



POLICY ON THE PRINCIPLES GOVERNING THE EXERCISE OF VOTING RIGHTS OF PUBLIC COMPANIES

TABLE OF CONTENTS

1. Preamble	2
2. Objectives.....	2
3. General principles	2
4. Principle of accountability.....	3
5. Voting principles	4
6. Board of directors	4
6.1 Independence of directors	4
6.2 Board Committees	4
6.3 Nominating process	4
6.4 Separate voting.....	5
6.5 Classified or staggered Boards.....	5
6.6 Separation of Board and Management roles	5
6.7 Board, its members and chief executive officer assessment.....	5
6.8 Confidential voting by shareholders.....	5
6.9 Cumulative voting for directors	6
7. Ratification of auditors' term.....	6
8. Executive compensation	6
8.1 Compensation conditions.....	6
8.2 Disclosure	7
8.3 Stock option and Incentive compensation plans.....	7
8.4 Golden Parachutes	8
9. Compensation of directors	8
10. Stock options programs or employee stock purchase plans.....	8
11. Takeover protection.....	9
11.1 General	9
11.2 Poison pills	9
11.3 Crown jewel defence.....	9
11.4 Leverage buyouts.....	9
11.5 Lock-up arrangements	9
11.6 Reincorporation.....	9
11.7 Reasonable price	9
12. Shareholder rights.....	10
12.1 Unequal or subordinate voting shares	10
12.2 Super-majority approval of business transactions	10
12.3 Payment of greenmail	10
12.4 Linked proposals (e.g. fair-price and super-majority amendments)	10
12.5 Unlimited share issues – “Blank-cheque” preferred.....	10
13. Allocation of dividends.....	10
14. Shareholder proposals	10
15. Code of procedure for meetings.....	11
16. Disclosure of activities.....	11
16.1 Social responsibility	11
16.2 Policies and other frameworks.....	11
16.3 Protection of the environment – Disclosure of activities	11

16.4 Contributions to political parties – Disclosure of activities	11
16.5 Contributions to philanthropic activities	12
17. Others.....	12
18. Responsibilities	12
APPENDIX I - DEFINITION OF INDEPENDENCE	13
APPENDIX II - UNEQUAL VOTING SHARES	15
APPENDIX III - POLICY ON SOCIALLY RESPONSIBLE INVESTMENT	17

1. PREAMBLE

To carry out its mandate, the Caisse de dépôt et placement du Québec must have the tools and means that are essential to its role as a professional manager. A Policy Governing the Exercise of Voting Rights is an excellent communications vehicle. It enables the Caisse to take into account its responsibilities with regard to the funds it manages. It also serves to add value to the capital stock of companies and make a lasting contribution to their growth for the benefit of all their shareholders and of the communities in which such companies operate.

Since the development of the first Policy in 1994 and the amendments brought about in 1998, the position of the Caisse has evolved to take into account the position of the market as well as important changes that have taken place with respect to governance and socially responsible investment in the investment environment.

This policy provides management and employees a guide for the exercise of voting rights. Voting positions with respect to different specific situations, deriving from general principles, are also elaborated.

2. OBJECTIVES

The Caisse must be able to constantly monitor its investments, given its accountability to its mandators, as well as the magnitude and the strategic nature of its investments.

The Caisse usually has a medium- or long-term investment horizon. It therefore intends, within the limitations of the rights granted to it by law, to monitor and to contribute to the profitability of the companies in which it invests. Its contribution is intended to be constructive by targeting first and foremost a common objective -- the success of the companies -- and, consequently, an optimal financial return and security of investors' capital.

Moreover, the Caisse would like the companies in which it invests to conduct themselves as good corporate citizens in the communities in which they operate; in other words, to act responsibly and take part in the economic and social life of their communities.

3. GENERAL PRINCIPLES

/ In line with its mission as a professional manager of funds entrusted to it by various Québec bodies, the Caisse has an obligation to invest with care, diligence and

discernment to ensure that the assets of the funds' beneficiaries are managed with due prudence and that they generate an optimal financial return.

