Caisse de dépôt et placement du Québec

POLICY GOVERNING THE EXERCISE OF VOTING RIGHTS OF PUBLIC COMPANIES

PC-1 PREAMBLE

This policy governing the exercise of voting rights (the "Policy") is a key communication instrument between Caisse de dépôt et placement du Québec ("CDPQ") and its portfolio companies. It also aims to contribute to adding value to the social capital of the companies in question and make a lasting contribution to their sustainable growth, for the benefit of all their shareholders and the communities in which they operate.

As a long-term investor, CDPQ wishes to act as a builder and owner. It develops a full understanding of all the operational, financial and extra-financial aspects of its investments.

This Policy is intended as a guide for the exercise of proxy voting rights. Voting criteria for various specific situations, derived from the general principles set out in the Policy, are also presented. Resolutions submitted at shareholder meetings are analyzed on a case-by-case basis. CDPQ seeks to remain flexible in the way it applies these principles and criteria in order to take into account the specific business environment in which its portfolio companies operate.

This Policy is amended from time to time, to take into account changes in best governance practices and the emergence of environmental and social ("E&S") issues. This Policy is to be read in conjunction with the CDPQ stewardship investing policy.

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PC-2 GENERAL PRINCIPLES

Companies should be managed by people of the highest calibre, supported by a board of directors who are equally competent, who are mindful of the interests of the company and its shareholders and who are sufficiently independent. As such, the directors should be free of any ties that might prevent them from exercising objective judgment in evaluating management or operations.

CDPQ respects the division of roles and responsibilities among the board of directors, management and shareholders of these companies. Within this framework, it strives to support the efforts made by the directors and management to improve the company's financial and extra-financial performance.

As a shareholder, CDPQ must play its role and manage its investments with care, diligence and discernment. Consequently, it establishes a dialogue with the directors and executive officers of the companies in order to make known its own expectations, including those related to environmental, social and governance ("ESG") issues.

CDPQ intends to support all efforts by the legislative and financial market authorities to create a legislative and regulatory environment that promotes the full exercise of its shareholder rights and responsibilities.

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PC-3 VOTING PRINCIPLES

This Policy sets out the voting principles according to which the proposals submitted at shareholder meetings of public companies (publicly traded companies) are analyzed. To the extent possible, and with any required adjustments, these principles are applied to large cap companies and those domiciled in developed countries, as well as smaller cap companies and those in developing countries or growth markets.

PC-3.1 Proxy voting process

In order to analyze the proposals submitted at shareholder meetings, CDPQ examines the proxy circular (the “proxy”), other documents submitted by the company to the shareholders in preparation for the meeting and the reports prepared by certain proxy advisory firms.

CDPQ may contact the companies before the shareholder meeting to discuss any issues or concerns about the resolutions being submitted to the shareholders.

CDPQ’s investment teams are directly involved in the voting process.

PC-4 BOARD OF DIRECTORS

PC-4.1 Independence of directors

The majority of directors who sit on the board of each company must be independent.

As an exception to the general principle stated above and solely where appropriate mechanisms are in place to manage any potential conflict of interest between a shareholder holding a large block of shares and the company, we consider the level of independence of the board to be sufficient when there is a shareholder with a large block of shares on the condition that at least:

- The majority of the members are independent of the company;
- The majority of the members are independent of the shareholder with the large block of shares; and
- One-third of the members are independent of both the company and the shareholder with the large block of shares.

In all cases, we expect that the company's ties with each director and the circumstances that could create a conflict of interest or the appearance of a conflict of interest be disclosed.

Board members are considered independent when they have no direct or indirect personal or professional ties with the company or its managers that risk influencing their judgment and leading to decisions that are not in the best interests of the company. To determine the level of independence based on this criterion, we take into account such aspects as securities laws and regulations and the applicable stock exchange listing requirements.

