CGF Canada Growth Fund

Corporate Plan Summary*

2025 – 2029

*The information set out herein is current as of December 12, 2024

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1. Executive Summary

The Canada Growth Fund ("CGF")[1] is an independent impact investment fund, operating at arm's length from the Government of Canada. It was created to accelerate important decarbonization projects, to support emerging clean technologies, to help Canadian cleantech companies scale up to become global champions, and to capitalize on Canada's abundant natural resources. Through its investments, CGF takes on carefully considered risks that help attract private capital and ultimately accelerate investment in Canadian projects and technologies. CGF differs from traditional for-profit private sector investors seeking market returns and traditional public sector grant and contribution programs. CGF expects to deliver against its strategic objectives while recovering its capital on a portfolio basis and recycling its capital base over the long term.

In March 2023, Public Sector Pension Investment Board ("PSP Investments") was selected to act as the independent, arm's length and exclusive investment manager of CGF. Following this, in June 2023, the *Public Sector Pension Investment Board Act* was amended to allow a subsidiary of PSP Investments to be incorporated for the purpose of providing investment management services to CGF and in August 2023, PSP Investments incorporated Canada Growth Fund Investment Management Inc. ("CGFIM") as its wholly-owned subsidiary for that purpose. CGFIM acts as an independent investment manager to CGF and provides a full suite of services pursuant to the Investment Management Agreement ("IMA") which was entered into between PSP Investments, CGFIM, CGF and CDEV on March 11, 2024[2]. The CGFIM team has full discretionary authority over all aspects of investment management and transactions.

Individual investment decisions will always be made by CGFIM based on transparent investment principles and in strict independence from the Government of Canada.

Since the announcement of PSP as the manager in the 2023 Budget, significant progress has been made in formally establishing and ramping up CGF's activities.

The CGFIM team has indeed hit the ground running; over a period of approximately 18 months, CGF has already announced 8 transactions across its areas of focus.

Calendar year 2024 also saw the launched of CGF's Carbon Contracts Strategy and the development of a bespoke Impact Measurement and Management framework, approach, and tools, which have been embedded in the investment process and piloted on announced deals. These topics are further addressed herein.

Looking forward, CGF will continue to invest across a variety of sectors and to deploy innovative financing structures, in accordance with the CGF Mandate, the IMA, the Statement of Investment Principles appended to the IMA (the "SIP") and the Statement or Priorities and Accountabilities (the "SPA"), as further described herein. In order to do so, CGFIM will continue to scale its team, build out its capabilities, and support the growth of Canada's low-carbon economy through its investment management activities.

This 2025-2029 Corporate Plan provides an update on the progress made, as well as CGF's plan for the next five years. The plan also provides an overview of CGF, its operating environment, its activities, as well as projected financials for its next five years of operations.

[1] Canada Growth Fund Inc. was incorporated as a subsidiary of Canada Development Investment Corporation ("CDEV") in December 2022.

[2] On June 5th, 2023, PSP Investments, CGF and CDEV entered into an agreement pursuant to which PSP Investments agreed to provide, through a secondment arrangement, employees that would deliver a full suite of services to CGF (the "Framework Agreement") prior to entering into the IMA.

2. Overview of the Canada Growth Fund

2.1. Purpose and Rationale

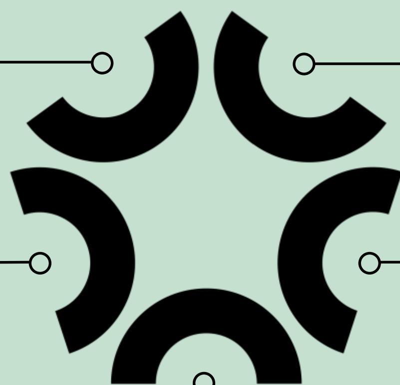
CGF was established to support the growth of Canada's economy and to attract private sector capital to achieve Canada's emissions reductions goals. In light of the significant economic and investment opportunities associated with the low-carbon economy, many countries around the world have launched innovative clean technology financing initiatives, such as the Inflation Reduction Act ("IRA") in the United States. Such initiatives provide significant investment incentives to the private sector to improve the economic and risk profiles of decarbonization-related projects. To remain competitive on the global stage and to ensure it continues to be a leading destination for private investment, Canada has established similar initiatives, including CGF, to drive innovation across new and traditional sectors of Canada's industrial base.

CGF takes a unique role in the investor ecosystem by deploying innovative financial structures to unlock new investment in Canada's energy transition. In addition to equity debt, and hybrid finance, these structures include Contracts for Difference (CfD") and Offtakes (together referred to thereafter as "Contracts") for carbon pricing. CGF aims to mitigate certain risks associated with investing in novel decarbonization projects and technologies, such as demand and pricing uncertainty, execution risk, as well as uncertainties associated with an evolving policy and regulatory landscape. By doing so, CGF aims to improve the risk profile of Canadian energy transition investment opportunities and attract additional private capital to Canadian decarbonization projects, technologies, businesses and supply chains.

CGF is focused on capitalizing on Canada's abundance of natural resources and strengthening its supply chains to support Canada's future economic and environmental performance. Through this, CGF contributes to positioning Canada as a leading player in the global clean economy. By investing in and supporting the development of domestic expertise, intellectual property, knowledge, and technologies, CGF helps Canadian businesses compete and win as leaders on the global stage.

2.2. CGF Mandate

CGF’s mandate (the “Mandate”) is to build a portfolio of investments (the “CGF Investments”) that catalyze substantial private sector investment in Canadian businesses and projects to help transform and grow Canada’s economy at speed and scale on the path to net-zero, and is intended to help Canada meet the following national economic and climate policy strategic objectives:



Accelerate the **deployment of key technologies**, such as low-carbon hydrogen and carbon capture and sequestration (“CCS”), among others.

Encourage the **retention of intellectual property** in Canada.

Reduce emissions and achieve Canada’s climate targets.

Capitalize on Canada’s abundance of natural resources and **strengthen critical supply chains** to secure Canada’s future economic and environmental well-being

Scale up companies that will create jobs, drive productivity and clean growth across new and traditional sectors of Canada’s industrial base.

2.3. Scope of Investment Activities

To achieve its Mandate, CGF focuses its investing activities on three key areas:

Projects

Projects: projects that use technologies and processes (that have been proven in pilots but not yet widely adopted) to reduce emissions across the Canadian economy. This includes projects across a variety of sectors, including but not limited to, CCS, electrification and the greening of electricity, as well as hydrogen and biofuels.

CGF will take direct minority or control positions through a mix of debt, equity, hybrid instruments, and Contracts.

Clean technology

Clean technology: clean technology companies, including small and medium enterprises ("SMEs"), which are scaling less mature but proven technologies that are in the demonstration or commercialization stages of development, and can meaningfully reduce local and global GHG emissions.

CGF will invest through i) direct investments focusing on minority growth equity positions, and in ii) select commitments to third party fund managers where the strategy and objectives align with those of CGF.

Low-carbon supply chains

Low-carbon supply chains: projects and companies (including SMEs) across low-carbon or climate technology value chains, including low-carbon natural resource development.

CGF will invest in i) minerals alongside operators and general partners in critical minerals sector and ii) in direct investments in critical path supply chain, such as ports for offshore wind, battery factories, and hydrogen infrastructure.

Where applicable, to deliver on the Mandate, CGF will also provide risk assurances for investments through Contracts. Contracts are financial instruments used to address demand or price risk related to market volatility as well as regulatory and policy risks.

Details of investment instruments are discussed in section 4.1.4

2.4. Additional Considerations Pertaining to the CGF Mandate

2.4.1. Balancing Returns, Risk Mitigation, and Concessionality

Considering the nature of its Mandate, CGF has unique considerations compared to traditional returns-focused investors. In seeking to create a portfolio of investments that fulfills its Mandate, including considering impact-related criteria, CGFIM considers and aims to balance three key elements with respect to any particular investment: concessionality, risks mitigated, and financial returns

Concessionality: It is expected that CGF's investments will generally have some level of concessionality (i.e., discount rate and/or loss exposure relative to market) to fully serve the purpose. Such concessional investing may take different forms and is guided by the following principles:

(i) CGF will always aim to minimize the level of investment concessionality to the level necessary to attract private capital or otherwise make the project viable; and

(ii) CGF will participate, to an appropriate degree, alongside private sector investors in both the downside risk and upside potential of an investment.

Risk Mitigation: CGF may use investment instruments that absorb certain risks to reduce uncertainty and encourage private sector investment in low-carbon projects, technologies, businesses, and low-carbon supply chains. Each CGF Investment is expected to address one or more of the following key risk factors that create uncertainty in respect of an investment's long-term financial profile:

(i) Demand risk associated with uncertainty around end-market demand and pricing;
(ii) Policy risk related to perceived uncertainty around climate regulations;
(iii) Regulatory risk with respect to project assessments and permitting approvals for construction projects;
(iv) Execution risk from building first-of-a-kind commercialized products and companies;
(v) Liquidity risk from investing in projects without abundant debt financing or visible secondary markets for equity; and
(vi) Other risks that limit investor interest.

Financial Returns: CGF will not generally invest where it does not have a reasonable expectation of a return of capital. Making individual investment decisions on this basis reflects CGF's aim to recover its invested capital on a portfolio basis, over a period of 15 years. Any distributions of capital in respect of CGF Investments are intended to be reinvested in additional investments, to the extent not used to pay expenses of CGF.

As CGF is on its second full year of operation and continues to ramp up its business development and investment activities in the market, it is understood that the implementation of the Mandate is likely to result in a concentrated portfolio of investments, especially during this ramp up period when the portfolio is being assembled. Notwithstanding the above and to the extent it is reasonably possible, CGFIM will aim to build a diversified portfolio of investments across various sectors, regions, as well as investment instruments.

2.4.2. Catalyzing Private Sector Investment

As it delivers the CGF Mandate, CGF will aim to attract significant amounts of private sector capital to Canadian low-carbon projects, technologies, businesses, and supply chains. Therefore, CGF Investments are intended to be made alongside one or more private sector investors, including through investments structured as direct investments, fund investments, as well as co-investments. It is acknowledged, however, that the participation of other private sector investors may not always be synchronous with CGF Investments, and that in some cases, CGF may be the only provider of fresh capital at the time of investment.

3. Operating Environment

3.1. Internal Environment

3.1.1. Progress to date

2022	**April:** Government of Canada announces its intention of creating CGF in its 2022 Budget. **November:** In its Fall Economic Statement, the Department of Finance announces the launch of CGF, and issues a Technical Backgrounder providing additional details on CGF's mandate, operations, and investment framework. **December:** CGF incorporated as a subsidiary of CDEV and initial appointment of two directors to CGF's Board of Directors.
2023	**March:** Government of Canada announces that it has selected PSP Investments to manage the assets of CGF and deliver its mandate as part of its 2023 Budget. **June:** Dedicated team of investment professionals seconded by PSP Investments, including senior -leaders, start reviewing potential investment opportunities on behalf of CGF, under an interim arrangement. The Public Sector Pension Investment Board Act is amended to allow a subsidiary of PSP Investments to act as investment manager of CGF. **August:** Incorporation of CGFIM, a wholly-owned subsidiary of PSP Investments' to act as the investment manager of CGF. **October:** CGF announces its inaugural investment in Eavor Technologies Inc., via a direct commitment of $90M of Series B preferred equity. **December:** CGF announces a $200M strategic investment in Entropy Inc. and a large-scale carbon credit offtake commitment, with CGF committing to purchase up to one million tonnes per annum of carbon credits for 15 years.

2024	**March:** Execution of the IMA between PSP Investments, CGFIM, CGF and CDEV, formalizing the investment management services provided to CGF by CGFIM. CGF announces a first cleantech fund commitment of $50M in Idealist Climate Impact Fund. **May:** Publication of CGF's 2023 Annual Report **June:** CGF, Gibson Energy and Varme Energy announce a strategic partnership to advance Canadian waste-to-energy project. CGF announces Canada's first carbon policy contracts for difference in Markham, Ontario CGF publishes its Carbon Contracts Strategy Backgrounder. **July:** CGF announces up to $2 billion carbon capture and sequestration partnership with Strathcona Resources. Publication of CGF's 2024-2028 Corporate Plan Summary **August:** CGF announces a two-tranche commitment of US$100M to advance Svante's carbon capture technologies. CGF announces $50M commitment to MKB Partner Fund III, along with other institutional investors, focused on accelerating the energy transition

3.1.2. Looking Ahead

CGFIM continues to provide investment management services to CGF and to execute on the CGF Mandate. More specifically, CGFIM will be advancing transactions while continuing to evolve its investment strategy and to develop CGFIM's in-house expertise across all priority sectors. CGFIM will also continue to scale the organization and improve its processes.

3.1.3. Staffing and Resources

CGF does not have employees as all services are provided by CGFIM. CGFIM proactively manages its resources to ensure the successful delivery of the CGF Mandate. To do so, CGFIM closely monitors workloads and volume of activity across its organization and ensures that additional resources are hired as required to meet its current and future business needs. Going forward, CGFIM anticipates that the team will continue to expand to support investment and asset management activities of CGF. CGFIM has a place of business in Montreal and one in Calgary.

As CGFIM grows its team of world-class, seasoned investment professionals, it aims to do so by drawing on a diverse pool of talent and perspectives from across Canada. This commitment to fostering diversity across the CGFIM organization includes efforts, in accordance with CGF's SPA, to broaden the range of voices and views within the governance and decision-making bodies of CGFIM, taking into consideration Canada's gender, linguistic, cultural and regional diversity, including the unique perspectives of Indigenous Peoples.

CGFIM recognizes the risks associated with attracting and retaining key personnel, given its Mandate requires specialized skills, knowledge, and expertise. CGFIM is leveraging PSP Investments' experience and human resources policies and processes (including with respect to equity, diversity and inclusion in the workplace) to effectively attract and retain the talent required to successfully deliver the CGF Mandate.

3.1.4. Conflicts of Interest

PSP Investments' and CGF's assets are not commingled in any way and the investment management activities of CGFIM are distinct from PSP Investments' pension investment management mandate. For example, CGF's transactions are discussed at, and submitted for approval to, the Impact, Risk & Investment Committee ("IRIC"), which acts independently from PSP Investments' Investment and Risk Committee.

