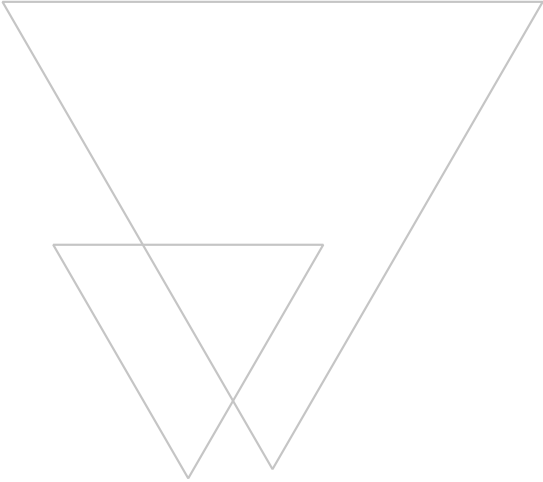




# 2024 Report on Positive Transformation



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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, improvements and achievements

This report on positive transformation is the second of its kind. Although it’s a continuation of the 2023 report, which already differed from previous extrafinancial reports in terms of structure and format, the 2024 report introduces a number of new formal features.

The evolution over the past year of the impact savings model, the development of the Sustainability and Impact Strategy for other investments (public markets), and the introduction of new indicators and targets for our development capital investments are all new elements shaping the way we report on our activities.

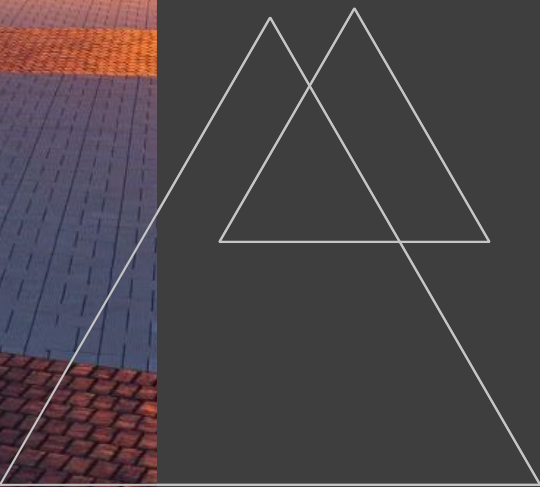
Fondaction’s general approach and investment practices continue to be based on recognized reference standards that impose requirements that are among the highest in the industry. This is crucial for Fondaction. However, this report is not aligned with the usual disclosure standards of an annual or sustainable development report. Instead, it focuses on Fondaction’s actions in support of positive transformation. As the societal issues that Fondaction addresses require contributions from all sectors of society, this report also aims to inspire action by taking stances and asserting values.

As a result, the 2024 report continues to reflect Fondaction’s resolutely committed positioning, focused on increasing and amplifying its impact, both as a company and as an investment fund.



# 1. Our positioning: Fondaction and its intentions

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The Technopôle Angus focuses on mixed-use development.

## 1.1 Fondation's mission

### A two-fold mission:

- ▶ Support Québec 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 Québec'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.





Photo provided by Kuma Brakes, a Gaspé-based manufacturer of marine turbine components.

## 1.2 Our vision

### Become THE fund for positive transformation.

Our assessment is crystal clear: the current economic model is unsustainable.

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: either we continue to finance an old economy that is leading us straight into the wall, or we innovate and support concrete solutions to our common challenges.

It is imperative that the economy transforms itself to become fairer, more inclusive, greener and more performant, enabling it to meet people’s needs while respecting the planet’s limits.

Fondaction, in fulfilling its responsibilities as a financial actor, resolutely directs the capital entrusted to it towards this positive transformation of the economy.

### 1.3 The positive transformation of the economy



Issues

- Concentration of wealth (the rich get richer, and the rest have less and less purchasing power)
- Shrinking middle class
- Declining social mobility

Answer

- Fondaction 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



Issues

- 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 increasing diversity

Answer

- Companies with diversity and inclusion are more successful and offer greater investment opportunities
- Inclusion helps attract and retain high-performance employees



Issues

- 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

Answer

- Fighting against climate change creates a host of opportunities and opens up new markets
- Using fewer resources is a competitive advantage
- All businesses will have to adapt



Issues

- The prevailing economic model, based on unlimited growth in the face of limited resources, is unsustainable
- A healthier and more resilient Québec economy creates wealth and quality jobs

Answer

- Measurements of economic success must evolve to include human well-being and respect for the planet’s limits
- Solving environmental and social challenges requires innovation
- Companies whose products and services contribute to positive transformation must grow and export





## 1.4 Becoming an impact company and an impact investment fund

**An impact company** that enables people of modest means to prepare for retirement while improving the world in which they will live.

**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

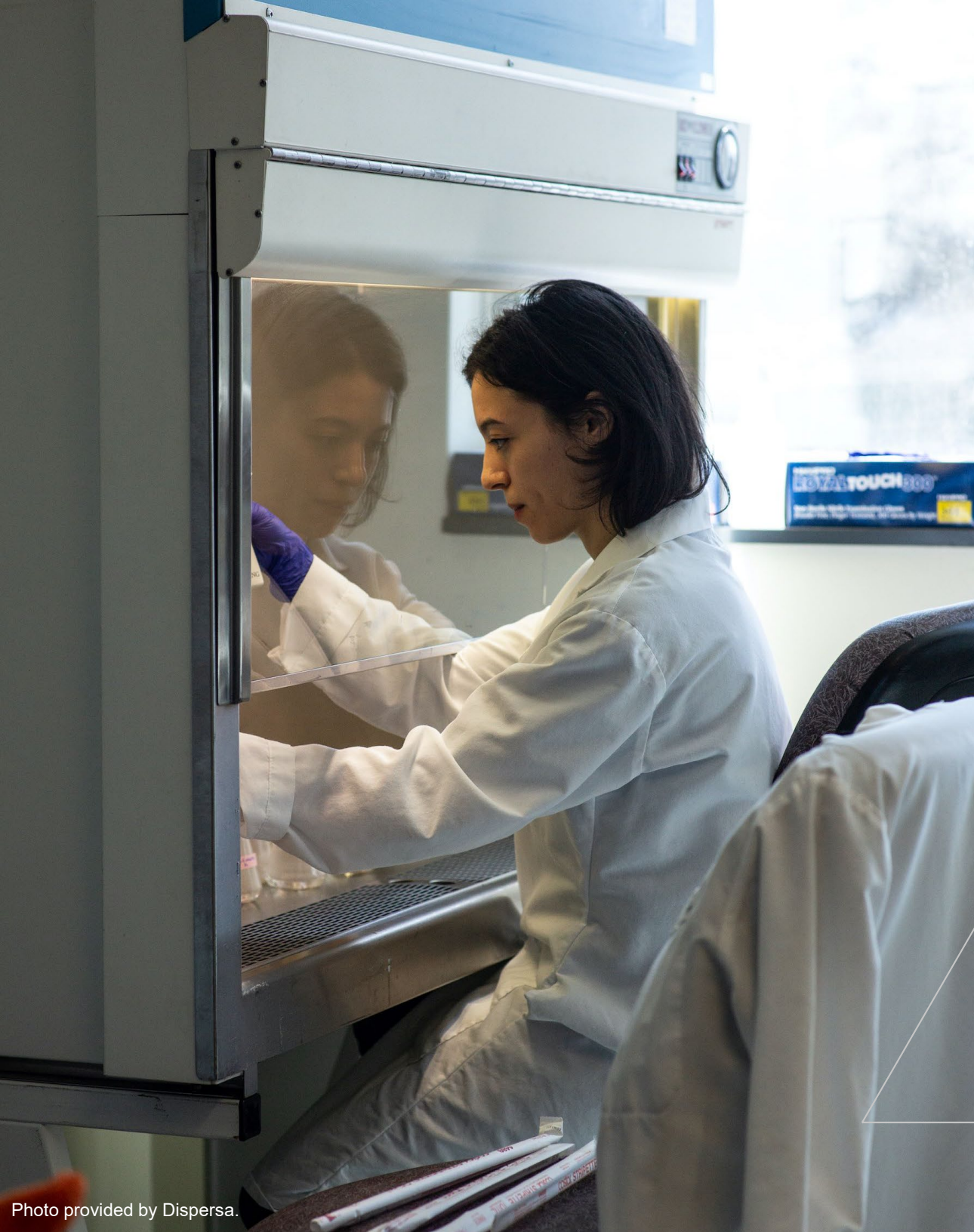
**An impact investment fund** that drives and accelerates change by investing in high-performing, sustainable companies and organizations\* that will make up tomorrow’s economy, by helping to:

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

**Our intentions**

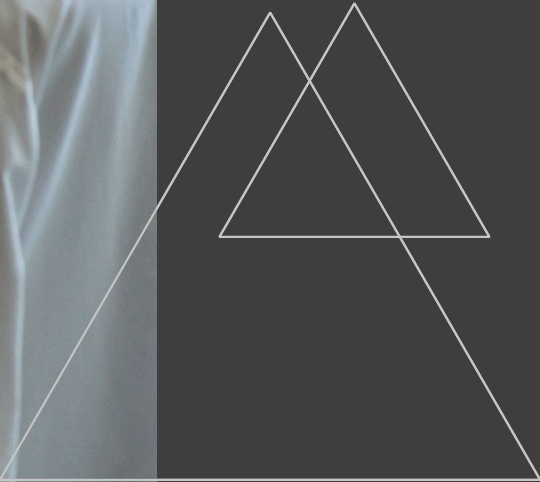
- ▶ Mobilize and direct capital to address societal challenges
- ▶ Develop innovative financial solutions that enable needed transformation
- ▶ Drive changes in the business models of companies, funds and other investors to increase their sustainability and social impact

\*Fondaction manages a diversified portfolio divided into two broad categories: development capital investments and other investments (public markets).



## 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 Québec economy, to make it fairer, more inclusive, greener and more performant.

Today, more than 220,000 Fondaction savers have collectively accumulated more than \$3.77 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.

As an organization aiming to become 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.



"I believe more than ever that finance must help drive the transformation needed to make tomorrow's economy a reality, and we need those who want to work for change right now.

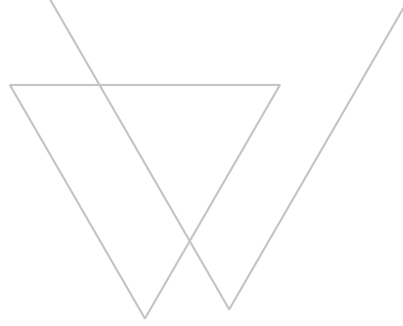
**As citizens, we have the power to make choices. As consumers too. As savers, why should it be any different? Intentional saving is a way for any saver to reconcile their needs and values and to act with purpose.**

Thus, Fondaction rallies those who need to save for their retirement and who want to make the world a better place, both for their "golden years" and for future generations."

Geneviève Morin

From the letter to shareholders, published on February 8, 2024





## 2.2 Our theory of change

Theory of change [12](#)

Fondaction's theory of change [13](#)





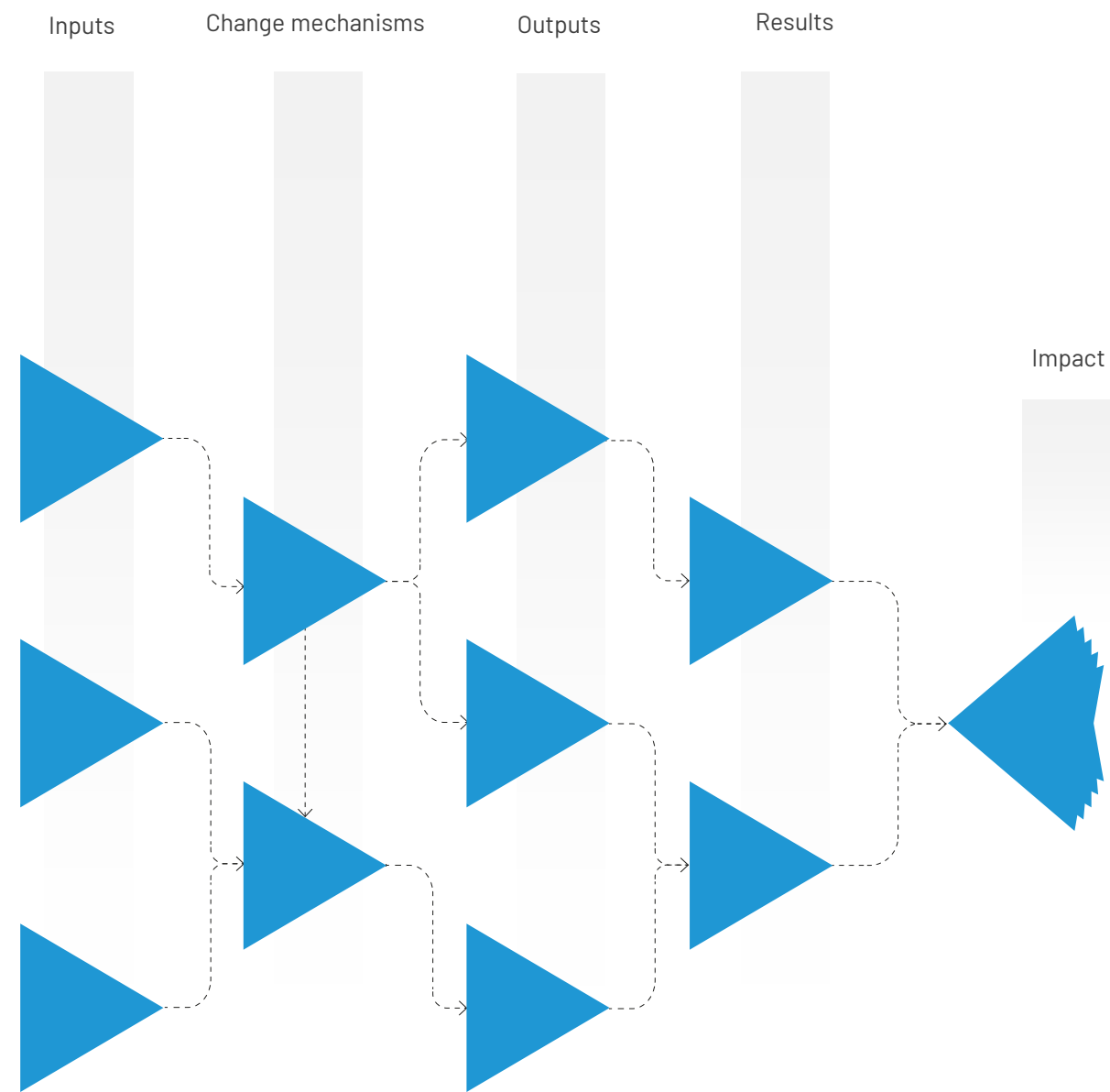
# Theory of change

The theory of change is a logical framework that explains how a program or strategy can achieve a desired impact.