In evaluating the degree of independence of a member, we also consider the appointment date of the board member deemed independent by the company. We may call into question the independence of a member who has been on the board for more than twelve (12) years. It is especially important in this context for the company to fully disclose the reasons the member should continue to be considered independent. CDPQ will carefully examine the disclosure to this effect in the proxy and, if necessary, contact the company for further information before determining whether the member should be considered as independent for the purposes of this Policy. CDPQ will also take into account the length of the other board members' terms and will try to establish if there is a proper balance between maintaining the institutional memory and bringing in new points of view.

PC-4.2 Board committees

The nomination, compensation and audit committees or their equivalents must be made up entirely of independent members.

When a shareholder holds a large block of shares, the nomination and compensation committees or their equivalents must be made up entirely of members who are independent of the company, with the majority of these members also independent of the shareholder with

the large block of shares. The audit committee, however, must be made up entirely of members who are independent of both the company and the shareholder with the large block of shares.

We recommend that, in addition to adopting mandates for each of these committees, the companies make the mandates available on their websites and to include an annual summary of the activities of each committee in the proxy.

PC-4.3 Size of the board

We favour boards of directors that have enough members to offer the plurality of experiences and skills needed for the proper functioning of the board and its committees. The number of directors should, however, remain reasonable in order for the board to be effective and for all its members to actively participate.

PC-4.4 Nomination process and directors' expertise

We encourage each company to implement a candidate evaluation procedure suitable to its situation, and to inform shareholders of this procedure.

The nomination committee or its equivalent is encouraged to establish a profile of the expertise and experience desirable for the board (by developing a competency matrix or otherwise) and to adopt a candidate selection procedure. This procedure should take into account the skills and competencies that the board as a whole should possess, as well as the skills and competencies of each candidate. We recommend that companies disclose the skills matrix in their proxies.

The various recommendations submitted at shareholder meetings associated with the candidate nomination process are examined by CDPQ on a case-by-case basis.

We are generally in favour of allowing shareholders to propose candidates for directorships, provided that the candidates are well qualified, round out the board's expertise profile and are prepared to act in the best interests of the company.

PC- 4.5 Diversity

Diversity on the board of directors, in the broad sense of the word (indigenous, gender, ethnocultural, generational, etc.) allows for a variety of points of view to be heard and integrated into the decision-making process. We therefore encourage all measures that foster diversity and inclusion on the board of directors or that widen the pool of qualified candidates for directorships.

Starting in 2022, with respect to gender diversity specifically, CDPQ will generally, in the absence of extenuating circumstances, abstain or vote against the chair of the nominating committee (or the chair of the board, in the absence of such a committee) when women represent less than 30% of the board of directors and the company has not disclosed a firm commitment to remedy the situation in the near term.

As with all our voting decisions, we will take into account the market in which we are voting. In addition, where a company operates in a jurisdiction with more stringent legislative or regulatory requirements than those stated here, those requirements will take precedence when we exercise our voting rights.

We will engage the chair of the board and/or members of the nominating committee in discussions on progress made on diversity in their organization. With respect to the representation of women, we could potentially abstain or vote against all members of the nominating committee responsible if, in the year following a process of commitment to address the lack of diversity on the board of directors, no progress has been made.

We encourage companies to adopt policies and targets for the representation of women on the board of directors and to consider the level of diversity when they recruit candidates. In addition to disclosing statistics on the composition of the board and senior management, we encourage companies to provide information on their policies, targets and processes for increasing the level of diversity throughout the organization.

We attach great importance to putting in place appropriate mechanisms for board renewal, particularly since they can lead to more diversity.

PC-4.6 Separate voting

Shareholders should be able to have a separate vote for each nominee for the position of director. In the event that the election of candidates is subject to a vote by slate, we will determine our voting position based on the context.

PC-4.7 Majority vote

We encourage companies to adopt a majority voting policy to elect board members.

Under this policy, board members who do not receive a majority of votes in favour must submit their resignation to the board, which must decide within 90 days whether or not to accept the resignation. Refusal of a resignation would only be conceivable under exceptional circumstances.