PSP Investments has also adopted a policy to address any real, potential, and perceived conflicts of interest between PSP Investments and/or CGFIM, on the one hand, and CGF, on the other hand, which may be found at this link. Where appropriate, disclosures are made publicly with respect to transactions or situations submitted to the Conflicts Committee's review.

3.2. External Environment

3.2.1. Emissions Reductions Initiatives Around the world

Despite unprecedented rising temperatures and intensifying extreme weather events worldwide[3], overall global policy progress remains insufficient to meet global climate targets, as major emitting countries continue to implement measures that are contradictory, inconsistent or inadequate to meet Nationally Determined Contributions[4]. Inflation and economic uncertainty, political polarization, and a more volatile geopolitical landscape have all further contributed to making global coordination and progress on climate goals increasingly difficult[5,6].

Spotlight on blended finance: a cost-efficient method to accelerate decarbonization investments

Blended finance is a strategy that combines public and private capital to finance projects with social or environmental impacts. In the context of decarbonization, many governments have established blended finance investment funds to support the transition to a low-carbon economy. Notable global examples, in addition to the Canada Growth Fund, include:

Australian Clean Energy Finance Corporation (CEFC) **Description**: The purpose of the CEFC is to facilitate increased flows of finance into the clean energy sector and to facilitate the achievement of Australia's greenhouse gas emissions reduction targets. The CEFC is a specialist investor in Australia's transition to net zero emissions by 2050, with access to more than $30 billion from the Australian Government.	**European Union InvestEU Programme** **Description**: Provides the European Union with crucial long-term funding by leveraging private and public funds. Helps to mobilize private investments for the EU's top policy priorities, such as the green, and digital transition, innovation and social investments and skills. The €26.2 billion EU budget guarantee backs the investments of financial partners (the "implementing partners"), increasing their risk-bearing capacity and thus allowing to mobilize at least €372 billion in additional investment.
New Zealand Green Investment Finance (NZGIF) **Description**: NZGIF is a crown-owned green investment bank to invest in scalable companies, technologies and projects that help reduce greenhouse gas emissions in New Zealand and achieve net zero emissions by 2050. NZGIF leverages various forms of debt and equity, and is able to take risk positions that help attract co-investors. NZGIF focuses on seven priority sectors, including transportation, agriculture, plastics, and distributed energy resources.	**United Kingdom National Wealth Fund (NWF)** **Description**: In July 2024 the UK government committed £7.3 billion of public capital with the goal of mobilizing private capital to fund the UK's transition to a low-carbon economy. Investment catalyzed by the NWF is anticipated to create green jobs and drive growth across the UK. CGFIM is pleased to have been consulted by the UK government regarding the establishment of the NWF

Even in the face of these significant challenges, progress to reduce emissions continues, with multiple major climate action policies passed in large jurisdictions. Over 200 new climate- and energy transition-related policies were implemented in the past year around the world. Notably, 2023 saw increased focus on climate finance following the first Global Stocktake under the Paris Agreement.

3 Global Temperature | Vital Signs – Climate Change: Vital Signs of the Planet (nasa.gov) https://www.noaa.gov/news/2023-was-worlds-warmest-year-on-record-by-far
4 Climate policy in 2023 | Nature Reviews Earth & Environment
5 Global Growth Steady Amid Slowing Disinflation and Rising Policy Uncertainty (imf.org)
6 WEF_The_Global_Risks_Report_2024.pdf (weforum.org)

While approximately two thirds of climate finance comes from the private sector in the US and Canada[7], government finance has played a key role in catalyzing the remaining investments in emerging clean technologies and mobilizing additional capital to the space.

Building on blended finance initiatives globally, new instruments to support the derisking of policies and projects, such as carbon pricing assurance mechanisms and credit offtake agreements, have been highlighted as a vital tool to increase viability and lower the cost of capital of decarbonization projects, reducing the overall cost of the energy transition[8].

With respect to CGF's unique mandate on carbon price assurance mechanisms, including carbon contracts for difference (CCfDs), CGFIM has been tracking developments globally to inform its strategy and approach. Various mechanisms have been adopted across the world to derisk various sectors, markets, and decarbonization related commodities. Notable global examples of areas in which contracts for difference and similar price assurance mechanisms have been used in relation to the energy transition include:

Carbon Markets: In April 2024, the German government unveiled a CCfD program modelled on private-sector hedging contracts (risk-hedging instruments). Companies are guaranteed a fixed price for energy sources, as well as for carbon emission allowances. The level of this funding depends on the actual market price and the additional cost of equipping and operating the low carbon project and/or technology, compared with the conventional option. Once the cost of low carbon production falls below that of conventional manufacturing, the payment flow is to be reversed and the state is to receive money from the companies. This program is under development and further developments are expected over time. Beyond this, the EU Emissions Trading Scheme, is the world's largest carbon market, has implemented several measures to stabilize this market, including the Market Stability Reserve (MSR), and is exploring additional mechanisms like CfDs to further support price stability and investment in low-carbon technologies.

Renewable Energy: CfDs have long been used to encourage the expansion of renewable energy in countries such as the UK, Norway and across nine EU member states. Typically, a tender process is used to establish the strike price[9].

Hydrogen: Notably, the UK government-owned Low Carbon Contracts Company (LCCC) has been developing innovative hydrogen CfD structures, despite the challenge of establishing a clearly defined market price. Other hydrogen CfD initiatives are in preparation in Japan and South Korea[10].

Other Emission Reduction Projects: The longstanding Dutch SDE++ scheme leverages a one-way CfD structure to function as a subsidy program for a variety of renewable energy and emission reduction projects[11].

CGF has a number of investments already in place leveraging its capacity as Canada's principal issuer of CfDs. See Section 4.1.4 for additional information on these activities

In addition to government-led initiatives, private market solutions have also begun to emerge, such as Frontier Climate which leverages offtake agreements to stimulate the development of carbon removal technologies[12]. These examples provide excellent case studies to CGFIM, who is seeking to understand and adapting these tools, where appropriate, to the Canadian context.

[7] Policy database – Data & Statistics - IEA
[8] Financing the Green Energy Transition: A US$50 trillion catch (deloitte.com)
[9] RSCAS WP Template 2013 (eui.eu)
[10] ET34-Contracts-for-Difference.pdf (oxfordenergy.org)
[11] SDE++ Features (rvo.nl)
[12] Frontier (frontierclimate.com)

3.2.2. Key Risks mitigated by CGF

CGF helps Canada keep pace with a growing list of jurisdictions that are using innovative public funding tools to attract the significant private capital needed to accelerate the deployment of technologies required to decarbonize and grow their economies.

While companies and investors are aware of opportunities to commercialize and deploy emissions-reduction technologies, they are often restrained due to the risks associated with these investment opportunities. CGF is designed to invest its capital in a manner that helps mitigate these risks and unlock the domestic and foreign capital that Canada will need to support the growth of its economy as it seeks to reduce emissions over time.

As outlined in the Investment Criteria (defined under Section 4.1.3), the primary risks CGF aims to mitigate include demand risk, policy risk, regulatory risk, execution risk, and liquidity risk. To do so, CGF may invest in a manner that reduces some or a portion of these risks, with the aim of bridging the private market funding gap and drawing in additional capital to low-carbon projects, technologies, businesses, and supply chains across Canada.

3.2.3. CGF Positioning Relative to Existing Government Initiatives

3.2.3.1. Federal initiatives

CGF is complementary to multiple federal initiatives, and existing government policies, strategies, and investment programs shape the environment in which CGF operates. A strong understanding of relevant federal, provincial and territorial initiatives is required for CGFIM to pursue effective strategic prioritization, including related to portfolio construction, investment opportunity origination and execution, and stakeholder engagement.

For example, some of the federal clean economy strategies and initiatives relevant to CGF include:

Canada's climate plans and targets: Like many nations globally, Canada is seeking to achieve net-zero greenhouse gas emissions in Canada by 2050. Federally, this commitment is underpinned by the 2030 Emissions Reduction Plan, with a target of 40 percent below 2005 levels by 2030 through economy-wide mechanisms such as carbon pricing, oil and gas methane regulations, low-carbon fuel standards, and other sectoral initiatives.

Critical Minerals Strategy: This strategy focuses on the sustainable exploration, extraction, processing and downstream manufacturing and recycling of 31 critical minerals that are essential for net-zero aligned technologies. It emphasizes the importance of innovation and exploration and aims to accelerate project development and building of infrastructure, while advance reconciliation with Indigenous peoples and potentially impacted communities.

Hydrogen Strategy: A comprehensive plan that aims to establish Canada as a global leader in low-carbon hydrogen production, usage, and export. The strategy is built around 8 pillars, including advancing strategic partnerships, de-risking investments, and developing regional blueprints and hubs to link hydrogen production and end use.

Carbon Management Strategy: A strategy to guide the expansion of approaches to capture carbon dioxide from point sources or the atmosphere to be reused and durably stored, focused on accelerating innovation and R&D, creating a supportive policy and regulatory environment and supporting the proliferation of projects and infrastructure.

3.2.4.1.1 Complementarity of CGF Mandate with existing Federal Government Initiatives

CGF's Mandate complements the existing suite of federal government initiatives supporting Canada's clean economy, while also distinguishing itself in a number of ways.

Target Investment Stage: CGF targets projects, technologies and companies at the scale-up stage of development. This distinguishes CGF from:

(i) Research and development, demonstration, and pilot projects, which are funded through grants and contributions programs;
(ii) Start-up companies, which are funded through venture capital funds; and

Mature companies and/or companies deploying mature technologies, which can typically attract private sector investment on their own and at market terms.

Financing Tools Offered: CGF has access to a broad range of investment and financial tools allowing it to offer innovative forms of investment, including instruments where CGF may take on above-market risks to catalyze private sector investment. This distinguishes CGF from:

(i) Grants and contributions programs that provide funding to early-stage companies; and
(ii) Private sector investors that provide financing to companies at market terms.

Delivery Expertise: the CGF Mandate is delivered by a team of independent investment professionals with extensive experience across a range of sectors and strategies, as well as expertise in structuring and executing complex direct investments. The delivery of the CGF Mandate is done on an arm's length basis from the Government of Canada.

Decision making: CGF and CGFIM operate at arm's length from the Government of Canada, maintaining independence and autonomy in operations and decision-making processes.

Project Types: CGF focuses on private projects and companies.

For greater certainty, CGF generally does not focus on (i) research and development or demonstration projects, (ii) technology pilot projects, (iii) mature technologies or mature companies that can attract sufficient private sector investment, (iv) venture capital-style investments, (v) government owned projects, or (vi) other types of investments otherwise covered by other government policies and programs (including those funded through grants and contribution programs).

3.2.3.2. Provincial and territorial priorities

Provincial and territorial priorities are pivotal in shaping Canada's electricity, carbon, and energy markets. Provincial and territorial jurisdiction, and related legislative, regulatory and funding initiatives, significantly shape the industrial and economic landscape in which CGF operates. Provincial and territorial priorities also influence the mix of stakeholders, technologies, and companies who may seek to partner on investment opportunities. Examples of relevant provincial priorities and policies include:

Table 1 – Key initiatives by province and territory

Province or Territory	Key Initiatives
Alberta	- **Carbon Pricing:** Alberta maintains a provincial carbon pollution pricing system for industry called the Technology Innovation and Emissions Reduction (TIER) regulation. The federal fuel charge applies. - **Mining and Critical Minerals:** Launched in November 2023, the plan aims to deliver more minerals-focused public geoscience information, build an inventory of minerals, and enhance the fiscal and regulatory environment. - **Electricity Generation:** Alberta's deregulated electricity market began in 1996, when the Electric Utilities Act came into effect. Alberta is presently exploring and promoting small and micro modular reactor technologies and is meanwhile pursuing broader market redesign. - **Clean Technology:** Alberta is implementing multiple strategies to reduce the impact of energy production on the environment (including CCS, ammonia, geothermal, amongst others).
British Columbia	- **Carbon Pricing:** In April 2024, BC launched a new Output Based Pricing System (OBPS) for large industrial emitters. They also maintain a provincial fuel charge. - **Mining and Critical Minerals:** BC's Critical Minerals Strategy led to the development of 11 Phase 1 strategy actions currently being implemented, including setting up a Critical Minerals Project Advancement Office. - **Clean Technology**: BC passed Bill 37 in 2022, establishing the BC Energy Regulator and advancing a province-wide approach to CCS, including regulator responsibilities expanded to include hydrogen, ammonia, methanol, and carbon storage reservoirs in addition to oil, gas and geothermal activities. BC has committed to develop a Clean Transportation Action Plan for 2023. The Low Carbon Fuels Act came into force on Jan 1, 2024, and Budget 2024 allocates $318M to extend CleanBC programs and regulatory measures for a low-carbon economy by 2030. BC has also created a Hydrogen Office to attract energy investors.
Manitoba	- **Carbon Pricing:** The federal pollution pricing system is implemented in full in MB, including both the federal fuel charge and OBPS. - **Mining and Critical Minerals:** The June 2023 MB Critical Minerals Strategy focuses on raising awareness of Manitoba's critical minerals advantages, advancing Indigenous involvement, and streamlining the regulatory and permitting process. - **Electricity Generation:** MB recently released two planning documents: Manitoba's Energy Roadmap: Pathway to Prosperity, and Manitoba Hydro's first ever Integrated Resource Plan (IRP) (2023).
New Brunswick	- **Carbon Pricing:** The federal fuel charge applies in NB. NB maintains a provincial OBPS for large emitters. - **Mining and Critical Minerals:** While NB currently lacks a specific strategy for critical minerals, it is committed to exploring their potential within a wider economic framework. - **Electricity Generation:** NB is determined to enhance its reputation as a pioneer in clean energy solutions, while simultaneously diversifying its energy portfolio to reach net-zero emissions. In December 2023, NB unveiled their 2035 energy transition roadmap, highlighting four key strategic initiatives: Affordability, Energy Security, Regulatory Reform, and Economic Growth. Small Modular Reactors ("SMR") are high on NB's agenda. The province aims to develop a local nuclear industry, to stimulate job growth and economic development. - **Clean Technology:** As part of its clean energy strategy, NB introduced its Hydrogen Roadmap on January 30, 2024. The roadmap anticipates a substantial decrease in GHG emissions from the industrial sector through hydrogen use.

