La Caisse

Transition Financing Framework

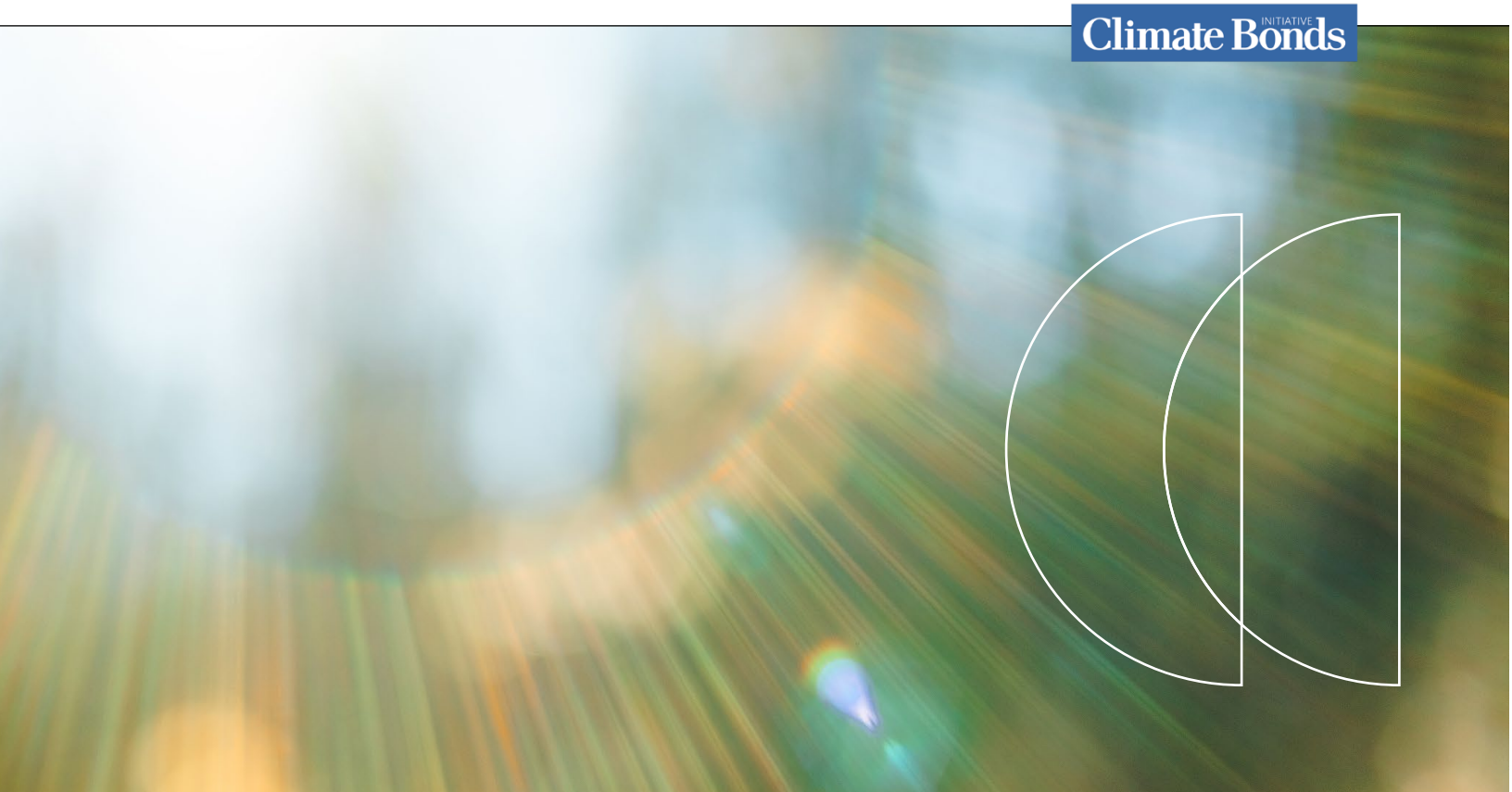
2025–2030 Climate Strategy

The purpose of this document is to present La Caisse's Climate Transition Framework and its 2025–2030 Climate Strategy.

June 2025

Endorsed by the Climate Bonds Initiative

Climate Bonds INITIATIVE



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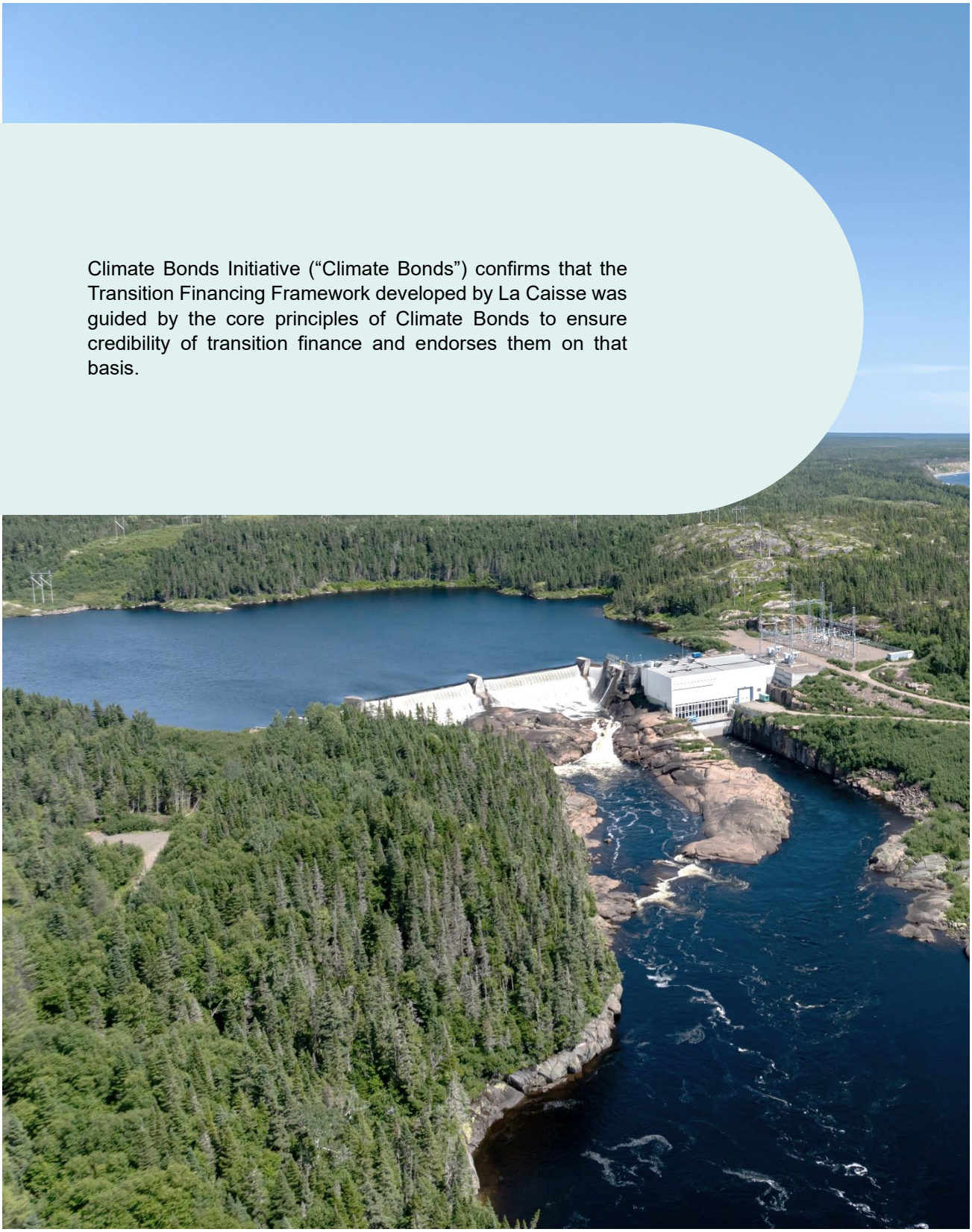
Climate Bonds Initiative (“Climate Bonds”) confirms that the Transition Financing Framework developed by La Caisse was guided by the core principles of Climate Bonds to ensure credibility of transition finance and endorses them on that basis.