In cases where a cumulative vote is in effect, each situation will be evaluated on its own merit.

PC-4.8 Classified or staggered terms

The annual election of all board members is preferred. In the event of an election of candidates for terms of varying lengths, we will determine our position based on the circumstances.

PC-4.9 Board renewal

CDPQ strongly encourages its portfolio companies to ensure appropriate renewal of the board, by adopting a policy on maximum term length or otherwise. This creates a healthy balance between maintaining the institutional memory and bringing in new perspectives on its activities and business model. This balance should be sufficient to allow for a critical review of the company's methods and ensure appropriate counterbalance and oversight of management.

As explained more fully in this Policy, CDPQ could question the independence of a director who has been serving on the board for more than twelve (12) years.

CDPQ considers board renewal to be an effective mechanism for increasing diversity.

PC-4.10 Time allotted by board members to their functions

We recognize the benefits of having board members who sit on more than one board. However, board members must ensure that they manage their commitments so as to ensure no compromise is made to their obligations and responsibilities. We encourage directors to attend board meetings and to devote enough time to preparing for them, except in cases where a valid reason is provided.

If we feel the number of boards on which members sit limits their ability to effectively fulfill their obligations, we may oppose their election.

PC-4.11 Attendance

Given the importance of a director's contribution to a board and the associated responsibilities, the director's attendance is required at meetings of both the board and the committees on which they sit.

We may vote against or abstain from votes concerning a board member who has attended less than 75% of regular meetings of the board or committees on which they sit without a valid reason.

PC-4.12 Chair of the board of directors

The appointment of a chair of the board of directors who is independent of management is preferred. If such is not the case, the recommendation will be examined based on the circumstances.

Should the functions of the chair of the board of directors and chief executive officer be combined, or should the chair of the board of directors not be independent of management, a lead director position should be created and filled by an independent board member who will oversee the effective execution of work by the board and ensure that meetings with the independent board members can be convened at any time. This lead director should be independent of any shareholder who holds a large block of shares, should such be the case.

CDPQ will pay special attention to the length of the term of the lead director, in order to determine their independence for the purposes of this Policy. As described at greater length above, their independence could be called into question if they have served on the board for more than twelve (12) years.

PC-4.13 Meetings of independent directors

Periodic meetings of independent directors must be held without non-independent directors in attendance.

PC-4.14 Evaluation of the board and the chief executive officer

Every board of directors must have the means to evaluate its work, the work of each of its committees and the personal contribution of each director. The chief executive officer's contribution to the company's results must also be examined.

We favour periodic evaluations that are based, in part, on the mandate of the board and the mandates of its committees, as well as on the skills and competencies demonstrated by each of the directors.

We encourage companies to inform shareholders about their evaluation process through disclosure in the proxy.

PC-4.15 CEO succession planning

The board of directors of a company must plan for chief executive officer ("CEO") succession and we value appropriate disclosure in this regard. We support resolutions requiring the adoption of a CEO succession plan.

PC-4.16 Risk management

The board of directors must identify the company's main business risks and ensure that appropriate systems are implemented to manage these risks. We encourage companies to disclose information about their risk management process, including each board committee's responsibilities concerning certain types of risk.

We pay special attention to the disclosure of climate risks. In this regard, we expect companies to take into account the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

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PC-5 RATIFICATION OF AUDITORS' MANDATE

We generally vote in favour of ratification of the auditors' mandate.

We support resolutions that propose the disclosure of auditors' costs and fees, for both audits and other services they may provide. We do not support appointing auditors in cases where their independence may be compromised, such as when fees unrelated to the audit, collected during the previous fiscal year, are deemed excessive.

PC-6 EXECUTIVE COMPENSATION

PC-6.1 Compensation conditions and disclosure

The compensation of a company's executives should be examined within the framework of its shareholder meetings. We expect the board of directors to demonstrate moderation when determining the level of compensation for executive officers, while keeping the company competitive. We therefore favour compensation that is structured to increase value while recognizing executives whose performance meets or exceeds the set objectives.

