

Brief in response to the study *Critical Minerals and the Associated Value Chains in Canada*

**Submitted to the Standing Committee on Natural Resources
of the House of Commons**

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About the Fonds de solidarité FTQ

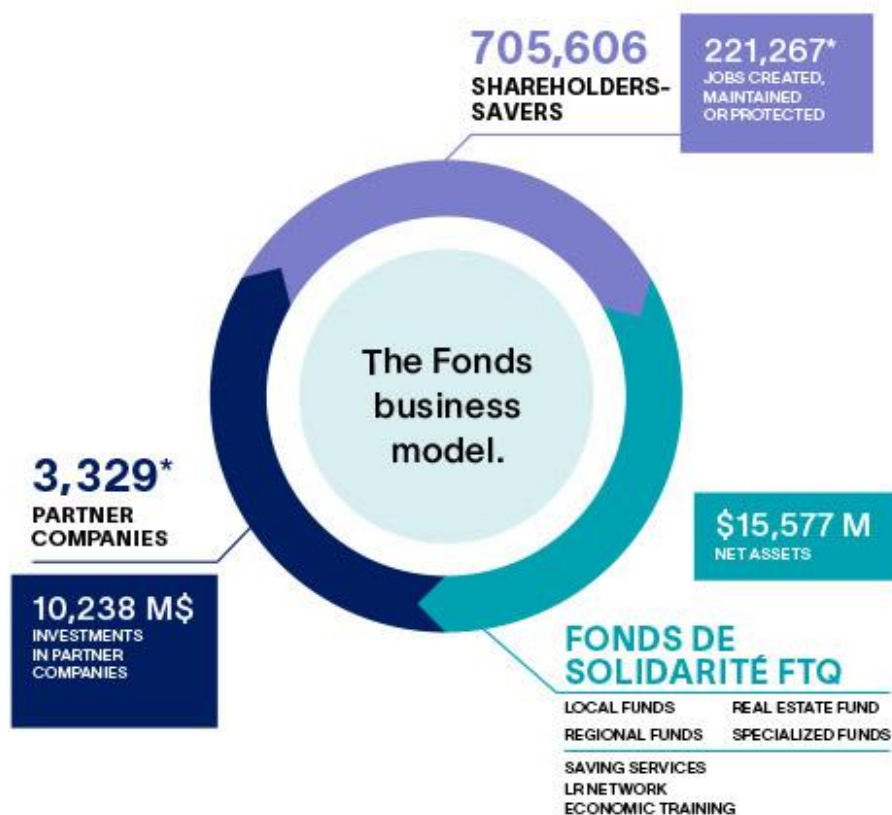
Created in June 1983, the Fonds de solidarité FTQ is the largest labour-sponsored fund in Canada with \$15.6 billion in net assets. Our mission is to contribute to Quebec's economic growth by creating, maintaining or protecting jobs through investments in small and medium-sized businesses in all spheres of activity in the Quebec economy.

The Fonds is the largest development capital network in the province. Through its governance and codes of ethics, the Fonds is a socially responsible investor committed to sustainable economic development where people come first. Aside from investing capital, the Fonds is committed to supporting the growth of its partner companies by offering value-added services including economic training and concrete strategic support for the Fonds' partner companies to promote their technological, environmental and human transitions.

The Fonds also seeks to encourage Quebecers to save for retirement and to offer its hundreds of thousands of shareholders-savers a reasonable return over and above the outstanding tax benefits they receive by purchasing Fonds shares.

The Fonds – A few figures

As at November 30, 2020



*Numbers as at May 31, 2020

Our vision as an impact investor

The Fonds recognizes the environmental and social issues facing humanity. As an investor, we must play a role in helping to address the most pressing and critical issues, including accelerating the transition to a low-carbon economy. The Fonds' vision is to become an impact investor, i.e. to invest and intervene in companies and projects, with the intention of generating a reasonable return for its investors as well as a social and/or environmental impact beneficial to the well-being of individuals.

This vision strengthens our ability to build a better society by investing in sectors critical to the energy transition, including critical minerals and their associated value chains in Canada. We want to act in a structured way in this sector, keeping in mind the objective of ensuring a fair and sustainable transition to a decarbonised economy. Thus, in addition to making sure that we leave no one behind in this necessary transition, we will act in a way that promotes a more circular economy, in both the critical minerals sector and other sectors of the economy.