1. Introduction

True to our dual mandate to deliver optimal performance to meet the needs of our depositors while contributing to the development of a strong Québec economy, we have consistently set ambitious sustainable investing targets that create long-term value.

Our sustainable investing journey started in 1994, when we adopted of our first proxy voting policy that emphasized shareholder rights and good governance. In 2006, La Caisse became a founding member of the Principles for Responsible Investing, a UN initiative. Over the years we have broadened and deepened our sustainable investing approach to include most topics that underpin the financial performance of companies over the long-term. We started working on climate change immediately after the historic Paris Agreement. In 2017, La Caisse was one of the very first large asset owners to adopt an ambitious climate strategy with defined targets covering its entire portfolio. In 2019, we were a founding member of the UN-convened Net-Zero Asset Owner Alliance. In 2021, we enhanced the ambition of our climate strategy.

Unfortunately, global decarbonization and the energy transition has fallen behind the targeted pace. It has become clearer that the energy transition will require vast amounts of capital to invest in new solutions that will replace fossil fuels and to fund companies' efforts to decarbonize.

In 2017, we focused on investing in climate solutions and on portfolio decarbonization. We have since achieved the ambitious targets that we set for ourselves. However, it is increasingly evident that decarbonizing a portfolio and decarbonizing the real economy do not necessarily go together. Investors must put a much greater emphasis on the decarbonization efforts of companies in their portfolios in order to optimize their posture in a climate change environment. The portfolio will decarbonize as a consequence of company efforts.

This document outlines La Caisse's Transition Financing Framework ("TFF"), which defines our approach to (i) increase investment in climate solutions and (ii) shift our investment focus from the carbon footprint of our portfolio to the decarbonization pathways of portfolio companies and their climate maturity. This approach will be supported by our extensive experience in corporate engagement, dialogue with other stakeholders and climate risks identification and management.

1.1. Scope

La Caisse's climate action is based on the conviction that creating value in the transition to a low-carbon economy requires a multifaceted approach to be deployed across all sectors of activity.

La Caisse is taking a holistic approach to climate change. This transition financing plan is therefore applicable to investments in companies or projects[1] across all asset classes, including investments in externally managed funds, and in all geographies. We believe all companies must assess and, when relevant, integrate climate-related risks and opportunities into their business practices and models.

In applying its TFF, La Caisse takes into account regional and local realities, following the principle of "common but differentiated responsibilities" set out in the Paris Agreement, which recognizes that, while all countries have a duty to take action to combat climate change, the types of actions they take depend on their specific national circumstances.[2] Providing a sufficient degree of flexibility involves using region, country, or sector-specific trajectories and targets, as well as considering existing national taxonomies if necessary.

[1] See the definition of "Scope" in the appendix.

[2] United Nations Framework Convention on Climate Change (2016). *The Paris Agreement*. Source: https://unfccc.int/sites/default/files/resource/parisagreement_publication.pdf

2. Background

2.1. Climate strategy since 2017

Since 2017, La Caisse has implemented an ambitious and evolving climate strategy to benefit from business opportunities and better assess energy transition and climate change risks on a global scale, positioning itself among the first institutional investors to take assertive and structured action to address these issues.

In 2019, La Caisse became a founding member and a signatory of the United Nation-convened Net-Zero Asset Owner Alliance (NZAOA), a coalition of investors committed to achieving a carbon-neutral economy.

In 2021, La Caisse enhanced its climate ambition, demonstrating its ongoing commitment to the fight against climate change. This strategy was based on several essential and complementary levers, achieved or exceeded in 2024.

2021 Strategy

- $54 billion in low-carbon assets by 2025 to contribute to a more sustainable economy
- 60% reduction in carbon intensity between 2017 and 2030
- $10 billion to decarbonize major carbon emitting industrial sectors
- Exit from oil production by the end of 2022

Results at the end of 2024

- $58 billion in low-carbon assets
- 69% decrease in carbon intensity (since 2017)
- $6.2 billion in transition assets
- Exit from oil production completed in 2023

Additionally, La Caisse recognizes the crucial importance of fighting against deforestation to achieve its net-zero target by 2050 and manage portfolio risks effectively. Therefore, as part of its pre-investment analyses and portfolio monitoring, La Caisse integrates deforestation and land conversion risks by assessing asset-level exposure, implementing investment strategies aimed at mitigating such risks and associated human rights abuses and engaging in stewardship activities. Notably, our membership in two collaborative engagement initiatives, Spring and Nature Action 100, illustrates our commitment to these efforts.

2.2. The challenges of financing the transition

Since the launch of our first climate strategy in 2017, the fight against climate change has advanced, but not enough. Physical risks increase with the growing concentration of greenhouse gases (GHGs) in the atmosphere.[3] Assessing transition risk is more complex due to the variability of public policies in terms of geographies and timing. These challenges require a different approach from investors.

2.2.1. An economy that is decarbonizing too slowly

Human activities, mainly through GHG emissions, are the source of global warming. The resulting climate change will continue to intensify and materialize in the form of slower growth and physical damage, as well as impacts on access to water, on food production, on the well-being of individuals and on ecosystems.[4]

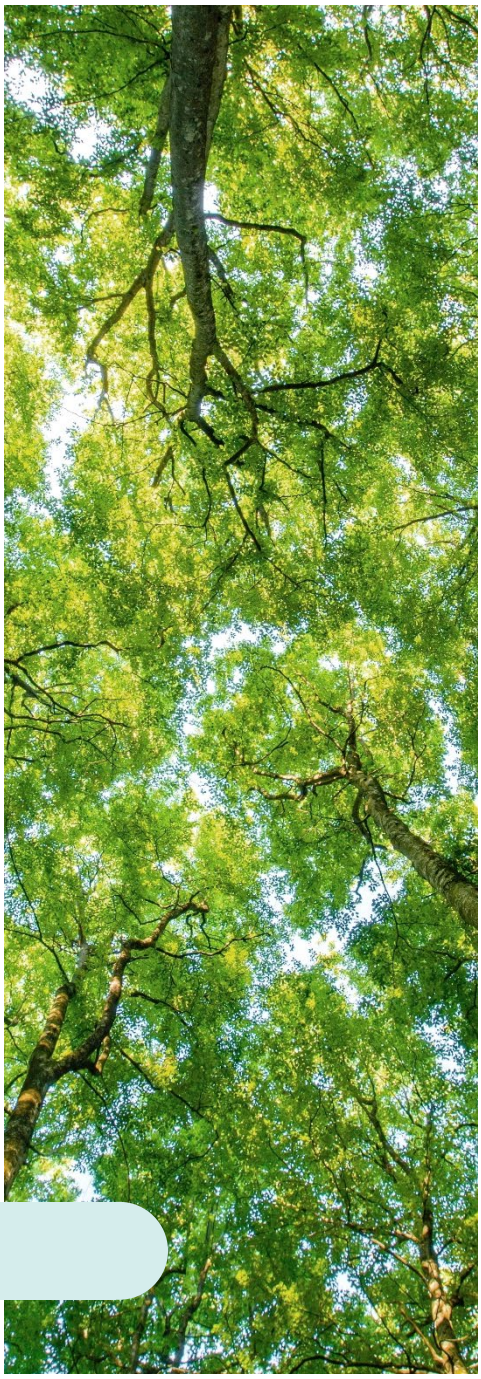
[3] World Meteorological Organization (2024). *Greenhouse gas concentrations surge again to new record in 2023*.
Source: https://wmo.int/news/media-centre/greenhouse-gas-concentrations-surge-again-new-record-2023

