

2017 Stewardship Investing



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Investing for the long term means investing sustainably

Because our investments are inextricably linked to the context in which they are made, we have a responsibility to generate returns for our depositors and adapt our activities to the major issues of our time.

Message from Management

Our Evolving Role as a Global Investor

The world is changing, and la Caisse is changing with it. This is why this year we are publishing our first distinct Stewardship Investing Report.

The major challenges of our time are prompting investors to rethink the way they do business. Today, climate change and technological innovation are sources of both risk and opportunity for businesses and society as a whole. International taxation issues are prompting governments around the world to adopt rules to ensure they are equitably funded. The promotion of best practices in management and governance resonates with stakeholders across the economic landscape.

These matters are far from new, but they have been a growing factor in our thinking and in our strategies in recent years.

In other words, long-term investors need to consider the impact of environmental, social and governance issues on the economic performance of their investments, as well as their broader context in which they apply, including environmental protection, socioeconomic progress and respect for human rights. This commitment raises a number of fundamental questions.

Beyond the returns they generate, how are our investments accelerating the transition toward a low carbon economy? What is their impact?

How can we work with our peers and companies in our portfolio to take best practices to the next level?

These questions require serious reflection and analysis. Our depositors rely on la Caisse's returns to safeguard the financial security of millions of people across Québec. It is our fiduciary duty to grow and to maintain or improve our performance.

The challenge before us, therefore, is to strike a balance between financial profitability and environmental, social and economic issues. Neither side of the equation can be sacrificed. Only by placing both objectives at the core of our strategic priorities and investment decisions will we be able to generate solid long-term performance. Performance built on sustainable foundations.

Our approach comprises a range of concrete measures, which we plan to enhance in the coming years:

- › Periodic review of our strategies, targets and priorities;
- › Analysis of our portfolio and investment opportunities, notably in light of our climate-related targets;
- › More active shareholder engagement with the companies in our portfolio;
- › Alignment with our strategic orientations, our targets and the compensation of senior management;
- › Influence with our business partners on selected issues, particularly in the area of taxation;
- › Public leadership and active involvement in the transition toward more sustainable forms of energy and in initiatives designed to align profitability and ESG performance.

The task is enormous. But our teams are ready to move forward with their professionalism and talent to accelerate la Caisse's evolution and be among the leaders in sustainable investment in the 21st century.

Long-term investors need to consider the impact of **ESG issues on the economic performance of their investments**, as well as the broader context in which they apply.

2017 Highlights

A Pivotal Year for Our Stewardship Investing Approach

Backed by a solid track record analyzing ESG issues, we are focused on taking concrete action and playing an influential role on the international stage.

AN AMBITIOUS STRATEGY FOR CLIMATE CHANGE

-25%

CARBON INTENSITY
BY 2025

+\$8B

LOW CARBON ASSETS
BY 2020

FACTORING
IN CLIMATE CHANGE

INTO ALL OF
OUR ACTIVITIES

STRONGER
LEADERSHIP

WITHIN THE INDUSTRY
AND WITH BUSINESSES

INITIATIVES AND PROGRESS IN TERMS OF GENDER DIVERSITY



Participation in this initiative
targeting a minimum of 30% women
on Boards of Directors

39%

Proportion of women on
la Caisse's Board of Directors
and Executive Committee

A FIRST STEWARDSHIP INVESTING REPORT IN 2017

This year we are publishing our first Stewardship Investing Report, which includes several aspects. This document also presents our progress on our Sustainable Development Action Plan.



CLIMATE CHANGE

In 2017, we announced an investment strategy to address climate change that proposes targets and concrete ways to contribute to the transition toward a low carbon economy.



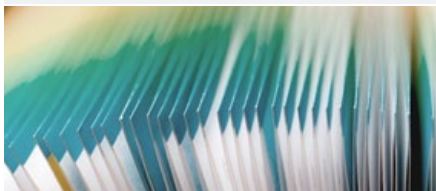
WOMEN IN BUSINESS

We take various measures to increase the number of women in finance and we support several initiatives targeting higher representation of women in business.



GOVERNANCE

We take an active role as a shareholder through direct dialogue with portfolio companies and by exercising our voting rights at shareholder meetings.



INTERNATIONAL TAXATION

We regard tax issues as particularly important. In 2017, we published a clear, transparent and detailed statement on international taxation.



INVESTMENT PROCESS

We integrate ESG issues into all our investment decisions, from analyzing a potential investment to long-term involvement in the governance of portfolio companies.



SOCIAL INVOLVEMENT

We strive to generate positive and sustainable social and environmental impacts. This translates into a number of philanthropic activities and a Sustainable Development Plan.