The Fonds' history in the mining sector

Quebec is ranked among the most favourable mining territories in the world. The potential of Quebec's mining industry is significant, given the vast and still untapped territory of the Far North.

In the mining sector, the Fonds participates in the financing of exploration projects in Quebec, an activity quite unique in the mining world. Our role is to support growth companies (public or private) financially and strategically; to participate in the effort to renew mineral resources in Quebec; and to contribute to the growth of industry and employment in Quebec.

Sidex – Mining exploration in Quebec

Sidex was created in 2001 as a result of a strategic reflection initiative of the Fonds de solidarité FTQ and the Quebec government, at a time when Quebec was experiencing significant challenges in this sector. It was deemed necessary to find targeted tools to revive mining exploration, while promoting the diversification of Quebec production and the opening of new territories for exploration.

Sidex now has a total investment budget of \$50 million and to date has invested more than \$90 million in mining companies and their projects in Quebec. Sidex plays a key catalytic role in the industry, which has led to the emergence of several new entrepreneurs, the opening of new regions for exploration and, most importantly, the discovery of promising mineral deposits.

Fonds de solidarité FTQ Mining Portfolio and Network

As of November 30, 2020

- The current mining portfolio consist of \$121 million in investments.
- We support more than 85 mining companies in Quebec.
- More than \$458 million has been invested in the mining sector since our inception.
- Over the years, our investments have supported more than 11,000 jobs.

Critical minerals and metals

The Fonds recognizes the importance of critical minerals in meeting the overall needs of a transition to a green and clean economy. Minerals such as lithium, graphite, nickel and cobalt are found in solar panels, wind turbines, fuel cells and electric vehicles.

While our current position is more focused on exploring more conventional minerals (copper, nickel, zinc, gold, graphite), our strategy also includes the exploration and exploitation of critical minerals and eventually their local processing. It is mainly through our philosophy of a circular economy linked to our vision as an impact investor that we believe we can adequately support the value chain for the electrification of transport and the decarbonisation of the economy. This vision fits well with the current needs of the mining industry, given the recent announcement of the establishment of the mining innovation zone (ZIM), in Rouyn-Noranda, Abitibi-Témiscamingue:

In a context of global energy transition which will notably involve the mineral sector and its critical and strategic mineral resources, ZIM is the solution to allow Quebec to stand out. "The global mining industry must innovate radically to ensure this transition in a context of sustainable development and circular economy. With the ZIM, we are proposing a more coherent innovation process that will allow all players to move in the same direction in order to find solutions that are applicable now. "

Mr. Patrick Martel, Vice-President of Innovation at Technosub in Rouyn-Noranda and spokesperson for the ZIM coordination committee

Circular economy: the Fonds' value chain strategy

Principles fostering sustainable, responsible and inclusive prosperity have guided the Fonds since its inception. Thanks to our values of solidarity, we have built a strong foundation in support of the well-being of communities. More than ever, we are committed to ensuring that our actions help build a better society.

Our vision is to support value chains that favour a circular economic system. Thus we prioritize investments that demonstrate the application of sustainable development :

- Starting from the exploitation of raw materials;
- During its processing, including 2nd or 3rd processing projects.
- At the time of manufacturing (prioritizing sustainable design methods)
- Up to commercialisation; and
- Initiatives for recycling of materials.

Finally, all of our investments are guided by a responsible approach that integrates the ESG impact concepts. We are constantly concerned about maintaining a responsible approach.

Adoption of the action plan for a fair energy transition

To fight climate change and meet the Government of Canada's ambitious reduction targets, including carbon neutrality by 2050, it is expected that all stakeholders contribute to this transition to a low-carbon economy. With this in mind, as early as 2018, the Fonds launched its Just Energy Transition Plan, a four-component action plan:

1. Reducing the carbon footprint of our portfolio

- Measure and disclose the carbon intensity of the Fund's investments in private and public securities, and reduce the carbon intensity of our public investments by 25% by 2025.

2. Supporting companies in the just energy transition

- We will help companies deal with the risks and opportunities that come with switching to renewable energy, especially as they relate to jobs, by providing access to energy efficiency experts, worker training and information on government programs.

3. Investing in a low-carbon economy

- The development of a low-carbon economy will create investment opportunities that we intend to seize in such areas as new clean technologies, sustainable mobility, energy efficiency, etc.