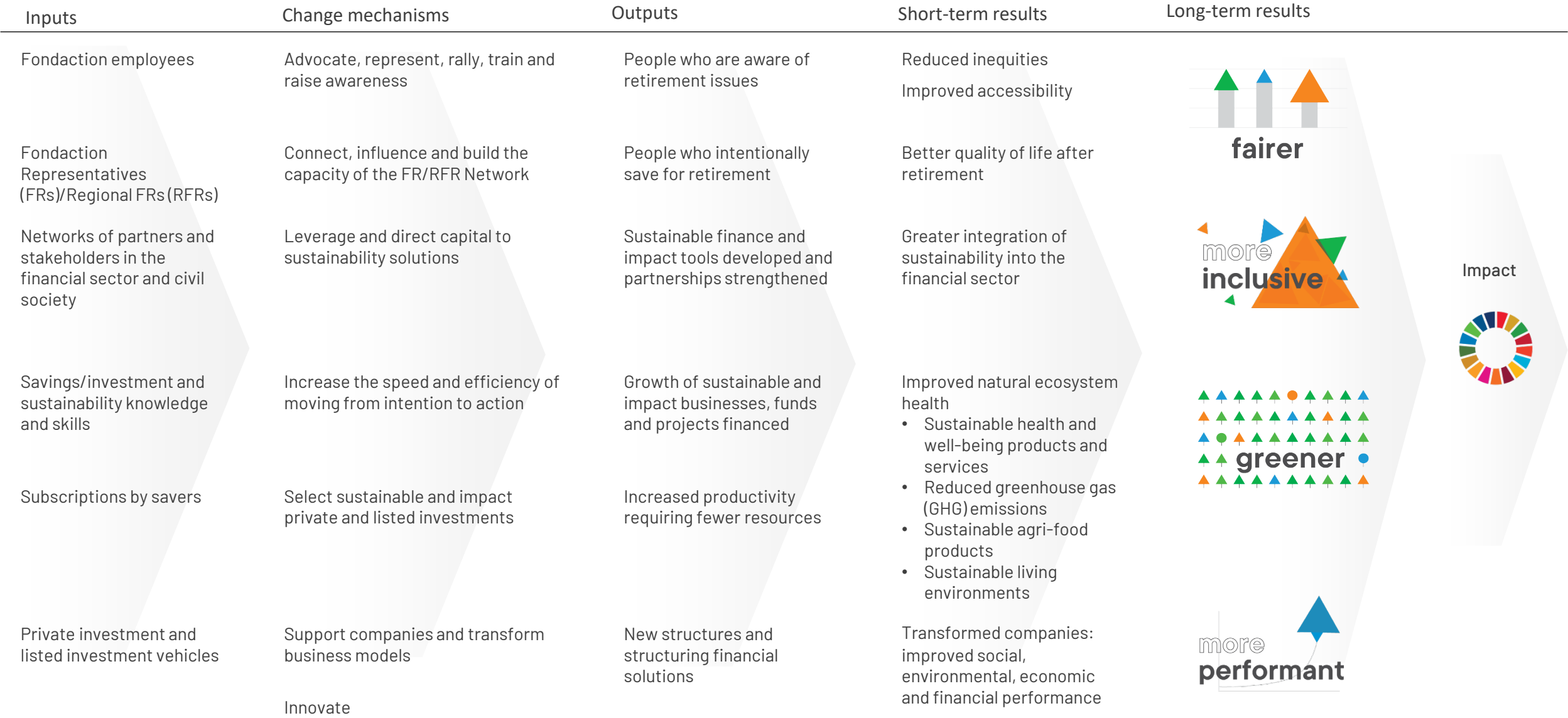
Since Fondaction was determined to become an impact company and an impact investment fund, it was essential to develop our theory of change in order to describe the problem we were tackling, present the changes we needed to bring about, explain how to achieve them and define the results we were aiming for.

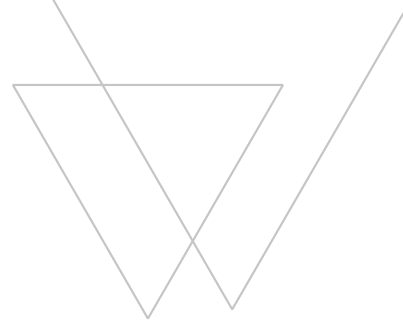
The theory of change framework is organized around five components: inputs, change mechanisms, outputs, short- and long-term results and final impact. Theory of change diagrams should be read from left to right. The first column describes the inputs change agent wants to harness in their transformation 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 (3<sup>rd</sup> column), which in turn influence the short- and long-term results (4<sup>th</sup> column), before producing the final impact (5<sup>th</sup> column).

The following page presents the theory of change developed by Fondaction.



Fondaction’s theory of change





## 2.3 Impact savings

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Impact savings strategy	<u>16</u>
Prioritizing of savers	<u>17</u>



Photo provided by Top Glaciers.





Sièges Ducharme has a Fondaction group.

## 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 extrafinancial 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.

Fondaction’s impact savings contribute to the following Sustainable Development Goals:



# Impact savings strategy

The implementation of Fondaction’s impact savings approach has entered its second phase. We have defined a strategy whose three orientations are directly derived from the [impact model](#) developed in 2023: amplification, engagement and impact. These three orientations are aligned with our vision of positive transformation, as well as with the mechanisms presented in Fondaction’s theory of change.

We have also defined an initial series of impact indicators and targets, the results of which are presented on pages [30](#) to [33](#).

Amplification

Helping to meet the significant need for retirement savings, thereby helping to achieve Fondaction’s growth ambitions while making a more direct contribution to positive transformation.

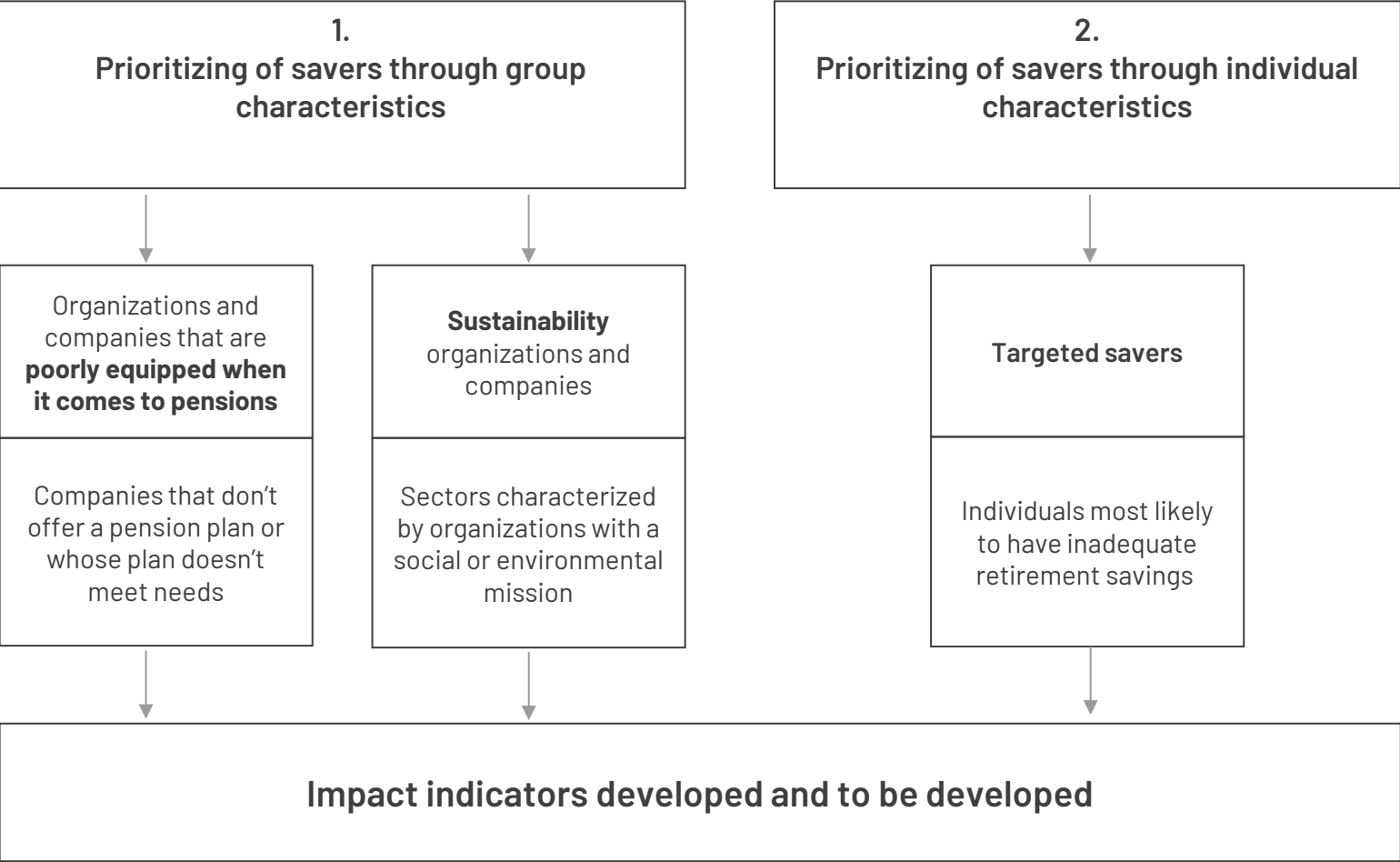
Engagement

Empowering organizations and people to act collectively in support of the themes and objectives of positive transformation.

Impact

Facilitating access to savings for those who need it most: target shareholders, identified by their fundamental characteristics or, failing that, those induced by their working environment or business segment.

# Prioritizing of savers



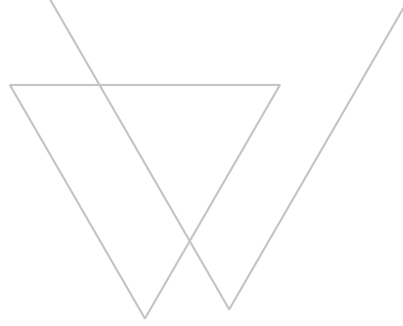
We are strategically focusing our efforts on driving savings among individuals and employee groups with these key characteristics:

- ▶ People for whom the tax credit offers a proportionally larger benefit, in relation to their salary, than for high-income savers;
- ▶ People lacking or having inadequate supplemental pension plan;
- ▶ Savers who will not maximize their public pension plan;
- ▶ Individuals who work in sectors with high job insecurity;
- ▶ People in need of better financial and extrafinancial literacy.

These individuals may have a variety of socioeconomic profiles, but certain profiles stand out: women, native or immigrant, those with seasonal jobs or late entrants to the labour market, and those with low levels of education, for example.

To increase our impact, we have established two mechanisms for prioritising investors (see opposite).





## 2.4 Capital deployment

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# Giving money meaning



Prana sources its organic oats in Québec.

## Leveraging capital to good effect

Fondaction leverages its savers’ capital by directing its investments towards companies and funds with positive impact that seize opportunities linked to sustainability issues.

Fondaction prioritizes investments that focus on:

- ▶ encouraging companies that integrate environmental, social and governance factors into their decision-making processes and whose activities are classified as sustainable investing or impact investing;
- ▶ supporting companies in their endeavours to expand, enhance productivity, reduce their environmental footprint, foster innovation and promote equity and 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 Québec.

## Two main types of portfolios

Fondaction’s financial assets are diversified and divided into two main categories: development capital investments and other investments:

- ▶ the development capital investments portfolio comprises direct investments in companies, investments in specialty funds, investments in sustainable real estate, interests in structuring projects, and a portfolio of shares in Québec-based companies;
- ▶ the other investments (public markets) portfolio consists of several investments made through external managers on the equity market, as well as bonds and a few alternative investments.

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





Photo provided by Aménagement Côté Jardin, École Akiva.

## Investor responsibility and conviction

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 and performing 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;
- ▶ contribute to sustainability or intentionally create impact through their products, services or practices;
- ▶ provide products and services consistent with an economy that contributes to meet 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 extrafinancial factors;
- ▶ exclusions and performance thresholds expected of companies and asset managers;
- ▶ selection of investment themes and sustainable and impact companies;
- ▶ tailored support to improve overall company performance;
- ▶ selection criteria for external managers for other investments (public markets) and nature of the mandates entrusted to them.

## Our sustainable finance strategy

The development capital investment portfolio’s strategy is focused on the ongoing search for opportunities that address sustainability issues. Thus, our goal is to decrease investments that only fall into the responsible category, and increase those in the sustainable or impact categories.

**In 2024, we broadened our approach to include other investments in our sustainable finance spectrum: global equities, fixed-interest securities and absolute return funds.**

We have developed a specific approach for these assets by developing a sustainability and impact strategy for other investments that is based on the same principles that have guided our development capital investments since 2020.

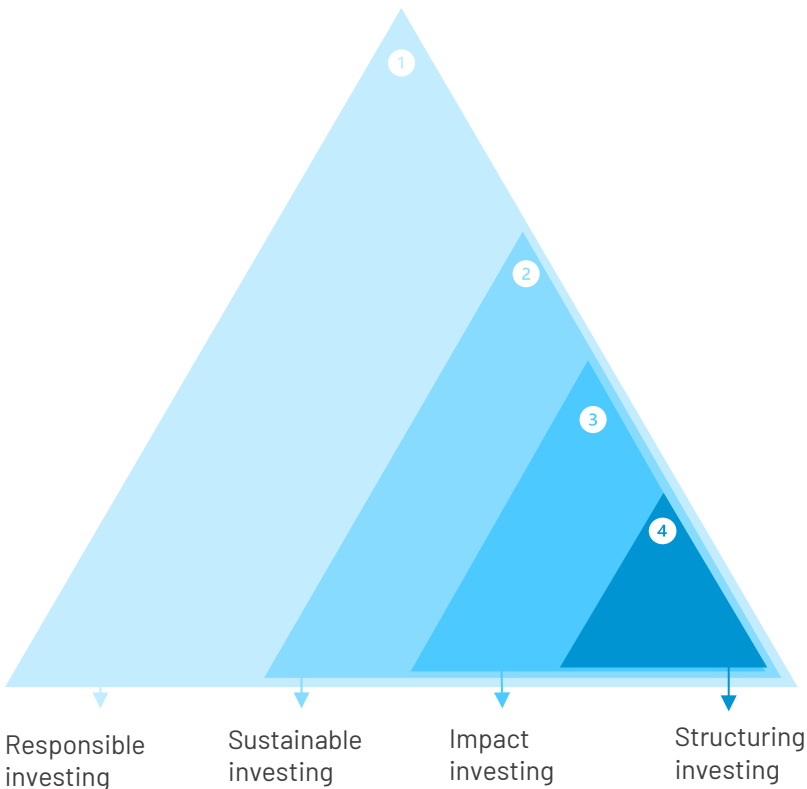
This sustainability and impact strategy for other investments therefore aims to direct more of its asset flows towards sustainable and impact investments.

The sustainable finance spectrum, opposite, allows us to classify investments according to their expected level of impact and to assess their progress.

These categories are not mutually exclusive; an investment must first be deemed responsible before it can be considered sustainable, and then sustainable before it can be deemed impact. As for structuring investments, by their very nature they are directly qualified as such.

Explanations of each investment category are:

- briefly described in the investment identification and selection process on page 23;
- indicated on pages 23 to 27 of the [2023 Report on Positive Transformation](#);
- available in the [Politique de durabilité pour les investissements](#) (Sustainability Policy for Investments).



# Development and implementation of a sustainability and impact strategy for other investments in 2024

The purpose of the other investments portfolio (public markets) has always been to diversify Fondation’s assets and ensure the availability of the liquidity needed to maintain Fondation’s activities.

Fondaction selects the asset classes in which it wishes to invest. It also selects external managers, sets their financial and extrafinancial objectives, and establishes risk limits.

Over the past year, Fondaction has undertaken a review of its own practices and those of its external managers in order to systematize the sustainability approach and ensure consistency with the sustainable finance strategy developed for development capital investments (DCI).