Our Approach

Our Approach Covers the Entire Investment Cycle

PUBLIC LEADERSHIP

- › Leadership in the fight against climate change
- › Participation in joint ESG initiatives
- › Influence in the finance industry

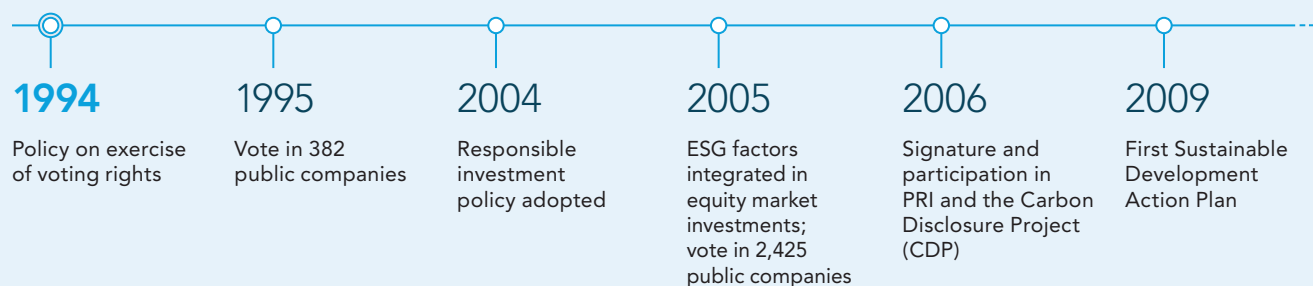
ESG ANALYSIS

- › Analysis of ESG profiles of potential investments or reinvestments
- › Integration of analyses into the investment process
- › Close collaboration with investment teams

ENGAGEMENT AND VOTE

- › Monitor ESG profiles of portfolio companies and collaborate with investment teams
- › Engagement with companies
- › Exercise of shareholder right to vote

Steady commitment over the years



OUR MAIN INVESTMENTS

Low carbon assets and investments that contribute to the energy transition



BORALEX 2017
 › Renewable energy
 › 17.3% stake



INVENERGY RENEWABLES 2013
 › Wind and solar energy
 › 31.7% stake



LONDON ARRAY 2014
 › Offshore wind farm
 › 25% stake



AZURE POWER GLOBAL 2016
 › Solar energy
 › 21% stake



EUROSTAR 2015
 › Sustainable transportation
 › 30% stake



STUYTOWN 2017
 › Rooftop solar panels
 › Partnership with Blackstone

Renewable energy

- AddÉnergie
- Hydro-Québec
- Mont Sainte-Marguerite
- Potentia
- Schootop Solar Limited Partnership
- Sunrun
- Vents du Kempt

Sustainable transportation

- Bombardier Transportation
- Crosslinx Transit Solutions
- Heathrow Express
- InTransit BC
- Keolis

High-efficiency buildings

- 10-120 South Riverside Plaza
- 85 Broad Street
- Édifice Jacques-Parizeau
- Place Ville Marie
- Three Bryant Park



ESG Factors: At the Heart of Our Priorities

Climate Change

A Clear Vision, a Tangible Commitment

Climate change is at the forefront of today's environmental concerns. The impact of this phenomenon, ranging from extreme weather patterns and ecosystem disruptions to economic losses, are well known and documented. The situation calls for a concrete and rigorous response that will accelerate the transition toward a low carbon global economy.

In 2017, la Caisse initiated a fundamental shift in how we address climate change. Our approach reflects our resolve to act decisively, while respecting our obligations to our depositors, and is based on a rigorous analysis of the risks and opportunities that climate change represents for a long-term investor.

OUR CLIMATE CHANGE STRATEGY IS BASED ON FOUR PILLARS

<p>1.</p> <p>Factoring in climate change into all our investment activities and decisions</p>	<p>2.</p> <p>Increasing our low carbon investments by 50% by 2020</p>	<p>3.</p> <p>Reducing our carbon footprint per dollar invested by 25% by 2025</p>	<p>4.</p> <p>Exercising stronger climate leadership within the industry and with the companies in our portfolio</p>
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1. FACTORING IN CLIMATE CHANGE IN OUR INVESTMENTS

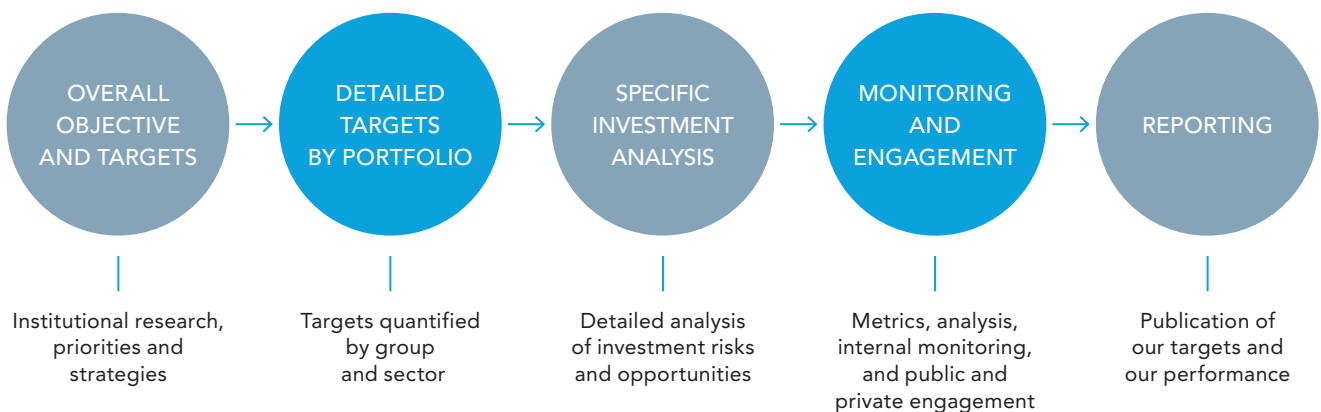
Climate change is fully integrated into all our investment processes in the same manner as financial risk.