- / Given the magnitude of its investments, the Caisse's success is dependent mainly upon the return generated by the companies in which it invests, on conventional stock markets or through private investments: hence its interest in and attention to governance issues.
- / The Caisse expects these companies to be managed by persons of the highest calibre, who are backed up by a board of directors who are equally competent, who are mindful of the interests of the company and of the shareholders, who are sufficiently independent (in other words, free of any link that might prevent them from exercising objective judgment in evaluating management or transactions), and who assume their responsibilities as directors.
- / The Caisse fulfills its responsibilities as an investor toward the companies in which it invests. It respects the division of roles and responsibilities among the shareholders, the board of directors and the management of the companies and it does not intend to substitute for them. Within this framework, it strives to support efforts made by the board and by management to improve profitability over the medium and long terms.
- / The Caisse seeks to prevent any action or measure that could prejudice the interests of the company itself or those of its shareholders; in other words, any action or measure that could decrease shareholder value or financial returns.
- / The board of directors ensures that management regularly submits its vision of the future in the form of a strategic plan. This plan is the result of a rigorous analysis of the company's operating environment and it states explicitly the directions to be taken and the objectives to be pursued.
- / The boards of directors of the companies must be able to rely on efficient, appropriate tools that enable them to fully assume their responsibilities. These tools include the various committees of the board responsible for examining in detail certain aspects of the company as well as a suitable management information system.
- / Finally, the Caisse intends to support efforts to create a regulatory and legislative environment that promotes the full exercise of its shareholder rights and responsibilities.

4. PRINCIPLE OF ACCOUNTABILITY

The Caisse endorses a clear division of responsibilities and does not intend to play the role of the directors or the managers of a company. Still, the Caisse and all the other shareholders have duties and responsibilities toward the companies in which they invest and they must play their roles and manage their investments with care, diligence and discernment.

The Caisse consequently establishes a dialogue with the executive officers of companies in order to make known its own expectations in terms of governance and the social responsibility of companies.

5. VOTING PRINCIPLES

The voting principles contained in this chapter describe the principles that the Caisse follows to analyze the proposals that are submitted to it during shareholder meetings of public companies.

To the extent possible and adapting as required, the Caisse also applies these principles to privately owned businesses.

6. BOARD OF DIRECTORS

6.1 Independence of directors

The Caisse consequently requires that the board of each company be constituted of a majority of independent directors.¹

However, in cases where a shareholder holds a large block of shares, as in the case of an entrepreneur-founder, the Caisse will require that a majority of members be independent at one and the same time of management of the company and of this shareholder.

The Caisse therefore requires that a company's board of directors discloses its links with each director and specifies the source of such links which might cast doubt on the independence of a director.

This approach assures the company of candidates who have experience and expertise to offer, in spite of some links.

6.2 Board Committees

The Caisse requires that nominating (or governance), compensation (or human resources) and audit committees be made up exclusively of independent members.

However, in cases where a shareholder holds a large block of shares, as in the case of an entrepreneur-founder, the Caisse will require that nominating (or governance) and compensation (or human resources) committees be made up exclusively of members independent of management and in majority of members independent of the shareholder who holds a large block of shares.

The Caisse requires that each of the committees adopt charters that define their mandate and responsibilities.

The Caisse requires that a report of the activities of these committees be published in the annual report of the company.

6.3 Nominating process

Each company should have a procedure for examining candidates that is adapted to its situation, and should inform shareholders of it.

¹ For the definition of independence, please refer to Appendix 1.

The Caisse expects, among other things, that the nominating (or governance) committee establish expertise and experience profiles desirable for the Board and adopt a nomination procedure, taking into account the skills and competencies that the board, as a whole should possess, as well as the skills and competencies of the existing director, and of each new candidate.

6.4 Separate voting

The Caisse favours the principle according to which each nominee for the position of director could be the object of a separate vote. In the event of the election of candidates submitted to vote by list, the Caisse will determine his or her position according to the context.

6.5 Classified or staggered Boards

The Caisse supports resolutions proposing annual election of all directors. In the event of an election of candidates for terms of varying length, the Caisse will determine the positions according to the context.

6.6 Separation of Board and Management roles

Although in theory it favours a division of the roles between the chair of the board and the chief executive officer, the Caisse considers that each case must be examined on its own merits, according to the context, and more particularly according to the division of responsibilities between the executive officers, the appraisal of the executive officers, the succession plans and other company's operating procedures, its size, and also the costs related to this division or other pertinent circumstances.

The Caisse considers that it is for the board of directors to review and evaluate on a regular basis the appropriateness of having one or two positions and to report thereon to the annual meeting of shareholders, which should be asked to vote on combining the positions when recommended by the board.

