective bargaining agreement and takes into account increases in consumer prices. The Fondaction employee supplemental pension plan is a defined benefit contributory plan.

Furthermore, the total annual compensation of the organization's highest-paid individual as at May 31, 2023 is equivalent to 3.88 times the median compensation of all other Fondaction employees, demonstrating the low salary dispersion within the organization.

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