Our teams have been working for several months to develop tools to measure climate-related risks and opportunities for our portfolio. Analyzing certain transition scenarios and physical risks is nevertheless a complex undertaking. We therefore joined a working group led by the United Nations Environment Finance Initiative (UNEP FI), to develop a more precise methodology in this regard.

The purpose is clear: to allow our managers to appraise long-term, climate-related risks and opportunities associated with all of our asset classes to enable us to make informed decisions.

FIGURE 1

FACTORING IN CLIMATE CHANGE IN OUR INVESTMENT PROCESS



ESG Factors: At the Heart of Our Priorities

2. INCREASING OUR LOW CARBON INVESTMENTS BY 50% BY 2020

For many years now, la Caisse has invested significant amounts in renewable energy and low carbon assets around the world.

As at December 31, 2017, our low carbon investment portfolio was valued at some \$18 billion using the taxonomy of the Climate Bonds Initiative.

In our strategy outlined in 2017, we have committed to increasing our green investments by 50% between now and the end of 2020, which represents a significantly higher growth rate than what we foresee for our overall assets. As such, we plan to increase our low carbon investment portfolio to \$26 billion by 2020. This represents nearly \$8 billion in low carbon investments over the next three years (see Figure 2).

In 2017, our **renewable energy assets** generated 18,051 GWh, equivalent to the annual consumption of 1,161,000 Canadians.

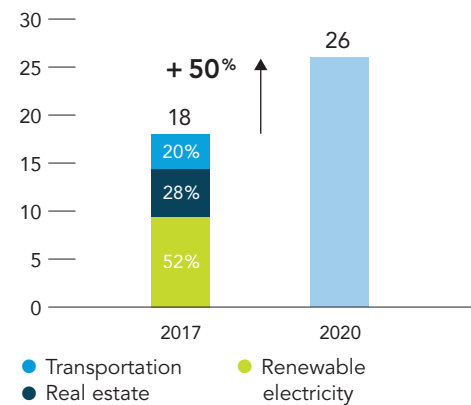
Note: Totals may vary due to rounding.

Climate Bonds Initiative

Established in London, this international organization works to mobilize bond market investors to develop solutions that will contribute to the transition towards a low carbon economy. More specifically, it aims to create an extensive liquid market for green and climate bonds.

FIGURE 2

LOW CARBON INVESTMENTS (in billions of dollars)



Some of the low carbon assets and investments that contribute to the energy transition within la Caisse’s portfolio



Renewable energy

- LONDON ARRAY
- INVENERGY
- AZURE
- HYDRO-QUÉBEC

Sustainable transportation

- BOMBARDIER TRANSPORTATION
- EUROSTAR
- HEATHROW EXPRESS
- KEOLIS

High-performance real estate

- THREE BRYANT PARK
- ÉDIFICE JACQUES-PARIZEAU

3. REDUCING OUR CARBON FOOTPRINT PER DOLLAR INVESTED BY 25% BY 2025

By increasing our green investments, reducing our carbon-intensive assets and working with select companies in our portfolio, we have committed to reducing the carbon footprint per dollar invested (carbon intensity) of our portfolio by 25% by 2025 (see details in Appendix 1). As a result, la Caisse has become the first institutional investor in North America to adopt a target that covers virtually all of its asset classes.

This commitment is consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD, see page 14).

The year 2017 will serve as the starting point for the reductions to come. The carbon intensity of our portfolio was 79 tCO₂e per million dollars in 2017. We have pledged to lower this to 59 tCO₂e by 2025 and to publicly disclose our progress on an annual basis (see Figure 3).

EY has conducted an assurance engagement of the measurement of the carbon intensity of la Caisse’s portfolio (see the report in Appendix 2).

To achieve our target while maintaining depositor returns, we have set carbon intensity budgets for our various portfolios. These annual limits set a maximum volume of greenhouse gas (GHG) emissions allowable for a given portfolio. They are established with the purpose of achieving the 2025 target, while still giving our teams the flexibility they need to seize strategic opportunities. The managers of our various portfolios are integrating these carbon budgets into their annual strategic plans and working to achieve the identified targets.

Compliance with carbon intensity budgets will also influence employee performance evaluations.