This new strand of our sustainable finance strategy has four pillars:

- Investment approach**, i.e. the criteria used to select external managers and classify assets along the sustainable finance spectrum to enhance the sustainability and impact of other investments. This is all done in line with the development capital investments approach.
- Active ownership**, i.e. the stances and shareholder engagement actions, such as voting and dialogue, as well as support.
- Leadership and influence**, i.e. the monitoring that allows this strategy to continuously progress, but also the representations and discussions that enable sustainability and impact to be driven more widely and beyond Fondaction.
- Reporting**, i.e. the process of data collection and disclosure of results.

This is a first step towards integrating the sustainability and impact strategy for other investments into the sustainable finance strategy.

Like DCIs, financial investments now help to knowingly increase the sustainability and impact of Fondaction’s assets.

This first iteration was used to establish the investment approach. The process for identifying and selecting investments, outlined on the following page, defines the key criteria and mechanisms that have been put in place.

The next steps will be to consolidate, refine and formalize the active ownership approach, identify priorities for influence in line with Fondaction’s overall advocacy plan, and define the reporting framework to be integrated into the mandates of external managers.

# Investment identification and selection process

This diagram shows our investment universe, i.e. our definition of each investment category and the mechanisms we use to screen and select them.

## Responsible investing

An investment that takes into account the integration of ESG factors from a risk management standpoint, while providing a financial return.

**DCI:**

- ▶ Screening by exclusion (sectors\*):
  - Weapons
  - Adult entertainment
  - Fossil energy
  - Gambling
  - Tobacco
- ▶ Performance thresholds
- ▶ ESG analysis by materiality of issues

**Other investments:**

- ▶ Screening by exclusion (same as DCIs)
- ▶ Principles for Responsible Investment signatory external managers
- ▶ Systematic ESG analysis carried out by the external manager

\*The exclusion by sector and type of activity approach followed by Fondation is described in detail in the [Politique de durabilité pour les investissements](#) (Sustainability Policy for Investments).

## Sustainable investing

An investment that, not only takes ESG criteria and factors into account, but also creates sustainability benefits that contribute directly to achieving one or more of the SDGs, while providing a financial return.

**DCI:**

- ▶ Positive screening based on business model sustainability
- ▶ Positive screening based on the contribution of companies' products and services to the SDGs

**Other investments:**

- ▶ Shares in listed companies and bonds that contribute to at least one of the SDGs
- ▶ Framework for analyzing alignment with the SDGs

## Impact investing

An investment made with the intention of achieving a measurable social and/or environmental impact, while providing a financial return.

**DCI:**

- ▶ Positive screening based on impact conditions:
  - Intentionality
  - Additionality
  - Impact measurements
- ▶ Impact grids
- ▶ Impact themes

**Other investments:**

- ▶ External impact managers
- ▶ Bonds meeting Fondation's impact requirements

## Structuring investing

An investment that targets promising and innovative projects. These projects, mainly specialized financial vehicles, aim to structure a sector and implement solutions that respond to a market failure and generate positive, measurable impacts, while providing a financial return.

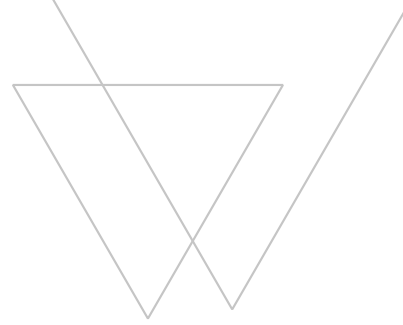
**DCI:**

- ▶ Creation of financial solutions
- ▶ Fondation's leadership in both financial structuring and project implementation

**Other investments:**

- ▶ Structuring initiatives by external managers and partners





## 2.5 Our multireferential model

Our multireferential model based on  
double materiality 25

Multireferential model 26

Analysis and measurement reference  
standards 27





# Our multireferential model based on double materiality

We believe that, in order to contribute to the United Nations’ Sustainable Development Goals (SDGs), organizations 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 led to a growing demand for information, and to a split between two approaches: one financial or accounting-based, the other extrafinancial. The latter seeks to take into account stakeholders and the economic, environmental and social impacts of organizations on society and the environment in general. In our view, this dichotomy must be overcome, as it impedes positive transformation, which requires a nuanced understanding of multiple interdependencies.

Double 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, double materiality should be viewed as a socioeconomic tool that shapes a broader understanding of the issues facing humankind.

The vision and orientation of the sustainable finance strategy are aligned with the SDGs as a purpose.

Thus, our sustainability assessment methodology is based on the SDGs both in savings and development capital investments and in other investments (public markets).

To develop and implement its sustainable finance strategy in its investments, Fondaction uses a multi-referential framework

that incorporates various standards and tools, based on:

- ▶ the degree of sustainability integration attained in the investment process;
- ▶ the most appropriate measurements for evaluating activities;
- ▶ the relevant information to be disclosed.

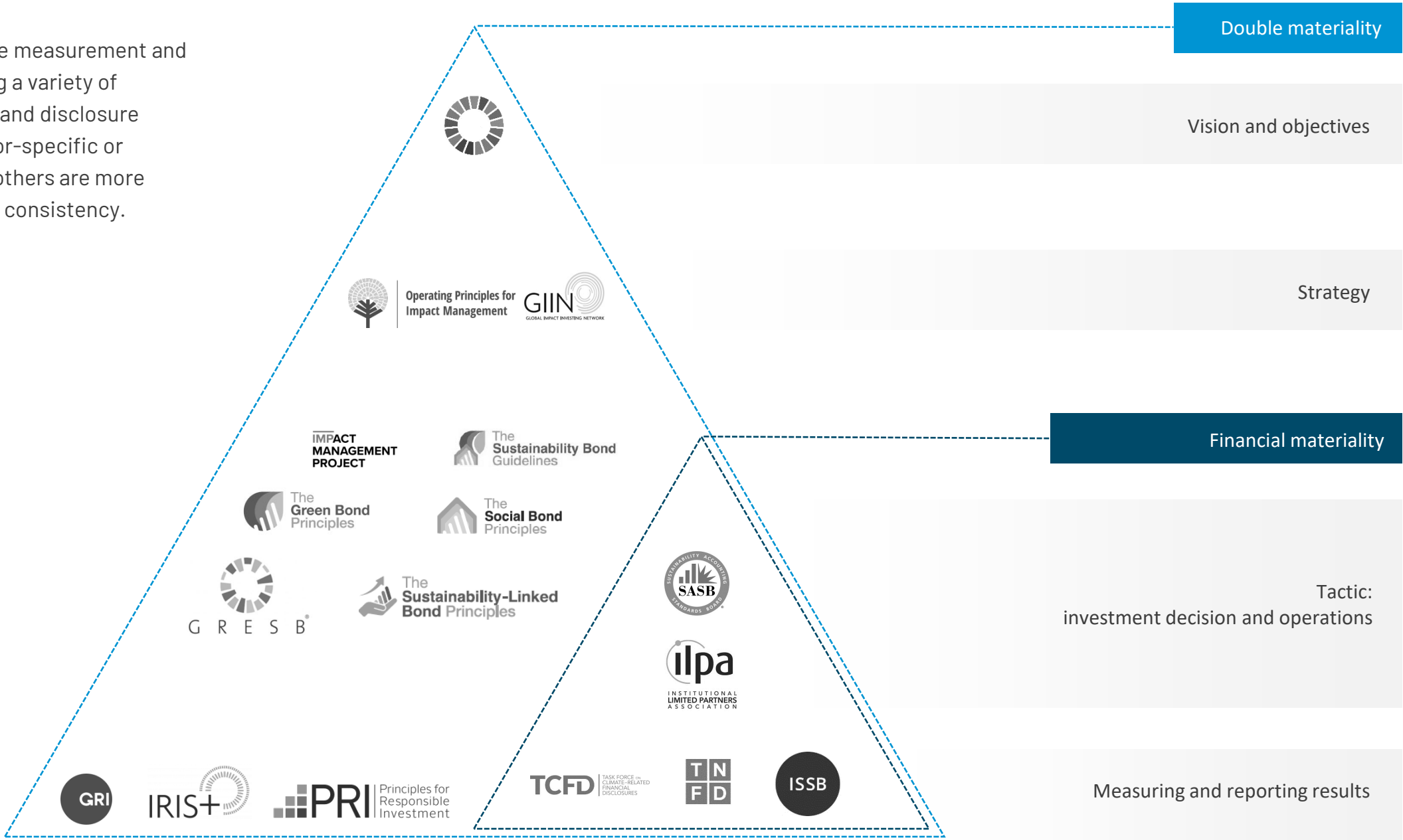
Our private investment and listed investment strategies prioritize impact investing as the preferred tool for contributing to the SDGs. In this context, we use the Operating Principles for Impact Management and the tools developed by the GIIN as benchmarks for making the right choices and optimizing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

**The question underlying the concept of double materiality is this: 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 organizations must go beyond their own results and seek to understand their impact on their environment.**

## 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.







## Analysis and measurement reference standards

**For development capital 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 screen 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 other investments (public markets)**, the ESG questionnaire 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.

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

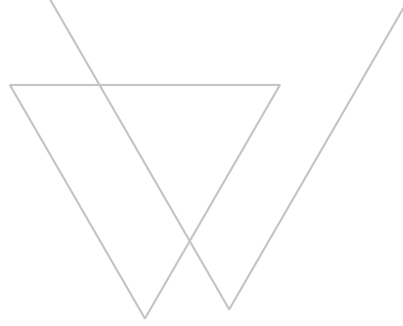


# 3. Our results

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## 3.1 Savings

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Savings

# Impact savings: results

We present a first series of impact savings indicators for each of the three orientations: amplification, engagement and impact. Some indicators cover all savers, while others currently only cover new groups opened up in 2024.

The indicators presented on the following pages are linked to the objectives and targets of each strategic orientation.

Furthermore, although we are working to have a positive impact on savers based on their individual characteristics, we have initially developed indicators relating to groups due to the availability of data.

The deployment of impact savings over the next few years will enable us to refine our indicators and make other savings products available.





Savings

# Amplification

Amplification is achieved mainly by growing the savings collected, the assets under management derived from new savings products, enrolment in payroll deduction and the number of shareholders.

Over the past year, 117,486 shareholders subscribed to shares, enabling Fondaction to raise nearly \$390 million through share issues, compared with \$369 million in 2022-2023 and \$360 million in 2021-2022.

Fondaction welcomed 14,147 new savers in 2023-2024, bringing the total number of shareholders to 221,512 as at May 31, 2024.

## Another indicator of amplification, payroll deduction increases Fondaction’s power of action, as well as that of savers.

On the one hand, this systematic saving enables Fondaction to plan the amounts it can invest in the positive transformation of the economy. On the other hand, it encourages shareholders to adopt long-term savings habits and to better manage their budget and better plan for their retirement.

Moreover, RRSP tax deductions and income tax credits associated with a labour-sponsored fund are applied to every paycheck. This frees up an amount each payday that can be used to save more or to meet other needs.

\$178 M

Collected by payroll deduction.  
**Our target for May 31, 2025 is \$194 million.**

14,147

New shareholders compared with 16,966 in 2023

6,219

New shareholders signed up for payroll deduction, compared with 6,596 in 2023



Savings

## Engagement

In Fondaction’s impact savings model, the engagement dimension aims to enable organizations and individuals working in the field of sustainability to act collectively.

We are acting on two levers:

- ▶ Increasing the level of engagement by training workers and raising their awareness of retirement savings.
- ▶ Bringing together committed organizations and individuals to work together for positive transformation.

Our affinity network, which includes Fondaction Representatives (FRs), is the cornerstone of our engagement activities. It plays an essential role in the workplace, raising awareness of the individual and collective importance of saving for retirement.

In order to strengthen engagement and create an affinity network active in the various areas of positive transformation, we are particularly interested in opening up new groups of employees working in the various areas of sustainability.

A sustainability group is a group that belongs to an organization or company:

- ▶ with a social or environmental mission; or
- ▶ which derives the majority of its revenue from the sale of products and services that contribute to the Sustainable Development Goals.

# 182 active FRs

Active Fondaction Representatives increased from 115 in 2023 to 182 in 2024.

**Target for May 31, 2025: 200 active FRs.**

# 1,395

Activities carried out by Fondaction Representatives in target groups, compared with 1,175 in 2023.

**Our target for May 31, 2025 is to complete 1,600 activities.**

# 384

Participants in workshops on retirement planning, offered in collaboration with Bâtirente.

# 37%

Share of new groups working in sustainability, compared with 25% in 2023.

**Our target for May 31, 2025 is to reach 50%.**





## Impact

According to Fondaction’s model, impact savings are savings that target and reach those who need them most. The mechanism for targeting savers according to individual and group characteristics allows us to identify those who are not served, or poorly served, by the current system. We are therefore applying the principle of additionality of impact to savings.

Fondaction increases the impact of savings by prioritizing savers according to a number of characteristics, such as lack of a pension plan, employer contributions, gender identity, membership of a visible or ethnic minority, and so on.

The majority of our savers, 51%, are women or people who identify themselves as non-binary, two groups that we prioritize. As a result of this inclusive approach, these two groups account for more than half of Fondaction’s shareholders and 60% of new savers using payroll deduction.

In 2024, 50% of new groups opened resulted in an employer contribution.

The introduction of employer contribution is another indicator of impact. This has a twofold effect: on the saver, by increasing their level of savings, and on the employer, by improving its social performance.

60%

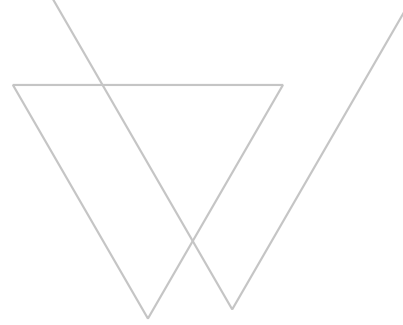
of new shareholders opting for payroll deduction are women and non-binary people, compared with 57% in 2023.

**Our goal in 2025 is to reach 63%.**

50%

of new groups have introduced an employer contribution.

**Our target for 2025 is to maintain 50%, while increasing the number of new groups.**



## 3.2 Development capital investments and other investments (public markets)

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Photo provided by Beaulieu enveloppe du bâtiment.



## Carbon footprint and avoided emissions

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, it allows the investment team to assess its projects’ evolution and environmental performance

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

A disclosure compliant with the Task Force on Climate-related Financial Disclosures standard is available in the [appendix](#). This covers four main aspects of the financial risks related to climate change: the governance structure, the organizational strategy, the risk management framework and the ways used to measure the organization’s exposure to climate risks.

21.1 t CO<sub>2</sub> eq./\$M

Carbon footprint of the entire portfolio as at May 31, 2024<sup>1</sup>, **52.6% lower than the benchmark portfolio.**<sup>2</sup>

895,911 t CO<sub>2</sub> eq./year

Avoided emissions for fiscal year 2023-2024.<sup>3</sup>

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. In comparison, the carbon footprint as at May 31, 2023 was 22.6 tonnes CO<sub>2</sub> eq./\$M.
2. The portfolio consists of the following indexes: 40% MSCI ACWI, 40% Canadian Universe Bonds FTSE TMX, 20% TSX Composite. Its carbon footprint as at May 31, 2024 was 44.5 tonnes CO<sub>2</sub> eq./\$M.
3. In comparisons, avoided emissions were 1.84 million tonnes CO<sub>2</sub> eq. for fiscal year 2022-2023. The reduction in avoided GHG emissions is due to the maturity of the investment in a company that avoids a large amount of GHG emissions.