However, when there is combination of the roles, the Caisse deems it necessary to create the position of lead director, occupied by an independent director who, among other things, will oversee the effective conduct of the board's work.

6.7 Board, its members and chief executive officer assessment

Each board of directors should have the means to assess its work, that of each of its committees as well as the personal contribution of each director, and the contribution of the chief executive officer to the company's results.

The evaluation should be periodic and be carried out, among other things, in accordance with the mandate of the board and the mandates of its committees, as well as the skills and competencies demonstrated by each of the directors.

6.8 Confidential voting by shareholders

The Caisse supports the wishes of each shareholder with respect to the confidentiality of votes.

6.9 Cumulative voting for directors

The Caisse generally supports the principle of representation proportional to investment, in particular through the practice of cumulative voting. All proposals put forward on this question will be evaluated on a case-by-case basis.

7. RATIFICATION OF AUDITORS' TERM

Except in unusual circumstances, the Caisse will generally vote in favour of the ratification of the auditors' term.

The Caisse supports resolutions that propose the disclosure of auditors' costs and fees, both for the auditing services and other services.

8. EXECUTIVE COMPENSATION

8.1 Compensation conditions

In the matter of compensation, the Caisse is in favour of the principle that executive compensation must be closely related to the company's results and to the gains arising therefrom for shareholders.

While keeping the company competitive, the board of directors must show moderation when determining the level of compensation for executive officers and be sensitive to the concerns of the society.

The Caisse also favours a compensation policy in which a variable portion of compensation is linked to the company's results or the extent to which objectives are reached.

In addition to applying the general principles, the Caisse will take into consideration the following elements when evaluating compensation packages:

- / the explicit declaration, by the board of directors, of the principles it follows with respect to the compensation of executive officers, and the relation between these principles and the strategic objectives of the business, performance objectives and any changes thereto;
- / the description of the processes used to establish incentive compensation, including the role and the identity of the external consultants hired to assist the committee;
- / the complete disclosure of all benefits including severance agreements;
- / tie the number of stock options to become vested to the achievement of performance thresholds;
- / requirements established for executive officers and senior managers in terms of share ownership.

8.2 Disclosure

The shareholders must be able to determine to what extent executive compensation is justified by the company's results over a reasonable period of time. The information published by the company must therefore be sufficiently complete and transparent to permit this comparison for the same group of executives.

Compensation packages must also take into consideration programs such as those for loans at preferred interest rates. Such programs constitute a different kind of compensation which is integrated into total compensation.

8.3 Stock option and Incentive compensation plans

/ **Price** — Stock options should be issued at no less than 100% of the current fair market value and should be vested on a period of three to five years and allow expiration period not more than ten years.

Likewise, restricted shares should not be issued for less than 100% of the current fair market value.

/ **Dilution** — As a rule, the Caisse does not support programs to issue shares that represent more than 5% of all shares outstanding and a burn rate higher than 1% annually.

However, if the proposed stock option program meets one or more of the following criterias, the Caisse could accept some programs that represent up to 10% of the shares outstanding:

- / the program is open to a broader number of management or to all employees;
 - / the company is in a competitive situation and must meet certain industry standards, such as in the high-technology and mining sectors (between 10% and 15% - with a maximum burn rate of 2%);
 - / the company is in a difficult financial situation;
 - / the company is the result of a merger in which a number of programs have to be combined, requiring a period of adjustment;
 - / the company has a compensation policy significantly below that of the market and favours this program as an incentive plan;
- / **Repricing** — The Caisse is opposed to reductions in the price at which an option may be exercised.
- / **Change in Control** — The Caisse may support stock option programs that include clauses regarding a change in control, provided that such clauses do not allow option holders to receive more for their options than shareholders receive for their shares. The Caisse is opposed to clauses in stock option programs relating to a change in control that are applicable during a takeover bid. The Caisse is opposed to options or bonuses for outside directors in the event of a change in control.

- / **Board Discretion** — The Caisse does not support incentive programs that give the board complete discretion to set the terms and conditions of programs, whether the matter is the price of options, the type of vehicle, the eligibility criteria or the replacement of options. Such programs must be submitted to the shareholders with adequate detail regarding their cost, scope, frequency and schedule for exercising the options.
- / **Concentration** — The Caisse is generally opposed to stock option programs that authorize the issuing of 20% or more of available options to a single individual over the course of the year.
- / **Acquisition of options** — The Caisse is opposed to stock option programs acquired at 100% at the time they are granted.
- / **Method of payment** — The Caisse is opposed to low-interest or interest-free loans used to purchase shares or to exercise stock options.
- / **Expense the stock options in financial statements** — The Caisse supports resolutions that require expensing, in the financial statements of the business, the value of stock options granted over the course of the year.