We favour a compensation policy in which a substantial variable portion of compensation is linked to the company's results or the achievement of short- and long-term objectives.

The board of directors should take into account the consequences of the risks associated with the company's compensation policies and practices. We therefore encourage the board of directors to make complete disclosure of the measures taken to ensure that these policies and practices are aligned with long-term performance objectives and do not serve as incentives for members of management to take excessive risks in order to achieve their annual objectives.

The compensation plans must be subject to complete disclosure. All direct and indirect benefits, including pension plans and attributions granted outside the program, such as severance pay, retention bonuses, special grants and fringe or personal benefits (perquisites), must be transparently disclosed.

The shareholders must be able to determine the extent to which executive compensation is justified by the company's results. The information published by the company must therefore be sufficiently complete and transparent to permit this comparison for all members of the company's senior management over a reasonable period of time. This data must allow for comparisons between management compensation and that of an appropriate reference group.

If the compensation committee uses the services of a specialized compensation firm, we encourage the company to disclose the name of this firm and provide a breakdown of the fees paid to it.

In addition to applying the general principles noted above, we pay special attention to the following when examining a compensation plan:

- The explicit declaration by the board of directors of the compensation policy and program in effect, the principles followed with respect to executive compensation, the relationship between those principles and the company's strategic objectives, performance objectives and any changes in these regards;
- The description of the process followed in establishing the structure of the incentive compensation program and its various components;

- The complete disclosure of all benefits, including extraordinary bonuses or one-time payments;
- The performance criteria applied, including those related to the attribution and vesting of securities under an incentive compensation plan over the short and long term;
- The number of shares that may be vested or the number of options that may become exercisable based on the achievement of performance objectives;
- The requirements established for executives and senior managers in terms of share ownership;
- The inclusion of certain ESG criteria in compensation, to the extent that they are aligned with the company's strategy and long-term value creation.

We may oppose the election of members of the compensation committee if we believe that compensation is not aligned with performance.

PC-6.2 Incentive compensation plans

The use of the term "securities" in the following section refers to any securities, mechanisms or other type of vehicle mentioned in incentive compensation plans.

For the purposes of this policy, compensation plans include the following:

- Stock options;
- Stock appreciation rights;
- Any other compensation mechanism involving the issuance or possible issuance of the issuer's shares;
- Any other compensation mechanism that provides the right to the monetary equivalent of the value of a stipulated number of shares without requiring the issuance, purchase or sale of shares.

We expect the majority of incentive compensation to be based on performance rather than simply the passing of time. Incentive compensation plans must also be established based on certain principles, as listed below.

Price — Securities should be issued at no less than 100% of the current fair market value.

Vesting period — The overall vesting period should be between three (3) and five (5) years.

Expiration — Stock options should carry an expiration period of no more than ten (10) years.

Dilution — The dilution implied by all stock-based compensation plans must reflect acceptable industry standards.

As a rule, we do not support stock-based incentive compensation plans that represent more than 5% of all shares outstanding and an absorption rate higher than 1% annually.

However, we can accept certain plans that represent up to 10% of the shares outstanding and an absorption rate of 2% if they meet one or more of the following criteria:

- The plan is open to a broad number of managers or to all employees;
- The company is in start-up or growth phase and needs liquidity for its development;
- The company does not have significant earnings or is facing a lack of liquidity;
- 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 plan as a performance incentive.

Change in the exercise price of securities — We are opposed to reductions in the exercise price of securities, once it has been set.

Change in control — We may support stock-based incentive compensation plans that include clauses regarding a change in control, provided such clauses do not allow securities holders to receive more for their securities than shareholders receive for their shares. We are opposed to clauses in stock-based compensation plans relating to a change in control that are adopted in connection with a takeover bid.

