



POLICY ON RESPONSIBLE INVESTMENT

Objectives

- Define a clear but flexible framework enabling la Caisse to incorporate considerations related to responsible investment into its fund management, taking into account the markets where it invests.
- Describe the general principles guiding the process of investment analysis and engagement with companies.
- Making a credible, effective contribution to improvement of corporate social balance sheets while promoting an optimal return on depositors' capital and respecting their rights and expectations.

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1. CONTEXT AND MISSION

In carrying out its operations, Caisse de dépôt et placement du Québec (la “Caisse”) is guided by its mission and values, as well as by the investment policies of the depositors that are its clients and their concerns regarding various matters, including risk factors and responsible investment.

The mission of la Caisse is to receive moneys on deposit from its depositors and to manage them with a view to obtaining an optimal return on capital within the framework of their investment policies while contributing to Québec's economic development.

La Caisse is a major investor on financial markets in Québec, Canada and other countries and, regardless of the market, ensures that it complies with applicable legislation. Global in scope, its portfolio is diversified, by both type of investment and by region and sector. As a long-term investor, la Caisse wishes to act as a builder and an owner. Such behaviour requires deep

knowledge of the fundamental characteristics of companies. As a result, responsible investment considerations fit into this framework and are integrated into the investment planning and the risk analysis. Furthermore, la Caisse defines itself as a mainstream investor operating in a market context whose strengths and weaknesses it must take into account. La Caisse may invest in sectors that may appear problematic from the standpoint of social responsibility; however, in such instances, it applies the approach developed and set out in this Policy.

2. OBJECTIVES OF THE POLICY

This Policy is intended to define a clear but flexible framework enabling la Caisse to incorporate considerations related to responsible investment into its fund management, taking into account the markets where it invests. It describes the general principles guiding the process of investment analysis and engagement with companies. With this Policy, la Caisse has the objective of making a credible, effective contribution to improvement of corporate social balance sheets while promoting an optimal return on depositors' capital and respecting their rights and expectations.

3. CONVICTIONS AND PRINCIPLES

Convictions

- La Caisse is a long-term investor. As a partner, la Caisse encourages companies to adopt responsible policies and practices;
- For la Caisse, diversification is important to take advantage of financial markets, ensure sound risk management and generate expected returns;
- La Caisse believes that taking into account environmental, social and governance (ESG) considerations contributes to complete, integrated management of all investment risks;
- La Caisse also believes that companies that carry out proactive management of these aspects contribute to their long-term performance;
- La Caisse believes in an approach that emphasizes shareholder engagement with stakeholders, whether through dialogue with board members and company officers on issues involving responsible investment or through actively exercising proxy voting rights; and
- La Caisse believes it is important that companies disclose ESG-related information because such disclosure provides a tool that makes it possible to analyze, compare and evaluate these aspects of companies.

Principles

- La Caisse encourages companies:
 - to conduct their operations with due regard for rights and fundamental freedoms enshrined in legislation and by prohibiting any form of discrimination;

- to respect workers' rights and to take the necessary measures to guarantee them a safe, healthful working environment and to prohibit any form of abuse;
 - to take the necessary measures to respect and to protect the environment in which they operate; and
 - to respect the communities where they carry out their operations and to promote community development.
- La Caisse particularly expects companies in which it invests to adopt these behaviours;
 - La Caisse takes into consideration the governance policies and principles implemented at companies; and
 - La Caisse supports measures enabling minority shareholders to present certain resolutions at shareholder meetings.

4. RESPONSIBLE INVESTMENT APPROACH

La Caisse's approach is to understand the economic and financial environment in depth in order to identify the best investment opportunities in Québec and worldwide, using a long-term approach and taking into account the risks.

In this context, la Caisse's approach to responsible investment is based on the following principles: shareholder engagement, integration of ESG criteria in investment analysis and decision making and, in exceptional circumstances, exclusion of specific securities.

Investment size is one of the important criteria for determining priorities in the application of these principles.

4.1 Shareholder engagement

Shareholder engagement is an important way to encourage companies to adopt sustainable practices that improve financial returns over the long term. Given its mission, philosophy and relations with the companies it holds in its actively managed portfolios, la Caisse firmly believes in taking a collaborative approach with them.

In fact, with respect to la Caisse's shareholder engagement, it appears that dialogue is an effective and responsible long-term approach because it can be used to link performance and reasonable behaviour. Moreover, it serves to convey la Caisse's expectations, to take into account the realities facing such companies and, as required, to support them in their ESG-related initiatives.

Shareholder engagement can occur in several ways: through dialogue with the companies, active engagement and the exercise of proxy voting rights.

Communication with companies

On an individual basis

La Caisse communicates directly with the board of directors or with company officers to discuss its concerns related to its governance, its transparency or its performance with respect to the management of ESG criteria. These communications remain private, because it is more effective.

With other investors

La Caisse also takes engagement steps in collaboration with other investors on specific issues. This approach further influences the adoption by companies of ESG-related best practices.