8.4 Golden Parachutes

The Caisse is opposed to excessive departure bonuses paid to a director or an executive officer in the event of a merger or an acquisition that results in a change in control over the company.

The Caisse is opposed to departure bonuses paid to executive officers who will occupy a position within the new entity.

9. COMPENSATION OF DIRECTORS

The Caisse is generally in favour of fair compensation for directors, but on the condition that such compensation is aligned with the interests of shareholders.

The Caisse generally does not agree that outside directors should have access to a stock option program.

10. STOCK OPTIONS PROGRAMS OR EMPLOYEE STOCK PURCHASE PLANS

The Caisse, generally speaking, supports stock options programs and employee stock purchase plans. It also supports resolutions that aim to increase the number of shares reserved for an existing plan, in consideration of the alignment of employee interests with those of shareholders. However, its support is contingent on the following conditions:

- / The purchase price must be at least 85% of the fair market value of the stock;
- / The offer period must be 24 months or less;
- / The dilution potential must be 10% or less.

11. TAKEOVER PROTECTION

11.1 General

The Caisse is opposed to defensive measures that entrench management rather than protect the value of the shares, particularly measures that do not guarantee the equal treatment of shareholders; that are not in the best interests of shareholders; or that prevent the creation of a competitive auction market.

11.2 Poison pills

The Caisse is generally opposed to the adoption of poison pills unless such pills aim to give the board time to seek more suitable potential purchasers in the event of a takeover bid.

The Caisse favours the inclusion of clauses that stipulate that the quantity trigger will not be below 20%, that there be no limitation of the board's future ability to withdraw the protection plan, and that shareholders have the right of withdrawal.

11.3 Crown jewel defence

The Caisse is opposed to anti-takeover measures such as the sale of the most valuable assets, unless it is clear that shareholders' interests will be served.

11.4 Leverage buyouts

The Caisse supports leverage buyout proposals if an evaluation of the proposal shows that it will serve shareholders' interests.

11.5 Lock-up arrangements

The Caisse will oppose capital lock-up arrangements when such arrangements do not serve the interests of shareholders.²

11.6 Reincorporation

The Caisse supports reincorporation proposals that are based on financial, commercial, economic reasons or that improve the company's governance practices. The Caisse does not support reincorporation proposals made as part of an anti-takeover defence or designed to limit director liability.

11.7 Reasonable price

The Caisse supports takeover bids that guarantee the equal treatment of shareholders by requiring the acquirer to pay a reasonable price to shareholders for their shares.

² Agreements between certain shareholders to offer their shares to the target company or a third party favourable to it. Because the sale is made willingly, the shareholders are not required to vote and there is no recourse for determining the fair value.

12. SHAREHOLDER RIGHTS

12.1 Unequal or subordinate voting shares

The Caisse generally favours the issuance of single voting shares. However, it notes that in some circumstances a company benefits from or is justified in using capital structure with unequal voting shares, such as when it is in the interest of a majority of the shareholders that the holder of a large block of shares retain effective control of the company.³ An adequate structure to protect against such impacts needs to be implemented.

12.2 Super-majority approval of business transactions

The Caisse is opposed to any proposal to increase to more than 66.6% the number of shares outstanding required to approve the company's transactions.

12.3 Payment of greenmail

The Caisse is opposed to payment of greenmail⁴. It supports measures that aim to avoid such transactions.

12.4 Linked proposals (e.g. fair-price and super-majority amendments)

The Caisse supports resolutions that include linked proposals to the extent they are in the interests of shareholders.

The Caisse does not support linked proposals whose objective is to make one element of the proposal more acceptable.

12.5 Unlimited share issues – “Blank-cheque” preferred

The Caisse is generally opposed to the issuance of or an increase in "blank-cheque" preferred shares, unless the objective of issuing and the number of shares are stated or the issuing is in the interests of shareholders.

13. ALLOCATION OF DIVIDENDS

The Caisse supports the principle of dividend allocation by companies that have demonstrated profitability.