Discretionary power of the board — We do not support stock-based incentive compensation plans that give the board complete discretion to set the terms and conditions of the plans, whether the issue is the price of securities, type of vehicle, eligibility criteria or the replacement of securities. Such plans must be submitted to the shareholders with sufficiently detailed information about their scope, frequency and exercisable time frame.

Concentration — We are generally opposed to stock-based incentive compensation plans that authorize the issuance of 20% or more of available securities to a single individual over the course of the same year.

Vesting of securities — We are opposed to stock-based incentive compensation plans in the form of shares that are 100% vested and monetized at the time of attribution.

Method of payment — We are opposed to low-interest or interest-free loans used to purchase shares or exercise stock options.

PC-6.3 Pension plans

We favour complete and transparent disclosure of the terms and conditions of pension plans and other employee benefits.

We support the principle by which pension benefits should be based on the executive officer's base salary and not on the variable portion of the officer's compensation.

PC-6.4 Share ownership

Executives should be required to hold a minimum number of the company's shares, in accordance with applicable best practices, in order to better align their interests with the long-term interests of shareholders. Executives should hold shares equivalent to a multiple of their base salary as long as they are employed by the company and for a reasonable time after their departure.

We encourage companies to disclose a summary of the terms of their minimum shareholding policy for directors and executives in their circular.

PC-6.5 Clawback

The board of directors should adopt a policy or any measure that will allow for the recovery of incentive compensation paid to executive officers in cases of accounting restatements, fraudulent acts, negligence or wilful misconduct. In these circumstances, or further to the publication of misstated financial results, the executive must be required to repay their incentive compensation. We favour clear disclosure in the proxy of the circumstances or mechanisms that permit recovery of this compensation. Proposals to expand the scope of a clawback policy will be examined on a case-by-case basis.

PC-6.6 Vote on executive compensation

We support resolutions to have companies adopt a vote on executive compensation (advisory or not, depending on the jurisdiction).

When we have to vote on executive compensation policies and programs in this situation, we carry out a case-by-case analysis of the entire structure of the compensation program, based on the items outlined in this section of the Policy and the total amount of compensation, to ensure it is not excessive.

When the outcome of the vote on compensation is lower than 90%, we encourage the company to consult with its shareholders to identify the irritants and assess the need to make adjustments. We will review the disclosure to this effect in the next year's proxy.

PC-6.7 Golden parachutes and extraordinary bonuses

Golden parachutes

We are opposed to excessive departure bonuses paid to a director or company executive. We are also opposed to departure bonuses or the auto-accelerated vesting of securities held when these incentives are triggered by a single event. We favour provisions calling for two triggering events, i.e., a change of control and an employment termination or major change in the person's functions.

Extraordinary bonuses

We are of the opinion that a well-structured compensation program should be sufficient to establish an executive's compensation in terms of retention and performance incentives. We nonetheless note that, in the market, extraordinary bonuses are granted on a discretionary basis for a variety of reasons (hiring, one-time award, retention, etc.). We encourage companies to provide the information required to assess the basis for offering such a bonus. We will evaluate such bonuses on a case-by-case basis.

For hiring bonuses, we consider the company's performance, internal or external recruitment, the other aspects of the executive's compensation and industry practices. For external recruitment, we take into account the losses incurred by the person who had to leave a job to take up the new position.

For our assessment of other special bonuses, such as those related to performance or retention, we consider the amount of the bonus, the rationale provided, the other aspects of the executive's compensation and industry practices. We pay special attention to the recurring nature of such bonuses. By definition, they should be granted on a one-time basis only. Recurrence may be indicative of the ineffectiveness of certain aspects of the compensation program and the succession plan for key employees. We will oppose the payment of special bonuses that appear to us to be unjustified on the basis of these criteria.

PC-6.8 Pledging and hedging policy

We favour compensation plans that prohibit executive officers from making financial transactions that aim to hedge or monetize the value of their shares or their unvested securities or pledge their equity ownership. These practices erode the relationship between the company's performance and the compensation granted via these securities.