4. Assuming a leadership role in the just energy transition

- In Quebec, the Fonds is one of the best placed stakeholders to promote a just energy transition. This is why we are making such clear commitments.
- Whether by increasing the proportion of green bonds in our portfolio, reporting annually on our progress towards our carbon intensity target, or measuring and offsetting the carbon footprint of our activities, the Fonds has set clear objectives.
- We will also continue to take action on our investments by engaging in dialogue with companies and submitting shareholder proposals at their annual general meetings, and we will actively participate in all aspects of the fight against climate change, both in Quebec and abroad.

The Fonds' investments in decarbonisation

The Fonds de solidarité FTQ is actively involved in the transition of the Quebec and Canadian economy towards decarbonisation. Guided by our vision as an impact investor, we have set ourselves the mandate to make a concrete contribution to GHG reduction and the fight against climate change by prioritizing the electrification of transportation and promoting the circular economy.

Some of our investments are concretely in line with the circular philosophy we advocate and confirm our desire to support the development of the local transport electrification sector and to stimulate energy transition projects.



Exprolink specializes in the design and manufacture of outdoor cleaning vehicles for green and smart cities. Over the past year, the company has begun the electrification of its product line: compact street sweepers and ride-on litter vacuums for sidewalks, bike paths, parks and pedestrian areas.



The Lion Electric Co. (Lion) is an innovative manufacturer of all-electric medium and heavy duty urban vehicles, best known for its 100% electric school buses. Over the past decade, Lion has established itself as a leader in the 100% electric school bus industry, delivering more than 300 all-electric school buses to North America. In the past year, Lion's vehicles have been requested by Amazon, California's largest school district and various Quebec companies. Investment via the specialized Fonds XPND Croissance.



AddEnergy is one of North America's leading operators of electric vehicle charging networks and a leading provider of intelligent charging software and equipment.



Ample is an innovative smart modular battery and automotive technology company focused on accelerating the electrification of vehicle fleets. Investment via the MKB II external fund, to which the Fonds de solidarité FTQ contributes, and which is intended for companies focused on decarbonisation and electrification of energy and transport.



Geomega develops innovative technologies for the extraction and separation of rare earth elements and other critical metals essential for a sustainable future. Focused on renewable energy, vehicle electrification, automation and energy consumption reduction, rare earth magnets, or neo-magnets (NdFeB), and their recycling are at the heart of all these technologies.



GHGSat: based in Montreal, the company is a world leader in high-resolution satellite remote sensing of greenhouse gas emissions.



GNR Québec Capital investment fund: launched at the end of 2020, this initiative is the result of a partnership between the Fonds de solidarité FTQ and Xebec Adsorption. This new investment fund provides project proponents with access to the capital and expertise needed to develop and operate efficient organic waste treatment facilities. This is a first in Quebec, in support of the implementation of renewable natural gas (RNG) projects.

With an initial capitalization of \$20 million, GNR Québec Capital intends to finance 15 projects and generate a total investment of \$400 million in Quebec over the next decade.

Investments to monitor

Within a decade, the growth of the electric vehicle market will lead to the massive influx of end-of-life batteries. The battery recycling market is an interesting business opportunity and an important issue, considering the potential quantity of end-of-life batteries that can be captured in Quebec and the Northeastern United States.

Several future investments are in the approval phase, notably in plastic processing and recycling, as well as in battery recycling, a major step towards carbon neutrality in our preferred circular economy system.

Other strategic partners and issue tables



The Fonds de solidarité FTQ is a major partner (Grand partenaire) of Propulsion Québec, an organization with the mission of mobilizing all players in the sector in concerted projects aimed at positioning Quebec among world leaders in the development and deployment of land transport modes favouring intelligent and electric transport. The organization also positions the lithium-ion battery industry as a logical and strategic extension of the commitments made to the large-scale electrification of our transport, in addition to being a driving force in the economic development of Quebec and its regions.

This agreement allows us to promote the energy transition by supporting Quebec's transport electrification initiatives and smart mobility solutions, which are essential to reducing greenhouse gas emissions and fighting climate change.



The Fonds sits on various working committees as well as the board of the Propulsion Québec cluster. In addition, this strategic partnership has resulted in the implementation of several projects including a study on the electrification of vehicle fleets in Quebec and the International Forum on vehicle fleet management IMPULSION MTL 2020.