As shown in Figure 4, low-intensity or very low-intensity assets represent three quarters of the portfolio. Our carbon footprint is very concentrated in electricity production and certain high-intensity sectors.

FIGURE 3

PORTFOLIO CARBON INTENSITY (in tCO₂e/M\$)

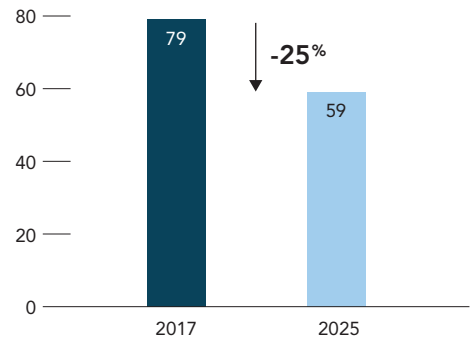
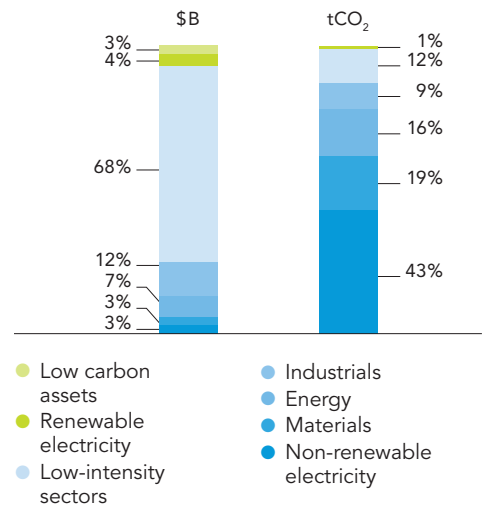


FIGURE 4

PORTFOLIO COMPOSITION: DOLLARS AND CARBON FOOTPRINT



75% low intensity

Low-intensity and very-low intensity assets represent three quarters of the portfolio.

ESG Factors: At the Heart of Our Priorities

4. EXERCISING STRONGER CLIMATE LEADERSHIP AND TRANSPARENCY

The transition toward a low carbon economy will not happen overnight. And it will require the involvement of companies, individuals, governments and investors. Over the years to come, we plan to strengthen our climate leadership to influence financial industry and portfolio company practices.

In 2017, this leadership was demonstrated in the following ways:

- › Signing the Montréal Carbon Pledge, supported by the Principles for Responsible Investment (PRI);
- › Joining the Portfolio Decarbonization Coalition initiative co-founded by the United Nations Environment Programme Finance Initiative (UNEP FI);
- › Signing on to Climate Action 100+, supported to date by more than 250 prominent global investors to improve the climate-related practices of the world's largest GHG emitters;
- › Consulting on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and supporting final recommendations;
- › Co-signing with international peers a letter to the G20 reasserting the need to implement the Paris Agreement and advocating a transition toward a low carbon economy;
- › Signing the Declaration of Institutional Investors on Climate-Related Financial Risks;
- › Taking part in the United Nations Sustainable Stock Exchanges Green Finance Dialogue during the COP23 climate summit in Bonn;
- › Participating in a climate change panel at RI Americas 2017 in New York;
- › Attending the Engaging for Climate event held during the One Planet Summit in Paris.

We also exercise our shareholder voting rights to support a variety of initiatives, including the publication of sustainable development reports, disclosure of GHG emissions and improved reporting of corporate climate-related risks. However, we can also oppose these proposals if they are unsatisfactory or if the companies in question already meet the stated goals.

CARBON NEUTRALITY

In addition to initiatives that target our investment activities, we announced during the year a commitment to become carbon neutral by offsetting the carbon emissions generated by our energy consumption and our employees' business travel. We are currently working to set up an emissions inventory, which represents the first step in this annual voluntary offset effort.



EARTH DAY

250,000
TREES

In 2017, la Caisse partnered with Earth Day and the 375,000 Trees program to plant 250,000 trees in the Greater Montréal area to offset the GHG emissions resulting from the construction of the Réseau express métropolitain (REM).

ESG Factors: At the Heart of Our Priorities



The Task Force on Climate-related Financial Disclosures (TCFD, a working group chaired by Michael Bloomberg) was established in 2015 by the Financial Stability Board of the G20 to develop a consistent and uniform framework for climate-related financial risk disclosures.

Issued in June 2017, the TCFD's final recommendations represent the new international reference for financial disclosure in this arena. Although these recommendations have yet to be universally implemented, it is our hope that they are eventually adopted by as many investors as possible. We elected to lead the way in this regard by putting them into practice here at la Caisse starting this year.

Application of TCFD recommendations by la Caisse

GOVERNANCE

Recommendation / Board oversight of climate-related risks and opportunities

- › **Implementation** / The plans associated with climate-related opportunities and targets have been presented to our depositors and approved by the Board. Reporting on this subject will be presented to the Board starting in 2018.