## Combined results

The results achieved in implementing our sustainable finance strategy now include other investments (public markets), which we combine with development capital investments (DCIs).

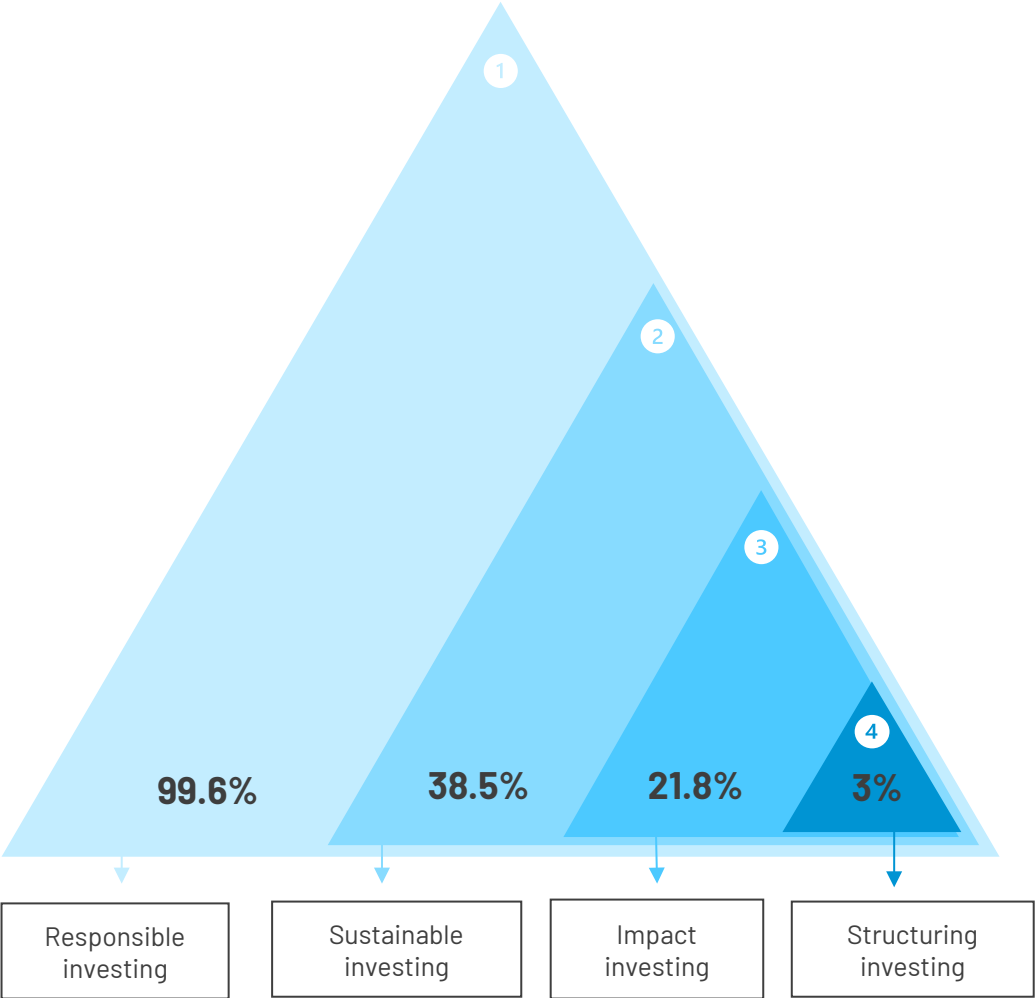
The development of the first phase of our [Sustainability and Impact Strategy for other investments](#) in 2024 has enabled us to clearly define the criteria for classifying our other investments into the various categories of our sustainable finance spectrum.

We can now present a combined breakdown of capital allocation by category.

It should be noted that the 2024 results for assets managed by Fondaction include amounts committed to funds that have not yet been deployed. This approach gives us a more complete view of capital allocation.

The 2023 results do not include amounts committed but not invested.

The following sections present the respective and combined results of DCIs and other investments (public markets).



## Responsible investments





Development capital investments and other investments (public markets)

Responsible investments

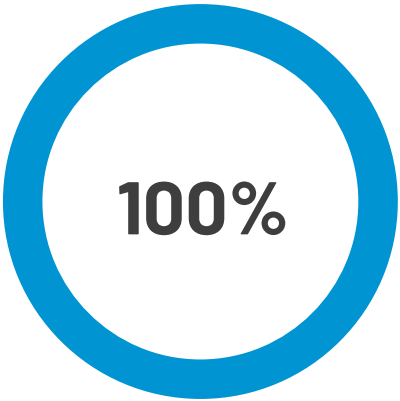
Fondaction’s strategy is grounded in the belief that companies that integrate a broader approach to risks and opportunities, particularly those related to ESG factors, will prove the most resilient and high-performing over the long term.

As at May 31, 2024, responsible investing represented 99.6%, compared with 96% in 2023.

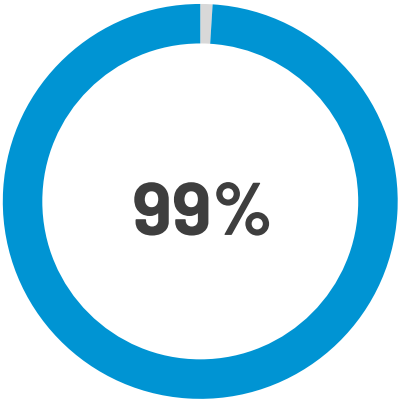
Our goal is to reach 100%. The variation can be attributed to the fact that some external management mandates are currently in transition.

This percentage\* demonstrates the level of integration of ESG factors into Fondaction’s investment processes, whether for development capital investments or other investments (public markets).

\*Based on assets and amounts committed



All development capital investments are responsible



99% of other investments (public markets) are responsible

Other investments (public markets)

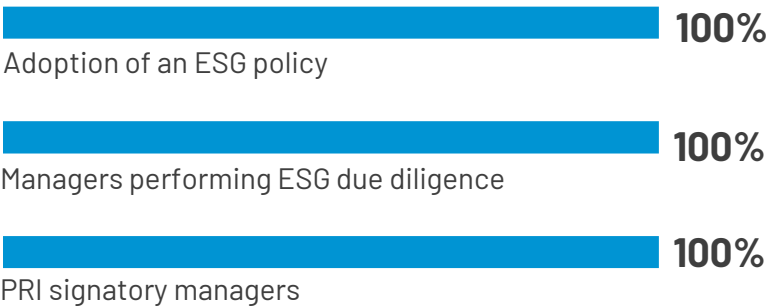
# Responsible investments

## External managers' ESG practices

When we select managers, we assess their ESG practices and require them to adopt the following measures:

- ▶ Be signatories to the Principles for Responsible Investment ([PRI](#)).
- ▶ Apply Fondaction's screening by exclusion in line with the DCI exclusion approach.
- ▶ Conduct ESG due diligence on all investments made under Fondaction's mandate. Their analysis model must reflect Fondaction's criteria.

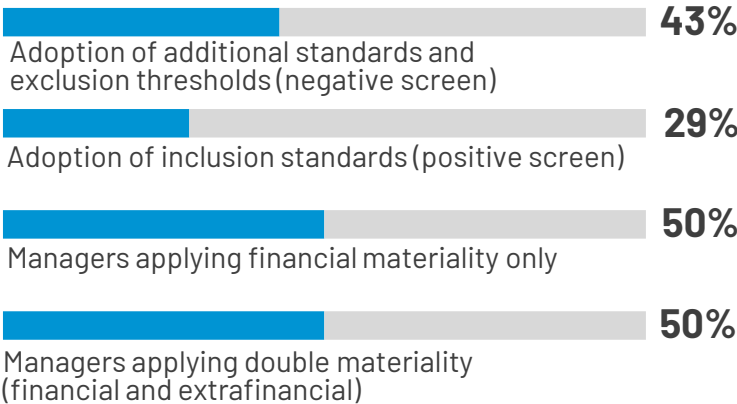
### External managers' ESG practices, as at May 31, 2024



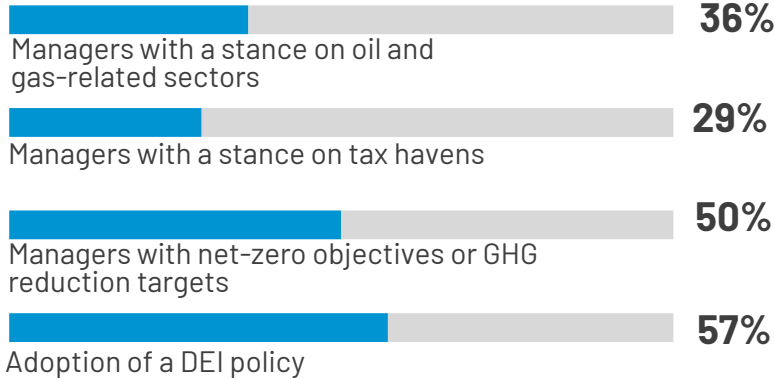
An ESG practices assessment showed that our 14 external managers have adopted ESG policies. Additionally, they are all signatories of the PRI and consistently conduct ESG due diligence reviews.

In addition to the screening by exclusion required by Fondaction, 43% of our managers apply other negative screens (exclusion of certain sectors), while 29% use positive screens (based on the SDGs or specific themes).

With regard to the fight against climate change, all our mandates exclude securities of companies that own or operate fossil fuel reserves (gas, oil and coal). However, we note that only 29% of our managers apply this exclusion to all their assets under management.



Although proactive climate change stances aimed at reducing or achieving "net zero" are not widespread, 50% of our managers assessed have adopted "net zero" objectives or GHG reduction targets. In addition, 50% include criteria associated with the double materiality principle in their ESG analysis. These are mainly managers who practice impact investing.



## Sustainable investments





Development capital investments and other investments (public markets)

## 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).

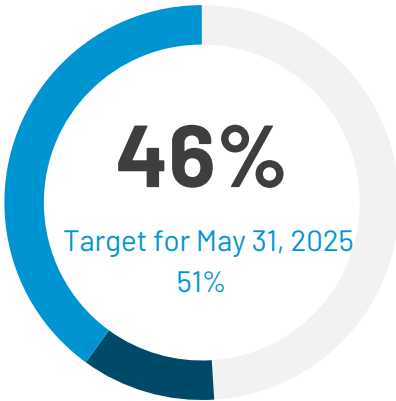
As at May 31, 2024, sustainable investments represented 38.5% of development capital investments and other investments (public markets).

With regard specifically to the development capital investments portfolio, sustainable investments totalled \$1 billion.\* They reached 46%, an increase of 2.5% compared with 2023 results\*\*. Our goal is to reach 51% as at May 31, 2025.

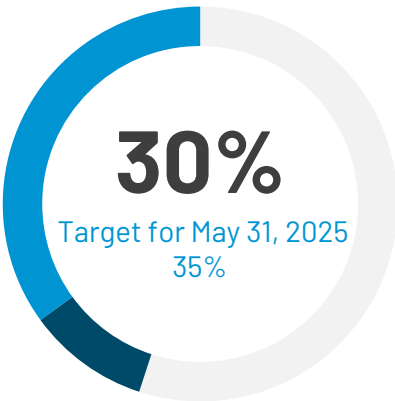
\*Assets and amounts committed.  
 \*\*2023 results have been adjusted to 43.5% in order to include amounts committed and thus have a comparable value.

In the other investments (public markets) portfolio, sustainable investments accounted for 30%, or \$504 million. Our goal is to reach 35% in 2025. These investments consist mainly of:

- ▶ investments in sustainable companies;
- ▶ bonds contributing to at least one of the SDGs.



46 % of development capital investments are sustainable



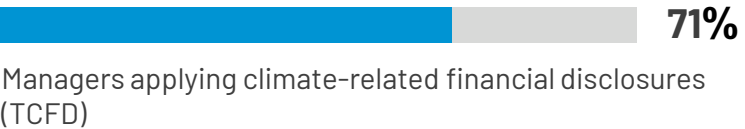
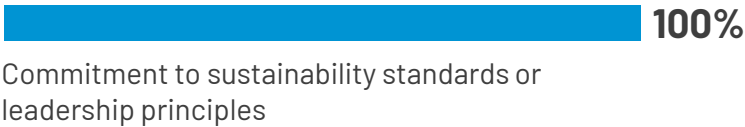
30 % of other investments (public markets) are sustainable

Other investments (public markets)

## Sustainable investments

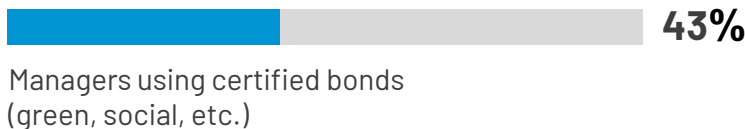
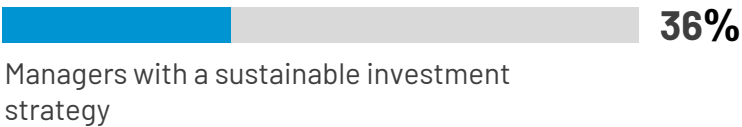
### External managers' sustainability practices

Fondaction's sustainable investments must contribute to the SDGs as part of a strategy adopted by external managers. The objective is for them to be able to determine the level of contribution to the SDGs of the portfolio companies.



The annual assessment of our 14 external managers shows that 100% of them have adopted sustainability initiatives or practices.

Currently, 43% of external managers have adopted sustainability targets. However, only 36% have formalized their practice by adopting a sustainability strategy.



Furthermore, the majority of our managers (57%) 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.

The analysis results are used as a basis for discussions to improve the way we support certain managers.



External managers' sustainability practices  
As at May 31, 2024



Development capital investments

## Sustainable investments

The following pages detail the sustainability performance of our development capital investment portfolio.

- ▶ Alignment with the Sustainable Development Goals (SDGs) is presented on page [44](#).
- ▶ We then describe results associated with the sustainable real estate strategy on pages [45](#) to [47](#).

\*DCI results exclude the Québec Emerging Manager Program (QEMP) and investments in shares of Québec public companies (QPC).