[4] Intergovernmental Panel on Climate Change (2023). Climate Change 2023 Synthesis Report.
Source: https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_SPM.pdf

To date, policies have been insufficient to limit projected global warming to 1.5°C above pre-industrial levels.[5] To close this gap, in addition to adopting appropriate public policies to guide the decisions of companies, investors and civil society, it is essential to significantly increase investment aligned with the transition toward a low-carbon economy.

Although the challenge is immense, several advances allow us to remain optimistic. The International Energy Agency (IEA) estimates that the current rapid deployment of clean energy will allow global demand for coal, oil and natural gas to peak in this decade.[6] The key actions required to sharply bend the emissions curve downward by 2030 are well understood, often cost-effective and proceeding at an accelerated rate. Indeed, ramping up renewable energy, improving energy efficiency, reducing methane emissions and increasing electrification with the technologies available today would achieve more than 80% of the emission reductions needed by 2030.[7]

As an investor seeking an optimal long-term return, La Caisse must better integrate these recommendations into its investment strategy, as they are likely to underpin business and economic performance over the long run.



2.2.2. Climate change risks

Physical risks

Physical risks refer to the direct consequences of increased frequency and severity of extreme climate events and the gradual changes in the climate over the longer term. In a context of increasing natural disasters, a lack of funding for climate change mitigation solutions will lead to an increase in associated losses. Specifically, annual losses have increased by an average of 5% to 7% per year over the past three decades, and this trend is expected to continue over the long term.[8]

[5] Intergovernmental Panel on Climate Change (2023). Climate Change 2023 Synthesis Report.
Source: https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_SPM.pdf

[6] International Energy Agency (2023). *Net Zero Roadmap – A Global Pathway to Keep the 1.5°C Goal in Reach*.
Source: Net Zero Roadmap: A Global Pathway to Keep the 1.5 °C Goal in Reach - 2023 Update

[7] International Energy Agency (2023). *Net Zero Roadmap – A Global Pathway to Keep the 1.5°C Goal in Reach*.
Source: Net Zero Roadmap: A Global Pathway to Keep the 1.5 °C Goal in Reach - 2023 Update

[8] Swiss Re Institute (2023). *Natural catastrophes in 2023: gearing up for today's and tomorrow's weather risks*.
Source: https://www.swissre.com/dam/jcr:3a23765e-8aab-460a-a975-fb8bc1f30f9b/2024-03-sr-sigma-1-facts-sheet.pdf

The links between climate change and economic growth are complex and multidimensional. Even if there is no consensus on the magnitude and time horizon of these shocks, certain observations dominate. Climate change could notably lead to sustained inflation, through an increase in the price of raw materials and the destruction of physical capital. As such, rising temperatures would negatively impact per capita gross domestic product (GDP), up to a cumulative 7% globally in the long term, in the absence of additional mitigation policies.[9, 10]

Transition risk.

Transition risk is linked to the process of adjusting economies toward a low-carbon pathway.

At the country level, this risk affects long-term economic growth. The level of a country's exposure to transition risk varies according to the nature of its economy and the climate policies aligned with the Paris Agreement that the country adopts. Economies that produce or consume a lot of fossil fuels are the most exposed. Developing renewable energy and improving energy efficiency are effective ways to manage this risk.[11]

At the company level, the transition risk is linked to its business model, including stricter regulation, carbon pricing and changes in consumer preferences. Transitions risks have four facets: political and legal, technological, market and reputational.[12] These transition risks can lead to additional financial costs, particularly in energy-intensive or high-emission sectors.[13] Less emitting sectors may still be exposed to transition risks due to their dependence on products and services from more emitting sectors or through their products' emissions. The entire economy is therefore exposed to transition risk.

As a long-term investor, La Caisse must manage its portfolio by taking these risks into account and ensure that portfolio companies do the same. Indeed, climate mature companies should be more resilient to evolving climate risks.

[9] IMF Working Paper (2019). *Long-Term Macroeconomic Effects on Climate Change: A Cross-Country Analysis*. Source: https://www.imf.org/en/Publications/WP/Issues/2019/10/11/Long-Term-Macroeconomic-Effects-of-Climate-Change-A-Cross-Country-Analysis-48691

[10] Swiss Re Institute (2021). *The economics of climate change: no action not an option*. Source: https://www.swissre.com/dam/jcr:5d558fa2-9c15-419d-8dce-73c080fca3ba/SRI_%20Expertise_Publication_EN_LITE_The%20economics_of_climate_change.pdf

[11] European Investment Bank (2021). *Assessing climate change risks at the country level: the EIB scoring model*. Source: https://www.eib.org/attachments/efs/economics_working_paper_2021_03_en.pdf

[12] Task Force on Climate-related Financial Disclosures (2017). *Recommendations of the Task Force on Climate-related Financial Disclosure*. Source: https://assets.bbhub.io/company/sites/60/2020/10/FINAL-2017-TCFD-Report-11052018.pdf

[13] World Economic Forum (2024). *The Cost of Inaction: A CEO Guide to Navigating Climate Risk*. Source: https://reports.weforum.org/docs/WEF_The_Cost_of_Inaction_2024.pdf

3. La Caisse's approach: 2025–2030 Climate Strategy

3.1. An approach adapted to the current transition context

Our new approach, which we refer to as Climate Action, aims to generate optimal long-term returns while promoting the transition of the real economy toward a resilient, low-carbon future. This more ambitious approach is better aligned with La Caisse's long-term objective of seizing attractive investment opportunities in the context of the energy transition while having a greater impact on decarbonizing the real economy. It sets out that decarbonizing the portfolio is the result of portfolio companies decarbonizing rather than the selection of assets that produce increasingly fewer emissions.

Climate risk management, proactive corporate engagement and ongoing dialogue with governments, regulators and civil society are central to the success of this approach.

La Caisse targets a total of $400 billion invested in Climate Action by 2030. Variable compensation for La Caisse teams will be linked to this target.

La Caisse's ambition is based on two pillars:

I. Investing in future-oriented climate solutions	This includes activities that promote or enable the development of low-carbon energy and solutions, activities that enhance community and business resilience to climate change and nature-based activities and solutions that positively impact climate and biodiversity.[14]
II. Investing to support companies that integrate the climate into their business model and adopt decarbonization pathways	Climate-mature companies with ambitious and rigorous GHG emission reduction plans that consider their sector and geography are well-positioned to benefit from the opportunities presented by the transition. These companies also take climate risks into account, thereby reducing the risks for La Caisse as an investor. La Caisse believes that investing in decarbonization is an effective way to protect and even create value. **These investments can take two forms:** (i) Encourage its portfolio companies to raise their climate ambition, or (ii) Deploy new investments in climate-mature companies.

