

TITLE	APPROVING BODY
Policy – Stewardship Investing	BOARD OF DIRECTORS
ISSUING BUSINESS UNIT	DATE
Executive Vice-President Group: Investments in Québec and Stewardship Investing	October 1, 2021

RELATED LEGISLATION, POLICIES AND DIRECTIVES

- Policy on the Principles Governing the Exercise of Voting Rights of Public Companies
- Investment strategy to address climate change
- Statement on international taxation

OBJECTIVES

- Formalize CDPQ’s objectives, convictions and priorities regarding stewardship investing.
- Set out the general principles guiding the implementation of the main actions that CDPQ takes to achieve its stewardship investing ambitions.
- Share CDPQ’s expectations on taking ESG factors into consideration with portfolio companies and external managers.
- Provide input for CDPQ’s investment decisions and guide its efforts to improve the ESG practices of its portfolio companies and its external managers and to ensure the positioning of its portfolios in the transition to a sustainable economy.

1. Background and mission

Caisse de dépôt et placement du Québec (“CDPQ”) is a global investment group united by our purpose to build enterprises that drive performance and progress. Aligning its capital with its convictions, CDPQ seeks sustainable growth for its depositors’ assets while contributing to the economic development of Québec and the communities where it does business.

As a long-term investor, CDPQ acts as a builder and owner to support the growth of its portfolio companies. Over the years, it has developed leading-edge expertise in stewardship investing. It manages risks related to environmental, social and governance (“ESG”) factors, as well as creates and seizes opportunities as part of the transition to a sustainable, inclusive economy. Working with its partners, CDPQ puts constructive capital to work to generate value for the benefit of all of its collaborators. Ultimately, this capital contributes to sustainable economic growth and helps advance society.

2. Objectives of the policy

The Policy – Stewardship Investing (the “Policy”) sets out CDPQ’s convictions, principles and priorities for stewardship investing. It conveys CDPQ’s expectations to portfolio companies and external managers regarding taking ESG factors into consideration.

The Policy supports CDPQ’s sustainability strategy and objectives. It lays out a framework to integrate stewardship investing into its asset management and describes the main levers on which it will act to achieve its ambitions. Lastly, the Policy informs CDPQ’s investment decisions and guides its effort to improve the environmental, social and governance records of its portfolio companies and external managers.

3. Convictions and priorities

3.1 Convictions

- CDPQ wishes to be recognized as a world leader in stewardship investing and thereby establish itself as an investment partner of choice.
- CDPQ believes that its commitment to sustainable development and society's long-term prosperity is an integral part of its responsibility towards its depositors.
- CDPQ believes that performance and progress go hand in hand, and that capital is most valuable when it generates positive change.
- CDPQ believes that executing its stewardship investing strategy will be a fundamental vector of long-term value creation that will set it apart in its markets and in the view of the best talents.
- CDPQ believes that transitioning to a sustainable economy will transform industries and markets, creating profitable opportunities that it can leverage to benefit its depositors.
- CDPQ believes in an approach based on dialogue and collaboration with its portfolio companies to build strong companies that are well positioned to deliver sustainable returns.
- CDPQ believes that, to address ESG issues, it is vital to mobilize various players, particularly global institutional investors, to participate in partnerships and collaborative initiatives.

3.2 Priorities

CDPQ prioritizes an integrated approach that considers ESG factors throughout the investment process. It takes the interrelationships between these factors into account, along with their materiality in the geographic and sectoral context of each company.

It integrates ESG factors, including but not limited to the following, into its analyses and investment decisions in accordance with their relevance in each situation:

<u>Environment</u>	<u>Social</u>	<u>Governance</u>
<ul style="list-style-type: none">• Climate change• Energy and emissions management• Air quality management• Water management• Toxic and hazardous materials management• Life-cycle• Biodiversity	<ul style="list-style-type: none">• Human capital management• Equity, diversity and inclusion• Health and safety• Supply chain supervision• Labour standards and human rights• Community relations and social acceptability• International taxation• Privacy protection	<ul style="list-style-type: none">• Composition and effectiveness of the Board of Directors• Executive officers' compensation• Ethics and business practices• Cybersecurity risk management

However, to maximize its impact, CDPQ focuses its action on three strategic priorities:

Promoting sound governance practices

Sound corporate governance reflects a company's solidity and durability. A strong, independent, diversified Board assures a company's long-term success. Sound governance is also vital to the satisfactory management of environmental and social factors. Boards have a duty of oversight that

requires, among other things, a good understanding of these issues and their impact on a company's risk profile, competitiveness and resilience.

Fighting climate change

CDPQ is deploying an ambitious climate strategy (its "Investment Strategy to Address Climate Change") aiming to achieve a carbon-neutral portfolio by 2050. To reach this goal, it focuses notably on low-carbon investments that combine return and sustainability.