Sustainable investments

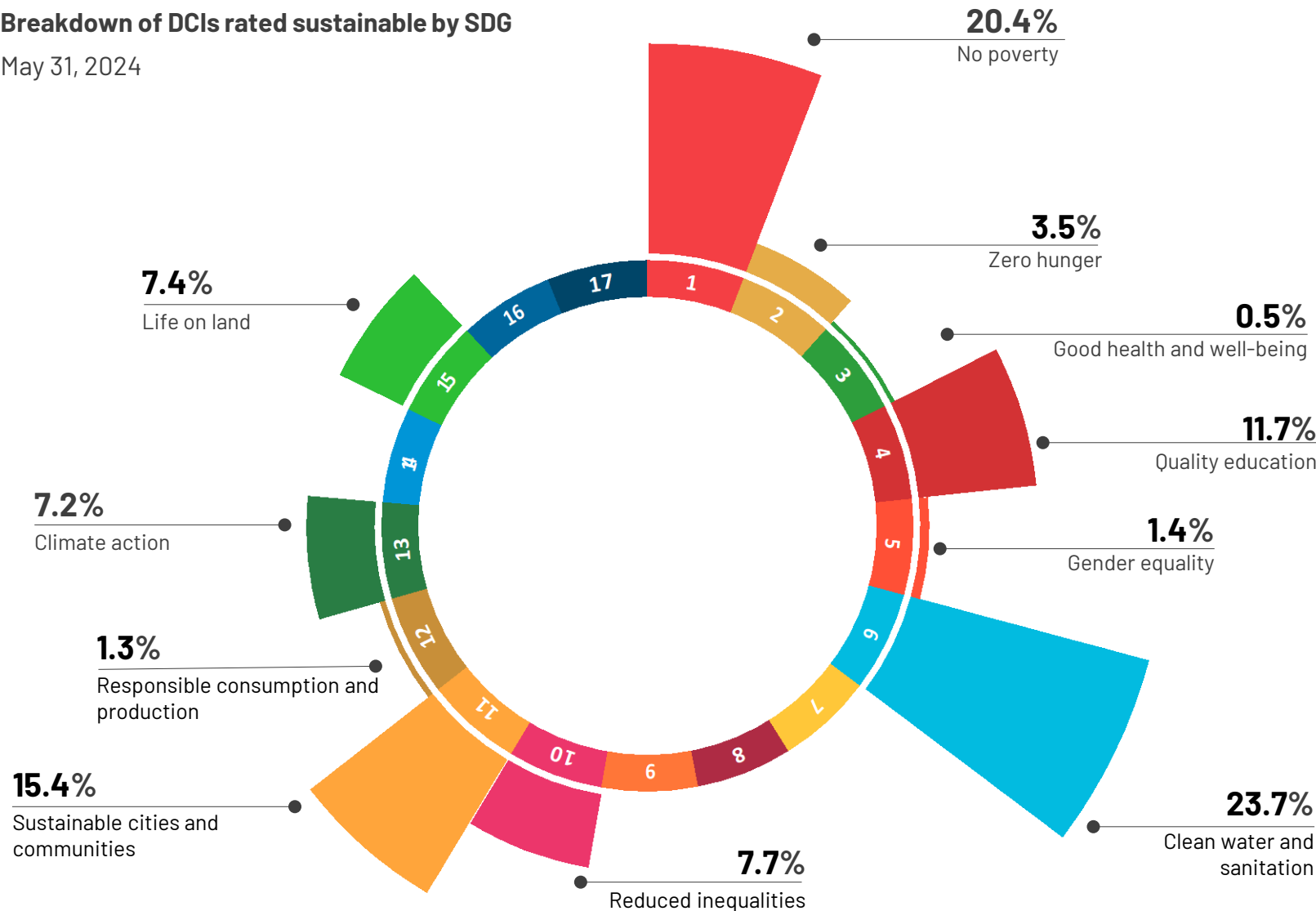
Alignment with the Sustainable Development Goals

Sustainable investment (in development capital) at Fondaction integrates ESG factors and directly contributes to at least one target of a Sustainable Development Goal (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. In the case of a moderate or limited contribution, investments can be considered responsible.

In the 2023 Report on Positive Transformation, alignment with the SDGs included both responsible and sustainable investments. This year, in order to more accurately highlight the contribution of our development capital investments (DCIs) to the SDGs across investment themes, the alignment exercise focuses only on sustainable investments.

Breakdown of DCIs rated sustainable by SDG  
May 31, 2024



Development capital investments

Sustainable investments



Sustainable real estate strategy

Our sustainable real estate approach aims to move away from the functionalism of real estate and instead create living environments on a human scale, reduce our exposure to risks and ensure the longevity of buildings, thereby contributing to the development of sustainable cities and communities.

We select real estate projects that are in line with the three pillars of our sustainable real estate strategy. In direct investments, which account for around 80% of our real estate investments, we work with the promoter or developer to improve sustainability right from the project design stage.

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. Encourage mixed-use real estate projects
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



## Sustainable investments

### Sustainable real estate strategy

#### Results

In 2024, we have further refined the use of sustainability measurement indicators to include real estate projects in which we invest through investment funds. This year, data from these projects will be added to those from projects supported by our direct property investments.

Given that some initiatives have not yet been measured and that the indicators have not yet been fully implemented by both partner real estate funds and developers, the indicator values presented on this page and on the following page are considered conservative.

Despite this, there has been a marked increase in some results. This is partly due to the continuous improvement of data collection methods by some of our partners.

498

affordable, social or community housing units built or under construction.

Our target is to have 1,000 units built or under construction by May 31, 2025.

100%

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

The average distance from the door of the building to the nearest public transit station is 468 m. We favor investment in real estate projects that are no more than 1.5 km from the nearest public transit service.

1,282 trees planted

compared with 442 trees in 2023. This allows 32 tonnes CO<sub>2</sub> eq. to be sequestered each year.

31%: average ratio of green spaces

Average ratio of green spaces to total surface area for direct investment projects, compared to 33% in 2023.

1.9 million ft<sup>2</sup> certified

according to an environmental or social standard. The certifications are \*LEED, BOMA BEST, BREEAM, Green Globes Design, Novoclimat 2.0 and WELL Building Standard.

47%

of direct investment real estate projects are certified to an environmental or social standard.\*

25%

of real estate projects (direct investments) measure occupant satisfaction.





Development capital investments

Sustainable investments

Sustainable real estate strategy

Results (continued)



4,861 m<sup>3</sup>/year

reduction in water consumption compared with 4,751 m<sup>3</sup> in 2023. This reduction is the result of just a few projects. Following Fondation’s recommendations, several real estate projects have taken steps to install low-flow water equipment.

Housing density in residential projects:

253 housing units per ha

3,968 t CO<sub>2</sub> eq./year

of GHG emissions reduced and avoided by property projects developed and under development. These results come mainly from real estate projects that implement measures to reduce energy consumption.

4.8 million GJ/year

annual reduction in energy consumption, i.e. a minimum reduction of 40 MJ/ft<sup>2</sup> per real estate project. Data is mainly generated by simulations and analyses carried out by external firms.

Mixed-use real estate projects:

100%

of direct investment projects are mixed-use.

Of the 15.7 million ft<sup>2</sup> developed and under development:

80%

residential

20%

commercial, institutional and industrial

## Impact investments



Development capital investments and other investments (public markets)

## Impact investments

All our impact investments are made with the prior intention of having a positive impact on a sustainability issue covered by one of our impact themes. To identify impact investment projects, we apply an impact screen based on intention, additionality and impact measurement.

**As at May 31, 2024, impact investments represented 21.8% of development capital investments and other investments (public markets).**

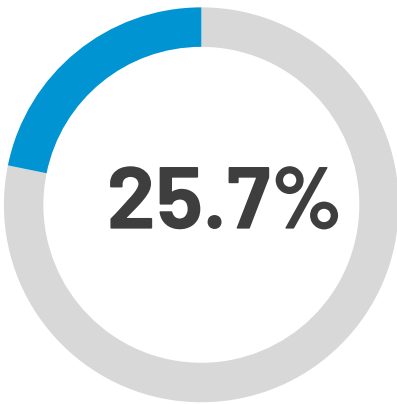
With regard specifically to the development capital investments (DCI) portfolio, impact investments deployed by our Impact team across our four themes amounted to \$562 million\*, or 25.7% of DCIs. This represents an increase of 1.2%\*\* compared with the 2023 results.

\*Assets and amounts committed  
\*\*2023 results have been adjusted to 24.5% in order to include amounts committed and thus have a comparable value.

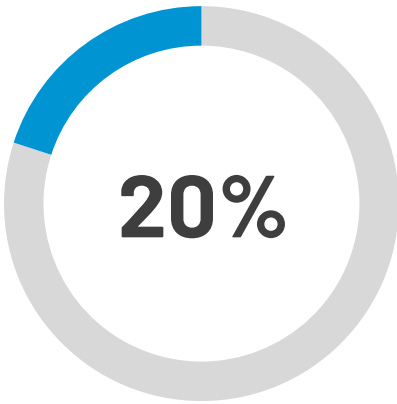
In the other investments (public markets) portfolio, impact investments accounted for 20%, or \$330 million. These investments are largely made up of investments in companies or impact funds, as well as bonds meeting Fondation’s impact requirements. Specific impact measures associated with other investments (public markets) will be discussed in subsequent reports.

In the following pages, we present each of the DCI impact themes: sustainable agri-food, sustainable cities and communities, fight against climate change, and health and well-being. The associated impact measures are presented together with the impact sheets of eight companies that are part of Fondation’s impact investments, as examples.

It should be noted that a fifth impact theme – sustainable production and transition – is still under development. Its results will be presented in subsequent reports.



25.7% of development capital investments are impact



20% of other investments (public markets) are impact





Impact investments

Metrics by impact theme\*



Sustainable agri-food

- 


**10,641** hectares under sustainable agriculture.\*\* This figure is stable compared with 2023.
- 


**10,976 tonnes** of certified organic food.
- 

**72%** of agri-food portfolio companies are impact companies, compared with 69% in 2023.



Fight against climate change


- 


**895,911 tonnes CO<sub>2</sub> eq.** avoided compared with 1,844,510 in 2023. This reduction is mainly due to the end of the investment in a company that avoids a large amount of GHG emissions.
- 

**116,580 MWh** of renewable energy produced, compared with 91,319 MWh in 2023. This increase is due to the financing of a large company specializing in renewable energy.



Sustainable cities and communities

- 

**191,577 metric tonnes** of materials treated or valorized (residual materials, water, soil, etc.) compared with 151,064 metric tonnes in 2023.
- 

**60,249 ft<sup>2</sup>** of land rehabilitated, stable compared with 2023.
- 

**59.5 million m<sup>3</sup>** of water saved.
- 

**498** affordable, social and community housing units. **(Target for May 31, 2025: 1,000 dwellings)**



Health and well-being

- 

**8 health and well-being** issues addressed by company products and services, stable compared to 2023.
- 

**458,322** patients/beneficiaries of health and well-being products and services, compared with 244,725 in 2023.

\* Some indicators are monitored for the first time in 2024, while others illustrate the progress made since 2023.  
\*\* Sustainable agriculture: organic, integrated, biodynamic, hydroponic, etc.



Photo provided by Gen V; credit: Maude Chauvin



## Sustainable agri-food

### Issues

Food is a major social, economic, territorial and environmental issue for people today. 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 Québec-based companies seeking to increase the sustainability of their processes, source locally 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

- ▶ Improving production methods
- ▶ Producing high-quality, healthy and nutritious food



# Gusta Foods



Description of the company [gustafoods.com](https://gustafoods.com)

Founded in Montréal in 2015, Gusta operates in the vegan food production industry. Gusta has a well-established presence in Québec. Its flagship line consists of refrigerated products featuring seven wheat-based sausages. Gusta also markets wheat-based roasts, vegan minced meats and soy-based vegan tuna, vegan chicken and beef in various forms made from tofu and wheat, and cheeses made from coconut oil.

## Investment theme



### Sustainable agri-food

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

Ensuring food security, improving nutrition and promoting sustainable agriculture.



## Impact of the product or service

### Issues

To feed a growing population without destroying the planet, the food system must be changed to incorporate sustainable and equitable practices.

According to the Food and Agriculture Organization, livestock production is responsible for 12% of total GHG emissions and 40% of those associated with food production.

### The company's contribution

At the heart of Gusta's culture and activities is the vegan lifestyle, which promotes a diet based on plants and plant proteins, which is much better for the environment and the planet than a meat or animal-based diet.

- ▶ Producing 1 kg of wheat uses 8 times less water than producing 1 kg of beef.
- ▶ Gusta's products contain no GMOs and are all "clean label", i.e. free from dangerous additives and ingredients, or vague or misleading terminology on the packaging that hides health risks or implies false health benefits.
- ▶ Gusta is in the process of obtaining SQF (Safe Quality Food) certification, a global food safety and quality management and certification system.

### Results



**1,049 tonnes**  
Volume of products sold as meat substitutes (984 tonnes) and cheese substitutes (65 tonnes).



**184.6 t CO<sub>2</sub> eq.**  
Reduction due to production methods that use plant-based products instead of animal sources (red meat, white meat and dairy products).



**74 %**  
Percentage of packaging made from recyclable content.

Results based on a full year of operations.



# Café William



Description of the company [cafewilliam.com](https://cafewilliam.com)

Based in Sherbrooke, Café William is a sustainable coffee producer that focuses on high-quality, affordable organic and fair trade certified products.

## Investment theme



Sustainable agri-food

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

Ensuring food security, improving nutrition and promoting sustainable agriculture.



## Impact of the product or service

**Issues**

To feed a growing population without destroying the planet, the food system must be changed to incorporate sustainable and equitable practices.

High-quality, safe and nutritious food is essential for the development and health of populations, which is the first step towards equity.

**The company's contribution**

Café William promotes a range of certified organic and fair trade coffees. The company is innovative and has rethought its entire supply chain, from transport by cargo sailboat and electric truck to packaging, to incorporate sustainable best practices. The commissioning of the first 100% hydroelectric industrial roaster in America significantly reduces the roasting process' carbon footprint.

Café William imports some of its coffee directly from local producers and cooperatives and holds several certifications, including:

- Sustainability: USDA Organic, Fairtrade International and Rainforest Alliance
- Safety and quality: Safe Quality Food and Global Food Safety Initiatives

**Results**

**5,171 tonnes**  
Volume of organic, fair trade or Rainforest Alliance certified coffee

**730 t CO<sub>2</sub> eq.**  
410 t CO<sub>2</sub> eq. Reduction through the introduction of energy efficient roasting equipment  
320 t CO<sub>2</sub> eq. Reduction due to the electrification of the torrefaction and emissions treatment process

**4,805 hectares<sup>1</sup>**  
Area of sustainable agricultural production associated with Café William operations

<sup>1</sup> Calculation based on an average yield of 1.08 t/ha. Results based on a full year of operations.



Photo provided by Innergex.



## 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.

### Objective

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 mechanisms

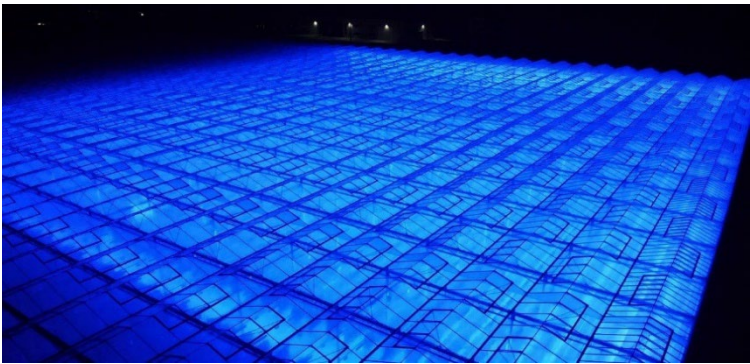
Fondaction contributes to the fight against climate change by adopting a systemic view of climate-related risks and opportunities.

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 transition, Renewable energy and Sustainable mobility.

### Results and impact

- ▶ Creating innovative financing solutions
- ▶ Reducing the carbon footprint of products, services and business activities
- ▶ Avoiding GHG emissions

# Sollum Technologies



## Description of the company

 [sollumtechnologies.com](https://sollumtechnologies.com)

Sollum offers greenhouse growers a 100% dynamic LED lighting solution that modulates the full spectrum of sunlight. This solution includes smart luminaires controlled by a cloud-based platform. This scalable, clean technology adapts to business needs and manages multi-zone lighting with unlimited light recipes, offering energy savings, increased productivity and superior quality agricultural produce. Sollum operates in Québec, Ontario and British Columbia, as well as globally.