[14] Notably through the capacity of ecosystems to absorb carbon, habitat restoration and reduced use of chemicals in agriculture.

3.2. Voluntary normative frameworks

This approach is supported by the evolution of voluntary regulations and normative frameworks.

Currently, there is no universally accepted definition of what constitutes an investment in climate solutions. The same challenge applies to measuring a company's climate maturity and the extent of its decarbonization efforts.

While some national taxonomies exist, they lack the scope required by a global investor like La Caisse, which aims to apply uniform standards across different geographies and sectors.

To address this, La Caisse relies on internationally recognized voluntary normative frameworks such as the *Climate Bonds Initiative* (CBI), *Science Based Targets initiative* (SBTi), *Net Zero Investment Framework* (NZIF) and *Transition Pathway Initiative* (TPI). These rigorous frameworks evolve regularly, allowing us to remain aligned with technological and legislative developments in the market.

These normative frameworks are numerous but converge on certain conclusions. They do not just require measuring a company's historical emissions. They now look at decarbonization pathways, i.e. the projection of future corporate emissions. Prioritizing the alignment of portfolio companies should take precedence over merely reducing the portfolio footprint.

3.3. Investing in climate solutions

Climate solutions encompass low-carbon technologies, such as zero-carbon alternatives to fossil fuels, infrastructure and other activities that facilitate decarbonization of the economy. The latter include energy efficiency, carbon capture and resilience. These solutions play a significant role according to current projections on the investment needed to align with the Paris Agreement and help favourably position La Caisse's portfolio in the context of climate change.

La Caisse identifies four distinct categories to classify investment opportunities from among the climate solutions, as no category alone can achieve the transition at the necessary speed and scale.

This classification is usually applied to pure play or quasi pure play companies. However, it may also apply to investments in companies that have qualifying activities or lines of business provided that such companies (as a whole) meet the Do No Significant Harm criteria outlined below. In such cases, only a portion of the investment would be recognized as climate solutions, proportional to the qualifying revenue generated by the company (or other appropriate metric).

3.3.1. Low-carbon assets

Since 2017, La Caisse has used the *Climate Bonds Initiative* (CBI) taxonomy to define low-carbon assets. This classification system is designed to identify assets and projects that contribute to climate change mitigation objectives, based on scientific consensus and developed through a multi-stakeholder approach involving technical experts. The taxonomy includes sector-specific criteria and uses a traffic light system to indicate the eligibility of investments. La Caisse regularly monitors any updates to this taxonomy to reflect technological and scientific advances, providing a reliable guide for identifying projects that are part of a sustainable economy.

Low-carbon assets are investments in companies that are already net zero or have very low carbon emissions compared to existing solutions. The following table presents the sectors of activity eligible for La Caisse's low-carbon assets, along with examples for illustration purposes.

Sector	Examples
Electricity	• Solar, wind, marine renewable, hydroelectricity, geothermal and nuclear energy • Electricity transmission and distribution networks operating within a low-carbon system
Waste management	• Waste recycling and reuse, collection infrastructure, composting, anaerobic digestion, pre-sorting, waste incineration or gasification and energy recovery, decommissioned landfill with gas capture and energy production
Cement	• Production of cement with an average carbon intensity below the threshold established by the CBI
Basic chemical elements	• Production of basic chemical elements below a carbon intensity threshold based on the type of chemical element established by the CBI
Water management infrastructure	• Water collection, treatment and storage infrastructure, including flood prevention and stormwater management systems • Smart grids • Water quality monitoring processes
Transportation	• Zero-emission rail or freight trains (electric or hydrogen) • Zero-emission vehicles (passenger cars and commercial vehicles) • Zero-emission road freight transportation or public transit • Dedicated infrastructure for zero-emission refuelling or charging
Hydrogen	• Hydrogen production, packaging, transportation and distribution, storage, sourcing of raw materials and/or electricity generation that remain below a carbon intensity threshold set by CBI
Bioenergy	• Biofuel production • Biomass electricity generation • Heat generation or cooling plants and cogeneration (district heating) under specific GHG emission thresholds
Real estate	• Buildings that have achieved or are actively pursuing eligible certifications • Buildings that have met specific energy or emission standards based on the *Carbon Risk Real Estate Monitor* (CRREM) framework

3.3.2. Nature-based solutions

Nature-based solutions (NBS) are initiatives and practices that leverage natural ecosystems to address challenges related to climate change and nature loss, benefiting both humans and biodiversity. These solutions encompass the protection, sustainable management and restoration of natural and modified ecosystems. Nature can facilitate carbon sequestration, water storage and filtration, erosion reduction and temperature moderation.

NBS play a crucial role by addressing multiple challenges associated with the climate transition and asset resilience. Through the integration of this theme at the intersection of climate and biodiversity, La Caisse positions nature as a central element in environmental protection and enhancing the resilience of communities to climate hazards.

The table below provides a representative and non-exhaustive list of examples of NBS investments.

Sector	Examples
Forest, conservation and restoration	• Protection and restoration of natural ecosystems (wetlands, mangroves) • Natural forests and plantations • Integration of agroforestry into agricultural and pasture lands • Lumber production, forest restoration or conservation
Agriculture (crops, livestock, mixed farming, greenhouses)	• Measures to reduce or sequester emissions from agricultural land • Reduction of deforestation, peatlands or coastal conversion • Natural terrestrial ecosystems (managed and unmanaged) • Enhancement of crop production, agroforestry, and silvopasture systems • Regenerative, organic agriculture • Sustainable agriculture (more water, fertilizer and pesticide efficient than current practices)

3.3.3. Adaptation and resilience solutions

Climate change is characterized in particular by a disruption of atmospheric and oceanic cycles, resulting in sudden transitions between episodes of severe drought and abundant rainfall, observed in both hemispheres of the globe.[15] As the severity and frequency of storms increase, sustained heat can threaten human and animal life and agriculture. Disruptions in the hydrological cycle lead to droughts, floods, erosion, landslides and fires.

Adaptation and resilience solutions aim to limit the impact of these events on communities and economic activity, including agriculture.

La Caisse relies on internal tools and experts to identify adaptation projects that include strengthening real assets, using nature to soften the impact of climate hazards and using emergency measures. These activities may give rise to a direct investment thesis and/or be the subject of investments/activities by the portfolio companies.

[15] Nature, Source: https://www.nature.com/articles/s43017-024-00624-z

In this context, La Caisse relies on the CBI taxonomy to define the eligibility framework for an asset contributing to climate resilience. The investment process includes a three-step resilience analysis:

1.	2.	3.
Establish the materiality of a climate hazard, recognized by the scientific community (IPCC, etc.) for an asset or a company.	Declare the intentionality behind enhancing the asset's resilience in the investment thesis (or detail the project's resilience characteristics).	Clearly communicate the causal link between the resilience characteristics of the investment project and the materiality identified over the life of the project.

The table below provides an indicative and non-exhaustive list of examples of investments in resilience solutions based on the CBI criteria, by sector of activity.