However, we evaluate companies that allow their executives to pledge a portion of their holdings on a case-by-case basis.

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PC-7 DIRECTORS' COMPENSATION

We are generally in favour of fair compensation for directors, on the condition that such compensation is aligned with the interests of shareholders. We support proposals that pay a certain percentage of the compensation in the form of shares or deferred share units. However, we are generally opposed to the participation of external directors in a stock option plan or a performance-related securities plan. We feel that this type of compensation is less aligned with the long-term interests of shareholders and may result in a conflict of interest for the directors with respect to management of such plans. We favour a compensation plan separate from that offered to executives and employees.

We believe that a minimum shareholding requirement for directors helps align their interests with the long-term interests of shareholders. Directors should be given sufficient time to meet these requirements. We encourage companies to disclose a summary of the terms of their minimum shareholding policy for directors and executives.

External directors should not have the same benefits as those offered to executives and employees, such as retirement benefits and other indirect benefits.

Finally, given the fiduciary obligations of directors, we are opposed to the awarding of stock options, incentive share units or bonuses to external directors in cases involving a change in control.

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PC-8 STOCK OPTION PROGRAMS OR EMPLOYEE STOCK PURCHASE PLANS

Under certain conditions, we support stock option programs, employee stock purchase plans and 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.

POLICY GOVERNING THE EXERCISE OF VOTING RIGHTS OF PUBLIC COMPANIES

PC-9 TAKEOVER BIDS AND PROTECTION

We examine takeover bids on a case-by-case basis, from the perspective of the company's long-term sustainability rather than a short-term payoff.

Generally speaking, we support the protection measures submitted to shareholders if these measures assure the fair treatment of shareholders in the event of a takeover bid, if the company has sufficient time to consider alternative solutions to increase shareholder value and if it is in the best overall interests of the company based on its situation.

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PC-10 SHAREHOLDERS' RIGHTS

PC-10.1 Unequal or subordinate voting shares

CDPQ generally favours the issuance of single voting shares. However, in certain circumstances, a capital structure with unequal voting shares may be justified. It is sometimes in the interests of a majority of the shareholders that the holder of a large block of shares retain effective control of the company. An adequate framework to protect against the impacts of such a structure should be implemented.[1]

PC-10.2 Super-majority approval of business transactions

We are opposed to any proposal to increase to more than 66.6% the percentage of shares outstanding required to approve the company's transactions.

PC-10.3 Simple majority

Subject to the applicable legal provisions, we favour the adoption of resolutions by a simple majority vote.

[1] See Appendix 1 for conditions where CDPQ may favour unequal voting shares.

PC-11 SHAREHOLDER PROPOSALS

We support measures enabling minority shareholders to propose certain resolutions at the shareholder meeting.

The content of shareholders' proposals is reviewed on a case-by-case basis, taking into account the principles set out in this Policy and the CDPQ stewardship investing policy.

We are opposed to shareholder proposals that impose arbitrary and undue monetary constraints on management or the board of directors or that are more targeted to the company's operations, which are the responsibility of management. We may also vote against a shareholder proposal when the measures in place within the company seem to us to be almost equivalent to the demands made in the proposal.

PC-11.1 Proposal supported by a majority of shareholders

We expect the board of directors to take measures to follow up on any resolution supported by a majority of shareholders and to report back on these measures within a reasonable time. Disclosure to this effect must be added to its proxy the following year. If no follow-up is provided for such a proposal, the board must provide explanations to the shareholders within a reasonable time. In cases where the company's actions are not justified, we may vote against the chair or the entire governance committee.

PC-11.2 Proposals concerning E&S issues

We encourage companies to take shareholder proposals concerning environmental and social ("E&S") issues seriously, even if they are not supported by a majority of the shareholders. It may take time for these issues to be unanimously accepted, but they are a priority for CDPQ.