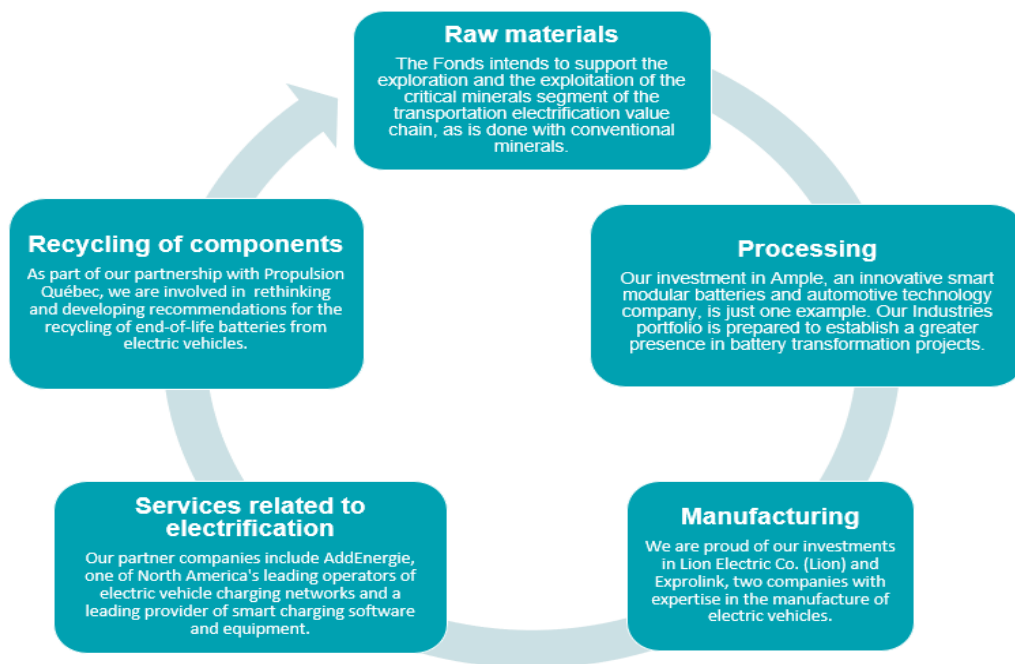


The Fonds supports the Quebec government's initiatives via the program Zones d'innovation:

- In clean technology: this initiative, of which we are part, aims to foster collaboration, the growth of start-ups and SMEs, and the transition to action and business innovation in clean technologies. More broadly, this area of innovation could enable Quebec's international reach in this promising sector, both environmentally and economically.
- In the mining sector: ZIM is a place for cross-sector collaborative work and innovation with a vision to transition to a more creative, greener and more resilient world. Located in the heart of the mining region of Abitibi-Témiscamingue, Rouyn-Noranda, it places people at the heart of the transition to a new mining era, more sustainable, more connected with its environment and it represents an unprecedented long-term development opportunity that will make it possible to promote talents, expertise and innovation capacity of the Quebec mining sector at the international level.

The practical application of the circular economy through the Fonds' investments

These investments and partnerships reflect our presence at every stage of the value chain of transport electrification and decarbonisation of the economy, and embody our circular economy philosophy:



Our recommendations

1. In the current climate context, the extraction of raw materials has its limits; we believe that it is necessary to promote a more circular model within the sector of electrification and decarbonisation by:
 - i. Empowering producers to manage end-of-life products and components;
 - ii. Investing in circularity projects that allow, for example, the recycling of batteries;
 - iii. Imposing eco-design criteria to facilitate the recirculation of materials within the industry.
2. We recommend to favour the creation of a local processing industry and finding ways to attract international manufacturers by showcasing our competitive advantages: dynamic, innovative financial ecosystem, hydropower (favourably position finished products as low carbon - life cycle analysis), etc.
3. We recommend that the federal government work with the provinces and the industry to establish a pan-Canadian strategy to harness strategic minerals and metals for the transition to a green, low-carbon economy.

4. We suggest that the government set investments that strengthen and improve the current production levels of minerals and metals that are essential for battery electric vehicles in Canada.

Conclusion

We invite the government to continue to work with us and to take advantage of our network to develop the economy of Quebec and of Canada. We offer exceptional leverage for governments. Over the past five years, for every dollar of federal tax credit given to the Fonds's shareholders, \$8.00 supported economic and job development.

Because of our values, mission and actions, we are perceived as a complementary organization in the financial ecosystem that supports SMEs in a sustainable and responsible way by creating inclusive growth.