## Investment theme



### Fight against climate change

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

Reducing the GHG footprint and increasing the share of renewable energy in energy consumption.



## Impact of the product or service

### Issues

Climate change has major repercussions on the environment and on the safety and lives of people. This growing unpredictability, combined with rapid urbanization and population growth, is putting pressure on traditional agricultural practices.

Greenhouse production represents an alternative to field production, but traditional mercury lighting (high pressure sodium [HPS]) produces large quantities of GHGs.

### The company's contribution

Sollum's lighting solution offers several advantages and superior performance compared to other LED and HPS systems:

- ▶ Reduces the production of GHGs by extending the luminaire's life cycle and lowering electricity consumption;
- ▶ Decreases the size of the electrical installation required for horticultural greenhouses;
- ▶ Can be adapted and used by growers to optimize the light recipe, increasing the yield of cultivated produce with the desired lighting properties;
- ▶ Produces a wider variety of crops, boosting production and stimulating the local economy.

### Results



**19,530 t CO<sub>2</sub> eq.**  
of GHGs avoided



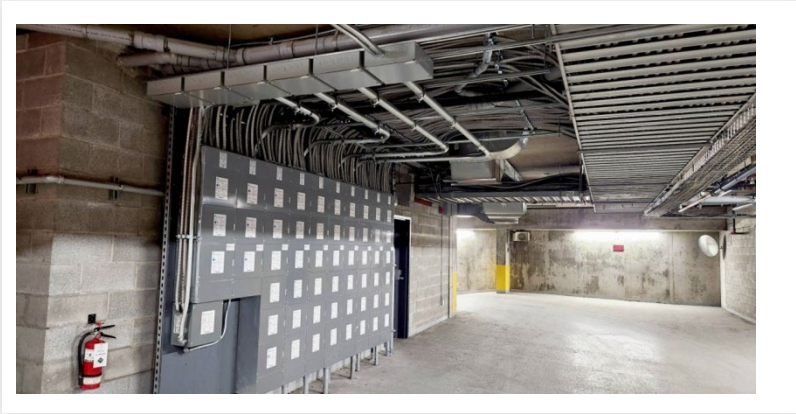
**More than 85 crops**  
and varieties grown



**51 patents**  
granted or pending

Results based on a full year of operations.





Description of the company

 [rve.ca](https://rve.ca)

RVE designs energy management systems for electric vehicle charging stations. The charge controller optimizes electricity consumption for vehicle charging. The products offered are for multi-residential and single-family housing.

Investment theme



Fight against climate change

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

Reducing the GHG footprint and increasing the share of renewable energy in energy consumption.



Impact of the product or service

Issue

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

The energy and transportation sectors have a crucial role to play in reducing emissions responsible for climate change.

The difficulty of accessing a home charging station in densely populated areas makes the transition to electric vehicles more difficult.

The company's contribution

RVE's patented software and hardware charge control technologies:

- ▶ are compatible with all electric vehicles and chargers and do not require any increase in household electrical capacity;
- ▶ allow the amount of electricity used to be allocated to the electricity meter of a person living in a multi-unit building;
- ▶ meet the requirements of Québec's Electric Vehicle Charging Strategy (35% of parking spaces in multi-unit buildings must allow the installation of charging stations);
- ▶ shift charging times to off-peak hours and free up megawatts of power from the Québec grid.

Results



**40,000** charging units sold to date



**GHGs avoided:** i  
ndicator forthcoming

Results based on a full year of operations.



Photo provided by Aménagement Côté Jardin, Jean-Drapeau Park.



## Sustainable cities and communities

### Issues

People live in cities and towns, where they concentrate their resource use and waste production, generating wastewater, GHGs and pollutants. The result is that communities continue to expand without respecting the ecosystem’s support capacity.

### 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 by supporting distinctive economic sectors throughout Québec, Fondation helps to ensure that cities and human settlements are safe, resilient and sustainable.

### Objective

Develop 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.

### Results and impact

- Creation of accessible, affordable, safe, healthy and sustainable living environments
- Better management of resources and spaces
- Development of alternative products and solutions



# Société Laurentide



## Description of the company

[societelaurentide.ca](https://societelaurentide.ca)

Its Peinture Laurentide division specializes in the production of solvent-free and environmentally-friendly water-based paints for outdoor finishes and finishing components for manufacturing companies. It is also a leader in the field of 100% responsible post-consumer and architectural 100% acrylic paints. Its Laurentide Environment division is responsible for recovering post-consumer paint, compact fluorescent light bulbs, batteries and used oil throughout Québec.

## Investment theme



### Sustainable cities and communities

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

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



## Impact of the product or service

### Issues

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

Hazardous waste is any substance or element that poses a risk to human or animal health, the environment or natural resources. Treatment or recycling of waste is essential to prevent contamination of soil, water or air.

### The company's contribution

Société Laurentide's activities result in:

- ▶ Reducing GHGs by lowering the import and manufacture of virgin materials used in paint production and increasing local paint production. Laurentide's recycled paint (Boomerang) generates at least 4 times less GHGs over its life cycle than virgin paint of comparable quality. The company also saves 13 gallons of quality water per gallon of recycled paint.
- ▶ Increasing the percentage of hazardous materials (paint, batteries, light bulbs, etc.) recovered and/or valorized, thereby reducing the risk of groundwater contamination;
- ▶ Reducing GHGs by decreasing the amount of material landfilled or incinerated;

### Results



**3,420 tonnes**  
of paints and solvents recycled



**4,308 tonnes**  
of other hazardous waste recovered and diverted from landfill



**18,562 t CO<sub>2</sub>eq.**  
of GHGs avoided

Results based on a full year of operations.




# Lavergne Industries



Description of the company  [lavergne.ca](https://lavergne.ca)

Lavergne designs, develops and manufactures sustainable value-added resins (alloys and composites) using 100% post-consumer recycled plastic.

## Investment theme



**Sustainable cities and communities**

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

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

11

VISES ET COMMUNAUTÉS DURABLES



12

CONSOMMATION ET PRODUCTION RESPONSABLES



## Impact of the product or service

**Issues**

By 2025, it's estimated that there will be over 250 million tonnes of plastic in the oceans, more than the total weight of the fish that live there. As well as damaging ecosystems, plastic waste has a harmful impact on human health.


Emissions from this sector are forecast to reach 6.5 Gt CO<sub>2</sub> eq. in 2025. Over 60% of these emissions come from the production of plastics using fossil fuels.

**The company's contribution**


Contribution and innovation go hand in hand, as only 9% of the world's plastic is recycled and 79% is buried or simply discarded into the environment. The rest is incinerated, producing 2.9 tonnes of CO<sub>2</sub> per tonne of energetically valorized plastic.

- ▶ The GHG footprint of Lavergne's recycled plastic is 95% lower than that of virgin resin.
- ▶ Plastics taken from rivers and oceans (Ocean-Bound Plastics) increase the percentage of recycled plastics, as well as having beneficial effects on the health of local populations, as in Haiti.
- ▶ The company is ISO 14001 certified, confirming that it meets the requirements of a robust environmental management system.

**Results**



**33,927 t CO<sub>2</sub> eq.**  
of GHGs avoided



**15,700 metric tonnes**  
of plastic waste recycled

Results based on a full year of operations.



Photo provided by Lü – Interactive Playground.



## Health and well-being

### Issues

Like many developed nations, Québec 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, from the youngest to the oldest. 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 though 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.





Description of the company [rotecbeds.com](https://rotecbeds.com)

Rotec is a manufacturer of electric adjustable beds for the healthcare sector. A specialist in bariatric beds, the Baie-du-Febvre-based company manufactures and sells hospital beds. Rotec sells its products mainly in Canada and the United States, but also in Europe and Oceania.

Investment theme



Health and well-being

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

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



Impact of the product or service

Issues


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


The company's contribution

The technological advances developed in Rotec's line of bariatric beds ensure the well-being, mobility and safety of users.

- ▶ The only bariatric bed manufacturer in the world to offer an ultra-low system that lowers the bed up to 21 cm from the floor for a maximum load of 1,100 lb (500 kg), thus eliminating the risk of patient falls and injury.
- ▶ Its new VersaDrive motorized drive assist system makes bed and patient movement more intuitive and effortless for nursing staff.

Results

 **1,025** bariatric beds

 **57,718 patients**  
Theoretical number of patients benefiting

Results based on a full year of operations.



# Orthofab



## Description of the company

 [orthofab.com](https://orthofab.com)

Orthofab designs, manufactures and markets several types of high quality, adapted wheelchairs, specializing in geriatric wheelchairs, as well as custom posture components. It also offers four-wheel scooters, homecare beds, and other equipment designed to improve users' autonomy and home support.

## Investment theme



### Health and well-being

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

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



## Impact of the product or service

### Issues

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

### The company's contribution

Orthofab's users are people who experience reduced autonomy due to conditions associated with old age, injury, illness, disability or other incapacitating or degenerative conditions, such as multiple sclerosis.

- ▶ Orthofab improves user autonomy and mobility; it's the only supplier in Québec to offer both manual and motorized wheelchairs adapted for geriatric clients.
- ▶ Orthofab's products are better suited to the needs of the elderly; its products are tailor-made and therefore more comfortable for users.
- ▶ Orthofab's products have a superior valorization/repair capability; unlike traditional wheelchairs, they are fully adaptable and interchangeable. This reduces replacement costs for the healthcare network and is environmentally friendly.

### Results



**979**  
devices sold



**54,261**  
replacement parts sold

Results based on a full year of operations.

## Structuring investments



Development capital investments and other investments (public markets)

## Structuring investments

Structuring investments are made in promising, innovative projects in which Fondaction provides leadership, essentially through its Fondaction Asset Management subsidiary, from the financial set-up to the implementation of the projects themselves.

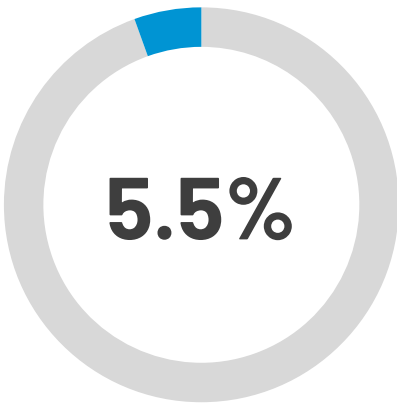
These projects, mainly specialized financial vehicles, aim to structure a sector and implement solutions that respond to a market failure and generate positive, measurable impacts, while providing a financial return.

**To date, Fondaction’s structuring investments are solely attributable to the development capital investments (DCI) portfolio. As at May 31, 2024, they totalled \$119 million, representing 5.5% of total DCIs.**

For the time being, we have no structuring investments in the other investments (public markets) portfolio.

When this DCI result is added to the absence of any investment qualifying as structuring in the other investments portfolio, the combined value of the two portfolios in this investment category is 3%.

The following pages present Fondaction Asset Management, its impact thesis, and the impact measures of its five investment fund platforms, which cover the majority of Fondaction’s structuring investments.



5.5% of development capital investments are structuring

\*Assets and amounts committed





## FAM, a lever for Fondation’s structuring investments

To maximize its positive impact and help transform economic sectors by scaling up financial innovation, Fondation has created Fondation Asset Management (FAM).

FAM is an impact-oriented fund manager. Established in Montréal in 2022, FAM is an independent entity owned by Fondation and manages several structuring investment vehicles originally created by Fondation in line with its sustainable finance strategy.

Structuring investments aim to address market issues linked to pre-defined social and environmental objectives. Each investment reflects a theory of change that functions as a conceptual framework for how investments are made and change is brought about. This makes it possible to clearly establish the project’s objectives and the logic surrounding the generation of positive impacts.

At a time when climate change, the collapse of biodiversity, and the fight against socioeconomic inequality and social exclusion are among the greatest challenges of our time, FAM is accelerating the profound and sustainable transformation of the economy by mobilizing capital toward the SDGs.

Its investment thesis is based on the conviction that the investment opportunities that will shape tomorrow’s society and economy will generate not only competitive returns, but also significant environmental and social impacts.

### FAM in figures

#### 5 asset classes, including:

- ▶ Venture capital
- ▶ Real estate
- ▶ Private equity
- ▶ Energy transition infrastructure
- ▶ Natural capital and environmental markets

50 +

Investors from Canada, the United States and Europe

65 +

Investments in Canada and beyond

#### 5 fund platforms investing to achieve environmental and social impact

New platforms being designed in sustainable real estate, climate mitigation and nature-based solutions.

\$455 M + CAD

in assets under management

## FAM’s impact thesis

### What’s the problem we’re trying to solve? Who is affected?

The global community is not on the right track when it comes to implementing the sustainable development agenda.

Allocated funds are neither effectively nor sufficiently being channeled towards the SDGs due in particular to:

- ▶ lack of attractive financial solutions for investors;
- ▶ lack of evidence/limited evidence that impact investments are financially competitive in the market.

### How does FAM help solve this problem?

FAM develops, raises capital for and operates innovative impact-focused funds and financial vehicles in the five following areas:

- ▶ Climate change mitigation;
- ▶ Energy efficiency;
- ▶ Circular economy
- ▶ Affordable housing;
- ▶ Sustainable land management.

FAM also fosters collaborations and partnerships to accelerate its impact.

FAM generates knowledge products and creates collaboration spaces to strengthen the impact investment ecosystem.

### What change do we expect?

#### Targeted Results and Key Metrics

Increase in capital flows contributing to the SDGs:

- ▶ Assets under management in impact investment (USD, %)

Reduction in GHG emissions:

- ▶ GHGs sequestered or avoided (tonnes)
- ▶ Carbon credits generated (#)
- ▶ Carbon credits sold (#)

Improvement in energy efficiency:

- ▶ Total energy savings (GJ)
- ▶ Reduction in fossil fuels (GJ)

Improvement in the use of production resources:

- ▶ Diverted residual materials (tonnes)
- ▶ Substituted virgin materials (tonnes)

Greater access to affordable housing:

- ▶ Percentage of affordable housing

Increase in sustainably managed land area:

- ▶ Protected, preserved or forested areas

#### SDGs mainly concerned by FAM’s activities



Structuring investments

## Five innovative financing platforms

FAM develops, raises capital for and operates innovative funds and financial vehicles focused on impact.

Designed to be diversified and complementary, the platforms cover different asset classes. Each time FAM opens a fund, it develops a theory of change and thinks about the beneficiaries to provide a solution to an existing problem that has not been sufficiently addressed and has high potential for impact.

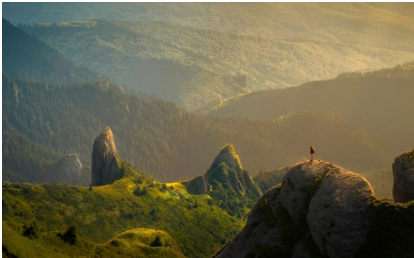
### Energy transition infrastructure



### Venture capital



### Natural capital and environmental markets



### Real estate



### Private equity







Energy efficiency financial vehicle offering a turnkey service to companies in Canada and France.

Created in 2020 in partnership with Econoler, SOFIAC enables commercial and industrial companies to increase their profitability and competitiveness by reducing their energy costs and GHG emissions.




Thanks to the involvement of major financial partners, SOFIAC is now the largest energy efficiency and decarbonization initiative for the private sector in Canada.