It also supports companies in the transition, by investing rigorously to meet their major needs for capital to allow them to decarbonize. It works to reduce the carbon intensity of its entire portfolio through its investment choices and through its engagement with portfolio companies.

Increasing diversity and inclusion

CDPQ considers that equity, diversity and inclusion are important drivers of performance within organizations. It encourages its portfolio companies and its partners to adopt best practices in this area. This stimulates companies' capacity for innovation, creativity and agility, in addition to strengthening employee engagement and decision quality.

4. Application

This Policy applies to all CDPQ's asset classes and can be adapted to the specific business context in which its portfolio companies operate. In this way, practices and methods for integrating ESG criteria may vary from one asset category to another and depending on the nature and geography of investments, the type of instrument and the portfolio investment strategy.

5. Stewardship investing approach

CDPQ invests actively, with a long-term perspective. For this reason, it assesses operational, financial and extra-financial aspects in order to target the best investment opportunities and anticipate risk. It builds strong relationships with the companies in its portfolio and supports them in adopting sustainable practices that will enable them to stand out in their markets and generate long-term returns.

CDPQ prioritizes a cross-functional stewardship investing approach encompassing all its asset categories. Throughout the investment cycle, CDPQ teams work together to identify risks and seize opportunities related to ESG factors. Taking into consideration the specifics of each situation, they implement CDPQ's stewardship investing principles mainly by leveraging the following: (1) integration of ESG factors, (2) engagement, (3) shareholder voting and (4) collaborative initiatives.

5.1 ESG integration

CDPQ takes the risks and opportunities related to ESG factors into consideration throughout the investment process. This enables it to draw up an assessment of companies that takes both relevant financial and non-financial factors into account.

CDPQ evaluates the ESG profile of the companies in question by focusing on material issues and on its stewardship investing priorities in order to integrate this information into investment decisions. It identifies ESG risks that need to be monitored over time as well as opportunities for operational value creation to be seized by improving ESG practices, should the transaction materialize. This integration of ESG factors may be supported by specialized research and by CDPQ teams' knowledge of companies, sectors and markets.

CDPQ evaluates progress made by portfolio companies towards objectives that have been set and encourages standardized and transparent disclosure of these aspects. It aims to monitor their management of ESG issues and uses an automated watch system for public companies. This allows it to respond to any significant deterioration of performance in this area. By taking into account the governance rights and specific features of every file, CDPQ is able to avail itself of other levers of influence to ensure compliance with its principles and to achieve its stewardship investing objectives.

5.1.1 Positioning of portfolios

CDPQ's mission is to seize the best investment opportunities in order to generate optimal long-term returns. It believes that the transition to a sustainable economy will transform industries and markets. It ensures that its portfolios are well positioned in this transition to benefit its depositors.

5.1.2 Exclusions

CDPQ's investment approach is anchored in its long-term orientation and prioritizes investments that will contribute to building more solid, more sustainable companies. It supports these enterprises in the transition to sustainable business models and tends not to invest in economic activities that are short-sighted or untenable for society and the environment in the long term (e.g. producers and manufacturers of cigarettes and tobacco products).

Neither does CDPQ invest in companies whose products are prohibited under Canadian law or international conventions, including anti-personnel landmines (the Ottawa Convention) and cluster bombs (the Oslo Convention). It also proscribes investment in entities subject to financial prohibitions imposed by Canada.

5.2 Engagement

CDPQ wishes to make use of its privileged relationship with its portfolio companies and managers to support them in inclusive, sustainable growth. Its approach is geared towards collaboration and open, constructive dialogue. CDPQ supports companies in adopting better ESG factor management practices by sharing its expertise and the strength of its network. In doing so, it seeks to help build companies that are strong and well positioned on the market.

Engagement is an influence lever that is key to achieving CDPQ's stewardship investing goals. To maximize the results, CDPQ has adopted a process enabling it to prioritize its efforts, ensure collaboration between its teams, support companies and measure progress achieved throughout the entire process. It intervenes where necessary, following a progressive escalation process according to companies' level of engagement and receptivity. In some cases, divestment may be considered as a solution of last resort.

The nature of ESG issues sometimes leads CDPQ to collaborative engagements with other investors. In this way it can pool resources and converge interests to increase the impact of interventions.

5.3 Shareholder voting

As an active investor, CDPQ exercises its voting rights at shareholder meetings. It sees shareholder voting as a vital lever of influence over governance issues and, increasingly, social and environmental issues.

CDPQ's Policy Governing the Exercise of Voting Rights of Public Companies (the "Proxy Voting Policy") governs the exercise of proxy voting by CDPQ and should be read in conjunction with this Policy. The Proxy Voting Policy sets out, in particular, the governance practices favoured by CDPQ and the voting positions it adopts with regard to its stewardship investing priorities.