Sector	Examples
Water (extreme precipitation, drought)	• Flood defence, wetland protection, stormwater management, rainwater harvesting • Reinforcement of water distribution or wastewater treatment systems, desalination plants, implementation of systems to save water, etc.
Buildings (extreme precipitation, extreme temperatures)	• Strengthening buildings against extreme weather events • In very hot areas, increased refrigeration to reduce the impact of extreme/hazardous heat • Green roofs and walls, water retention gardens, porous pavers, etc.
Forestry (extreme temperatures, fire hazard)	• Clearing brush, diversification of species, transmigration of species more capable of surviving • Afforestation and reforestation, conservation and replanting of mangroves, etc.
Electricity (hurricanes/typhoons/cyclones)	• Network resiliency, backup generation and storage, etc.
ICT (extreme precipitation, extreme temperatures, hurricanes/typhoons/cyclones)	• Strengthening infrastructure and building, systems and facilities to build community resilience
Health (extreme temperatures)	• Treatment and monitoring of diseases that may increase due to climate change (e.g. vector-borne diseases), treatment of respiratory diseases due to forest fires

3.3.4. Enablers

Enablers are products, services or processes, including intangible goods such as software or intellectual property, integrated or linked to goods or activities, that play a key and intrinsic role in achieving the objectives of the transition to a sustainable, resilient or low-carbon economy. These enablers indirectly contribute to the achievement of environmental or social objectives by supporting activities, technologies or processes that reduce the negative impacts of climate change.

They must be identified through a rigorous approach focused on their intrinsic nature and comparisons between a solution and a counterfactual model. The *International Capital Market Association* (ICMA) provides some criteria for defining enablers.[16]:

- The enabler must be necessary in the value chain of the product or service it enables and should remain necessary over relevant Paris Agreement-aligned scenarios or long-term transition plans
- The enabler should not lead to locking-in high GHG emitting activities relative to other technologically feasible and/or commercially viable solutions
- The enabler must provide a clear, quantifiable and attributable environmental benefit either based on actual impact or on the potential outcome of the product or service it enables
- Enablers should not be the source of unmanageable environmental or social impacts and risks (*Do No Significant Harm* principle).

The table below presents an indicative and non-exhaustive list of examples of enablers for each of the categories of climate solutions.

Solutions	Examples
Low-carbon assets	• Battery manufacturing or installation dedicated to a renewable energy production facility • Equipment components that have an intrinsic role in achieving the environmental objectives: lithium mining and refining, battery component manufacturing • Specialized services supporting a low-carbon asset: wind turbine maintenance, residential solar panel installation, etc.
Nature-based solutions	• Technological or biological solutions supporting sustainable agriculture • Water-efficient irrigation systems • Specialized services contributing to the goal of sustainable agriculture or forestry
Resilience and adaptation	• Technology solutions • Equipment for water treatment or management • Infrastructure components dedicated to a resiliency function (e.g. waterproof membranes)

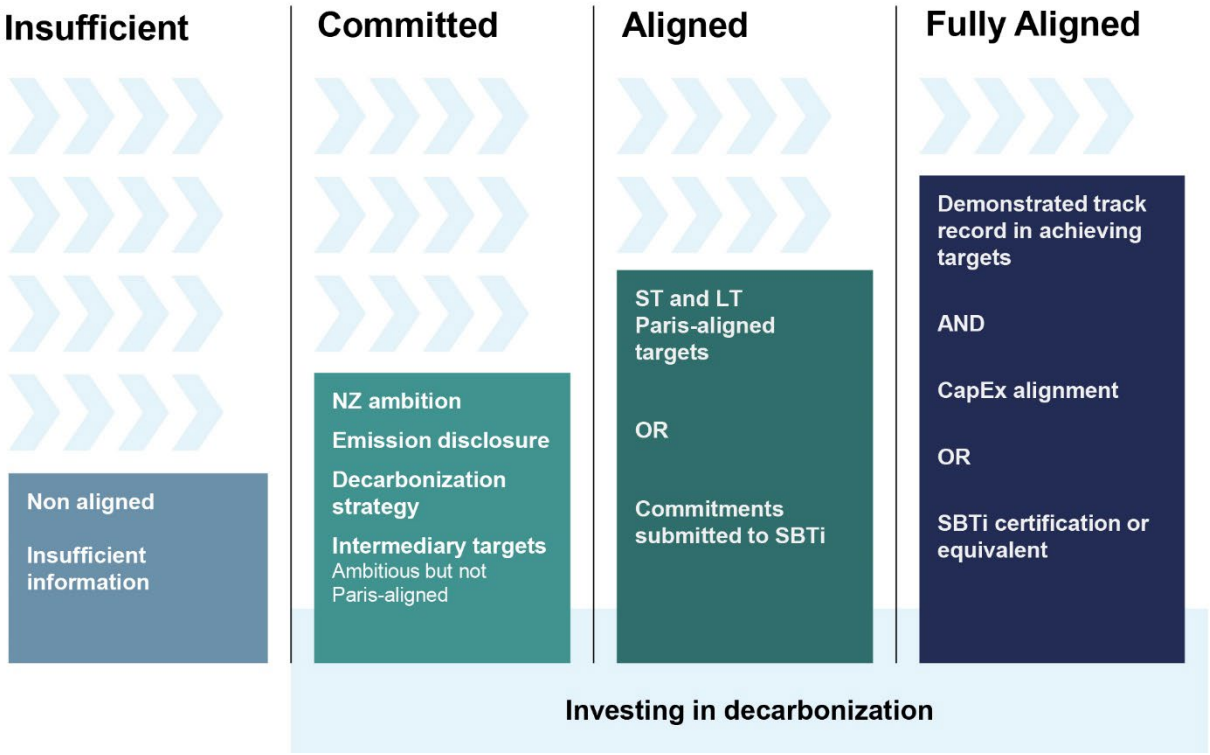
[16] The Green Bond Principles (2024). *Green Enabling Projects Guidance document*.
Source: https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/Green-Enabling-Projects-Guidance-document-June-2024.pdf

3.4. Investing in decarbonization

As a long-term investor, La Caisse considers a company's decarbonization pathway rather than its historical emissions, and prioritizes investing in companies with mature climate strategies and strong commitments to lower their emissions given their sectoral and geographic context, while respecting the principle of the just transition.

Measuring the climate maturity of companies and the robustness of their targets is a complex exercise. La Caisse has developed a methodology inspired by the work carried out by the *Science Based Targets initiative* (SBTi), the *Glasgow Financial Alliance for Net-Zero* (GFANZ) and the *Transition Pathway Initiative* (TPI), detailed below. This methodology takes into account companies' governance of climate issues as well as their detailed and credible plans to reduce future emissions, according to pathways that may or may not be aligned with the Paris Agreement.

This internal methodology classifies companies into three tiers, based on the extent that climate change is integrated into their business practices. Each tier indicates the degree of ambition of companies' emission reduction efforts, as well as the governance structure in place to mitigate risks and seize opportunities related to climate change. Specifically, these tiers are defined as follows:



3.4.1. Committed tier

This tier makes it possible to recognize companies committed to a decarbonization pathway, but that are not aligned with the Paris Agreement. They must have good climate governance and a well-defined decarbonization strategy in place, demonstrating their commitment to reducing their carbon footprint in a gradual and structured way. These companies must measure their emissions reliably, demonstrating their rigour and transparency. Their decarbonization targets must highlight a long-term reduction ambition with clear and achievable intermediate milestones.