Recommendation / Describing management's role in assessing and managing climate-related risks and opportunities

- › **Implementation** / Management is involved in implementing the strategic plan with regard to climate-related issues. Through the investment committees, management is also in a position to discuss opportunities and significant risks in this regard.

STRATEGY

Recommendation / Describe climate-related risks and opportunities identified over the short, medium and long term

- › **Implementation** / Short-term risks are moderate and largely regulatory in nature (costs, subsidies, etc.). They are local risks specific to certain companies.
- › Risks over the medium term (< 5 years) are technological, regulatory or related to carbon pricing, which may affect the relative competitiveness of some carbon-intensive companies. For example, risks may arise from increased renewable electricity production that threatens energy production from fossil fuels, as well as from market structures that are not adapted to renewable sources of energy.
- › Long-term risks (> 5 years) are associated with high carbon intensity sectors for which lower-carbon substitutes and/or disruptive technologies exist.
- › Physical risks are very difficult to identify and assess, but they are taken into consideration for investments located in areas that are particularly vulnerable to extreme climate events.
- › We target investment opportunities in low carbon companies and assets as well as companies that are poised to capitalize on the energy transition.

Recommendation / Describe the impact of climate-related risks and opportunities on operations, strategy and financial planning and how they factor into investment portfolios and strategies

- › **Implementation** / The investment horizon is a key risk management factor, and we have an opportunity to gradually adjust our portfolio to seize opportunities and minimize the climate-related risks. For long-term investments, climate-related risks must be analyzed based on broad assumptions regarding energy transition and broader physical impacts.

Recommendation / Describe the resilience of the strategy, taking into consideration different climate-related scenarios

- › **Implementation** / The resilience of our portfolio stems from factoring in climate-related risks at the time of investment and in the review and turnover of our portfolio, which allows us to achieve set targets and adjust to market changes. The analysis of certain transition or physical risk scenarios is complex at the overall portfolio level. We have joined the UNEP FI task force to develop a more precise methodology in this regard.

RISK MANAGEMENT

Recommendation / Describe the processes for identifying and assessing climate-related risks based on portfolios and strategies

- › **Implementation** / Climate-related risks are evaluated when the investment decision is made and addressed in the approval documents. The degree of analysis depends on the materiality of the risk. Risks assessed include regulatory risks, the asset's position in the industry with regard to carbon intensity, ESG-related governance issues and the company's transition strategy.
- › Portfolio reviews make it possible to monitor risks and analyze the mitigation measures taken by portfolio companies.

Recommendation / Describe the engagement with portfolio companies to improve their climate-related practices and disclosures

- › **Implementation** / We engage with portfolio companies through our vote as a shareholder in favour of proposals to promote better disclosure of climate-related risks and opportunities.
- › We also discuss with executives of select companies to better grasp and, as appropriate, influence, their climate change strategy.

Recommendation / Describe processes for managing climate-related risks based on portfolios and strategies

- › **Implementation** / Climate-related risks are managed with every investment decision, portfolio review or decision with regard to its composition.

Recommendation / Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management

- › **Implementation** / Climate-related risks are treated like other investment risks and subject to the same governance. They are assessed based on specific sections in the approval and reporting documents.

METRICS AND TARGETS

Recommendation / Disclose the metrics used to assess and track climate-related risks and opportunities based on portfolios and strategies

- › **Implementation** / Our main metrics are the carbon intensity (tCO₂e per million dollars) of a company or portfolio and the volume invested in low carbon investments (in billions of dollars). These indicators help quantify our progress in achieving our targets over time.

Recommendation / Disclose carbon intensity of the portfolio (types 1 and 2) and the associated risks

- › **Implementation** / The carbon intensity of la Caisse's portfolio is 79 tCO₂e per million dollars.

Recommendation / Disclose carbon intensity based on portfolios and strategies, along with relevant data on the methodology used

- › **Implementation** / The methodology used to measure carbon intensity is available in Appendix 1 and has been assessed in an assurance engagement report by la Caisse's auditors (see Appendix 2).

Recommendation / Describe targets used to manage climate-related risks and opportunities and performance against targets

- › **Implementation** / Our carbon intensity reduction targets are broken down by portfolio based on asset class, investment horizon and investment sector. We are committed to reducing the carbon footprint of our overall portfolio by 25% by 2025 and to increasing our low carbon investments by 50% by 2020.

Women in Business

Empowering Women in Business

Studies show that having more women in finance as senior managers and as entrepreneurs is good for the economy and for society as a whole. That is why we have adopted a range of measures at la Caisse designed to increase the participation of women in finance and support various initiatives at the local and international levels to increase the number of women in business.

FINANCE AND SENIOR MANAGEMENT

In 2017, women held 21% of the seats on the Boards of companies in the Toronto Stock Exchange's S&P/TSX composite index. A mere 33% of Canada's 100 largest corporations had adopted a target (ranging from 25% to 40%) for women to be represented on their Boards.

In September 2017, we joined forces with some of the country's leading pension funds to support the 30% Club. We signed a joint statement calling upon all S&P/TSX composite index companies to take decisive action to achieve a minimum of 30% women on the Board and in senior management by 2022.

