



POLICY GOVERNING THE EXERCISE OF VOTING RIGHTS OF PUBLIC COMPANIES

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



POLICY GOVERNING THE EXERCISE OF VOTING RIGHTS OF PUBLIC COMPANIES

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.



POLICY GOVERNING THE EXERCISE OF VOTING RIGHTS OF PUBLIC COMPANIES

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.



POLICY GOVERNING THE EXERCISE OF VOTING RIGHTS OF PUBLIC COMPANIES

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.



POLICY GOVERNING THE EXERCISE OF VOTING RIGHTS OF PUBLIC COMPANIES

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).