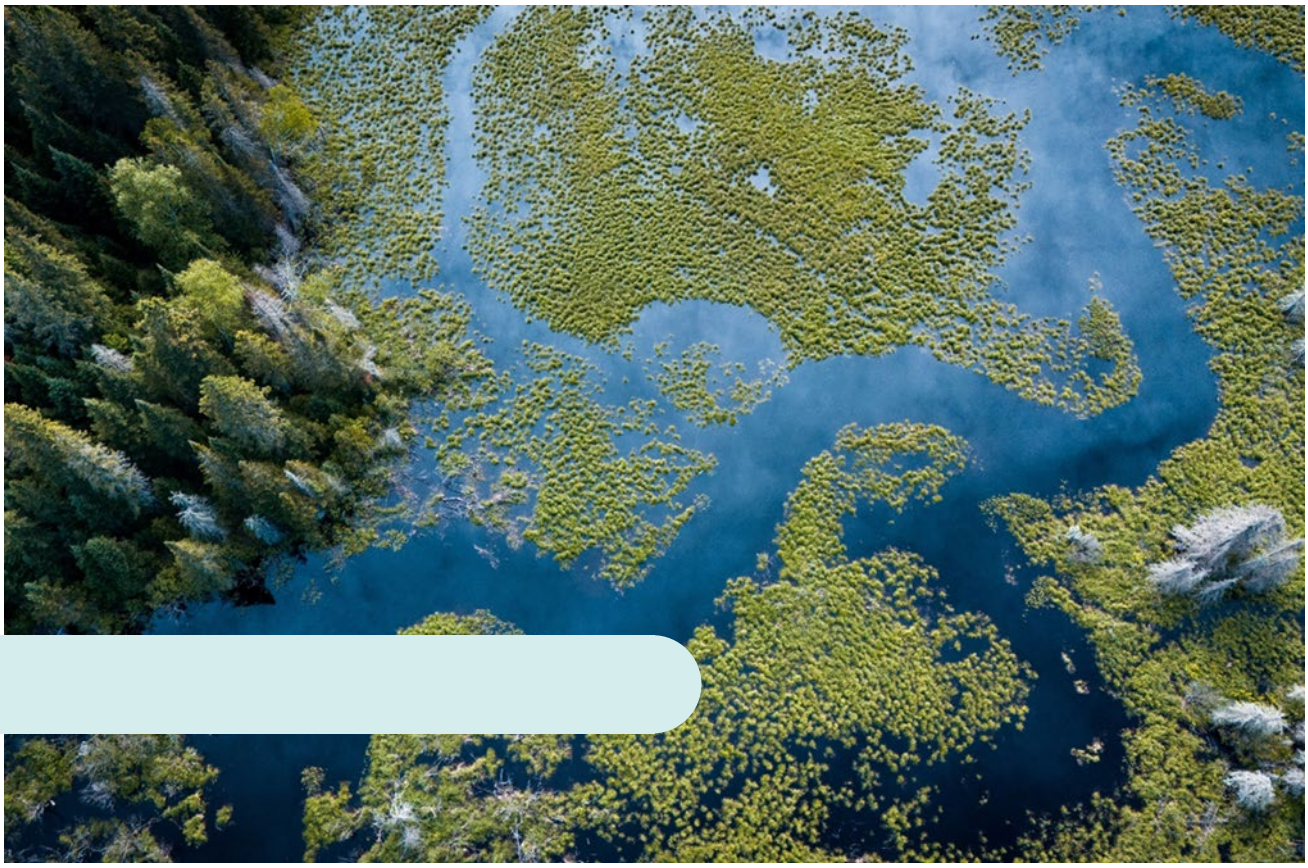
This tier distinguishes companies that are taking concrete and measurable action to contribute to the fight against climate change within the context of a graduated approach to ultimately align with the Paris Agreement. It also applies to companies with targets that operate in sectors where current public policies do not create an economic and business environment that allows for alignment with the Paris Agreement.

3.4.2. Aligned tier

The Aligned tier is reserved for companies that, while they may not yet be fully aligned with the Paris Agreement, have made formal commitments to achieve such alignment. These companies have already met the preceding conditions (Committed tier) and are able to demonstrate that the targets set are science-based. To do so, they can either demonstrate their alignment themselves by comparing their pathways to those of the appropriate sector or submit their commitments to SBTi for validation. This tier highlights these companies' significant efforts to align their practices with global climate goals.

3.4.3. Fully aligned tier

Fully aligned assets are those whose decarbonization pathway is in line with the Paris Agreement, demonstrating scientifically sound rigour in decarbonization. This distinction aims to recognize the most advanced companies in their sector. Companies reach this level when they already meet all of the above criteria (Committed and Aligning tiers) and are distinguished by tangible evidence of their climate commitment, including: (i) a positive historical contribution to climate change, such as a reduction in absolute emissions and an alignment of capital expenditures, or (ii) an SBTi certification or (iii) validation of the transition strategy by an external consultant.



3.5. Other considerations

3.5.1. Do No Significant Harm (DNSH) principle

La Caisse incorporates the DNSH principle by using high-level expert judgment to identify and flag investments that may materially undermine climate mitigation, cause environmental damage or have material adverse social impacts. The DNSH principle is applied at two levels: (i) measures taken by the company and (ii) company activities.

It aims to prevent investments from unintentionally locking-in high-emission activities, undermining decarbonization goals or causing significant harm to other environmental and social objectives. Environmental objectives may comprise biodiversity and ecosystems protection and restoration (including no deforestation), sustainable use of water and marine resources, waste prevention and recycling. Social objectives may comprise labour conditions and respect of human rights, as set out in La Caisse's Human Rights Policy.

3.5.2. Carbon offsetting

La Caisse recognizes that carbon credits will play a role in the energy transition. However, integrity issues remain, and therefore, reliance on carbon credits should be based on a robust approach, such as the one proposed by the Oxford Offsetting Principles[17].

La Caisse formulates its position in accordance with the principles of the *Science Based Targets initiative* (SBTi), which requires companies to set targets based on emission reductions through direct actions within their own boundaries or value chains. The use of carbon credits must not be counted as emission reductions toward the progress of companies' near- or long-term science-based targets. This means that companies should not purchase carbon credits as a substitute for emission reductions.

However, carbon removal credits may only be considered as an option for neutralizing residual emissions—those which remain after all possible abatement measures have been implemented.

We note that SBTi is currently reviewing its position on the subject of carbon offsetting. We will update our position as more information becomes available.

3.5.3. Just Transition

La Caisse is integrating the principles of a just transition into its investment practices through shareholder engagement, by encouraging its portfolio companies to integrate this concept into their strategy. According to the International Labour Organization, the objective of the just transition is to secure the way of life of individuals and communities potentially affected by the implementation of an energy transition, while making societies more inclusive, as well as ensuring the creation of and access to decent work opportunities and reducing socio-economic inequalities between citizens and states around the world. The just transition is focused on the implementation of accompanying measures so that workers and communities are not left to fend for themselves and instead become proactive actors in a low-carbon economy.

[17] https://www.smithschool.ox.ac.uk/research/oxford-offsetting-principles

3.6. Levers of climate action

3.6.1. Dialogue and levers of influence

Advisory role

In the ongoing dialogue with the management teams of the portfolio companies, La Caisse shares its expectations with respect to their governance practices, risk management and the integration of climate factors into their business plans. This corporate engagement is based on several levers of influence, depending on the asset class.

La Caisse's teams have extensive expertise in post-investment support for portfolio companies that benefit from its support in integrating sustainability considerations into all areas of their business: strategy, disclosure, Board composition, business risk management and executive compensation.