Newfoundland and Labrador	- **Carbon Pricing:** The federal fuel charge applies in NL. NL maintains a provincial OBPS for onshore and offshore industrial emitters. - **Mining and Critical Minerals:** NL's Critical Minerals Plan was released in November 2023 to de-risk and attract private investment for exploration to identify potential viable projects. - **Clean Technology:** In November 2023, NL and BC signed a statement of co-operation to promote their mutual interest in clean energy, including accelerating clean hydrogen development. Launched on May 14, 2024, NL's Hydrogen Development Action Plan complements their Renewable Energy Plan and the Climate Change Action Plan, advancing the province's status as a global supplier of clean energy. - **Other:** NL has made progress in positioning the oil sector to meet the world's energy needs during the energy transition, while taking steps to decrease the carbon intensity of the sector.
Northwest Territories	- **Carbon Pricing:** The NWT has implemented a territorial carbon tax which is on track to meet federal benchmark stringency requirements. - **Mining and Critical Minerals:** NWT is positioning itself as an epicenter for critical mineral mining in Canada, with 6 critical minerals projects in early mining and advanced exploration stage. Investments to support mine development, including shared Federal-Territorial-Indigenous investments in the Tłı̨chǫ Highway, are a significant priority for NWT. - **Electricity Generation:** The 2022-2025 Energy Action Plan includes measures to reduce GHG emissions in electricity generation, increase renewable energy usage in space heating, and improve building energy efficiency. This is complemented by the 2030 Energy Strategy, which aims to achieve a more secure, affordable, and sustainable energy system by the year 2030.
Nova Scotia	- **Carbon Pricing:** The federal fuel charge applies in NS. NS maintains a provincial OBPS for large emitters. - **Mining and Critical Minerals:** Released in March 2024, NS' Critical Minerals Strategy focuses on 16 critical minerals. The strategy will be revisited every 5 years with action plans developed annually. - **Electricity Generation:** NS has committed to achieving 80% of energy supplied by renewable energy by 2030, with offshore wind energy development as the priority. The 2024 Energy Reform Act establishes a standalone energy regulator and an independent electric system operator. Despite regulatory challenges leading to the withdrawal of a proposed floating tidal array in the Minas Passage, tidal energy continues to develop in NS. - **Clean Technology:** Invest Nova Scotia has identified clean tech as a priority area of economic development. Nova Scotia released its Green Hydrogen Action Plan in December 2023. The Clean Fuels Fund, launched in May 2024, aims to support industries and businesses to adopt low-carbon and renewable fuels such as green hydrogen, renewable natural gas, biofuels, and sustainable biomass.
Nunavut	- **Carbon Pricing:** The federal pollution pricing system is implemented in full in NU, including both the federal fuel charge and OBPS. - **Mining and Critical Minerals:** NU is home to 8 critical minerals and three operating gold mines. They are currently prioritizing the implementation of their mineral exploration and mining strategy. They are also developing the Nunavut Land Use Plan. - **Electricity Generation:** Nunavut relies heavily on imported fossil fuels for energy, but is exploring opportunities for renewable energy generation and energy efficiency improvements.
Ontario	- **Carbon Pricing:** The federal fuel charge applies in ON. ON maintains a provincial OBPS called the Emissions Performance Standards (EPS) for industrial emitters. - **Mining and Critical Minerals:** Through the Ontario Critical Minerals Strategy, ON seeks to develop its mining sector, particularly in the northern region known as the Ring of Fire (RoF). They are focused on supporting critical infrastructure in the RoF region, and aim to better connect it to the manufacturing sector in southern ON. - **Electricity Generation:** ON is focused on developing transmission infrastructure to support high-growth areas in the mining and industrial sectors in Northern and Eastern Ontario, and around Ottawa. ON emphasizes hydroelectric and nuclear generation, and especially the development of SMRs. They are also pursuing the development of multiple new energy storage projects. - **Clean Technology:** Budget 2024 announced measures to support projects that will help integrate hydrogen into ON's grid.

Prince Edward Island	- **Carbon Pricing:** The federal pollution pricing system is implemented in full in PEI, including both the federal fuel charge and OBPS. - **Electricity Generation:** PEI seeks to achieve net zero energy by 2030, and net zero GHG emissions by 2040. They are developing renewable electricity and energy storage infrastructure, while also exploring the regional potential of SMRs. The province is considering how to transform Maritime Electric into a Crown Corporation. A new comprehensive energy strategy is expected later in 2024. - **Clean Technology:** PEI is advancing cleantech development through initiatives like Cleantech Park, Cleantech Learning and Innovation Centre, and Cleantech Academy.
Quebec	- **Carbon Pricing:** Quebec has maintained a provincial cap-and-trade program since 2013 as part of the Western Climate Initiative, sharing an internationally-linked emissions trading market with California. - **Mining and Critical Minerals:** QC is aiming to become a leader in critical minerals supply chains (including production, transformation and recycling), and has tabled a bill to amend the Mining Act. The 2023-25 phase of the Critical and Strategic Minerals Action Plan increased Quebec's critical minerals list from 22 to 28 minerals. - **Electricity Generation:** QC's current grid will not be sufficient to meet anticipated growth in demand. The province is considering the construction of additional hydroelectric dams, as well as the addition of renewable and nuclear energy. - **Clean Technology:** QC supports the development of the *Vallée de la Transition énergétique* to accelerate the development of the battery industry, transport electrification, green hydrogen and the decarbonization of industrial ports.
Saskatchewan	- **Carbon Pricing:** The federal fuel charge applies in SK. SK maintains a provincial OBPS for industrial emitters, which was expanded in 2023 to include all large industrial sectors. - **Mining and Critical Minerals:** Released in 2023, SK's Critical Minerals Strategy seeks to enhance competitiveness and innovation in the sector, especially focused on expanding potash, uranium, helium and rare earth elements. - **Electricity Generation:** The province is collaborating with ON, AB and NB on the development and deployment of SMRs, with four projects expected to be deployed between 2034 and 2042. - **Other:** SK is encouraging new oil well drilling configurations and has enhanced existing programs like the SK Petroleum Innovation Incentive.
Yukon	- **Carbon Pricing:** The federal pollution pricing system is implemented in full in YT, including both the federal fuel charge and OBPS. - **Mining and Critical Minerals:** YT has launched significant public engagement, aiming to modernize legislation related to their mining sector. - **Electricity Generation:** Expanding access to clean, affordable and reliable electricity is a major priority for YT. Of the projects identified in their 10-year energy plan, only the Atlin Hydro Expansion is actively underway. The Yukon Energy Electricity Plan is scheduled to be released in Summer 2024, with an Integrated Resource Plan expected by the end of 2025. - **Clean Technology:** Innovation is a key action area in YT's 2020 Our Clean Future strategy. - **Other:** YT signed the Western Arctic – Tariuq (Offshore) Accord along with the Inuvialuit Regional Corporation, Canada and NT, establishing a co-management and revenue-sharing arrangement with full and equal role for the Inuvialuit to participate in decision making on the development of oil and gas and renewables in the settlement region.

3.2.4. Overview of CGF's Focus Sectors

As per CGF's SPA, CGF is expected to advance a portfolio aligned with Canada's economic plan. In particular, CGF is expected to make significant advancement in transactions with a diversity of clean technology sectors, as well as support the decarbonization of heavy emitters.

Clean Technology

CGF will continue to seek to provide financing to scale-up companies beyond the technology demonstration stage, where they have outgrown their early-stage venture capital backers but are still facing certain risks, namely commercialization risk, that prevent them from attracting investments from later-stage investors. By doing so, CGF will aim to bridge the funding gap in the Canadian clean technology ecosystem and support the ongoing development and growth of Canadian clean technology companies.

See Section 3.2.4 iv) Clean Technology below to read more on the sector and the role CGF can play on Clean Technology projects.

Decarbonization of Heavy Emitters

Heavy Industry and Oil & Gas account for 11% and 31% of Canadian's total emissions, respectively. These sectors often have single point-source emissions that are ideally suited for carbon capture and permanent sequestration. CGFIM is of the view that CCS will play a pivotal role in decarbonizing Canada's point-source emissions in hard-to-abate industries.

CGF's carbon capture strategy is three-fold: (i) support build-out of lowest cost large capture projects and of critical infrastructure (hubs and pipeline), (ii) contribute to the selective advancement of first of a kind (FOAK) project with the potential to increase CCS use cases and (iii) accelerate technology by supporting the growth of Canada's CCS intellectual property and the advancement of commercially unproven technologies.

See Section 3.2.4 i) Carbon capture and Sequestration below to read more on the sector and the role CGF can play on CCS projects.

In order to successfully deliver the CGF Mandate, CGF's investment activities focus on the following sectors:

(i) Carbon capture and sequestration;
(ii) Hydrogen;
(iii) Biofuels;
(iv) Clean technology;
(v) Low-carbon supply chains; and
(vi) Electrification and greening of electricity

Each of these sectors has a unique set of challenges and opportunities, which are considered when structuring and pursuing investments. It is also important to note that various risks exist with respect to these sectors, which may impact the availability as well as the financial viability of investment opportunities falling within the CGF Mandate. External factors such as, but not limited to, technology costs, demand and pricing uncertainty, supply chain constraints, as well as a constantly evolving regulatory landscape may impact the delivery of the CGF Mandate.

(i) Carbon Capture and Sequestration

Carbon capture and sequestration is the process of capturing CO_2 from carbon-intensive industrial processes and compressing it for transportation and storage in underground geological formations. CCS represents an attractive solution to decarbonize hard to abate sectors such as energy production, heavy manufacturing, and other industrial processes.

Capture is typically done by constructing a facility that treats flue gas streams from industrial processes. The primary capture methods for gas streams involve the use of solvents and sorbents, membranes, and cryogenics. CO_2 can be captured either before or after a combustion process, with pre-combustion capture projects being the most commercially viable today. A technologically promising alternative is to capture CO_2 using Direct Air Capture ("DAC") technology, which extracts CO_2 from ambient air as opposed to from an industrial process' flue gas stream. Following capture, the carbon must be transported to its sequestration location.

Transportation of carbon involves compressing CO_2 at high pressures, and then liquifying it to reduce its volume for efficient transportation. CO_2 can be shipped via heavy vehicles, freight trains, as well as shipping vessels. CO_2 can be transported via pipeline, which is more capital intensive but has greater benefits when implemented at scale (i.e., used across multiple CCS projects).

Sequestration of CO_2 involves using injection wells to pump compressed CO_2 into deep underground geological formations, including depleted oil & gas reservoirs or saline aquifers. The main activities of carbon storage operations include injection, monitoring, and decommissioning. Upon storage projects reaching the end of their useful life, storage site owners will be required to decommission all above ground facilities and infrastructure, including the sealing, and securing of injection wells before they can be abandoned. Storage site monitoring is likely to be required for several years after site decommissioning to ensure that CO_2 remains safely secured underground.

Potential Role for CGF: CGF aims to provide investment solutions to CCS projects that will help minimize their cost of capital, while de-risking certain elements that have historically deterred private sector investment. CGF anticipates it will be able to do so by deploying innovative financing structures, using combinations of equity, debt, Contracts, or other bespoke financial instruments.

To date, CGF has announced four transactions in the CCS sector in a wide spectrum of applications, ranging from a waste-to-energy project for the production of new clean power, to the decarbonization of Canada's oil sands[13].

Notably, CGF has announced a novel CCS Partnership with Strathcona Resources Ltd., which represents a first-of-its-kind approach to CCS risk-sharing. Under this partnership, CGF and Strathcona will build CCS infrastructure on Strathcona's steam-assisted gravity drainage ("SAGD") oil sands facilities across Saskatchewan and Alberta. Through the SAGD CCS Partnership, Strathcona will seek to capture and permanently store up to two million tonnes of carbon dioxide annually, with CGF and Strathcona each contributing up to $1.0 billion in project funding. Through the CCS partnership model, the emitter retains carbon pricing risk and CGF shares in the risk for the project's cost and capture efficiency.

The SAGD CCS Partnership is expected to enhance the long-term competitiveness of one of Canada's most carbon-intensive industries by advancing large-scale commercial CCS projects over time and demonstrating decarbonization outcomes in a fiscally prudent manner. CGF intends to scale this model to other emitters and other sectors over time, and views this transaction structure as a fiscally prudent and highly replicable approach to capital intensive decarbonization investment.

[13] Entropy, Varme, Strathcona Resources and Svante – see section 0 for details.

(ii) Hydrogen

Hydrogen is a clean fuel alternative, emitting zero greenhouse gases ("GHGs") when combusted to produce energy (the combustion of Hydrogen with Oxygen creates water).. Due to its high energy density (hydrogen is the lightest molecule and has the highest energy density of all fuels by mass), hydrogen is an alternative fuel source for many industrial applications, including steel and cement production, as it can be utilized to yield very high temperatures. In addition to industrial uses, hydrogen also has potential applications in industries such as heavy transport, building heating and power, as well as power generation and storage.

Approximately 95% of hydrogen used today is produced via steam methane reforming ("SMR")[14], where natural gas is broken down using steam to create hydrogen, as well as CO_2 as a byproduct. The hydrogen produced via SMR is known as Grey Hydrogen because of the high CO_2 emissions associated with its production. Hydrogen can also be produced via alternative "clean" methods, such as Blue and Green Hydrogen. These clean methods of production aim to reduce the carbon intensity ("CI") of the final product. However, only 0.07% of hydrogen produced globally utilizes low carbon methods of production[15] due to its high levelized cost compared to carbon intensive alternatives. The most common methods of producing hydrogen are:

(i) Grey Hydrogen: producing hydrogen via SMR;
(ii) Blue Hydrogen: producing hydrogen via SMR, while also utilizing CCS to capture and reduce (but not fully eliminate) CO_2 emissions; and
(iii) Green Hydrogen: using electricity to break down water molecules (via electrolysis), creating hydrogen and oxygen as the only byproduct (no emissions if renewable energy is used as source of electricity).