**Years**  
SOFIAC Canada: 2021  
SOFIAC France: 2024

**Sizes**  
SOFIAC Canada:  
CAD 40 M<sup>2</sup>  
SOFIAC France:  
EUR 60 M

**Geographical presence**  
Canada, France

**Project impact indicators<sup>1</sup>**

	Energy consumption reduction <b>775,675 GJ</b>
	Fossil fuel reduction <b>1,275,528 GJ</b>
	GHGs avoided <b>51,835 tonnes CO<sub>2</sub> eq.</b>



Venture capital fund that invests in and supports innovative circular economy companies in Québec.

Created in 2021 in partnership with Recyc-Québec and the City of Montréal, it's the first venture capital fund of its kind in Canada. It's goal is to support the emergence of SMEs that adopt business practices rooted in the circular economy.




Partners include Fondation, the City of Montréal, Recyc-Québec, Concordia University Foundation and the Greater Montréal Climate Fund.

**Year**  
2021

**Size**  
CAD 20 M

**Geographical presence**  
Québec

**Corporate impact indicators<sup>3</sup>**

	Diverted residual materials <b>11,479 tonnes</b>
	Virgin materials substituted <b>10,010 tonnes</b>
	GHGs avoided <b>8,416 tonnes CO<sub>2</sub> eq.</b>

## INLANDSIS

Carbon finance fund that supports GHG reduction projects in North America.



Developed in partnership with Priori-T Capital, Inlandsis II builds on the success of Inlandsis, Canada's first carbon finance fund, and one of the few in the world. With the support of partners such as Fondation and Priori-T Capital, this fund is shaping a greener, more sustainable future.

**Years**  
Fund I: 2017  
Fund II: 2022

**Sizes**  
Fund I: CAD 30 M  
Fund II: CAD 130 M

**Geographical presence**  
Canada, United States

**Project impact indicators**

	GHGs avoided <b>355,872 tonnes CO<sub>2</sub> eq.</b>
	Protected land <sup>4</sup> <b>2,840 ha</b>

<sup>1</sup>SOFIAC' impact data are projections  
<sup>2</sup>SOFIAC Canada has secured a \$145 million credit facility to support the delivery of up to \$220 million of infrastructure projects  
<sup>3</sup>Corporate impact indicators from fund inception to May 31, 2024  
<sup>4</sup>Total expected fund contribution up to 2030



Fund dedicated to improving access to housing and home ownership by investing in cooperative housing projects in Québec that offer affordable solutions.

Developed in partnership with the Confédération québécoise des coopératives d’habitation and the Government of Québec, it aims to support initiatives that promote housing accessibility for all.

**Year**  
2023

**Size**  
CAD 90 M

**Geographical presence**  
Québec

**Project impact indicators**

Measures in progress

**LCC**

Growth capital fund that supports Québec companies offering innovative climate solutions to reduce GHG emissions.

Developed in 2019 in partnership with Piori-T Capital, it’s committed to supporting initiatives that actively contribute to the fight against climate change and the promotion of a sustainable future for all.

**Year**  
2019

**Size**  
CAD 60 M

**Geographical presence**  
Québec

**Corporate impact indicators**



Residual materials valorized  
**18,664 tonnes**

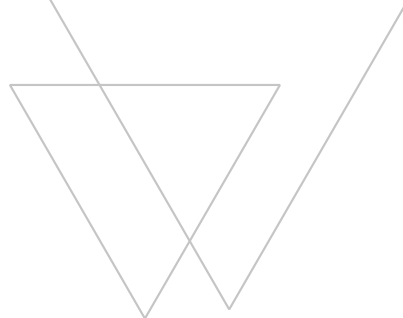


Fossil fuel reduction  
**56,070 tonnes**



GHGs avoided  
**451,479 tonnes CO<sub>2</sub> eq.**





### 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 necessary transformations, Fondaction works on two fronts: financing the transformation and changing finance.

## 1<sup>st</sup> 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, Fondaction 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).

## 2<sup>nd</sup> 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



Geneviève Morin, CEO of Fondaction, Hadewych Kuiper, CEO of Triodos IM, the Honorable Steven Guilbault, Minister of Environment and Climate Change of Canada, and Julie Segal, Senior Program Manager, Climate Finance of Environmental Defence and moderator at the “Transformative Finance: Challenges, Initiatives and Impacts” panel on May 15, 2024, which opened Day 2 of the 4<sup>th</sup> Sustainable Finance Summit held in Montréal.

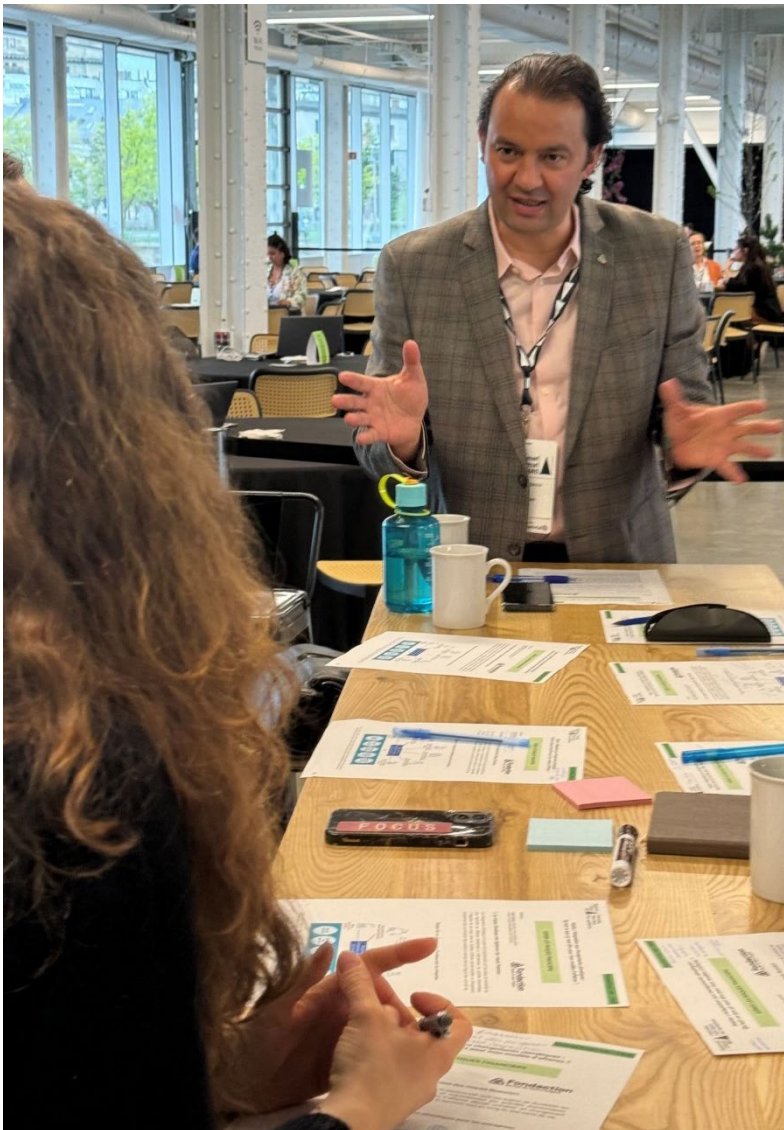
# Staying connected to better anticipate and bring about change

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.

The following pages present projects carried out by Fondaction whose success can be attributed to its engagement with certain partners and the way it establishes a dialogue with different audiences:

- ▶ Génération d'impact's second cohort
- ▶ Sustainable finance dialogues and thematic conversations
- ▶ Social and environmental compensation and public investment
- ▶ Launch of the first report of the Canadian Impact Investing Working Group.

Haykel Najlaoui, Sustainable Finance, Impact Management and Global Performance Specialist at Fondaction, facilitates a workshop as part of the Montréal Climate Summit in May 2024.



# Génération d'impact



2023-2024 cohort celebrating the program's closing in May 2024.  
Photo credit: Mathilde Gardonio

## Issues and challenges

Young professionals are key players in this positive transformation of the economy, as well as in the solutions required, yet resources for them remain scarce or non-existent. There was a need to create a corporate and collaborative space where proactive individuals from different companies can come together, reflect and share best practices.

Local businesses also have a role to play in making 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. In September 2023, Génération d'impact won the Impact Initiative of the Year award at the Grands prix de la relève d'affaires Gala, organized by the Regroupement des jeunes chambres de commerce du Québec.

## Targets

With Génération d'impact, our goal is to redefine the standards of success for Montréal's next generation of business leaders. Our aim is to develop Génération d'impact to amplify results by offering more services and a more sustained commitment to young leaders.

- ▶ A new cohort will undergo training in the fall of 2024.
- ▶ Business leaders will be mobilized, as organizations have an undeniable role to play in giving young impact intrapreneurs a greater place in their environment.
- ▶ This will facilitate networking between individuals and companies, and the sharing of impact practices developed by intrapreneurs.

To achieve these targets, Fondation has reaffirmed its commitment to Génération d'impact until 2025 and even beyond.

## Results

Over the past two years, two cohorts have been trained, involving 40 people from 39 different organizations, including Fondation.

- ▶ As in the first year, support from the organizations to which the participants belong is essential for the implementation of their respective challenges.
- ▶ A unique coaching program was offered to members of the 2<sup>nd</sup> cohort, courtesy of HEC Montréal's Pôle Idéos.
- ▶ Media coverage was provided by *Les Affaires* for members of the 2<sup>nd</sup> cohort, following a partnership agreement with Génération d'impact.

## Strategy

Génération d'impact was co-developed by Fondation and the [Jeune chambre de commerce de Montréal](#) (JCCM) in 2022 to support young intrapreneurs who want to change the world from the inside. The two organizations have developed a joint strategy.

Call on and support young professionals who:

- ▶ seek first and foremost to make a positive impact on people and the planet;
- ▶ are helping to change the codes that define professional and business success as something other than financial success and profitability.

Implement:

- ▶ a collective training approach to increase the impact of emerging leaders in their organizations;
- ▶ networking activities involving speakers and JCCM members to develop cohort members' impact leadership skills.

Within Fondation, two intrapreneurs have benefited from this stepping stone:

- ▶ A member of the 1<sup>st</sup> cohort, investment advisor Audrey-Sokunthevy Nut has exceeded her target of providing over 80% of her colleagues with training in sustainable development and impact investing. Integrated into the curriculum of new Fondation employees, this training is now part of the organization's internal practices.
- ▶ Malek Jemai, a member of the 2<sup>nd</sup> cohort, will be calling on universities with finance programs to integrate impact finance more fully into their academic corpus. As at May 31, 2024, a first university had been contacted.



## Sustainable finance dialogues and thematic conversations



Thematic conversation in Saguenay with Jean Marcotte, Zachary Grenon, Isabelle T. Rivard, Karen Provencher, Francis Provost-Marchand, France Tremblay, Claude Villeneuve, Geneviève Morin, Patrick Faubert and H  l  ne C  t  .

### Issues and challenges

By maintaining an ongoing dialogue with leaders from different backgrounds, Fondation seeks to make connections and bring together people from different walks of life, not necessarily from the financial sector. The purpose of these sustainable finance dialogues and thematic conversations is to understand how finance needs to transform itself to integrate the social concerns of non-financial actors. These discussions allow us to:

- **Stay on top** of ecosystem trends and concerns.
- **Mobilize** stakeholders quickly and efficiently around common goals and initiatives.
- **Develop solutions** rooted in the real economy that correspond to the themes of Fondation’s impact investment strategy, using a co-construction approach.
- **Position ourselves** as a trailblazer in the field and as a fund for positive transformation.

### Strategy

In order to offer innovative, practical solutions that meet the needs of the community and those working in the field, Fondation aims to:

- bring together, for its sustainable finance dialogues, a variety of experts from all sectors, beyond the financial community, to lead engaged discussions around the concepts of sustainability and sustainable finance;
- bring together leaders of ecosystems of the future in different regions of Qu  bec, based on regional expertise, as part of its thematic conversations.

### Targets

Sustainable finance dialogues

- Bring together more international experts at these think tanks to draw expertise back here at home.
- Raise the profile of the outcome of these dialogues by sharing the results of these reflections with a wider audience.

Thematic conversations

- Bring together health technology specialists from the greater Qu  bec region; blue economy and protection of marine biodiversity specialists from the Bas-Saint-Laurent region; circular economy specialists (businesses and institutions) from the Saguenay region.

### Results

During the year, Fondation organized four sustainable finance dialogues, both in Qu  bec and abroad, bringing together some 30 experts from all sectors.

- A dialogue was held in conjunction with the Sustainable Finance Summit 2024 held in Montr  al.
- Fondation also hosted two dialogues at COP 28, bringing together international organizations working to change finance.
- Another dialogue was held at the Global Impact Investing Network’s Impact Forum, which brought together impact investors and international organizations to discuss the alignment of finance in a world where international climate goals have been met.

Three thematic conversations were also held in April:

- *Sant   durable et services    domicile* (Sustainable health and home services) in Qu  bec – discussions on the role of health technologies in helping people to stay at home for longer;
- *  conomie circulaire et   coconseil* (Circular economy and eco-consulting) in Saguenay – discussions on policies and projects to increase the use of the circular economy and local sourcing in the Saguenay-Lac-Saint-Jean region;
- *  conomie bleue* (Blue Economy) in Rimouski – discussions to learn more about the development of the blue economy, based on the use of vital freshwater resources by individuals, businesses and municipalities.

# Social and environmental compensation and public investment



Presented by Luc Godbout and moderated by François Delorme (on the right in the photo), the panel brought together members of the expert committee set up by Fondation: Stéphane Paquin, full professor at ENAP, Corinne Gendron, professor at UQAM, Stéphan Morency, Vice-President and Chief Investment Officer at Fondation and Marie-Pierre Allard, vice-dean of management and full professor at Université de Sherbrooke.

## Issues and challenges

We need to think together about how to accelerate the transformation of our economy.

As a financial organization, Fondation has the power and responsibility to allocate capital to companies that innovate and tackle environmental and social issues. Should this consideration of the public interest also be a condition for companies to receive public funding?

## Targets

- ▶ Initiate a cultural and political shift towards an economic assessment that balances financial performance with social and environmental benefits in public procurement.
- ▶ Clarify the concept of compensation.
- ▶ Update and strengthen the basis on which to demand compensation from companies that would largely benefit from these investments:
  - by going beyond the traditional compensations linked to employment or maintaining head offices or local contracts;
  - by linking all financial aid to elements of social and environmental conditionality, in order to meet the challenge of a greener, fairer and more inclusive transition.

## Results

- ▶ Publication of a research paper by the *Chaire en fiscalité et en finances publiques* (Chair in Taxation and Public Finance) that brings together the thoughts and recommendations of the expert group entitled: [Social and environmental compensation and public investment](#).
- ▶ [Panel discussion jointly organized by Fondation and the Chaire en fiscalité et en finances publiques](#) and broadcast live on November 8, 2023 at the *Maison du développement durable* (House of sustainable development) to officially launch the research paper and answer questions from the public, nearly 40 of whom attended.

## Strategy

- ▶ Creation by the Foundation of a committee of experts, coordinated by François Delorme, Adjunct Professor at the Université de Sherbrooke, to conduct a study on the relevance of social and environmental considerations.
- ▶ Contribution to solid reference documentation on counterparties through a rigorous and pragmatic analysis of the foundations on which they should be based, in a context where accelerating the positive transformation of the economy is more necessary than ever.