14. SHAREHOLDER PROPOSALS

The Caisse supports measures enabling minority shareholders to make certain resolutions at the shareholders' meeting (right of initiative). Nonetheless, measures to prevent abuse may be taken.

An examination of the content of these proposals is done on a case-by-case basis. During the examination, the Caisse takes into account the variety of subjects covered and the fact

³ See Appendix II for conditions under which the Caisse may favour unequal voting rights.

⁴ Greenmail: in order to avoid a hostile takeover bid, the target company uses its own funds to purchase the raider's stock at a price above that available to other stockholders.

they are constantly evolving. The examination is also carried in light of the principles put forth in this policy as well as those contained in the Caisse's Policy on Socially Responsible Investment.

In addition, the Caisse is opposed to any resolutions that impose arbitrary constraints on management or the board of directors.

15. CODE OF PROCEDURE FOR MEETINGS

The Caisse favours the adoption of a code of procedure for shareholders' meetings that both respects the principle of corporate democracy and provides a structured framework.

16. DISCLOSURE OF ACTIVITIES

16.1 Social responsibility

The Caisse attaches particular importance to the social responsibility of companies. This element has become a core consideration in all investment decisions.

The Caisse adopted a specific Policy on Socially Responsible Investment, reproduced in Appendix 3.

This policy identifies the exercise of voting rights as the primary way a shareholder can have a say in the ethical, environmental and social conduct of a company.

The Caisse will always take into consideration the principles put forth in its Policy on Socially Responsible Investment when it addresses social, environmental, ethical and related issues.

The Caisse however establishes a number of voting principles concerning certain subjects.

16.2 Policies and other frameworks

The Caisse encourages companies to adopt policies on governance, workers' rights and conditions, standards of ethical conduct, outsourcing of activities, political contributions and all other related elements.

The Caisse favours disclosing these policies and their application to shareholders. This must not however entail unreasonable costs and efforts on the part of companies.

16.3 Protection of the environment – Disclosure of activities

The Caisse supports shareholder proposals for disclosure of the activities of the companies in which the Caisse is a shareholder, from environmental, human or social standpoints. However, such disclosure must not involve unreasonable cost or effort to the companies.

16.4 Contributions to political parties – Disclosure of activities

In a democracy, exercising the right to vote is proper to citizens, not to companies, and the latter must not financially influence the democratic process. Subject to applicable laws

permitting it, the Caisse is therefore opposed to any kind of contribution by companies to political parties or similar movements. Should a company make such contributions, acting contrary to this principle but not to the applicable legislation, then it shall disclose the contributions it has made.

16.5 Contributions to philanthropic activities

The Caisse encourages the social and economic involvement of companies in their communities.

17. OTHERS

The Caisse exercises its voting right according to the principles put forth in this Policy. However, it reserves the right to disregard these when it concludes that it is appropriate to do so in the context of business decisions that it has to take or whenever applicable laws would permit it.

The Caisse will examine any other subject submitted by resolution to shareholders' meetings, in keeping with these voting principles.

18. RESPONSIBILITIES

The Senior Vice-Presidency, Policies and Compliance is responsible for the application of the policy and proposes any modifications thereto to the Governance and Ethics Committee. The Governance and Ethics Committee recommends approval of the policy to the Board of Directors.

APPENDIX I - DEFINITION OF INDEPENDENCE⁵

A member of the board of directors is independent if he or she has no personal or professional relationships likely to influence its judgement and bring to decisions not in the interest of the company.

Without any limitation to the previous paragraph, a member of the board would be presumed not to be independent of management in the following cases:

- / he or she has been within the last 3 years, an employee or executive officer of the company;
- / his or her immediate family member is, or has been within the last 3 years, an executive officer of the company ;
- / he or she received, or an immediate family member of his or her received, more than \$75,000 in direct compensation from the company during any 12 month period within the last 3 years;
- / he or her is an employee, an officer, a director, an associate or a consultant of an entity which has important economic relationship with the company.

In other respects, notwithstanding the two previous paragraphs, an individual is not considered having a relationship or an interest as defined in the first paragraph solely because the individual or his or her immediate family member

- / has previously acted as an interim chief executive officer of the company;
- / acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the company on a part-time basis.

For the purpose of the present definition, a company includes a subsidiary entity of the company and a parent of the company.

Particularities for companies where a shareholder holds a large block of shares.