Potential Role for CGF: The development of commercially viable low carbon hydrogen facilities across Canada will require significant capital investment. Not only will new hydrogen production facilities need to be built, but more low carbon electricity projects will also be required to enable the build out of green hydrogen infrastructure. CGF expects that the growth of Canada's clean hydrogen industry will result in new job creation across both the clean hydrogen and renewable energy sectors.

In order to support the growth of Canada's clean hydrogen industry, CGF is engaging with a multitude of commercially viable clean hydrogen project stakeholders to understand their challenges and will consider partnering with high-quality developers to accelerate the development of commercially viable green and blue hydrogen projects across Canada. In doing so, CGF will aim to unpack Canada's ability to attract more project developers and capital providers to Canada over time

(iii) Biofuels

Bioenergy is energy that is derived from organic materials known as biomass which can be used to produce biofuels, heat, electricity and products. Biofuel is a fuel that is produced from biomass (typically waste, plants or animal matter), rather than the slow natural processes involved in the formation of fossil fuels. The resulting biofuel can be blended with conventional fuel or, in some cases, a fully fungible drop-in alternative to fossil fuel. Biofuels come in several forms including biogas (ex. Renewable Natural Gas) and liquid biofuels (ex. Renewable Diesel, Sustainable Aviation Fuel).

Renewable Natural Gas ("RNG") is a type of biogas which is indistinguishable from conventional natural gas and can be used without any changes to transmission or end-user equipment. RNG is typically produced via three primary processes:

(i) Landfill Gas: considered one of the oldest methods of producing biogas, landfill gas is a natural byproduct of the decomposition of organic material in landfills which creates large amounts of methane gas.
(ii) Anaerobic Digestion: use of bacteria to break down feedstock, such as animal manure or wastewater, releasing biogas. The biogas is then upgraded and treated to remove contaminants, yielding RNG.

[14] Encyclopedia of Sustainable Technologies, "Methane Steam Reforming", ScienceDirect, July 2017.
[15] Clean Energy Canada, "Hydrogen as part of Canada's energy transition", Clean Energy Canada, July 2020.

(iii) Thermal Gasification: use of heat to break down feedstock, such as agricultural and forest residue, releasing biogas. The biogas is then upgraded and treated to remove contaminants, yielding RNG.

Subject to verifications related to lifecycle emissions, RNG can be considered a “carbon negative” source of energy and provides a solution to methane gas emissions. Methane is a significant contributor to the atmospheric greenhouse effect, being 25 times more potent[16] than CO_2 at trapping heat in the atmosphere. Some examples of methane producing activities include agriculture, wastewater treatment, landfills, coal mining, and certain industrial processes. By producing RNG, methane that would otherwise have been released in the atmosphere is instead captured and transformed into biogas. After treating the biogas, the resulting RNG can be used as a renewable fuel to displace the consumption of fossil fuels in hard to electrify sectors, such as the heating of buildings, as well as various industrial processes.

Other Biofuels include liquid biofuels such as biodiesel, renewable diesel (“RD") and sustainable aviation fuel (“SAF”). Liquid biofuels are typically produced by processing biomass via transesterification of lipids, instead of anaerobic digestion. They are mainly used as an alternative to conventional fuels across various transportation sectors, such as aviation (SAF) and trucking (biodiesel, RD), as well as other heavy-duty applications such as construction, mining, and agricultural equipment.

Potential Role for CGF: Despite biofuels being readily available to consumers, the sector still faces numerous challenges that are slowing their widespread adoption, including feedstock risk, high costs, and the significant upfront investments associated with biofuel projects. CGF will aim to catalyze growth in the Canadian biofuels sector by considering strategic partnerships with leading biofuel producers with the intent of expediting new projects and drawing in additional capital from private sector investors.

(iv) Clean Technology

The clean technology sector encompasses a wide range of companies that develop products and technologies or offer services contributing to the global decarbonization effort. These companies operate across a wide range of sectors including, but not limited to, energy and power, materials, chemicals, transportation and logistics, buildings, food, agriculture, and industrials. Clean technology companies may vary in size, stage, and levels of capital intensiveness (asset-light or asset-heavy business models).

The Canadian clean technology sector has expanded significantly in recent years, with total transaction values growing at a compound annual growth rate of approximately 20% over the last decade[17]. Despite this growth, the sector remains in its early stages of development, and is primarily composed of small and medium-sized enterprises.

The clean technology sector is expected to play an important role in the decarbonization of the global economy, as well as support Canada in achieving its long-term climate goals. According to the International Energy Agency[18], approximately 50% of the total emission reductions required to achieve net-zero globally by 2050 are expected to be attributable to technologies that are in early stages of development, or not yet commercially available. Accelerating the development, commercialization and deployment of these early-stage technologies is therefore critical to support the decarbonization of Canada’s economy, particularly in hard to abate sectors (such as energy, transport, agriculture, industrials, and buildings), as well as positioning Canada as a key player in the global decarbonization market.

In addition to playing a pivotal role in the decarbonization of Canada’s economy, the growth of the clean technology sector is also expected to provide significant economic benefits. According to Statistics Canada, the clean technology and environment sectors accounted for 2.9% of Canada’s GDP in 2021 ($73bn) and provided over 314,000 jobs[19]. With the global clean technology market estimated to have reached $3.3 trillion in 2022[20], there is significant

[16] United States Environmental Protection Agency, “Importance of Methane”, May 2023.
[17] Pitchbook database, March 2024.
[18] International Energy Agency, “Energy Technology Perspectives”, January 2023.
[19] Government of Canada (Office of the Chief Economist), “Canada’s Environmental and Clean Technology Sector”, July 2023.
[20] Export Development Canada, “Canada’s CleanTech Future Looks Bright”, October 2020.

opportunity for Canada's clean technology companies to grow not only domestically, but also participate in a large and growing international market and establish themselves as global leaders.

Potential Role for CGF: Subject to due diligence, CGF will seek to provide financing to scale-up companies beyond the technology demonstration stage, where they have outgrown their early-stage venture capital backers but are still facing certain risks, namely commercialization risk, that prevent them from attracting investments from later-stage investors. By doing so, CGF will aim to bridge the funding gap in the Canadian clean technology ecosystem and support the ongoing development of Canadian clean technology companies.

In addition, CGF will aim to play a meaningful role in developing Canada's clean technology investor ecosystem. CGF will support private market investment managers in their fundraising efforts by making strategic commitments to like-minded managers. By doing so, CGF will aim to attract additional private capital to Canada's clean technology investor ecosystem, expanding the pool of capital available to finance Canadian clean technology companies.

To date, CGF has announced one direct transaction in the Clean Technology[21] sector relating to a company developing next-generation geothermal energy projects and two fund commitments[22].

(v) Low-Carbon Supply Chains

The low-carbon supply chain is a broad sector, encompassing projects and companies involved in developing new or existing supply chains for materials that enable the growth of Canada's clean economy. This includes the development of Canada's critical minerals industry, which serve as key inputs for several clean technologies essential to Canada's long-term decarbonization goals.

Critical minerals are defined as minerals that have few or no substitutes, are limited in availability, and have strategic value to the development of essential products or technologies[23]. While Canada and other countries have defined their own lists of critical minerals (reflecting the realities of each of their economies), these may change over time as technological and economic developments impact the global supply and demand for various commodities.

In Canada, 34 minerals are currently considered critical minerals. To be deemed critical, minerals must meet both of the following criteria:

- The supply chain is threatened, and
- there is a reasonable chance of the mineral being produced by Canada.

It must also meet one of the following criteria:

- Be essential to Canada's economic or national security, or
- be required for the national transition to a sustainable low-carbon and digital economy, or
- position Canada as a sustainable and strategic partner within global supply chains

Canadian critical minerals are important to global decarbonization goals, as they serve as key inputs to various clean technologies and advanced manufacturing applications, such as solar panels, wind turbines, electric vehicles, and battery components, among others. According to the International Energy Agency, global demand for critical minerals is set to more than double by 2030[24] (under its Announced Pledges Scenario), as countries around the world focus on electrification and energy transition, and renewables capture an increasingly large share of the global energy generation. This highlights the importance of developing a resilient supply of critical minerals, as demand growth may lead to future supply and demand imbalances, which could cause volatility in global commodity markets. Potential supply constraints for critical minerals would impact Canada's ability to successfully transition to a low-carbon economy and meet its long-term decarbonization goals.

[21] Eavor - see section 0 for details
[22] Idealist Capital and MKB– see section 0 for details.
[23] Government of Canada, "Canadian Critical Minerals Strategy", December 2022.
[24] International Energy Agency, "Critical Minerals Market Review 2023", July 2023.

In addition to developing a resilient supply of critical minerals, investing across the entirety of the supply chain, including upstream, midstream, and downstream activities will be of strategic importance for Canada and its trading partners. Today, the processing activities for several critical minerals are geographically concentrated, exposing their global supply to various economic and geopolitical risks. According to the International Energy Agency[25], China controlled over 50% of the global processing capacity for several critical minerals in 2022, including cobalt, lithium, graphite, and rare earth elements. This level of concentration highlights the strategic importance for Canada to invest in, as well as develop its domestic capabilities across all levels of the critical minerals supply chain.

Overview of the Critical Minerals Supply Chain

(i) Exploration (Upstream): the search for critical mineral deposits that meet minimum volume and concentration thresholds.
(ii) Mining (Upstream): activities related to the extraction of critical minerals from the earth, primarily through surface or underground mining.
(iii) Processing (Midstream): activities focused on transforming minerals into a form suitable for manufacturing, via processing, chemical extraction, and refining.
(iv) Manufacturing (Downstream): activities focused on the manufacturing of components used in clean technologies.
(v) Recycling: activities focused on extracting and recycling materials from end-of-life products, such as lithium-ion batteries.

Potential Role for CGF: CGF will seek to invest in projects and companies that advance the development of new or existing supply chains of critical minerals, as well as other materials that will support Canada's long-term decarbonization goals. CGF may invest at various levels of the supply chain, including, but not limited to, mining activities and related infrastructure, processing, manufacturing, as well as recycling. In doing so, CGF will strive to attract private sector capital to fuel economic growth and job creation, while also strengthening the supply chain of critical minerals and other key materials for Canada, as well as its allies and trading partners.

(vi) Electrification & Greening of Electricity[26,27]

Electrification can be broadly defined as the replacement of fossil fuel-powered processes with electric alternatives.

Greening of Electricity

In order to support the electrification of transport, buildings, and other industrial processes, countries around the world will need to invest in technologies and infrastructure that enable the integration of renewables, as well as alternative sources of low-carbon energy generation across their energy systems. According to the International Energy Agency, global demand for electricity in final energy consumption is set to increase by ~4.0% per annum between 2022 - 2030 and will need to further accelerate in order to remain on track with its Net-Zero Scenario. As global demand for electricity continues to grow, it will need to be met with incremental low-carbon energy generation capacity, as well as supporting infrastructure.

Potential Role for CGF: In order to fully realize the emission reduction potential of electrification, Canada will need to ensure that the increasing demand for electricity is met with clean and low-carbon sources of generation. CGF will aim to support the electrification of transport, buildings, and various industrial processes by considering investments in projects and companies that, while not commercially mature, provide technologies and infrastructure solutions that enable and support electrification across a broad range of sectors.

[25,26] International Energy Agency, "World Energy Outlook", November 2022.

[27] Canada Energy Regulator, "Canada's Energy Future 2023", June 2023.

In addition, CGF will aim to invest in projects and companies that facilitate the integration of renewables and alternative low-carbon energy sources (such as small modular nuclear reactors, geothermal energy, abated natural gas power generation facilities, etc.) into Canada's energy system.

To date, CGF has announced two transactions in this sector[28]. In this transaction involving a novel project relating to an energy-efficiency project in the district heating sector, CGF deployed the first carbon policy contract for differences in Canada, providing the certainty required for the project to reach its final investment decision and unlocking deployment of new sustainable technologies.

[28] Varme Energy and Eavor Technologies – see section 0 for details.

4. Activities, Risks, Expected Results, and Performance

4.1. Activities of CGF

4.1.1. Primary Activities

Investments: CGFIM executes all investment activities of CGF. These investment activities are part of a broader and comprehensive set of investment management services provided to CGF pursuant to the terms of the IMA.

Table 2 - Transactions announced to date

MKB $50M commitment to MKB Partner Fund III, contributing to scale the impact of the firm's strategy focused on accelerating the energy transition and fostering growth and innovation in the Canadian clean technology sector. August 2024, *Press release*	**Svante** US$100M financing commitment to Svante who is a global carbon capture and removal solutions provider. Initial $50M tranche to be used to accelerate and de-risk first-of-a-kind commercial projects currently underway with a second tranche available to fund the development and construction of projects, with a focus on Canadian projects. August 2024, *Press release*
Strathcona Resources Strategic partnership totalling up to $2 billion to build CCS infrastructure on oil sands facilities in Alberta and Saskatchewan, a first in the Canadian heavy oil sector. This partnership represents an innovative approach to CCS risk-sharing. July 2024, *Press release*	**Markham District Energy** Two-way CfD to enable the investment needed in replacing natural gas boilers with efficient heat recovery system from wastewater, in order to provide residents with reliable and cost competitive low carbon energy services. June 2024. *Press release*
Gibson Energy & Varme Energy Strategic partnership to facilitate the development of Canada's first waste-to-energy facility with integrated CCS. The Project seeks to produce clean power while reducing landfill waste and promotes a circular economy. June 2024, *Press release*	**Idealist Climate Impact Fund** Commitment of $50M in a Canadian focused fund aiming for on commercializing, scaling, and accelerating i) the decarbonization of power supplies and industrials, ii) electrification of transportations and iii) circular economy. March 2024, *Press release*
Entropy Investment of up to $200 million in Entropy coupled with a global first long-term fixed price carbon credit offtake of up to 1 million tonne per annum to invest in Canadian CCS projects that could significantly reduce emissions in Canada and worldwide. December 2023, *Press release*	**Eavor Technologies** $90M preferred equity commitment to close funding gap and scale geothermal technology solutions, retaining intellectual property and creating Canadian jobs. October 2023, *Press release*

4.1.2. Opportunity Sourcing

To ensure a fair approach to the sourcing of investment opportunities, CGFIM employs a dual-track strategy which includes (i) an active outreach strategy, as well as (ii) a publicly available electronic mailing address to receive and evaluate inbound investment proposals while the public sourcing strategy is fully developed.