5.4 Collaborative initiatives

CDPQ exercises its leadership in Québec and around the world by initiating and actively involving itself in various partnerships and collaborative initiatives that contribute to the advancement of its stewardship investing priorities.¹

Through its involvement, CDPQ aims to bring actors together in striving for common goals, leveraging the resources of each for maximum impact on issues at the local and international levels. This is why it

¹ The annual stewardship investing report details these initiatives and provides an exhaustive list of associations and groupings in which CDPQ participates.

works with leading partners that share its investment philosophy and whose expertise networks complement its own. In this way, CDPQ plays a part in sharing best practices and standards development throughout the industry. Its involvement also enables it to stay abreast of trends and take a proactive position on emerging issues.

CDPQ takes a proactive approach to changes in the regulatory context in which it operates. It participates in exchanges with regulatory authorities and makes its position known on a variety of subjects that these authorities submit for public consultation. It does this alone, in collaboration with other investors, or through groups of which it is a member. In this way it seeks to contribute to the development of an investment context favourable to the creation of long-term value.

6. Expectations of partners

CDPQ seeks to maintain the highest standards in the exercise of its activities and to associate with partners, including its investment partners, whose corporate conduct is in line with the convictions set out in this Policy. It expects these partners to comply with laws and international conventions, in addition to respecting workers, the environment and communities in the conduct of their activities.

6.1 Portfolio companies

CDPQ expects its portfolio companies to engage in a process of ongoing improvement of their governance practices and their social and environmental record. It encourages them to set strategic objectives regarding ESG issues and to adopt policies and concrete implementation measures to achieve them. It also urges them to regularly measure and disclose the progress they have made towards achieving these objectives.

CDPQ considers that its portfolio companies must communicate relevant ESG data in a standardized, transparent way. It believes that they should do so by measuring and disclosing their performance on ESG factors in accordance with the standards of the Sustainability Accounting Standards Board (SASB) and the framework of the Task Force on Climate-Related Financial Disclosures (TCFD).

6.2 External managers

CDPQ expects external managers with whom it does business to factor ESG issues into their investment processes, particularly by complying with CDPQ's approach to exclusions. It also encourages them to engage with their portfolio companies to ensure sound management of ESG issues.

7. Dialogue with depositors and partners

CDPQ invites depositors, through their representatives, to express their concerns, set out their points of view and submit their suggestions regarding this Policy. It is also open to an exchange of views with portfolio companies and external managers regarding the conditions of implementing the principles set out in the Policy.

8. Reporting and communication

CDPQ recognizes the importance of reporting and transparent communication of its stewardship investing activities. It creates mechanisms to enable it to communicate the true impact of its actions and evaluate progress made towards attaining its objectives.

CDPQ presents its stewardship investing initiatives and their outcomes through the following activities and documents:

- A twice-yearly presentation to CDPQ's Governance and Ethics Committee on the various stewardship investing activities carried out.

- A report on stewardship investing activities presented in CDPQ's annual stewardship investing and sustainable development reports.
- A detailed report of its activities submitted annually to the United Nations Principles for Responsible Investment (PRI).
- The publication of detailed proxy voting positions on the CDPQ website.

9. Roles and responsibilities

9.1 Board of Directors

The Board of Directors approves the Policy and CDPQ's stewardship investing orientations.

9.2 Governance and Ethics Committee

The Governance and Ethics Committee of the Board of Directors supervises stewardship investing work and then submits its observations and recommendations to the Board. The Committee recommends that the Board approve the Policy.

9.3 Executive Committee

The Executive Committee ensures that mechanisms necessary for compliance with the stewardship investing orientations approved by the Board of Directors are put in place. It also ensures that responsible investment principles are incorporated into portfolio management.

9.4 Executive Vice President, Investments in Québec and Stewardship Investing group

The Executive Vice President, Investments in Québec and Stewardship Investing group sees that the Policy is put into practice and submits any update or modification to the Governance and Ethics Committee. It proposes CDPQ's major stewardship investing orientations for approval by the Board of Directors. It fuels deliberations on the subject by staying abreast of ESG trends, opportunities and issues. In carrying out its role, it draws on working groups for support, depending on the needs and expertise required.

The Executive Vice President, Investments in Québec and Stewardship Investing group is also responsible for setting up the Stewardship Investing Alignment Committee. Lastly, it supports and advises investment teams on integrating ESG factors, the positioning of portfolios in the transition to a sustainable economy, operational value creation through improved ESG practices, shareholder voting, and engagement with portfolio companies regarding ESG factors.

9.5 Investment teams

CDPQ investment teams must comply with this Policy. With support, where necessary, from the Executive Vice President, Investments in Québec and Stewardship Investing group, investment teams incorporate ESG elements into their analysis and investment decision process, engage in dialogue on ESG issues with company executives or directors, and ensure that portfolios are well positioned in the transition to a sustainable economy.

10. Review

The policy is presented to the Governance and Ethics Committee, who recommends its adoption to the Board of Directors. The Policy is reviewed every three years or as needed by the Executive Vice President, Investments in Québec and Stewardship Investing group in order to take into account developments in best practices and CDPQ's strategy.