In cases where a shareholder holds a large block of shares, the Policy indicates that the board members must be in majority independent at one and the same time of the management of the company and of this shareholder. The members of the nominating (or governance) and compensation (or human resources) committees must be all independent of management and in majority independent of the important shareholder.

⁵ The Caisse uses this definition subject to the application of *Regulation 52-110 on the Audit Committee* adopted under the *Securities Act*, R.S.Q., c. V-1.1 as far as audit committees members are concerned.

A board member is “independent of the important shareholder” when he or her does not have a personal or professional link with the important shareholder and does not represent its interest at the board.

APPENDIX II - UNEQUAL VOTING SHARES⁶

Statement of principle

The Caisse is of the opinion that the right to vote is an important attribute of common shares, since the shareholder assumes the ultimate risk of ownership of the company. It considers that when common shares involve a high level of risk, they must offer the same advantages to and confer the same rights on their holders. These principles are fundamental in at least three respects. First, they represent one of the bases of corporate democracy, ensuring that the owners have a decision-making right in proportion to their equity interest. Second, they ensure that the owners have similar rights and gains in the event of decisions likely to affect the very existence of their investment and its profitability, in particular in the event of a takeover bid. Finally, respect for these principles is generally a major component of the quality of the capital markets.

That said, the Caisse notes that in some situations or even in some countries, a capital structure with unequal voting shares is often used and can be beneficial. In Canada, several public corporations differ from the norm in the North American market by using this share structure. The Caisse therefore considers it inappropriate to immediately rule out this type of share capital structure and risk depriving the Caisse of investments that are consistent with its legislated function. This structure can be favourable in certain circumstances, to both the company and all shareholders who will benefit from the corresponding positive returns for the company or from the risk premium (or control premium).

The Caisse's position⁷

The Caisse generally prefers a one-vote-per-share capital structure.

The Caisse does not systematically object, however, to a capital structure of unequal voting shares. It assesses each case individually and according to the corporation's particular situation and the potential benefits. It pays particular attention to the company's transparency and what information the company discloses to shareholders.

The principles of corporate governance in this matter call for fine tuning to take into account the company's circumstances and what, considering the situation as a whole, is the best course of action for all parties concerned.

For example, when a significant block of shares is held by the entrepreneur-founder or members of his family, unequal voting shares are often advantageous to all shareholders, given the resulting alignment of interests. Such shareholders will be particularly inclined to introduce tight controls on capital investments and operations management, and will support long-term wealth strategies.

⁶ Unequal voting shares: common shares with multiple or limited voting rights, common shares with no voting rights, subordinate voting shares, "controlling" shares and generally all shares of a company in which there are various classes of common shares.

⁷ This position has been drawn from the position developed by the **Institute of governance for private and public organisations**.

However, when deeming it appropriate for a company to create or maintain unequal voting shares, the Caisse expects that certain measures will be taken to monitor the level of “control” given and assure the other shareholders of good governance. Thus, the following measures should be taken:

- / For companies wanting to create an unequal voting structure, for example in the context of a first public issue, limit multiple voting shares to a 4:1 ratio (minimum 20% holding of the common shareholders to maintain control) and eliminate non-voting shares;
- / For the election of directors, limit the voting power of control shareholders to the percentage of their voting rights, for a maximum of 2/3 of board members (minority shareholders elect at least 1/3 of board members in all cases);
- / If a member of the control shareholder’s family or the holder of a significant block of shares applies for the position of Chief Executive Officer, assign independent directors to the task of defining the personal characteristics, experience and skills required for the position and of discussing each candidate’s qualifications with the board and control shareholders;
- / If the control shareholder has no descendants able to play an important role in management or as a member the board, plan the transition to a one-vote-per-share structure;
- / Present the same terms and conditions of any takeover bid to all shareholders.

A Certain Type of Preferred Shares

The Caisse takes the same position, with the necessary adjustments, in the creation or perpetuation of categories of shares that may, at the discretion of the board of directors, involve one or more voting rights or that may be convertible into shares with voting rights.

APPENDIX III - POLICY ON SOCIALLY RESPONSIBLE INVESTMENT

Preamble

In pursuing its activities, the Caisse de dépôt et placement du Québec (the "Caisse") is guided by depositor investment policies and by their concerns in various areas, particularly as regards risk factors and socially responsible investment.

Socially responsible investment is a major change for the entire financial community. The Caisse acknowledges that it is an essential factor in the pursuit of sustainable economic development.