Active Outreach Strategy: The active outreach strategy allows CGFIM to proactively identify and directly engage with industry stakeholders through three main approaches:

(i) Direct outreach to companies and projects to structure and propose potential investments;
(ii) Partnering with third-party investors to leverage their sourcing capabilities and increase the breadth of investment opportunities available to CGF; and
(iii) Building multi-investor coalitions to develop and deliver large, complex projects.

Public Sourcing Strategy: CGFIM also reviews inbound investment proposals received through its publicly available electronic mailing address (infocgf@cgf-fcc.ca). Over time, CGFIM will consider the possibility and pertinence of developing a publicly available portal which it would use to gather inbound proposals under its public sourcing strategy.

4.1.3. Investment Selection

When evaluating investment opportunities on behalf of CGF, CGFIM uses a set of Investment Criteria (as detailed below) that enable rigorous, fair, and consistent evaluations, while ensuring that the opportunities pursued align with relevant aspects of the CGF Mandate. It is acknowledged, however, that any individual investment may not satisfy all Investment Criteria and strategic objectives of the CGF Mandate.

Table 3 – Investment Criteria

Investment Criteria	
1	**Consistency with goals:** The investment will advance the CGF Mandate.
2	**Long-term benefits for Canada:** The investment has a reasonable chance to strengthen the development of Canadian workers and generate knowledge that will produce long-term benefits for the Canadian economy. For example: a) **Canadian presence:** activities related to the project or company are done in Canada and may generate widely shared economic benefits. b) **Intellectual property:** the activity will enable the development, utilization, or commercialization of Canadian intellectual property. c) **Value chain creation:** the investment will develop or strengthen Canadian competitiveness by participation in a new or existing value chain.
3	**Additionality:** The investment will attract private sector investment, immediate or future, that would not have been secured without the participation of CGF.
4	**Financial soundness:** The investment will meet a certain return threshold and will fit within a portfolio that will target a return of capital.
5	**Consistency with ESG principles:** The investment will fit within a portfolio that will enable CGF to meet the highest internationally recognized standards of Environment, Social and Governance (“ESG”) measurement, disclosure, and performance.

To help assess the alignment of a given potential investment to the screening criteria, CGFIM has translated each of the investment criteria into standard dimensions and key performance indicators as a part of the Impact Measurement and Management framework development (see Section 4.1.7). This summary framework provides the basis for investment diligence and selection, asset management, and portfolio monitoring. Please see Appendix C for a detailed list of relevant metrics.

4.1.4. Investment Instruments

CGF may invest in projects, companies, as well as investment funds managed by external investment managers. In doing so, CGF has the flexibility to employ a variety of investment instruments, including:

Table 4 – Investment instruments

Investment Instruments	
1	**Equity, debt, and hybrid instruments:** CGF may invest in equity (e.g., common shares, preferred shares, trust interests or partnership interests), debt, or hybrid instruments.
2	**Contracts:** CGF may enter into contracts and other forms of price assurances to address demand and policy risk and improve project viability. There are three main types of contracts: a) **Offtake contracts:** CGF may enter into offtake contracts to address demand risk and improve project viability by providing revenue for a volume of production where sufficient demand from prospective private buyers is still developing. b) **Contract for Difference[29] – Market Price:** CfD absorbing carbon credit market risk; if the market price is below the contract strike price, CGF pays the difference to credit holder, and vice-versa. **Contract for difference – Policy price:** CfD absorbing carbon policy risk; if policy price falls below contract strike price, CGF pays the difference to credit holder, and vice-versa.

4.1.4.1. CGF's Carbon Contracts Strategy

Contracts, including both offtake contracts and CfDs, are financial instruments used to address demand or price risk related to market volatility as well as regulatory and policy risks. This reduces uncertainty and unlocks investment decision-making by emitters.

Offtake contracts are a conceptually simple commercial agreement to purchase an established quantity of a commodity at a known price, reducing price risk. Common forms of offtake contracts include power purchase agreements, often used in the renewable energy sector, whereby a power plant sells its generated power at a known price to an offtaker such as a utility. In CGF's offtake contracts, CGF will buy carbon credits from a credit holder at a fixed volume, price and term, providing revenue certainty.

[29] Contracts for difference will be structured as "two-way" contracts. Two-way contracts are the same as one-way contracts, with the exception that whenever the reference price is *greater* than the strike price, the credit holder must pay CGF the difference between the reference price and the strike price (allowing CGF to participate in upside).

In comparison, a CfD provides price assurance through exchange of the price difference between the market price and the contract's strike price, rather than the purchase or sale of the commodity itself. If the carbon market or policy price is lower than the contract strike price, CGF pays the difference to the credit holder, and vice versa.

Figure 1 - Types of carbon contracts

	Risk Mitigated			Considerations		
	Policy	Market	Sale of Credits	Emitter Risk	Finance-ability	Best Suited For
1 Offtake	✓	✓	✓	Lowest (counterparty retains zero basis risk to market index)	High (enables project financing and lowers cost of capital)	Situations where CGF can buy and sell credits in a liquid market
2 CfD – Market Price	✓	✓	--	Mid (counterparty retains limited basis risk to market index)	Project Dependent (remains to be proven)	Situations where a robust carbon price index exists
3 CfD – Policy Price	✓	--	--	Highest (counterparty retains full basis risk to policy)	Low (unlikely to sufficiently de-risk projects for project finance providers)	Situations where a robust carbon price index does not exist

CGF is the principal federal entity issuing carbon Contracts in Canada[30], allocating, on a priority basis, up to $7 billion in funding for their issuance. In this context, CGF has developed an initial Carbon Contracts Strategy[31] to provide an expanded range of these tools to the market. This initial go-to-market strategy has been informed by extensive market and industry engagement with stakeholders from across Canada.

CGF has adopted six principles guiding the execution of its strategy, in alignment with its Mandate. These principles are to:

(i) **Unlock Projects:** Make projects investable through reduction of policy and/or market risk;
(ii) **Strengthen Carbon Markets:** Support the development of efficient, liquid carbon markets;
(iii) **Respect Regional Differences:** Design regionally tailored solutions;
(iv) **Prioritize Efficient Projects:** Promote competitive industry through cost & capital efficiency;
(v) **Accelerate Technologies:** Accelerate the deployment of key technologies;
(vi) **Deliver value for money:** Maximize impact of CGF capital through project selection, investment structure and partnership with private sector.

CGF's strategy will be tailored to emitters in various jurisdictions and with differing scale of decarbonization projects. To guide this approach, CGF has developed a deployment framework, which helps classify potential projects into one of three categories:

(i) **Scale:** Continue to scale the deployment of carbon contracts with large projects that have lower cost and risk profiles;
(ii) **Scope:** Expand scope to include "first-of-a-kind" projects that are higher up the risk-spectrum while advancing decarbonization in new regions and/or industries;
(iii) **Accessibility:** Develop standardized instruments for certain jurisdictions / sectors to promote rapid and efficient deployment and ensure wide-spread accessibility.

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[30] As announced in the *2023 Fall Economic Statement*.
[31] Canada Growth Fund, "Carbon Contracts Strategy Backgrounder", June 2024.

Additional details on approach to deployment within this three-pronged framework can be found in the below table.

Figure 2 - Carbon contracts deployment strategy

		1 Scale	2 Scope	3 Accessibility
Application	Project Type	Larger Emitters	"First-of-a-kind" Projects	Smaller Emitters
CGF Approach	Capital Commitment	Larger	Varies	Smaller
CGF Approach	Investment Structure	Customized (typically includes contracts and requires equity investment and/or upside participation)		Standardized (focus on replicability to accelerate wide adoption)
CGF Approach	Governance Rights	Customized (governance commensurate with equity participation, including information rights)		Limited (typically limited to information rights and commitments to operate)
CGF Approach	Due Diligence	Higher (in-line with equity investor due diligence standards)		Medium (demonstration of technical and commercial soundness and creditworthiness)

4.1.5. Investment Process

CGFIM's investment process includes two phases (as shown on Figure 4) and is designed to allow the CGFIM team to engage quickly when new opportunities arise.

As part of its investment process, CGFIM conducts comprehensive due diligence, in line with the best practices of private market investors. Due diligence is led by the CGFIM team, and key focus areas include, but are not limited to, financials, operations, governance, intellectual property, commercial studies, technical assessments, environmental risks and liability, legal matters, tax matters, human resources, indigenous peoples' rights, ESG practices and policies, as well as IT and cybersecurity assessments.

In addition, for each investment opportunity, CGFIM conducts a systematic assessment of the opportunity against the CGF Investment Criteria (acknowledging that individual investments may not always satisfy all of the CGF Investment Criteria). In doing so, CGFIM also considers the opportunity's financial returns, risk mitigation, level of concessionality, as well as how the opportunity will fit within CGF's broader portfolio of investments. For all of its prospective investments, CGFIM also assesses potential reputational risks as well as any potential conflicts of interest.

4.1.6. Asset Management

CGFIM actively monitors the performance of the CGF investments, ensuring responsiveness to changing market conditions, and accountability for results against the CGF Mandate. This monitoring includes:

Table 5 – Asset Management

1	**Operational Oversight:** execution of projects and implementation of initiatives to achieve economic and impact benefits.
2	**Financial Oversight**: responsible management of financial risks and realization of expected returns.
3	**Strategic Oversight**: ongoing relationship with investment partners and industry stakeholders to ensure sustained commitment to projects and corporate growth.

Following an investment, CGFIM engages with the company commensurate with its negotiated information and governance rights, which will vary from an investment to another but, for illustration, may include acting as a board member to a company, participating in annual sustainability and ESG meetings, and receiving ongoing data and reporting with respect to the performance criteria of CGF. CGFIM remains engaged with CGF's portfolio companies to ensure their growth and their performance are in alignment with the CGF Mandate.

4.1.7. Impact Measurement and Management

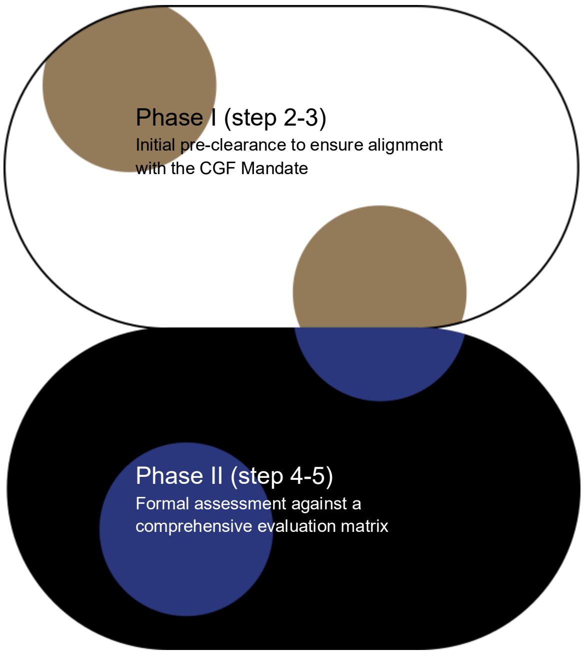
Measuring the non-financial performance of CGF Investments is one of CGFIM's key deliverables pursuant to the IMA. To reflect this central importance and ensure that impact and ESG factors are considered at every stage of the investment process, CGFIM has developed a bespoke Impact Measurement and Management ("IM+M") framework, approach, and tools, which have been piloted on its initial investments. This IM+M approach is embedded directly into CGFIM's investment activities, and all investment team members are responsible for integrating these considerations directly into the underwriting process, and ensuring that impact considerations are harmonized with financial and transaction soundness.

IM+M in the Investment Process

CGF's Mandate and Investment Criteria have been translated into a practical framework built around a standard set of indicators and criteria (see Appendix C) These form the basis of the IM+M approach and provide structure and consistency to the subsequent steps of the process. CGFIM has developed IM+M tools and templates to structure and standardize IM+M integration at each step of the investment process, as described in the illustration below.

CGF will release its inaugural impact report in 2025, which will include quantitative impact data collected from portfolio companies to the extent available.

Figure 3 - CGF investment process



SOURCING

Dual-track sourcing strategy, including:

- Active outreach strategy allowing CGFIM to engage directly with stakeholders
- Public electronic mailing address for inbound proposals

SCREENING

Opportunities are precleared using a standardized list of Investment Criteria (`pre-clearance memorandum`)

Systematic and disciplined approach to screening ensures that opportunities are aligned with the CGF Mandate

INITIAL RECOMMENDATION

CGFIM prepares an initial investment recommendation outlining the key merits and risks of the transaction

DUE DILIGENCE

Prior to moving to the due diligence stage, CGFIM obtains various internal approvals

CGFIM conducts comprehensive transaction due diligence, in line with best practices

FINAL RECOMMENDATION

Upon successful completion of due diligence CGFIM:

- Negotiates and finalizes the investment structure
- Prepares a comprehensive investment recommendation
- Seeks investment approval from CGFIM IRIC

CLOSING & ASSET MONITORING

Upon receiving final investment approval, transaction is funded and closed

Asset is actively monitored by CGFIM post-close, in accordance with its asset monitoring framework

IM+M Integration

SOURCING	SCREENING	INITIAL RECOMMENDATION	DUE DILIGENCE	FINAL RECOMMENDATION	CLOSING & ASSET MONITORING
Investment criteria translated into clear definitions and metrics to help identify relevant deals	Pre-clearance screening tool developed for high-level evaluation and assessment of the alignment of a given potential deal to the CGF mandate and IM+M objectives	Standardized memo summary tables developed to summarize a given potential deal's impact-related attributes, integrated into the pre-clearance initial recommendation	Assessment tool developed to structure and document detailed qualitative and quantitative assessment of all impact criteria and metrics, integrating key findings from technical, legal and commercial due diligence processes to produce a comprehensive IM+M profile	Standardized investment recommendation documents have been developed to present complete impact criteria and metrics related to a given potential deal, and evaluate overall alignment to the CGF mandate.	Frameworks and tools for monitoring and managing impact performance throughout the hold period, including an asset management scorecard to track portfolio performance against underwriting expectations

4.2. Overview of Risks and Mitigation Strategies

CGFIM is leveraging PSP Investments' expertise in identifying, evaluating, managing, mitigating, and monitoring risks, while adapting its processes to meet CGFIM's specific needs and to reflect the startup nature of the entity. A Risk Management Policy, which defines the guiding principles and framework to prudently and proactively manage investment and non-investment risks, is being finalized. The table below highlights the investment risks of CGF, defined as the risk of loss inherent in achieving investment objectives.