Shareholder engagement and proxy voting

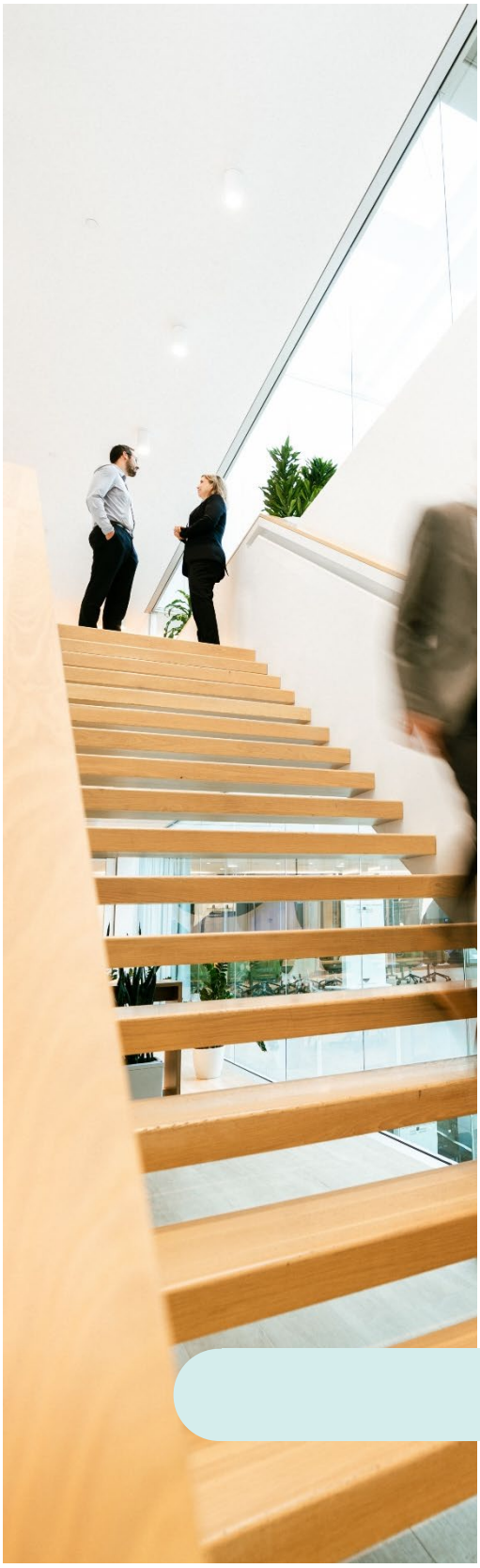
For public companies, La Caisse exercises its shareholder voting rights with vigilance, aiming to create long-term value while integrating its environmental and social convictions. La Caisse favours a graduated approach based on dialogue. When progress is insufficient, it supports certain shareholder proposals, including Say on Climate[18] and may be prompted to vote against the re-election of certain directors.

For private companies, La Caisse uses its influence through nominee directors and operating partners to deepen the integration of sustainability into the corporate strategy.

Dialogue with other stakeholders

La Caisse has the ambition to play a key role in promoting sustainable finance and decarbonization on a global scale. La Caisse actively collaborates with groups of financial institutions to influence the practices of the highest emitters and to raise awareness among its peers and companies on best practice models on climate issues. We also support various initiatives and participate in several working groups aimed at advancing the sector and accelerating the transition.

La Caisse also maintains a dialogue with public and government authorities to help guide policies and regulations toward promoting a transition to a sustainable, low-carbon economy. This collaboration allows La Caisse to better mobilize capital to finance transition projects, ensuring that its investments and initiatives are aligned with its long-term return and risk mitigation objectives.



[18] Initiative to ask a company to submit it climate strategy to a shareholder vote.

The details of its commitments are published annually in its *Sustainable Investing Report*.

3.6.2. Management of physical risks

Physical risks have been integrated into La Caisse's processes since 2021. Their analysis is carried out as part of the due diligence process and with a view to creating post-investment value over short, medium and long-term horizons for our real assets.

In pre-investment, the issues detected are analyzed with tools adapted to the specific context of the investment under consideration, which may include discussions with the company concerned. The potential costs generated by physical risks are integrated into the financial analyses of the investment, when relevant.

A similar approach to pre-investment is taken for portfolio assets (post-investment). If issues are detected, La Caisse enters into dialogue with the management of the company concerned so that it can account for these risks and take appropriate measures. In many cases, this involves enhancing the climate resilience of the assets and their value chain, as physical risks can affect not only the asset, but also some critical inputs to the investment, which are managed by third parties (e.g. roads, key suppliers, public infrastructure).

3.6.3. Management of transition risks

La Caisse has developed an internal analytical framework to assess the sensitivity of companies' business models to the energy transition through a suite of qualitative tools. This framework guides decision-making according to the regulatory, technological and socio-economic developments expected around the world. It promotes quality thinking when analyzing investment opportunities and allows for portfolio reviews with a particular focus on companies' business models based on the possible impacts of the energy transition.

La Caisse encourages portfolio companies to integrate these considerations into their strategy and business models to enhance their climate resilience. La Caisse works closely with these companies to help them develop robust transition plans and implement emission reduction initiatives. These efforts not only reduce the risks associated with the energy transition, but also enable seizing the opportunities offered by a more sustainable economy.

3.6.4. Metrics

La Caisse maintains, as a milestone toward its objective of carbon neutrality in 2050, its target for reducing the portfolio's carbon intensity by 60% by 2030 compared to 2017. Furthermore, it maintains its exit from coal and oil extraction and refining, announced in 2021 and effective in 2023.

La Caisse measures its portfolio's carbon intensity using the methodology approved by the NZAOA. This includes the vast majority of its Scope 3, Category 15 emissions, as defined by the Greenhouse Gas Protocol. To calculate its carbon intensity in this category, La Caisse uses its portfolio companies' Scopes 1 and 2 emissions. For the time being, data on their Scope 3 emissions is not available or reliable enough to be included in La Caisse's calculations. La Caisse prioritizes engagement of companies on certain Scope 3 elements that are actionable and strategic for the companies in the portfolio. La Caisse's pragmatic approach makes it possible to identify and capitalize on opportunities to influence decarbonization across the entire value chain of a specific sector.

The success of our approach will be measured in terms of exposure to climate action investments in billions of dollars.

3.6.5. Governance

La Caisse's activities are governed by various laws, regulations and policies. It complies with strict governance rules to achieve its investment objectives with rigour, efficiency and transparency.

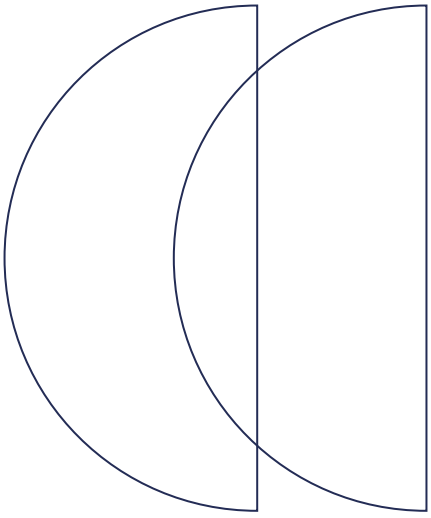
Sustainability criteria are subject to the same governance as all other investment criteria. They are incorporated into the due diligence review of investments and into our portfolio monitoring. These issues are addressed in specific sections of the investment approval and reporting documents. Working in collaboration with the entire organization, the Sustainability team closely monitors the sustainability objectives, including climate targets, of our specialized portfolios. These analyses are submitted to various committees on which members of management sit, particularly the Investment-Risk Committee.