In this context, the Caisse would prefer that the companies in which it invests conduct themselves as good corporate citizens in the communities in which they operate. This policy clearly states the Caisse's expectations in this regard and provides a corporate framework of general reference.

The Caisse intends to maximize its influence in the area of socially responsible investment. For this reason it favours an interventionist approach through a specific policy guiding it in exercising its proxy voting rights and by preferring to engage in dialogue with the companies in which it invests.

The Caisse is of the view that a company's social behaviour must be one of several securities selection criteria, without however making it the deciding factor.

Context and objectives

Within the framework of its mission as regards depositors, which is to procure returns on their capital and to manage their assets in conformity with their investment policies, the Caisse integrates considerations related to socially responsible investment in its management of funds.

This policy therefore is intended to define a clear but flexible framework within which the Caisse can make a credible and effective contribution to improving corporate social balance sheets while promoting optimum returns on depositor capital and respecting depositor rights and expectations.

Definition

In any definition the concept of socially responsible investment, the preponderant aspect for the Caisse is the notion of corporate social responsibility.

This component is defined as the entirety of relationships maintained by a company with all stakeholders: clients, employees, the community, shareholders, governments, suppliers and competitors. The components of social responsibility include investment in the community,

employer-employee relations, the creation and maintenance of jobs, environmental concerns and financial performance⁸.

Principles related to socially responsible investing

/ General Principles

- / The Caisse favours a proactive approach and prefers to engage in dialogue with company officers regarding the issues surrounding socially responsible investment;
- / The Caisse prefers a single comprehensive approach within a framework that is sufficiently flexible to suit all its depositors in achieving the same objective, namely the mission conferred in its constitutive statute;
- / Through an its active presence in the area of socially responsible investment, the Caisse wishes to encourage peer institutions to contribute to improving the social balance sheets of the companies in which they invest;
- / The Caisse expects the companies in which it invests:
 - to conduct their activities with respect for rights and fundamental freedoms enshrined in the legislation and to prohibit any form of discrimination;
 - to respect workers rights, to take all measures necessary to assure them of a healthy and safe work environment and to prohibit any form of abuse or coercive labour;
 - to take all measures necessary to respect and to protect the environment in which they operate;
 - to respect the local communities in which they conduct their affairs and to promote community development.

/ Specific principles

- / The Caisse takes into consideration the corporate governance policies and principles implemented in the companies in which it invests;
- / The Caisse supports measures allowing minority shareholders to submit certain resolutions at shareholder meetings;
- / The Caisse adheres to the stated principles of the International Labour Organization;
- / The Caisse encourages disclosure of information on corporate environmental practices;
- / The Caisse encourages disclosure of information on corporate practices regarding political contributions but expressly encourages abstaining from such contributions;

⁸ The above reiterates the definition proposed by the Conference Board of Canada.

- / The Caisse encourages companies to make contributions of a philanthropic nature and to generally pursue charitable and social involvement;
- / The Caisse supports the active exercise of voting rights as the principal method of intervention through a case-by-case consideration of shareholder resolutions of a socially responsible nature.

Application

The policy will be implemented through the following methods of intervention and consultation:

/ Methods of intervention

- / Process for incorporating social, ethical and environmental criteria in portfolio management
 - Managers must take into consideration social, ethical and environmental criteria in making their preliminary analysis of the risks inherent in any given investment;
 - Managers are responsible for obtaining policies, reports, ethical and/or environmental studies and and/or assessments from the companies in which they invest;
 - Managers must make companies aware of the importance given by the Caisse to such reports, assessments and/or studies;
 - Managers are required make companies aware of the importance of developing and adopting policies and practices that address the various issues involved in corporate social responsibility;
 - Managers shall attend yearly training on socially responsible investment.
- / Dialogue and collaboration with company officers regarding the issues involved in socially responsible investment
 - Regular discussions via correspondence shall be established between managers and company officers with respect to socially responsible investing and, where necessary, meetings could be held;
 - Resolutions at shareholder meetings could, from time to time, be initiated by the Caisse;
 - Investment in a particular security could be withdrawn should the dialogue engaged in with the company concerned become unproductive and should the company's social behaviour prove unsatisfactory.
- / Exercise of proxy voting rights in accordance with the principles formulated on socially responsible investment
 - Shareholder resolutions submitted at meetings shall be analyzed, appropriate recommendations shall be made and voting rights shall be exercised in light of the principles formulated on socially responsible investment;
 - An internal corporate governance committee made up of members of management shall be consulted when necessary, specifically when shareholder resolutions concern controversial matters;

- With a view to harmonizing decisions, the internal corporate governance committee, may, whenever it considers it appropriate, submit specific questions to the various stakeholders likely to issue position statements.