Project

Canadian Impact Investing Working Group (CIIWG)



The “Scaling Impact Investing in Canada Through Mobilizing Asset Owners” report was launched at an event held at Fondaction on May 13, 2024 and attended by a number of key figures in the Canadian impact finance sector. As the first Canadian member of the 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 IRIS+ benchmarking and its presence on several GIIN working groups.

Issues and challenges

In the context of the enduring societal challenges we face, impact investing has immense potential to bring about positive change by aligning financial objectives with a clear intention to achieve social and environmental impacts.

By bringing together investors with similar values under the leadership of Fondaction, CIIWG intends to foster collaboration, innovation and the adoption of best practices in the impact investing field in Canada. We intend to rally the financial sector so that it adopts the necessary changes, by demonstrating that existing solutions can be effective and developed with integrity.

Targets

The report aims to empower the various stakeholders, both within and in the periphery of the impact investment market in Canada. It identifies 5 categories of solutions, grouping together 18 recommendations to increase the size of the impact investment market:

1. Demystifying impact finance for the traditional finance community through a campaign highlighting impact finance success stories;
2. Developing impact investment products and encouraging the pooling of capital;
3. Raising awareness among the general public and providing stakeholder training to accelerate capacity-building;
4. Creating sharing mechanisms to increase collaboration and coordination in this sector;
5. Promoting the interests that link impact investing with fiduciary duty.

Strategy

By bringing together like-minded investors in 2023, Fondaction aimed to create and then facilitate, with the Global Impact Investing Network (GIIN)’s support, a platform for Canadian impact investors. This platform improves the structure of the ecosystem and fosters the development of best practices.

The Canadian Impact Investing Working Group (CIIWG) is committed to pushing the boundaries of impact investing in Canada by strengthening its members’ knowledge and sharing its expertise.

As a first step towards achieving its ambitions, CIIWG has published a report that serves as a catalyst for ideas and a call to action to bring about significant, systemic change. This report is the result of rigorous analysis, in-depth reflection and fascinating conversations and debates, fuelled by meetings with many individuals and organizations from across Canada.

Results

Fondaction achieved the targets set in 2023 for this project, namely:

- the creation of CIIWG and the [completion of a study](#) to gather the different perspectives of investors (impact and traditional) and other partners;
- the identification of barriers and gaps to market growth;
- the formulation of a series of recommendations for structuring the impact investment market.

In 2024, the release of the CIIWG report during the Sustainable Finance Summit week is itself a call to action to grow the market and deploy capital that intentionally and measurably generates social and environmental benefits.





# 4. Internal practices

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An Engagement Meeting at Fondation.



## 4.1 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 measurements 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.



## 4.2 As an organization

From the outset of its operations, Fondation has been working diligently to incorporate the sustainable development principles into its strategic positioning and its day-to-day activities. In 2005, Fondation 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.

Fondation’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;
- Waste management.

In the 2023 Report on Positive Transformation, we indicated that an update of the Environmental Responsibility Policy and Responsible Purchasing Plan was planned.

Since returning in January 2024 to our Montréal headquarters, where major construction and remodelling work began in 2020, we have devoted our efforts to monitoring and identifying the priority actions to be taken. The process of assimilating the premises and the hybrid work framework, combined with a sharp increase in the number of employees compared with the pre-pandemic period, made it necessary to take a step back before updating the Environmental Responsibility Policy and the Responsible Purchasing Plan. However, work is underway to review the objectives, set indicators and targets, and plan the measures needed to achieve them. Reporting on these objectives and measures will be included in subsequent reports.





## 4.2 As an organization (continued)

The Enhanced Public Transportation Program provides employees with several measures to help them adopt environmentally responsible travel behaviours. For example, 53 % of regular employees working in the Montréal office use the OPUS & Cie or OPUS+ entreprise annual public transit pass.

Managing GHG emissions to fight climate change is one of the 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.

GHG emissions associated with energy consumption in our two buildings, business travel including air travel, and travel by Fondaction Representatives totalled 108 tonnes CO<sub>2</sub> eq. They will be offset by the purchase of carbon credits from [Inlandsis](#).

During the year, Fondaction set up an ad hoc art committee bringing together people from the various *Carrefour de la finance durable* (Crossroads of Sustainable Finance) organizations interested in the visual arts.

The committee is benefiting from the expertise of Artbangbang, a young company that specializes in integrating artwork into business environments to liven up common areas and specific offices.

Fondaction’s initiative enables it to acquire or rent works by local artists. This model not only supports the artists themselves, but also allows us to promote more of them to the people who pass through our offices. A meeting with the artists has also been arranged, so that we can find out more about their approach and the themes that drive them.



Diptych by Denis Dulude entitled *Climat 1 et Climat 2*: “Collectively, we have to fight for the climate, the environment, nature. To help the planet survive. Our survival. It’s a priority. It’s fundamental. We have to do things differently. We are watched by those who grow up. We’ll grow from those who watch. Those who fight for continuity. The environment is backed into a corner. We have to get into the ring. To help it. Win.” – Denis Dulude



### 4.3 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. A mandatory program for Fondaction employees, *Agir pour un avenir plus inclusif* (Acting for a more inclusive future), was launched this year with the aim of fostering a work environment where every voice is heard, respected and valued.

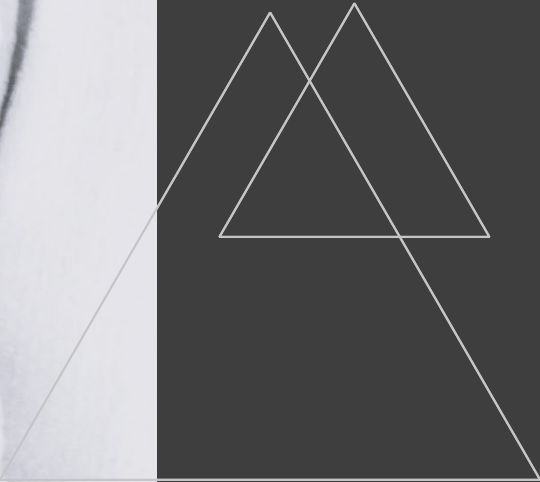
Fairness is achieved, most notably, through salaries, which are set by collective agreement for unionized employees. Fondaction also formed a parity committee for salary relativity for the purpose of ensuring the fairness of each job category in accordance with the principles set out in the Québec Pay Equity Act. Wage indexation 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 annual salary of the organization’s highest-paid individual as at May 31, 2024 is equivalent to 4.08 times the median annual salary of all other Fondaction employees, demonstrating the low salary dispersion within the organization.



# 5. Appendices

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# Task Force on Climate-related Financial Disclosures

Climate change is having tangible consequences for societies and their economies, and will continue to have many direct and financial impacts over the coming decades.

Fondaction complies with the voluntary disclosure standard of the Task Force on Climate-related Financial Disclosures, which covers four main aspects of the financial risks related to climate change: the governance structure, the organizational strategy, the risk management framework and the ways used to measure the organization’s exposure to climate risks.

## Governance

With regard to development capital investments (DCIs) and other investments (public markets), the Board of Directors monitors the integration of climate risks and opportunities into decision-making.

In the case of DCIs, the Investment Committee, mandated by the Board, analyzes all investment projects to ensure that they comply with environmental impact orientations and commitments.

As for other investments (public markets), the Board defines the Politique de placement (autres investissements) – Financial Investment Policy (other investments). The Board sets the extrafinancial parameters to be integrated, as well as the exclusion criteria determined in the [Politique de durabilité pour les investissements](#) (Sustainability Policy for Investments), particularly with regard to the ownership or operation of fossil fuel reserves or carbon-intensive infrastructures.

The Other Investments Committee, mandated by the Board, ensures that ESG factors are integrated into the asset selection and management processes. The Other investments (public markets) team regularly monitors external managers to ensure that the extrafinancial objectives, targets and orientations set out in the Financial Investment Policy (Other Investments), the Sustainability Policy for Investments and the Politique des droits de vote dans les entreprises cotées en bourse (Policy on Voting Rights in Publicly Listed Companies) are respected.

## Strategy

As an investor, Fondaction bases its strategy on a systematic assessment of market risks and opportunities, including climate change, namely through an ESG analysis process.

Part of the DCI portfolio is aligned with the fight against climate change theme, with the aim of producing real effects through the reduction of GHG emissions and the energy transition. In line with a double materiality approach, the objective is to select companies with decarbonization strategies and limit exposure to companies or sectors most exposed to the impacts of climate change.

The extrafinancial analysis team identifies companies’ climate risks and opportunities, enabling senior management to select companies that offer solutions to reduce GHG emissions and adapt to climate change, as well as those that integrate best environmental practices and are the most resilient.

A significant portion of the portfolio is devoted to companies and funds involved in clean technologies or offering innovative processes for climate resilience.

# Task Force on Climate-related Financial Disclosures (continued)

## Risk management

The Politique de gestion intégrée des risques (the Integrated Risk Management Policy) considers environmental risks as an organizational risk. Although Fondaction’s day-to-day activities are not very exposed to climate risks, internal decisions take account of climate issues, both in the design and management of its buildings and in the management of its staff.

To reduce its exposure to climate change risks, Fondaction has chosen to exclude investments in companies that own or operate fossil fuel reserves or carbon-intensive infrastructures. Companies financed as part of the fight against climate change must reduce their exposure to climate risks.

As for other investments (public markets), Fondaction selects external managers and portfolios that incorporate ESG factors as part of a risk management approach. In addition, Fondaction has chosen to invest significantly in the ecological transition, with over a third of its fixed-interest investments in green bond portfolios.

## Metric

The carbon footprint of the entire portfolio is measured each year. Fondaction uses the Global GHG Accounting and Reporting Standard for the Financial Industry published by the Partnership for Carbon Accounting Financials. Given the high exposure to the private market, adjustments have been made to the methodology in order to take development capital investments (DCIs) into account. A benchmark portfolio<sup>1</sup> was selected to compare Fondaction’s exposure with market conditions during the period under review.

Fondaction also calculates each year the emissions avoided by the various companies and projects financed by DCIs. Based on ISO 14 064 and recognized reference scenarios, this calculation allows the investment team to assess its projects’ evolution and environmental performance

The results are shown on the [following page](#).

In order to base its decisions on best practices in risk assessment, Fondaction takes part in and embraces a number of initiatives, as demonstrated by its commitments to the Investors Council of the Global Impact Investors Network (GIIN) and the Finance for Biodiversity Pledge, as well as its participation as a signatory to the Institutional Investors Release Declaration on Financial Risks Related to Climate Change.

1. The portfolio consists of the following indexes: 40% MSCI ACWI, 40% Canadian Universe Bonds FTSE TMX, 20% TSX Composite.



Photo provided by Innergex.

Appendix

## Task Force on Climate-related Financial Disclosures (continued)

### Results

**21,1 tonnes  
CO<sub>2</sub> eq./\$M**

Carbon footprint of the entire portfolio as at May 31, 2024<sup>1</sup>,  
52.6% lower than the benchmark portfolio.<sup>2</sup>

**895,911 tonnes CO<sub>2</sub>  
eq./year**

Avoided emissions for fiscal year  
2023-2024.<sup>3</sup>

Carbon footprint by investment type	
<b>DCI</b> (direct investments, funds and real estate investments)	20.2 tonnes CO <sub>2</sub> eq./\$M
<b>Shares</b> (including QEMP and QPC)	13.7 tonnes CO <sub>2</sub> eq./\$M
<b>Fixed-interest securities</b>	40.5 tonnes CO <sub>2</sub> eq./\$M

**7.2%** of development capital investments (DCI) in the sustainable category are aligned with ODD 13, Climate action.

**1/4** of DCI impact themes are specifically aimed at fighting against climate change.

**4/5** of Fondation Asset Management’s investment platforms intentionally target the reduction of GHG emissions: SOFIAC, Inlandsis, LCC Fund and the Fonds Économie circulaire (Circular Economy Fund).

1. In comparison, the carbon footprint as at May 31, 2023 was 22.6 tonnes CO<sub>2</sub> eq./\$M.

2. The portfolio consists of the following indexes: 40% MSCI ACWI; 40% Canadian Universe Bonds FTSE TMX, 20% TSX Composite. Its carbon footprint as at May 31, 2024 was 44.5 tonnes CO<sub>2</sub> eq./\$M.

3. In comparison, avoided emissions were 1.84 million tonnes CO<sub>2</sub> eq. for fiscal year 2022-2023. The reduction in avoided GHG emissions is due to the maturity of the investment in a company that avoids a large amount of GHG emissions.





# Lexicon

**CIIWG:** Canadian Impact Investing Working Group

**DCIs:** development capital investments

**EMS:** environmental management system

**ESG:** environmental, social and governance issues

**FAM:** Fondaction Asset Management

**FAO:** Food and Agriculture Organization

**FfB:** Finance for Biodiversity Pledge

**FR:** Fondaction Representative

**GIIN:** Global Impact Investing Network

**GRESB:** Global Real Estate Sustainability Benchmark

**HPS:** high pressure sodium bulbs

**ICMA:** International Capital Market Association

**ILPA:** Institutional Limited Partners Association

**IMP:** model developed by Impact Management Project

**OBP:** ocean-bound plastic

**OECD:** Organisation for Economic Co-operation and Development

**OPIM:** Operating Principles for Impact Management

**PCAF:** Partnership for Carbon Accounting Financials

**PCR:** post-consumer resin

**PD:** payroll deduction

**PRI:** Principles for Responsible Investment

**QEMP:** Québec Emerging Manager Program

**QPC:** Québec public companies

**RFR:** Regional Fondaction Representative

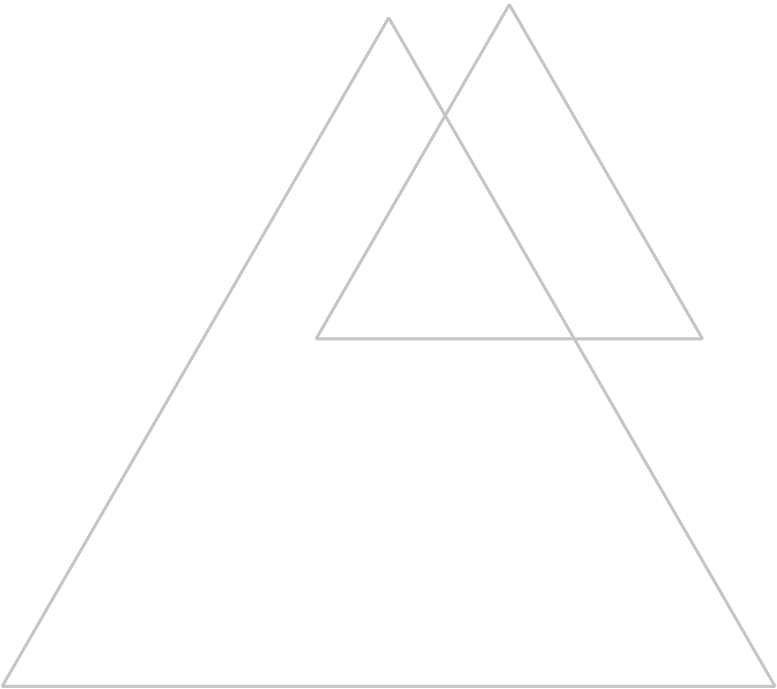
**SASB:** Sustainability Accounting Standards Board

**SDGs:** United Nations’ Sustainable Development Goals

**SQF:** Safe Quality Food program

**TCFD:** Task Force on Climate-related Financial Disclosures

**USDA Organic:** organic farming label from the United States Department of Agriculture



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