PC-11.3 Proposals specifically about climate change

In 2017, CDPQ adopted a climate change strategy that requires the climate factor to be included in all investment decisions. The strategy also proposes targets and mechanisms that allow the organization to concretely and constructively address the transition to a low-carbon economy through its contribution as an investor in the face of this global challenge. In 2019, CDPQ joined the Net-Zero Asset Owner Alliance, which advocates carbon neutrality in portfolios by 2050.

In this context, it is vital for CDPQ to obtain the relevant information from companies. Accordingly, we will generally support proposals that require:

- Disclosure of the governance, strategy and measures adopted by a company in relation to climate change and management of the related risks;
- The adoption of greenhouse gas reduction targets and accountability on achieving them;

- The development of climate scenario analyses;
- Disclosure based on the framework proposed by the Task Force on Climate-Related Financial Disclosures (TCFD);
- Disclosure of lobbying activities, especially with regard to climate lobbying carried out by companies and their professional associations.

CDPQ may, at its discretion, abstain or vote against the person in charge of the relevant committee or the chair of the board accountable if no progress has been made after a process of commitment concerning the lack of climate change initiatives and measures.

As with all our voting decisions, we will take into account the market on which we are voting.

PC-11.4 Linked proposals

We support resolutions that include multiple items, provided that the overall resolution is in the interests of shareholders.

We do not support linked proposals that have the objective of making one element of the proposal more acceptable by adding elements that garner more support from the shareholders.

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PC-12 ESG ISSUES

PC-12.1 ESG issues: Critical for CDPQ

We place special importance on the management of ESG issues by our portfolio companies. The analysis of these issues is an integral part of our investment process, and we have adopted a specific policy on the matter, to state our objectives and approach.

In that policy, exercising voting rights is identified as a preferred means of action for a shareholder with regard to ESG issues.

This Policy must therefore be read in conjunction with the CDPQ stewardship investing policy.

PC-12.2 ESG issues: Disclosure

We encourage companies to adopt policies and implementation measures related to ESG issues that are relevant or critical to their activities. We encourage them to make these policies available on their websites and to report to shareholders on an annual basis regarding their application.

We are in favour of using the accounting standards established by the Sustainability Accounting Standards Board (SASB) to properly identify, manage and provide disclosure on sustainable development issues that are likely to have significant financial implications.

We expect companies to take into account the recommendations of the TCFD, which propose the voluntary presentation of information on the following four issues: governance, strategy, risk management and climate change metrics and targets.

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PC-13 DISCLOSURE OF CONTRIBUTIONS TO POLITICAL PARTIES AND LOBBYING ACTIVITIES

Subject to applicable laws that permit it, we are opposed to any kind of contribution by companies to political parties or similar actions. Should a company make such contributions, acting contrary to this principle but not to the applicable legislation, it must disclose the contributions it has made, as well as the policies and processes governing such contributions. We also encourage companies to disclose any lobbying activities.

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PC-14 DISCRETIONARY POWER

We exercise our voting rights in accordance with the principles put forth in this Policy. However, we reserve the right to override these principles when we deem it appropriate to do so in the context of business decisions we must make or where applicable laws so permit.

We will examine any other subject that is submitted by resolution to shareholder meetings and that is not directly addressed in this Policy on a case-by-case basis, in the spirit of the principles set out therein.

POLICY GOVERNING THE EXERCISE OF VOTING RIGHTS OF PUBLIC COMPANIES

PC-15 RESPONSIBILITIES

The Executive Vice-President and Head of Investments in Québec and Stewardship Investing is responsible for the application of this Policy. She proposes all updates and amendments to the Governance and Ethics Committee. The Governance and Ethics Committee recommends approval of this Policy to the board of directors.

POLICY GOVERNING THE EXERCISE OF VOTING RIGHTS OF PUBLIC COMPANIES

PC-16 REVISION

This Policy is reviewed at least once every three (3) years.