We are also sponsors and partners of the Association of Québec Women in Finance and CFA Montréal's Women in Investment Management initiative, dedicated to increasing gender diversity in businesses and investment-related professions. In addition, we are an active participant in a CFA Institute project to create a best practices guide to advance gender diversity in the investment industry.

WOMEN ENTREPRENEURS

In 2015, we implemented a multi-channel communication and awareness initiative called Devenir entrepreneur to encourage young people to start their own business. In spring 2018, a Québec-wide campaign aimed specifically at women will be launched to promote entrepreneurship as an accessible and fulfilling career avenue. Featuring profiles of inspiring women, the Devenir entrepreneure campaign will illustrate that women can also succeed as entrepreneurs.

We also provide support to women entrepreneurs in starting up and growing their business through partnerships with Femmessor and the Réseau des femmes d'affaires du Québec.

Since 2008, la Caisse has presented the Québec Entrepreneurship Index, Québec's largest survey of entrepreneurial intentions. In 2017, the data and analysis focused on women entrepreneurs in Québec.

WOMEN AT LA CAISSE

We have devoted considerable effort to do better at recruiting, retaining and supporting women within our organization. Gender diversity at la Caisse is a regular topic of discussion among the Board of Directors' Human Resources Committee, and the Executive Committee reviews the salaries and career paths of women at la Caisse on an annual basis. Women are interviewed for each open management and investment position, and we actively recruit qualified women for all job postings.

We have also implemented a mentorship program to accelerate the professional development of women identified by the Executive Committee.

Moreover, in partnership with HEC Montréal, we award four scholarships each year, including two for women enrolled in a finance program.

About the 30% Club



Launched in 2010, the 30% Club advocates for greater gender balance at every level of a business as a means of improving governance and driving performance.

The goal of the 30% Club is to bring the proportion of women represented on Boards to 30% or more through a voluntary approach rather than mandatory quotas. With chapters in nearly a dozen countries, the Club works closely with its member executives to help them achieve their objectives. It also undertakes various initiatives to accelerate progress on gender diversity.

LA CAISSE'S COLLABORATIONS EMPOWERING WOMEN IN BUSINESS



ESG Factors: At the Heart of Our Priorities



39%

Proportion of women on
la Caisse's Board of Directors
and Executive Committee

Governance

Corporate Governance

At la Caisse, we have a strong interest in the governance of the companies in our portfolio. Sound company management is at the heart of the environmental and social issues we analyze, and a considerable part of our commitments and shareholder votes every year involves governance-related matters, starting with Board competency and accountability.

We encourage open dialogue with our portfolio companies. During our meetings and conversations with their executives, we seek to understand their actions and strategies, and we insist on transparency and the respect of shareholder rights. Annual meetings afford us a unique opportunity to discuss our expectations, especially on governance matters.

BOARDS OF DIRECTORS

As a general rule, we believe that every Board should be comprised of a majority of independent directors. In a scenario where one shareholder holds a significant interest in the company, as is often the case with a founding shareholder, we usually require that a majority of directors be independent of both that shareholder and the management team.

A Board should reflect a diversity of experience and skills, so that a variety of perspectives can be taken into consideration and factored into the decision-making process.

ESG Factors: At the Heart of Our Priorities

We support all measures that promote diversity in Board composition and that contribute to broadening the pool of qualified candidates for each Board seat.

As indicated in Figure 5, we voted against roughly 10% of director appointments in 2017 because the candidates were not independent of management, because they failed to attend meetings on a regular basis or for other specific reasons.

EXECUTIVE COMPENSATION

Executive compensation is an important consideration for la Caisse. Our actions in this regard are guided by a clear set of principles: compensation must be tied to the company's performance and it must be competitive and transparent.

In recent years, a number of shareholders, organizations and citizens from around the world have expressed their concerns about excessive compensation for certain company executives.

We are aware of these concerns and regularly make our positions known, either in private conversations or through our vote as a shareholder. And we do not hesitate to cast a vote against a management proposal when the situation justifies such action.

As shown in Figure 6, we voted against management on compensation proposals 28% of the time in 2017.

DISCLOSURE OF POLITICAL CONTRIBUTIONS AND LOBBYING ACTIVITIES

We believe that political funding should normally come exclusively from individual donors. Subject to applicable law, we are opposed to any manner of corporate contribution to a political party or similar movement. In jurisdictions where donations of this nature are permitted, we insist that companies disclose them publicly, along with any processes and policies governing their actions.

In the interest of transparency, we also expect companies to disclose their lobbying activities.