La Caisse also participates in groups formed on an ad hoc basis for specific issues or in formal groups such as the Canadian Coalition for Good Governance and the Carbon Disclosure Project, which, in addition to being committed to developing and distributing ESG-related best practices, establish a discussion with companies.

Active engagement

Responsible investment calls upon different stakeholders and different issues that warrant being addressed industry-wide. Collaborative initiatives with other investors are also used to take action. The investor groups that the Caisse belongs to include the United Nations Principles for Responsible Investment (UNPRI), the Carbon Disclosure Project (CDP), the CDP Water Disclosure Project, the Extractive Industry Transparency Initiative (EITI), the Canadian Coalition for Good Governance and the Pension Investment Association of Canada (PIAC).

Discussions with other investors or stakeholders may also concern specific issues and subjects.

La Caisse participates actively in discussions with regulatory authorities and states its position on various topics submitted for public consultation by them. It goes about this step alone, in collaboration with other investors or through formal groups of which it is a member. It wants to ensure that the point of view of long-term shareholders is taken into consideration in public policies, regulations and legislation.

Exercise on proxy voting rights

One aspect of la Caisse's shareholder engagement is the systematic exercise of its right to vote at shareholder meetings. In its Policy on the Exercise on Voting Rights, la Caisse presents the guiding principles when it exercises its voting rights.

La Caisse emphasizes active exercise of voting rights by proxy as an important means of action, with case-by-case analysis of proposals submitted to companies' general meetings.

4.2 Integration of ESG criteria in investment analysis and decision making

Integration of ESG criteria in investment analysis and decision making enables la Caisse's managers to develop a more complete portrait of a company and to systematically consider all risks and opportunities associated with such criteria.

La Caisse ensures full or partial integration of ESG criteria by taking these elements into consideration from the standpoint of risk and on the same basis as traditional financial factors. Their integration is based on specialized research and on knowledge of companies gained by Caisse managers and analysts in their discussions with corporate officers.

Use of ESG criteria may vary from one asset class to another. The model developed by la Caisse applies mainly to active management of equity investments. In some cases, the model can apply to other asset classes if the necessary adjustments are made. In such cases, integration or exclusion of these criteria may depend on the type of product and instrument as well as the investment strategy.

4.3 Exclusion

La Caisse will exclude the securities of certain companies from its portfolio only in unusual circumstances, particularly when products of a company are prohibited by legislation applicable to Canada or through international agreements. To determine such exclusion, an internal committee will review the matter and assess the impacts and costs of such exclusion. Excluded securities may be reintroduced into la Caisse's portfolio at a later date if the circumstances so justify.

5. APPLICATION

This Policy applies to all asset classes held by la Caisse. Even so, the practices and methods that are used to integrate ESG criteria, in whole or in part, may differ from one asset class to another depending on the nature of the investment, the type of instrument and the portfolio's investment strategy.

Caisse assets are essentially managed in-house; when external managers are involved, they must take into consideration the principles of this policy in the investment process.

6. MECHANISMS FOR CONSULTING WITH DEPOSITORS

Depositors are invited to do the following through their representatives:

- Raise their concerns, state their views and submit suggestions to la Caisse regarding this Policy;
- Raise their concerns and submit suggestions as part of the review of voting principles; and
- Submit their comments on the Policy's principles in light of positions taken by la Caisse during the current year as well as their opinions on shareholder resolutions involving ESG issues.

7. REPORTING AND COMMUNICATION

- La Caisse recognizes the importance of reporting and transparent communication of its responsible investment activities.
- An annual presentation is given to the members of the Governance and Ethics Committee and to the depositors on the exercise of voting rights and on the various responsible investment activities carried out.
- The responsible investment activities carried out is also disclosed in a section of the Caisse Annual Report and in the annual report intended for the PRI.
- La Caisse publishes on its website its detailed proxy voting positions in target markets.

8. ROLES AND RESPONSIBILITIES

8.1 Board of Directors

La Caisse's Board of Directors approves the Policy on Responsible Investment. It shall define the broad outlines of the Policy. Within this framework, it shall take into consideration depositors' interests and requests.

8.2 Governance and Ethics Committee

The Governance and Ethics Committee of the Board performs work pertaining to responsible investment, and makes appropriate recommendations to the Board.

8.3 Executive Committee

The Executive Committee ensures that all mechanisms necessary to implement decisions made by the members of la Caisse's Board of Directors have been put in place. It also ensures that responsible investment principles are incorporated into portfolio management.

8.4 Responsible Investment Committee

The Responsible Investment Committee has a mandate to review the activities related to responsible investment and to make the necessary recommendations to la Caisse's Executive Committee.

8.5 Compliance and Responsible Investment Office

The Compliance and Responsible Investment ensures this policy is applied. It proposes to the Governance and Ethics Committee all updates and amendments.

It assists and advises the investment teams with respect to integrating ESG considerations and the commitment with companies.

8.6 Portfolio managers and analysts

La Caisse's portfolio managers and analysts shall comply with this Policy, integrate ESG considerations into their investment analysis and decision making and establish a dialogue about ESG issues, when necessary, with corporate officers or members of company boards.