Table 6 – Risks and Mitigation Strategies

	Definition	Mitigation Strategies
Market	Risk that the value of an investment will fluctuate as a result of an adverse financial outcome due to changes in the factors that drive that value. Key market risks for CGF notably includes demand, policy, regulatory, execution, interest rate, and foreign currency risks.	Ensuring compliance with the following SIP Limit: "aggregate net exposure through CFD and offtake contracts, in a tail risk scenario, will be no more than $7B". Independently[32] assessing an investment's expectation of return of capital at the time of the approval and on an ongoing basis thereafter. Also, ongoing monitoring via internal covenants, watch list, etc. Producing sensitivity analysis on key market risk areas on a quarterly basis (or more often if deemed relevant).
Liquidity	Risk that CGF will not be able to meet its financial obligations on a timely basis, with sufficient and readily available cash resources.	Ensuring there are sufficient liquidity to cover unfunded commitments at any given time.
Credit and Counterparty	Risk of non-performance of an obligor on whom CGF relies on to fulfill contractual or financial obligations.	Independently[33] conducting a credit risk assessment at the time of the approval and on an ongoing basis thereafter for each counterparty and, when relevant, for portfolio investments.
Concentration	Risk arising from unwarranted exposure due to a lack of diversification or concentrated exposure.	Monitoring concentration metrics to ensure appropriate reporting and provide insight-driven information. Metrics include Area of Focus, Private Sector, Type of Investments, Region, Single Name, and Manager & Partner. Nevertheless, as indicated herein, the implementation of the Mandate is likely to result in a concentrated portfolio of investments, especially during this ramp up period.
Strategic and Impact-Related	Risk that portfolio companies do not achieve expected impact and performance outcomes and ability to achieve the strategic objectives of its mandate.	Refer to section 4.1.7 for a description of the Impact Measurement and Management framework developed by CGFIM, which is embedded in the investment process.

With respect to non-investment risks (defined as the direct or indirect risk of loss not derived from investment risks and includes legal, compliance, technology, operational, and people), these are embedded within PSP Investments' procedures, considering PSP Investments is supporting CGFIM in providing investment management services to CGF in accordance with the IMA.

[32,33] Performed by PSP Investments Risk Management Group.

4.3. Expected Results and Performance

Building on the successes of the first year of operations, CGFIM is poised for significant growth and impact in the coming year. CGF is well-positioned to deliver on its mandate and continue to make a meaningful contribution to clean growth in Canada. Most notably, CGF aims to advance the following areas:

- **Investment Capabilities and Market Traction**: CGF aims to continue to sign transactions in alignment with its mandate. The focus will be on continuing to deliver and execute on a comprehensive investment strategy in priority sectors across projects, cleantech and low-carbon supply chain verticals.
- **Carbon Contracts**: CGFIM will continue to develop and grow its program to deliver and operationalize Contracts across multiple jurisdictions.
- **Impact Measurement and Management**: CGFIM plans to finalize and fully operationalize its IM+M framework. Specifically, existing components (as described in Section 4.1.7) will be complemented by new frameworks and tools for further IM+M integration into portfolio monitoring, asset management activities, and enhanced public reporting. The inaugural impact report will also be published, communicating the initial sets of impact data collected from CGF's portfolio companies.

In 2025, in keeping with Canadian and global best practices in the decarbonization investment sector, CGF will undertake its inaugural portfolio company data collection exercise, leveraging current PSP Investments' established systems, processes and controls, as well as global best practices. This will allow CGF to assess and, as appropriate, to communicate an overview of CGF's portfolio impact data. Beyond this, a comprehensive data collection initiative will allow CGF to conduct portfolio analysis and determine its current and anticipated fund-level outcomes. This information will inform CGF's strategic planning and corporate objectives in the coming years.

5. Financial Overview[34]

5.1. Context and Definitions

Unless otherwise noted, all dollar amounts presented in Section 5 are in Canadian dollars.

Projection Period

The financial projections presented herein (the "Financial Projections") outline the expected financial condition and operations of CGF for the 2025 – 2029 period (the "Projection Period"), as well as preliminary estimates for the year ending December 31, 2024 (the "2024 Estimates")[35].

CGF has a December 31 year-end. Unless otherwise specified, all year references made in Section 5 assume a January 1 to December 31 calendar year.

Use of Assumptions

The Financial Projections rely on the use of a number of assumptions, including assumptions regarding the anticipated market conditions under which CGF will operate over the Projection Period. CGFIM used its best judgement in developing the assumptions underlying the Financial Projections. However, it is acknowledged that given CGF's limited operating history, the limited availability of historical information, as well as CGF's unique role in the Canadian investor ecosystem, actual results may vary significantly from the Financial Projections.

Commitments vs. Deployments

Over the Projection Period, CGF will make a number of investment commitments to projects, companies, as well as external fund managers ("Commitments"). These Commitments may not always result in immediate capital deployments, as some Commitments may be deployed over time.

Throughout Section 5, Commitments refer to agreements entered into by CGF to make investments (immediate or future), while capital deployments ("Deployments") refer to the funding of prior (or concurrent) Commitments.

[34] For completeness, we note that CGF's 2023 Annual Report, 2024 Q1 Interim Report, 2024 Q2 Interim report and 2024 Q3 Interim report are publicly available on CGF's website www.cgf-fcc.ca.
[35] Financial projections and the 2024 Estimates were developed in or around August/September 2024.

5.2. Funding

Over the course of the execution of its Mandate, CGF will obtain its funding through the issuance of preferred shares to His Majesty in Right of Canada, as represented by the Minister of Finance (the "Preferred Shares").

The funding schedule presented below represents the funding amount, i.e. capital expenditure amount, that is targeted to be drawn each year, in addition to the amounts that were called in 2023 and 2024 (total of $4.4*billion*), for a cumulative total of $15 billion.

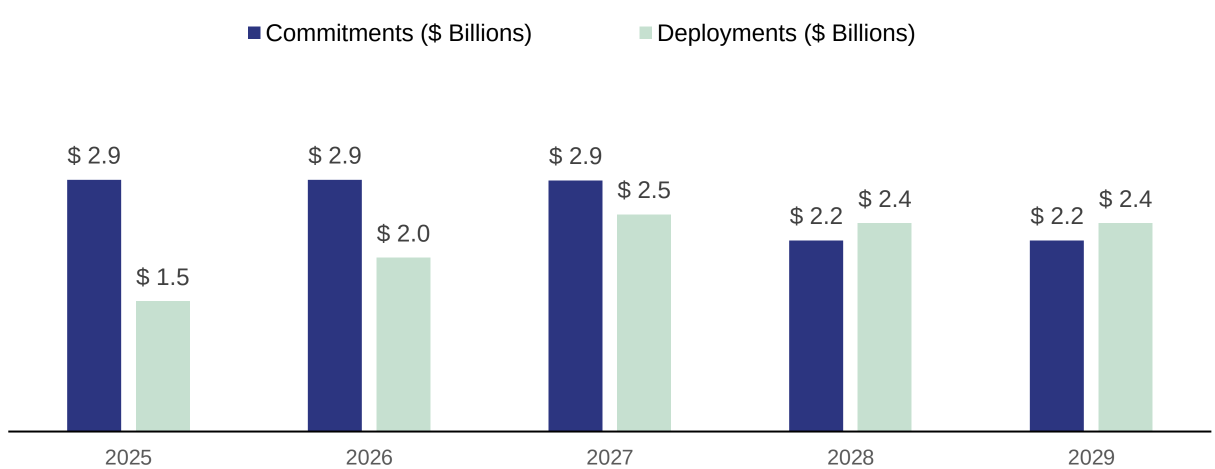
Table 7 - Funding schedule

Government Funding (in $ billions)	**2025**	**2026**	**2027**	**2028**	**2029**
Net Proceeds from the issuance of Preferred Shares	$3.0	$3.0	$3.0	$1.6	-

5.3. Commitments and Deployments

The Projection Period (2025 – 2029)

Figure 4 - Capital Budget



Key Assumptions for the Projection Period

From the funded $15 billion, CGFIM assumes conservative revenues based on the following assumptions:

(i) Interest income from liquidity;
(ii) Proceeds from divestitures of assets;
(iii) While CGFIM expects CGF to achieve a return of capital on a portfolio basis over a period of 15 years, the Financial Projections do not assume mark-to-market or investment income (through dividends, distributions, or interest) being generated from CGF's portfolio of investments; and
(iv) CGFIM also assume released funds from commitments under contracts allowing us to reinvest the available capital.

CGF's total Commitments over the Projection Period are expected to be allocated as follows: approximately 95% to private direct investments (including Commitments made under Contracts), and 5% to external fund managers.

CGFIM estimates that there may be timing differences between Commitments entered into by CGF, and the associated Deployments. For example, Commitments made with respect to large projects may be funded over periods exceeding 12 months. As such, in any given year, CGFIM anticipates that yearly Deployments may differ from yearly Commitments and that Deployments will increase over time

5.4. Costs and Assumptions

CGF costs consist of:

- Staffing and resource requirements of CGFIM and advisory and other costs, (together the "Costs to operate CGF"); and
- Transaction costs paid to third-party advisors in connection with new Commitments and external management fees paid to external fund managers and ("External Investment-Related Costs"),

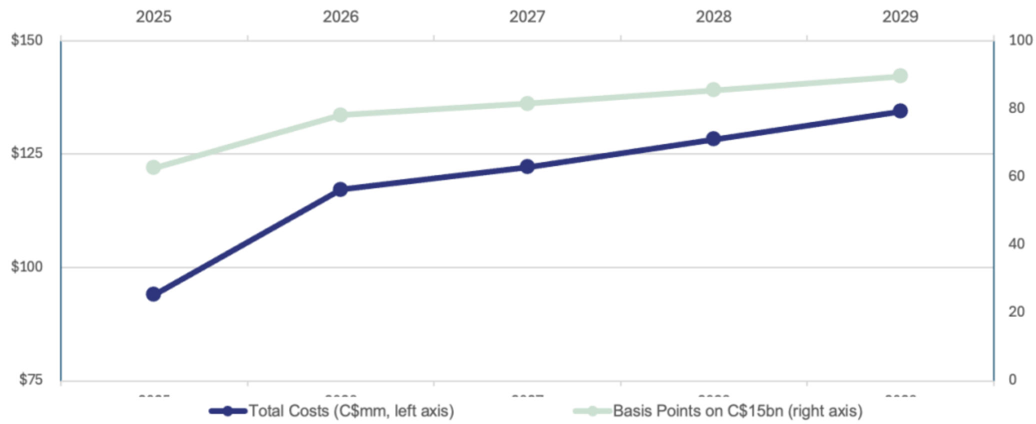
which together represent the total costs incurred by CGF (the "Total Costs").

The Total Costs and Commitments are intended to be paid out of CGF's total funding of $15 billion.

The Projection Period (2025 – 2029)

(i) The projected Commitments and Deployments outlined in Section 0 impact the Costs to operate CGF as well as the External Investment-Related Costs.
(ii) The Total Costs presented include CGF's accrued liabilities, arising at the time costs are incurred.

Figure 5 – Projected Commitments and deployments (2025-2029)



A key driver of Costs to Operate CGF is "compensation and overhead" necessary to support the delivery of the CGF Mandate. The driver reflects (i) the compensation of the PSP Investments' professionals who support the activities of CGF and CGFIM, as well as (ii) overhead costs in connection with the use of various PSP Investments' corporate functions (e.g. technology costs) and rent.

5.5. Pro Forma Financial Statements

CGF is not presenting Pro Formal Financial Statements for the following reasons: (i) as a Government Business Enterprise (GBE), CGF prepares its financial statements under IFRS and qualifies as an Investment Entity therein. It, therefore, measures its investments at fair value through the Statement of Profit & Loss., (ii) CGF's mandate calls for it to operate in illiquid markets – without regular past or current trading activity and where it often needs to act as a market maker, (iii) given this context, forecasting fair value in proforma financial statements is unlikely to lead to financial information that meet the basic qualitative characteristics of useful financial information as outlined in the IFRS Conceptual Framework including having predictive value. CGFIM is of the view that this would render such information, effectively, misleading.

Appendices

Appendix A - Direction from Responsible Minister

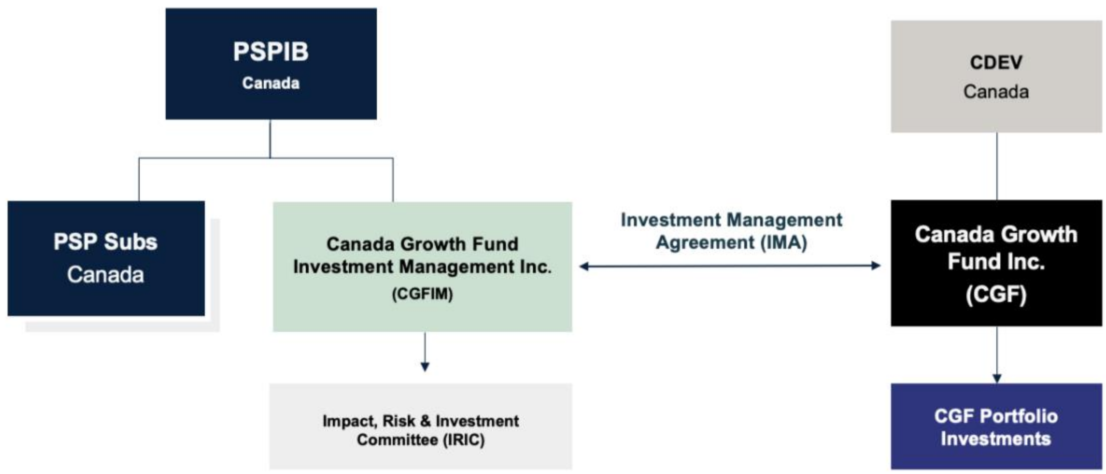
The Statement of Priorities and Accountabilities is appended as Exhibit 1.