FIGURE 5

**VOTES IN 2017 ON
DIRECTOR APPOINTMENTS**
(management and shareholder proposals)

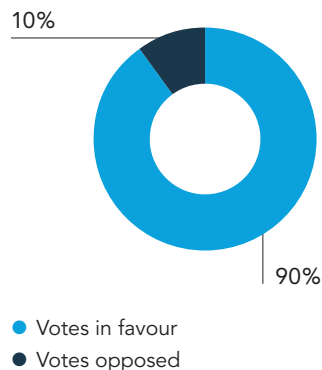
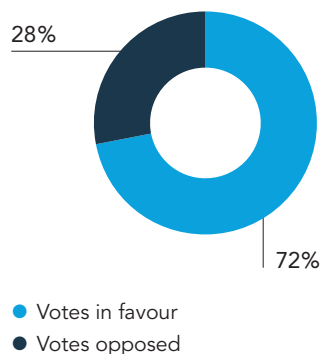


FIGURE 6

VOTES IN 2017 ON COMPENSATION
(management and shareholder proposals)



SUMMARY OF OUR PRINCIPLES ON THE EXERCISE OF VOTING RIGHTS

BOARD OF DIRECTORS

A company Board must:

- › be composed of a majority of independent directors;
- › form committees, which are made up exclusively of independent members, and report on their activities;
- › foster diversity, especially in terms of gender, to allow for a variety of points of view;
- › preferably be led by a Chairperson who is independent of company management;
- › consist of members who are available and regularly attend meetings;
- › identify the company's main business risks and ensure that appropriate systems are implemented to manage these risks.

COMPENSATION

A company's compensation policy must:

- › ensure the company remains competitive and takes a moderate approach to executive compensation;
- › be structured so as to maximize shareholder value and recognize executives who achieve or exceed performance targets;
- › include a variable portion linked to company results or short- and long-term objectives;
- › disclose all direct and indirect benefits of the compensation program;
- › present transparent data that can be used to compare the policy to an appropriate reference group.

DISCLOSURE

We encourage companies to:

- › adopt and deploy measures on ESG aspects, and disclose to shareholders these policies and their application;
- › avoid contributing to political parties or similar movements or, if they do, disclose the contribution as well as the policies governing their actions.

For a more complete description of the principles governing the exercise of voting rights at la Caisse, visit the Governance section of the website (www.cdpq.com).

International Taxation

Clear Principles on International Taxation

Given the growth of its international investments in recent years, la Caisse undertook an in-depth review of the evolution of its practices and of the global tax environment. Abusive tax practices are justifiably ranked among the most important challenges facing society today. The implementation of an effective and transparent tax framework is a necessary condition for maintaining citizens' trust in companies and governments and for ensuring equitable funding for government budgets throughout the world.

In 2017, la Caisse took action on a number of fronts to strengthen its tax practices.

A CLEAR, TRANSPARENT AND DETAILED STATEMENT

La Caisse issued a statement on international taxation in 2017. It explains la Caisse's obligations and practices, the changes in the tax environment for international investors, and it sets out our commitment to promote the evolution of the tax practices of companies and investors.

OUR STATEMENT AT A GLANCE

La Caisse's tax status

La Caisse is exempt from income tax in Québec and Canada. Most pension funds around the world operate according to EET systems, which are similar to the one applicable to Registered Retirement Savings Plans (RRSPs), under which:

- › **E:** employer and employee contributions are **exempt**;
- › **E:** pension fund returns are generally **exempt**;
- › **T:** pension benefits are **taxed** when retirees receive them.

La Caisse is also exempt from income tax under various treaties with several other countries, including the United States, France, the United Kingdom and Australia.

Where exemptions are not available, la Caisse seeks to structure its investments to keep returns from being taxed twice — once in foreign jurisdictions and a second time when benefits are paid.

La Caisse's exemptions in no way reduce the tax obligations of the companies in which it invests, which still have to pay all income taxes owed.

La Caisse's presence in low-tax jurisdictions

The growth in la Caisse's international investments has resulted in increasing its exposure to certain low-tax jurisdictions, often referred to as "tax havens." La Caisse's investments in these jurisdictions fall under three categories:

Category 1: Direct investments in operating companies. Most of these companies operate and employ a large number of people in the countries where they are domiciled and pay taxes on their profits. For example, la Caisse's investments in Nestlé, a multinational corporation domiciled in Switzerland, fall into this category.

Category 2: Interests in investment funds. These funds comprise hundreds of international investors and are sometimes domiciled in low-tax jurisdictions. These structures are justified by legitimate business reasons and make it possible to share expertise, to better manage risk and to achieve economies of scale. Due to the large number of co-investors, la Caisse has very little influence on the choice of jurisdictions in which these investment funds are incorporated. The use of these funds in no way affects the obligation of each investor and company to comply with the tax laws applicable to them.

Category 3: Investments in companies that use low-tax jurisdictions to structure certain investments. There are legitimate business reasons that justify the use of these structures. However, given that the number of investors is limited, la Caisse may sometimes have influence over its partners and achieve its business objectives without having to use low-tax jurisdictions.

Whether it is through its investments in operating companies, its interest in investment funds, or its use of holding companies, la Caisse abides by all tax laws and pays all taxes due in the jurisdictions where it operates.