APPENDIX I – COMPANIES WITH MORE THAN ONE CLASS OF PARTICIPATING SHARES[1]

Statement of principle

CDPQ is of the opinion that the right to vote is an important attribute of common shares. It considers that when common shares involve the same level of risk, they must offer the same advantages and confer the same rights on their holders. For this reason, CDPQ prefers companies with a single class of voting shares.

This principle is a key foundation of corporate democracy that ensures that all shareholders have an influence proportionate to the weight of their interest. This proportionality is paramount when decisions are likely to influence shareholders' investments.

CDPQ notes, however, that capital structures with subordinate voting shares are common in certain industries and in certain countries, including Canada.

CDPQ invests in such companies when they excel over the long term and when they treat holders of subordinate voting shares fairly. In all circumstances, long-term performance is what guides CDPQ's investment decisions and discussions with their management.

CDPQ's position

CDPQ generally prefers a one-vote-per-share capital structure. However, it is not systematically opposed to a capital structure of subordinate voting shares. It assesses each case individually.

CDPQ may consider it appropriate to allow an entrepreneur-founder to continue to manage the company during an expansion phase and to finance this growth through equity, even if the entrepreneur-founder's resources are insufficient to maintain a position of control.

CDPQ may therefore encourage a company with a worthwhile expansion project to access capital markets without the entrepreneur-founder being forced to lose their position of control over the short or medium term. In so doing, CDPQ is participating in the creation of economic leaders of national, even international scope.

On the other hand, CDPQ is of the opinion that companies with subordinate voting rights must be overseen closely to provide subordinate shareholders with the assurance of sound governance. These companies must demonstrate best practices in corporate governance and transparency, particularly with regard to disclosure of information to subordinate shareholders. When a company that has subordinate voting rights discloses voting results at annual shareholders meetings, and discloses voting results on a consolidated basis, CDPQ supports the disclosure of voting results separately, by share class.

[1] *Participating shares: multiple and limited voting common shares, non-voting common shares, subordinate voting shares, controlling shares and, more generally, all the shares of a company that has different classes of common shares.*

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When considering an investment, CDPQ will pay special attention to the following two factors:

1. Alignment of interests

For there to be alignment of interests between the controlling shareholder and the subordinate voting shareholders, it is important for an entrepreneur-founder to have a significant interest in the company. This will make the entrepreneur-founder particularly inclined to introduce tight controls on capital investments and operations management and to focus on strategies that generate long-term value.

There is no objective criterion to determine what represents a significant interest, but CDPQ considers it reasonable to expect a controlling shareholder to maintain, over the long term, an interest of at least 15% in the company's equity. Put otherwise, this is equivalent to a maximum of six votes per multiple voting share.

2. Performance

CDPQ will closely monitor the execution of the business plans of companies with subordinate voting rights. These companies must report solid returns over the long term. If the company fails to achieve its financial and operational targets, CDPQ may request a change in management or the conversion of a certain number of multiple voting shares to reduce their influence.

When CDPQ considers an investment in a company that creates or maintains a subordinate voting share structure, it could also request that certain measures be taken to protect the interests of all shareholders. Of these measures, we note in particular the following:

- In the context of an initial public offering, stipulate that the controlling shareholder must retain at least 15% of the capital over the long term;
- For subordinate voting shareholders, reserve the right to elect a minimum number of board members: one-third, for example;
- If a member of the controlling shareholder's family or the holder of a large block of shares applies for the position of chief executive officer, assign independent directors the task of determining the personal characteristics, experience and skills required for the position and discussing each candidate's qualifications with the board and controlling shareholders;
- If the controlling shareholder has no descendants likely to play an important role in management or as a member of the board, plan for the transition to a one-vote-per-share structure;
- Ensure that any takeover bid is presented under the same terms and conditions to all shareholders.

POLICY GOVERNING THE EXERCISE OF VOTING RIGHTS OF PUBLIC COMPANIES

A certain type of preferred shares

CDPQ takes the same position, with the necessary adjustments, in the creation or perpetuation of classes 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.