Appendix B - Corporate Governance Structure

PSP Investments, CGFIM, CGF and CDEV executed the IMA on March 11, 2024 pursuant to which CGFIM is providing a full suite of investment management services to CGF, independently of, and at arm's length from, the Government of Canada. Pursuant to the IMA, all decisions relating to CGF's assets and activities, including all investment decisions, are made by CGFIM in alignment with CGF's mandate and strategic goals, without direction or influence from the Government.

Moreover, the assets and liabilities of CGF are kept separate from, and are managed independently of, the pension assets of PSP Investments.

Figure 6 - Corporate chart



CGF Governance

CGF is governed by a Board of Directors appointed by CDEV, in consultation with the Government of Canada's Minister of Finance (the "CGF Board"). It is anticipated that the CGF Board will consist of four members, including two CDEV representatives, as well as an external board chair and audit committee chair. One director is currently appointed[36], and CDEV will aim to add three additional directors to the CGF Board in the near term. The responsibilities of the CGF Board include overseeing the compliance of CGFIM with the IMA, ensuring that CGF is compliant with the governance framework for Crown Corporations as outlined in the *Financial Administration Act*, as well as the approval of CGF's financial statements.

CGF Board
Elizabeth Wademan

[36] Steve Swaffield resigned as a CGF Board member as of October 1, 2024.

CGFIM Governance

CGFIM has a Board of Directors (the "CGFIM Board"). The CGFIM Board has established the IRIC, to which it has delegated all duties and responsibilities in respect of investment evaluations and approvals. All investments including, without limitation, new investment opportunities, follow-on investments, fund commitments and dispositions require IRIC's approval.

CGFIM Senior Executives

The day-to-day activities of CGFIM are led by a team of senior investment professionals who have extensive experience across a range of sectors. To date, CGFIM has appointed the following individuals to senior leadership positions, and may add to this team going forward, on an as-needed basis.

- **Patrick Charbonneau**, President and Chief Executive Officer: Patrick Charbonneau is the President and Chief Executive Officer of CGFIM. In this capacity he is responsible for setting the $15 billion Fund's overall direction and ensuring that CGFIM's resources and activities are aligned with CGF's mandate and strategic goals.

  Prior to joining CGFIM, Patrick was Senior Managing Director and Global Head of Infrastructure Investments at PSP Investments. Patrick has over 20 years of experience in the infrastructure sector and was instrumental in building PSP Investments' infrastructure portfolio and team since the inception of the organization's infrastructure asset class in 2006. In that role, Patrick oversaw a growing infrastructure portfolio of over $30 billion and global transaction opportunities that included controlling direct investments, co-investment transactions and primary fund commitments. Patrick led a diverse team of over 50 investment professionals in PSP Investments' Montréal and London offices. Prior to joining PSP Investments, Patrick worked in infrastructure advisory services at PwC. Patrick holds a Bachelor of Business from Bishop's University and completed the High Potentials Leadership Program at Harvard University. He is a CFA charter holder since 2002.

- **Stephan Rupert**, Chief Investment Officer: Stephan Rupert is the Chief Investment Officer of CGFIM. In this capacity he is responsible for CGFIM's portfolio construction strategy and investment execution activities.

  Stephan has over 20 years of experience in infrastructure investment, asset management and operations. Prior to joining CGFIM, Stephan was Managing Director, Head of Americas, Infrastructure Investments, at PSP Investments. In this role he oversaw capital investment and asset management for the Americas and took a lead role in PSP Investments' approach to the energy sector globally. Prior to joining PSP Investments in 2013, Stephan spent over a decade leading M&A activities in the transportation sector, and from 1997 to 2001 he worked as an engineer on several highway, railroad and water infrastructure construction projects in North America and Africa. Stephan holds a Bachelor of Civil Engineering and an MBA – both from McGill University. He is a Chartered Financial Analyst.

— **Selin Bastin**, Chief Legal Officer: Selin Bastin is the Chief Legal Officer of CGFIM. She is part of the leadership team of CGFIM and is responsible for legal and regulatory affairs, as well as governance matters. Selin also plays a key role in the structuring and execution of investment transactions.

  With over 25 years' experience as a corporate lawyer, Selin has extensive expertise in mergers & acquisitions, securities law, and corporate governance. Prior to joining CGFIM, Selin was Managing Director and Divisional General Counsel at PSP Investments. Since joining PSP Investments in 2006, Selin has played an important role in PSP Investments' growth as a global pension fund investor, and in ensuring continued effectiveness in structuring and executing complex transactions. Prior to joining PSP Investments, Selin worked as a corporate lawyer at Stikeman Elliott, where she specialized in M&A. Selin holds a BCL and an LLB from McGill Law School and a Bachelor of Commerce from Concordia University.

Appendix C - Planned Results

Planned results for 2025 and Performance Criteria

Table 8 - Summary of planned results (2025)

Objectives	Measures of Success
Continue to build and amplify current market traction to deliver on CGF's mandate and capital plan	- Signing of transactions that fit with the CGF Mandate - Target capital commitment of $2.9B
Continue to build investment capabilities and supporting frameworks and processes	- Continue building and developing the CGFIM team - Continue developing and formalize: o Impact measurement framework o Public reporting framework, including annual reporting
Deepen relationships with key stakeholders and proactively manage CGF's external presence and reputation	- Successful implementation of the *Communications Protocol* on the CGF Investments - Continue developing and formalize stakeholder and external affairs approach(es) covering: government entities, media outlets and other stakeholders including indigenous communities.

Table 9 - Performance criteria

Selection Criteria, Strategic Objectives and Investment Principles		Performance Criteria
Consistency with CGF Mandate	Quickly and significantly reduce emissions and contribute to achieving Canada's climate targets	1. CGF Portfolio Carbon Footprint and Financed Emissions (i.e., Portfolio-level Scope 3 (Category 15) emissions). Calculated in accordance with the Greenhouse Gas Protocol and the Partnership for Carbon Accounting Financials Standard or equivalent methodology. 2. Portfolio-level Annual Average Avoided Emissions. In-house methodology to be adopted in accordance with leading standards such as: Mission Innovation Avoided Emissions Framework.
	Scale up technologies and companies that will drive productivity, competitiveness and clean growth and jobs across new and traditional sectors of Canada's industrial base	3. Ratio of private investment (equity and debt) catalyzed due to CGF investments. Methodology under development and may include consideration of prospective and/or retrospective values. Metric will be assessed on an ongoing basis. 4. Where possible and appropriate, amount of new capital leveraged or unlocked that invests in alignment with the CGF Mandate. Methodology under development and may include consideration of prospective and/or retrospective values. Metric will be assessed on an ongoing basis. 5. Where possible and appropriate, estimated total jobs created or supported (e.g. temporary, permanent, direct and indirect) by CGF investments, over a period of time as may be determined by CGFIM. Methodology under development; reporting timeframe may vary depending on the investment context, timing and stage of development.

	Capitalize on Canada's resource endowment and strengthen critical supply chains in order to secure Canada's future economic prosperity	6. CGF capital committed to major projects, clean technology and/or low carbon supply chain activities. Measurement of CGF capital includes equity, debt, contracts for difference and offtake contracts. 7. Where possible and appropriate, annual export revenue from major projects, clean technology and/or low-carbon supply chains. Methodology under development; CGFIM will endeavor to develop indicators that will demonstrate trade benefits and supply chain benefits for Canada.
	Long-term benefits for Canada	8. Where possible and appropriate, number of technologies and/or patents created, supported, or maintained due to CGF investments.
Additionality		9. (identical to 3 above) Ratio of private investment (equity and debt) catalyzed due to CGF investments. Methodology under development and may include consideration of prospective and/or retrospective values. Metric will be assessed on an ongoing basis. 10. (identical to 4 above) Where possible and appropriate, amount of new capital leveraged or unlocked that invests in alignment with the CGF Mandate. Methodology under development and may include consideration of prospective and/or retrospective values. Metric will be assessed on an ongoing basis. 11. Where possible and appropriate, qualitative evidence.
Financial Soundness		12. Discussion and analysis of CGF annual financial statements, in alignment with Section 6b of the IMA.
Consistency with Environmental, Social, and Governance (ESG) Principles		13. Annual reporting in alignment with the Task-Force on Climate Related Financial Disclosures framework. 14. Where possible and appropriate, Fund-level reporting on select ESG KPIs. Precise ESG KPIs will depend on composition of CGF investment portfolio. ESG KPI framework will be structured in alignment with the Sustainability Accounting Standards Board guidance and with frameworks established under the ESG Data Convergence Initiative.

Appendix D - Chief Financial Officer Attestation

In my capacity as Chief Financial Officer of Canada Growth Fund Investment Management Inc. ("CGFIM"), CGFIM acting as the independent and exclusive investment manager of Canada Growth Fund Inc. ("CGF"), I have reviewed the corporate plan and budget and the supporting information that I considered necessary, as of the date indicated below. Based on this due diligence review, I make the following conclusions:

1. The nature and extent of the financial and related information is reasonably described, and assumptions having a significant bearing on the associated financial requirements have been identified and are supported, with the following observations: Assumptions concerning CGF's business activity and the composition of its portfolio of investments are subject to significant variation due to market conditions. In turn, assumptions around total costs to operate CGF are dependent on the composition of the CGF portfolio and are, therefore, subject to variations.
2. Significant risks having a bearing on the financial requirements, the sensitivity of the financial requirements to changes in key assumptions, and the related risk-mitigation strategies have been disclosed, with the following observations: Assumptions with respect to CGF's business activity and its portfolio of investments are relying on the best available information, however the nature of the markets in which CGF operates to meet its mandate, and potential portfolio concentration, entail significant uncertainties. Notably, the nature of certain derivative instruments in which CGF invests to fulfil its mandate, carry significant market risk.
3. Financial resource requirements have been disclosed and are consistent with the stated assumptions, and options to contain costs have been considered, with the following observations: Resource requirements are based on the assumed business activity of CGF and composition of the CGF portfolio which are subject to variation as indicated in paragraphs 1and 2 above.
4. Funding has been identified and is sufficient to address the financial requirements for the expected duration of the corporate plan, with the following observations: Assumptions regarding CGF's funding are dependent on the performance of CGF's investments, the assumed business activity of CGF, related costs which are each subject to variation as indicated in paragraphs 1 and 3. These will impact CGF's annual funding requirements within its total approved funding of $15 billion.
5. The corporate plan and budget are compliant with relevant financial management legislation and policies, and the proper financial management authorities are in place (or are being sought as described in the corporate plan).
6. Key financial controls are in place to support the ongoing investment activities conducted on behalf of CGF.

In my opinion, the financial information contained in this corporate plan and budget is sufficient overall to support decision making.

DocuSigned by:

4893287CD1634AA...

Jean-François Bureau, Chief Financial Officer of Canada Growth Fund Investment Management Inc., acting as manager for Canada Growth Fund Inc.

December 5, 2024

Appendix E - Borrowing Plan

CGF and its wholly-owned subsidiaries may provide guarantees and enter into loan commitments in support of investment commitments that CGF or its wholly-owned subsidiaries may enter into and as may be required by lenders, fund managers and investors with whom CGF and its wholly-owned subsidiaries may transact from time to time, in respect of (i) a note, bond or debenture, (ii) term preferred shares, (iii) a loan, (iv) a banker’s acceptance, (v) a capital lease or (vi) a supplier credit arrangement, with an annual aggregate guarantee and loan commitments not exceeding the annual commitment amount outlined in Section 0 for a term of up to 25 years.

Appendix F - Government Priorities and Directions

Transparency and Open Government

To ensure an open and transparent approach to sourcing investment opportunities, CGF employs a dual-track approach:

(i) **Active Outreach**: CGFIM proactively identifies and directly engages with industry stakeholders through three main approaches:

a. Direct outreach to companies and projects to structure and propose potential investments;
b. Partnering with 3rd party investors to leverage their sourcing capabilities and increase the breadth of opportunities available to CGF;
c. Building multi-investor coalitions to develop and deliver large, complex projects.

(ii) **Public Process**:

a. CGFIM maintains a public inbox (infocgf@cgf-fcc.ca) to receive and review information directly from market participants:
   i. The CGFIM team closely monitors the public inbox to ensure that the public maintains direct access to CGF;
   ii. While the CGFIM team aims to review and respond to all inbound opportunities in a timely manner, it cannot guarantee that all proposals will receive a response.
b. CGFIM maintains a bilingual website (www.cgf-fcc.ca), including information on CGF's mandate and latest news. The content of the CGF website will be developed and will evolve over time, in line with CGF's activities.

Access to Information and Privacy

CGFIM and CGF are subject to the *Access to Information Act* and the relevant information is available on CGF's website (link).

CGFIM sets out the way it collects, uses, discloses, and otherwise manages personal information on its website at the following (link.)

Information Technology and Cyber Security

PSP Investments is committed to safeguard the confidentiality, integrity and availability of the information assets under its control. PSP Investments has adopted an *Information Security Policy* that establishes general principles and requirements to ensure risks to information assets are managed in alignment with PSP Investments' vision, risk appetite and our legal, statutory, regulatory and contractual requirements.

PSP Investments' information assets (including personally identifiable information) are classified and protected based on the level of confidentiality, integrity and availability required with respect to the nature of the information asset. The information assets classification is the basis for the identification of the risks associated with the unauthorized disclosure, use, modification or loss of PSP Investments' information assets.