Close attention is paid to data quality. Since 2021, a carbon certificate has been added to these extra-financial data, which now benefit from controls similar to those applicable to financial data, including external verification.

4. Conclusion

Since 2017, La Caisse has demonstrated its commitment to environmental transparency and climate responsibility, and its strategy has proven its effectiveness in achieving its objectives and decarbonizing the portfolio. By relying on robust methodologies and rigorous controls, it has been able to guide its investments toward a more sustainable future while being part of its mandate to generate long-term returns. La Caisse will continue to invest in innovative climate solutions, position the portfolio to optimize returns while considering climate risks and create value by encouraging portfolio companies to reach climate maturity. In this continuity, the strategy deployed in 2025 will make it possible to contribute all the more effectively to decarbonizing the real economy while strengthening portfolio decarbonization.

La Caisse will continue to develop and improve its approach to financing the transition by adapting to regulatory and industry changes. Through its proactive approach and evolving strategy, these efforts will allow La Caisse to remain at the forefront of global environmental standards and continue to play a critical role in the decarbonization of the real economy while creating long-term value for its beneficiaries and society as a whole.



5. Appendix – Glossary

Biodiversity

All of earth's species and ecosystems, as well as the ecological processes they form a part of.

Carbon footprint

The sum of all greenhouse gas emissions, measured in CO_2 equivalent, emitted by an activity or an organization.

Carbon intensity

For a company, GHG emissions expressed as tons of CO_2 equivalent divided by a production indicator (e.g. per kWh of electricity, per ton of steel for a steel mill or per square foot for real estate). La Caisse measures the carbon intensity of its portfolio using an NZAOA-approved methodology expressed in $tCO_2e/M\$$. This includes the vast majority of its Scope 3, Category 15 emissions, as defined by the Greenhouse Gas Protocol. To calculate its carbon intensity in this category, La Caisse uses its portfolio companies' Scopes 1 and 2 emissions.

Carbon lock-in

New high-emitting and long-lived assets or activities that ensure high GHG production over the medium or long term.

Carbon neutrality

Balance between carbon emissions and the absorption of carbon from the atmosphere by carbon sinks. For a financial portfolio, carbon neutrality is the balance between the emissions of the companies in the portfolio and the emissions captured by investments whose purpose is carbon capture and sequestration.

Climate Action

Investment in climate solutions (section 3.3) or in companies engaged in decarbonizing their activities (section 3.4).

Climate maturity

The degree to which a company takes into account the impact of climate change in its activities and its risk and opportunity management.

Climate resilience

An organization's capacity to guard against and adapt to physical climate risks.

Decarbonization

All the measures and techniques that enable a company or a local entity to reduce GHG emissions.

Decarbonization and/or transition plan

An action plan that explains how an institution intends to implement a commitment to carbon neutrality. It sets out specific objectives and actions to reduce GHG emissions and provides credibility and transparency on this commitment. A transition plan can also cover how the organization adapts to the impacts of climate change.

Do No Significant Harm principle

Principle to identify and report on investments that could significantly compromise climate mitigation, cause environmental damage or have significant negative social impacts, using high-level expert advice. This principle is applied at two levels: (i) measures taken by the company and (ii) company activities.

Energy transition

Process of transforming energy production and consumption systems toward more sustainable models intended to reduce GHG emissions, limiting dependence on fossil fuels and promoting decarbonized energy.

Greenhouse gas (GHG)

All the gases present in the Earth's atmosphere that accelerate the greenhouse effect, causing global warming by trapping heat in the atmosphere.

Low-carbon assets

Assets or investments that are low in carbon and that, by their nature, help mitigate or adapt to climate change as defined by the Climate Bonds Initiative (CBI).

Low-carbon economy

An economy in which trade is compatible with development that minimizes greenhouse gas (GHG) emissions and is resilient to climate change.

Low-intensity assets

Investments in companies operating in all economic sectors except industrials, energy, materials and non-renewable electricity. This category also excludes low-carbon assets.

Net zero

Achieving a state in which the activities in an organization's value chain result in no net accumulation of carbon dioxide (CO_2) and other GHG emissions in the atmosphere. For a financial institution, alignment of its portfolio so that its financing does not contribute to the accumulation of GHG emissions in the atmosphere.

Physical climate risks

Possibility of negative consequences of an indeterminate magnitude that endanger a valuable asset. The risks depend on vulnerability (predisposition to be negatively affected), exposure (condition in which the system is exposed to a climate phenomenon or trend) and hazard (natural or human-induced event that may have adverse effects on systems).

Scope

The transition financing framework covers all La Caisse's debt or equity investments, as well as the underlying externally managed funds, in (i) companies, (ii) companies dedicated to projects, structured finance or assets and (iii) sustainable bonds issued by governments. It also covers derivatives that result in exposure of La Caisse to the types of investments described in the previous sentence, as per calculation methods used by La Caisse.

Transition assets

High-emitting assets that have committed to making a contribution to the transition to a low-carbon economy by setting ambitious GHG reduction targets aligned with the Paris Agreement.

6. Cautionary statement regarding the environmental disclosure in this document

La Caisse recognizes the importance of reporting its sustainable investment commitments and activities, and this document has been voluntarily prepared on that basis.

This document is part of La Caisse's approach to transparency on various environmental, social and governance issues, including with respect to climate risks and opportunities.

Unless otherwise indicated, this document covers La Caisse’s activities and investments, and the information it contains is dated June 19, 2025. The information and perspectives provided in this document, or upon which it was prepared, reflect the situation on the date of its preparation. In addition, although La Caisse regularly monitors developments in applicable practices, methodologies, standards, frameworks, taxonomies and other references, the information and perspectives contained in this document are subject to change and will not be updated or otherwise revised to reflect data, circumstances or changes subsequent to the date this document was published. In addition, the procedures, policies or methodologies used by La Caisse to prepare this document could change and could change materially.

Unless otherwise specified, the information contained in this document has not been independently audited or verified. The Climate bonds Initiative (CBI) has reviewed this document, including La Caisse's methodology, as described on page 3.

This document contains certain forward-looking statements that La Caisse considers realistic and reasonable as of the date of this publication. Forward-looking statements include, but are not limited to, statements about La Caisse’s targets, actions, objectives and commitments, whether provisional or definitive, including greenhouse gas reduction targets, achieving a net-zero portfolio, achieving the value of low-carbon assets, assets aligned with the Paris Agreement or assets in transition, reducing the carbon intensity of its portfolio or its position on fossil fuels.

These forward-looking statements are not guarantees of future performance, and involve risks and uncertainties that are difficult to predict. There are also factors that may cause differences, such as legislative and regulatory changes, changes in the recommendations, practices, methodologies, standards, taxonomies or criteria on which this document is based. Actual future results may therefore differ materially from what is expressed or indicated in this document or from current expectations. La Caisse may not be in a position to predict whether or not it will be able to meet its plans, targets or objectives, whether provisional or definitive. La Caisse may need to modify, recalculate, and update them, as needed, based on changes in recommendations, practices, methodologies, standards, taxonomies or criteria that standardization bodies, the financial sector, regulatory agencies, civil society, La Caisse, its portfolio companies and its partners use to classify, measure and verify sustainability activities and objectives.