/ Consultation methods

/ Mechanisms for consulting with depositors

- Depositors, through their representatives, shall be invited on an annual basis to raise their concerns, state their views and submit suggestions to management regarding the Policy currently in effect;
- Depositors, through their representatives, shall be invited on an annual basis to submit their comments on Policy principles in light of positions taken by the Caisse during the current year;
- Depositors, through their representatives, shall be invited on an annual basis to submit their concerns and suggestions as part of the review of voting principles.
- Depositors, through their representatives, may submit their opinions on shareholder resolutions of a social nature identified for the coming year;
- Depositors may also, through their representatives, submit their comments or concerns to Caisse management regarding specific topics concerning the Caisse's exercise of voting rights. Caisse management will inform the Human Resources, Ethics and Corporate Governance Committee, for recommendation of the Committee to the Board of Directors, as the case may be.

/ Updating

- The practices of institutional investors shall be reviewed on an annual basis;
- All shareholder resolutions and positions adopted during the year shall be examined on an annual basis;
- Market trends and all relevant legislative amendments shall be monitored on a regular basis;
- All shareholder resolutions and subjects to be dealt with in the coming year shall be examined on an annual basis;
- The policy and the voting principles arising therefrom shall be reviewed on an annual basis.

/ Rendering of account

- A statistical report shall be submitted periodically to the Board of directors and to depositors to advise them of positions taken at the meetings of companies in respect of which the Caisse has voting rights;
- An annual presentation of shareholder resolutions shall be made to Board members and depositors to advise them of subjects to be dealt with in the coming year at future meetings of companies in respect of which the Caisse has voting rights;
- A full account of the activities related to socially responsible investment shall be incorporated in the annual report.

Role of Caisse participants

/ Board of Directors

The role of the members of the Caisse's Board of Directors is to approve the policy on socially responsible investment. They must define and agree on general orientations of the policy as well as the principles of proxy voting that arise thereunder.

They may, on an ad hoc basis, decide certain specific issues.

They must take into account the interests and wishes indicated by depositors at the time of policy reviews.

The Governance and Ethics Committee is responsible for all work in the area of socially responsible investment that may affect Board decisions.

/ Depositors

Depositors actively collaborate in the Caisse's reflection process on issues pertaining to socially responsible investment. In order to generate the desired synergy, which is necessary for the Caisse to be influential in ultimately reconciling ethical conduct and profitability, depositors must express their views on socially responsible investment issues and formulate resolutions for presentation to Caisse management and Board members.

Caisse's management will keep depositors informed of developments in the area of socially responsible investment and that a formal consultation mechanism be developed so that the Caisse can stay attuned to depositor expectations, views and concerns.

/ Caisse Management

The role of the Caisse's President and CEO is to ensure that all mechanisms necessary to implement Board decisions are in place and functioning efficiently.

He must ensure that depositor collaboration has been firmly established and that their needs are properly communicated and understood.

The President and CEO ensures that the principles applied by Board members in the area of socially responsible investment are incorporated in the management of portfolios, that the social behaviour of the companies in which it invests is duly and seriously monitored, and that information is current and of high quality.

He must ensure that the procedures for exercising voting rights are adhered to in accordance with the Policy and that more complex questions are raised so that precise positions can be taken in light of directives issued by Board.

/ Portfolio Managers

Caisse portfolio managers must systematically incorporate stated policy principles on socially responsible investment, while preserving flexibility. The social balance sheets of any company must be taken into consideration in making investment decisions.

They must keep abreast of the social behaviour, environmental practices, labour relations, involvement and integration into the local communities in which the companies concerned operate, as well as the various policies of the companies in which portfolio managers invest.

Portfolio managers must engage in serious analysis supported by in-depth research on matters submitted at shareholder meetings and make all necessary recommendations.

They are responsible for establishing a collaborative relationship with corporate officers in the area of social responsibility and for ensuring that Caisse requirements in that regard are properly communicated and understood. They must ensure that Caisse requests pertaining to improving social behaviour are followed up and that the companies concerned are given support in that regard.