PSP Investments' Information Security strategy (FY22-FY26) is based on four priorities: (i) promoting a culture of ownership and responsibility for managing cyber risks; (ii) enabling PSP's digital transformation and secure cloud migration; (iii) supporting PSP in securely sharing and capitalizing on the value of information and data; and (iv) ensuring that cyber risks outside its direct control are managed. A range of risk-mitigating measures have already been implemented via this five-year plan, including a comprehensive cyber awareness program, an executive Information Security dashboard, a risk-based vulnerability management framework, and an investment cyber risk program.

Discrimination, Harassment and Workplace Violence Prevention

PSP Investments is committed to creating and maintaining a safe and healthy work environment that is free of discrimination, harassment and violence of any type, including of a sexual nature. Discrimination, harassment and workplace violence are unacceptable behaviors and will not be tolerated. PSP Investments will take reasonable measures to prevent these behaviors and to conduct a resolution process, including investigations when allegations of are raised and will also implement corrective action(s) and/or disciplinary measure(s), depending on the circumstances, when a complaint is founded. PSP Investments is also committed to prevent discrimination, harassment and workplace violence by:

- Promoting the highest standards of conduct;
- Communicating and enforcing the principals contained in its *Discrimination, Harassment and Workplace Violence Prevention Policy*;
- Providing annual training on respect in the workplace and educating to ensure clarity as it relates to employee's rights and responsibilities;
- Implementing an effective and fair complaint resolution process as part of its *Discrimination, Harassment and Workplace Violence Prevention Procedure (Canada)*.

Environment, Social and Governance (ESG)

PSP Investments has a long-standing commitment to integrate material Environmental, Social and Governance (ESG) factors into its investment decision making process. CGFIM is leveraging PSP's processes and tools in its underwriting. Moreover, CGFIM is in the process of designing and piloting an Impact Measurement and Management (IMM) framework to guide and ensure the alignment of its investment process with the CGF Mandate, including on gender-based analysis plus and with respect to Indigenous communities.

Gender-Based Analysis Plus

Within this context, CGFIM is assessing how it can apply a GBA+ lens to CGFIM's operations and in executing CGF's investment mandate.

Indigenous Communities

The duty to consult is an important part of the federal government's activities, including for regulatory project approvals, licensing and authorization of permits, operational decisions, policy development, negotiations and more. CGFIM will consider CGF's duty to consult Indigenous peoples and more generally how it can collaborate with Indigenous communities and businesses in executing CGF's investment mandate.

Sustainable Development and Greening Government Operations

CGF’s investment strategy is focused on unlocking important sustainability benefits for Canadians, in particular related to the decarbonization and economic outcomes associated with its investment mandate and strategy.

CGF’s mandate is to build a portfolio of investments that catalyze substantial private sector investment in Canadian businesses and projects to help transform and grow Canada’s economy at speed and scale on the path to net-zero, and is intended to help Canada meet national economic and climate policy goals.

Accelerate the **deployment of key technologies**, such as low-carbon hydrogen and carbon capture and sequestration (“CCS”), among others.

Reduce emissions and achieve Canada’s Climate Targets.

Scale up companies that will create jobs, drive productivity and clean growth across new and traditional sectors of Canada’s industrial base.

Encourage the **retention of intellectual property** in Canada.

Capitalize on Canada’s abundance of natural resources and **strengthen critical supply chains** to secure Canada’s future economic and environmental well-being.

CGFIM is aware of the Government of Canada’s *Greening Government Strategy* and will evaluate opportunities to contribute to its objectives in the years ahead. Forced Labour and Modern Slavery
Each of CGF and CGFIM has confirmed that (i) it does not produce, purchase or distribute goods, and (ii) it does not control any entities that produce, sell or distribute goods. Since CGF and CGFIM do not carry out these activities, CGF and CGFIM will not fall into the scope of the reporting obligations as a “government institution” or an as “entity”.

Forced Labour and Modern Slavery Report

PSP Investments is committed to upholding high standards of corporate governance and ethical conduct. PSP Investments has been a signatory of the United Nations supported Principles for responsible Investment since August 2014. As part of PSP Investments’ commitment, it is working to continuously improve its processes aimed at preventing and reducing the risks of forced labour, child labour, and other forms of modern slavery (including, but not limited to, human trafficking, slavery and servitude) in its activities and supply chains. PSP Investments has issued a report under the Fighting Against Forced Labour and Child Labor in Supply Chains Act for the fiscal year ending March 31, 2024, which can be found here.

Ensuring Sound Procurement Practices

CGFIM believes that a strong procurement framework is necessary to support CGF and CGFIM’s activities, further its objectives, and preserve CGFIM’s and CGF’s reputation. CGFIM is leveraging PSP Investments’ established processes and expertise, including with respect to procurement functions.

As CGFIM establishes the CGFIM procurement policy, it is taking into account:

- The report issued by the Office of the Auditor General of Canada following its audit of the procurement of the professional services contracts.
- The reports and directives issued by the Treasury Board Secretariat, Public Services and Procurement Canada.

In addition to the above, the CGFIM procurement policy will also rely on best market practices in procurement to ensure CGF benefits from value for money from vendor relationships.

Appendix G - Compliance with Legislative and Policy Requirements

In addition to complying with the *Financial Administration Act* (to the extent applicable to it), CGF will provide CDEV with information for CDEV to comply with relevant reporting obligations. Please see the CDEV Corporate Plan for additional details.

CGF was issued a directive through Order in Council 2022-1272, and CGF remains in compliance with the said directive and the Statement of Priorities and Accountabilities issued by the Deputy Prime Minister and Minister of Finance on March 8, 2024.

Exhibit 1

Statement of Priorities and Accountabilities (March 8, 2024)

Deputy Prime Minister
and Minister of Finance

Vice-première ministre
et ministre des Finances

Ottawa, Canada K1A 0A2

2023FIN513410

March 8, 2024

Mr. Stephen Swaffield
Chair
Canada Development Investment Corporation
1240 Bay Street, Suite 302
Toronto, Ontario
M5R 2A7

Mr. Stephen Swaffield
Ms. Elizabeth Wademan
Canada Growth Fund Inc.
1240 Bay Street, Suite 302
Toronto, Ontario
M5R 2A7

Dear Mr. Swaffield and Ms. Wademan,

I am writing to you as the Minister responsible for the Canada Growth Fund (CGF), operated by Canada Growth Fund Inc. (CGF Inc.), a wholly-owned subsidiary of the Canada Development Investment Corporation (CDEV).

The CGF is a key part of the government's economic plan. From carbon pricing, to major investment tax credits, to grants and contributions programs, the government is investing in Canada's economic future. With its suite of financial tools and $15 billion at its disposal, the CGF is uniquely positioned to help de-risk important projects and unlock investment decisions that decarbonize our economy, and, equally, create good careers for Canadians.

It is my pleasure to issue this Statement of Priorities and Accountabilities (SPA) to you pursuant to the directive issued to CGF Inc. by the Governor in Council on December 2, 2022 (P.C. 2022-1272). I am also sending this SPA to the Public Sector Pension Investment Board (PSP Investments) and its subsidiary Canada Growth Fund Investment Management Inc. (the Manager), as well as the Minister of Innovation, Science and Economic Development Canada, the Minister of Natural Resources Canada, the Minister of Environment and Climate Change Canada, and the President of the Treasury Board for awareness.

This letter outlines the Government of Canada's expectations and strategic priorities for CGF and CGF Inc.'s operations, while recognizing that the Fund is an arm's length public investment vehicle.

Investment Management Agreement and Statement of Investment Principles

On May 31, 2023, I sent you an interim SPA. This interim SPA expressed my expectation that you would begin negotiating an Investment Management Agreement (the IMA) to be entered into between CGF Inc., CDEV, PSP Investments, and the Manager. I also noted my understanding that you would work with PSP Investments to develop a Statement of Investment Principles (the SIP) to accompany the IMA. I indicated my expectation that you would consult with me on the IMA and the SIP prior to finalizing these documents with PSP Investments.

I understand you have now completed the negotiation of the IMA and the SIP. I have reviewed these documents, in consultation with the Privy Council Office (PCO) and the Treasury Board Secretariat, and agree with their content, including those provisions relating to amendments to the SIP. PCO and the Departments of Innovation, Science, and Economic Development Canada, Natural Resources Canada, and Environment and Climate Change Canada have been consulted on the SIP, to ensure CGF complements the Government of Canada's other policy tools and programs, while maintaining its operational and investment management independence.

You may now execute the IMA and put in place the SIP. Once they are in place, I expect you to send me a final copy of both documents, and to act in accordance with their terms and to take all necessary actions to deliver on CGF's strategic objectives.

Governance

As long as CGF Inc. remains a wholly owned subsidiary of CDEV subject to Part X of the *Financial Administration Act*, CGF Inc.'s board of directors (the CGF Inc. board) will be appointed by the board of its parent company, CDEV. I understand you have put together a proposal for the initial slate of directors for the CGF Inc. board, which would consist of four members, including three CDEV representatives (including the President and CEO of CDEV), as well as an independent board chair. I expect you to consult with me, as the Minister of Finance, on proposed appointments to the CGF Inc. board. Given the services to be provided to CGF Inc. by the Manager under the IMA, I understand that CGF Inc. expects to have few or no employees of its own (and that certain CDEV staff will be involved with CGF Inc. from time-to-time as necessary).

I expect the board of CDEV to set the remuneration of the independent directors and chairperson of the CGF Inc. board having regard to the standard remuneration usually provided by other corporations in the public and private sectors in accordance with the provisions of Order in Council PC-2022-1269.

The CGF Inc. board will be responsible, within its rights under the IMA and subject to the terms thereof, to oversee the Manager's compliance with the IMA and the SIP. It will also monitor how

CGF's portfolio of investments is performing under the performance criteria established pursuant to the IMA.

Moreover, the CGF Inc. board will be accountable to the Minister of Finance and the Government of Canada, Parliament, and Canadians with respect to its oversight of the Manager within the parameters of the IMA. I look forward to engaging with CGF Inc. and the Manager, alongside with my esteemed colleagues the Minister of Innovation, Science and Economic Development Canada, the Minister of Natural Resources Canada, and the Minister of Environment and Climate Change Canada through the annual meeting and reporting process described in the IMA.

Mandate

As expressed in the SIP, CGF's mandate is to build a portfolio of investments that catalyze substantial private sector investment in Canadian businesses and projects, putting Canadian businesses and workers at the forefront of the global clean economy. The purpose of this is to help transform and grow Canada's economy at speed and scale on the path to net-zero, and is intended to help Canada to meet important national economic and climate policy goals, while creating good careers for Canadians. In ensuring strategic competitiveness for Canada, the CGF's important decisions will make Canada an even more attractive market to invest in, and create careers and opportunities for Canadians for generations to come.

I expect that the Manager advances a portfolio aligned with Canada's economic plan. In particular, I expect to see over the next two years a significant advancement in transactions with a diversity of clean technology sectors, such as blue and green hydrogen, biofuels, and other technologies fundamental to achieving a net-zero electricity grid across the country, including clean and abated electricity generation. Additionally, I expect the portfolio to support the decarbonization of heavy emitters, such as the steel and cement industries.

I expect the Manager to make commercially reasonable best efforts to advance transactions in the priority sectors.

I expect the Manager to consider the *Areas of Focus* in the SIP (4. A. i-iii) in descending priority, to its best efforts and while maintaining commercial reasonableness.

Within two months of this letter's receipt, I expect the Manger to return to me with its plan to ramp up investment activities and achieve the priorities laid out in this letter and the SIP.

I expect the Manager to take into consideration that the government is interested in working in lockstep with the Growth Fund to enhance its capacity to offer Carbon Contracts for Difference (CCfDs) and offtake agreements to priority sectors, including exploring the possibility of a government backstop on certain liabilities, and additional options to accelerate the deployment of CCfDs across Canada.

I expect the Manager, in designing its CCfD and offtake agreement frameworks, to strike a balance between ensuring strong negotiating mandates for the Growth Fund and fulfilling its important role as the principal federal entity issuing CCfDs.

I expect the Manager, subject to applicable confidentiality obligations, to engage and communicate as required with those managing complementary clean growth policy tools and programs of the Government of Canada. I expect the Manager to do so while upholding its ability to make timely, independent investment decisions.

I expect the Manager to judiciously consider all financial instruments at its disposal as it negotiates investments and structures transactions, including CfDs and other forms of price assurance. The Manager's personnel has developed a unique expertise around these instruments that is valuable to the Government of Canada. I expect the Manager to continue to develop its expertise in respect of CfDs and carbon price assurance and to become a centre of excellence on CfDs, engaging with market participants and providing advice to the Government of Canada in respect of their use and design.

I commend PSP's and the Manager's efforts in putting in place a team of world-class, seasoned investment professionals to manage CGF's investments focused on achieving important economic and climate objectives. To fully realize its purpose and functions, the CGF should draw on a diverse range of talent and perspectives from across Canada as well as international best practices. This includes continued commitment to diversity of the workforce in your organization, and efforts to foster the inclusion of a broad range of voices and views in governance and decision-making. In doing so, the CGF should take into consideration Canada's gender, linguistic, cultural and regional diversity, including the unique perspectives of Indigenous Peoples.

I am confident the Manager will leverage its talent, creativity, and experience to develop CGF into a world-leading, arm's length public investment fund that delivers value and careers to Canadians, and brings positive growth to Canada's economy for generations to come. Canada is lucky to have you on board.

Once again, I wish to express my profound gratitude for your support in helping implement the Government of Canada's ambitious agenda to reduce carbon emissions, promote the diversification of Canada's economy, strengthen Canada's supply chain resilience and capacity, and continue creating good careers for Canadians.

Sincerely,

The Honourable Chrystia Freeland, P.C., M.P.
Deputy Prime Minister and Minister of Finance

cc. Deborah K. Orida, President and Chief Executive Officer, PSP Investments
Patrick Charbonneau, Chief Executive Officer, Canada Growth Fund Investment Management Inc.
The Honourable Francois-Philippe Champagne, Minister of Innovation, Science and Economic Development Canada
The Honourable Jonathan Wilkinson, Minister of Natural Resources Canada
The Honourable Steven Guilbeault, Minister of Environment and Climate Change Canada
The Honourable Anita Anand, President of the Treasury Board