ESG Factors: At the Heart of Our Priorities

CONCRETE ACTION AS AN INVESTOR AND SHAREHOLDER

As an institutional investor, la Caisse expects companies in which it invests to adopt transparent and responsible tax practices.

New directive for tax issues

In our view, aggressive tax practices do not contribute to maximizing value for long-term investments. In 2017, la Caisse adopted an internal directive that strengthens its processes in matters of tax analysis. Under this directive, all managers are required to consider the tax risks relating to an investment structure when analyzing potential investments. Moreover, these risks must be identified specifically in proposals submitted to the various investment committees. The directive also requires la Caisse managers to influence their business partners (companies or co-investors) to encourage the use of alternatives to low-tax jurisdictions.

Analyzing the tax rates for publicly listed companies

La Caisse also undertook an analysis of the publicly listed companies in its portfolio in 2017. The purpose was to identify companies with an unusually low tax rate and to engage in discussions with their management to ensure that their tax practices are appropriate.

La Caisse's analysis focused more specifically on companies in which it invests more than \$150 million, and

- › which have had an average effective tax rate of less than 20% over the past five years; or
- › whose effective tax rate, weighted according to geographic distribution of income, differs greatly from the weighted statutory tax rate.

The companies identified were subject to additional analysis and discussions were held with la Caisse regarding their tax policy, management of tax risks, effective tax rate and tax planning techniques. La Caisse will periodically follow up with these companies.

La Caisse is committed to performing this analysis each year to identify any changes in companies' tax practices and to react accordingly.

A few examples in 2017

Case 1

La Caisse managers convinced business partners to use an investment subsidiary incorporated in the U.S. for an international private equity investment rather than one located in a low-tax jurisdiction.

Case 2

La Caisse convinced seven external fund managers to use subsidiaries incorporated in Canada, the U.K. or the U.S., rather than investment vehicles in low-tax jurisdictions.

Case 3

After completing a multi-sector analysis, la Caisse refused to invest in a company providing tax planning solutions considered to be abusive.

Case 4

La Caisse managers played a key role in influencing a company in its portfolio to eliminate a tax structure in a low-tax jurisdiction.

Supporting current international initiatives

The use of tax havens is a worldwide phenomenon which must be governed by effective and standardized rules at the international level.

La Caisse has supported various government initiatives over many years to fight tax evasion, with the first among them being the OECD's Base Erosion and Profit Shifting (BEPS) project. This OECD project will fundamentally change international tax practices. We also hold regular discussions with our Canadian and international peers to ensure that we maintain our leadership in the area of taxation.

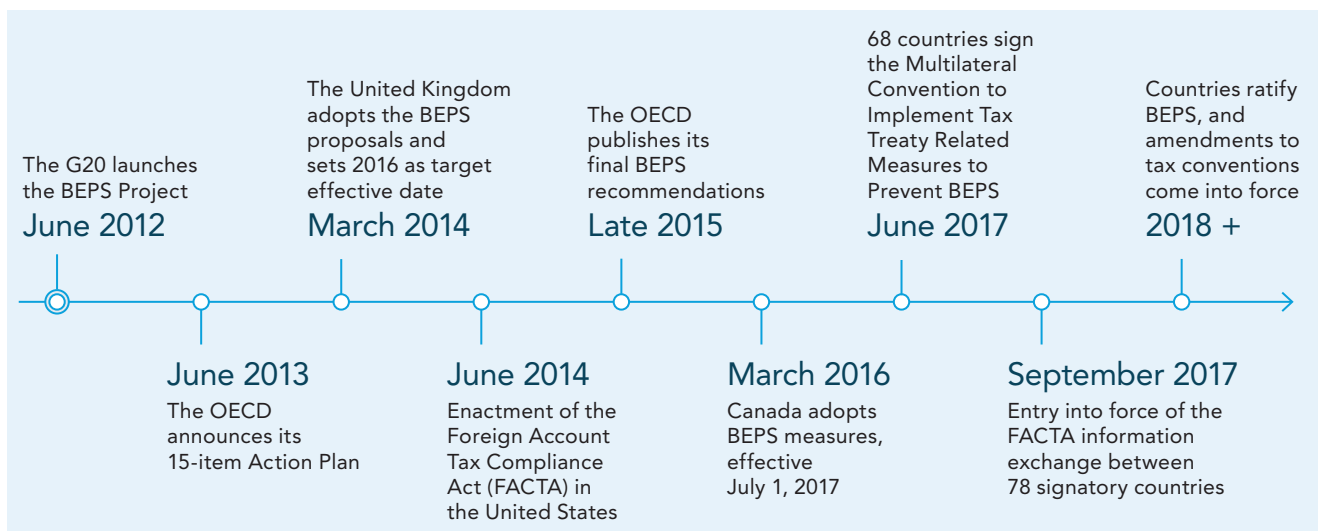
In accordance with the BEPS initiative, la Caisse will now be producing annual country-by-country filings that provide more detailed information and facilitate the tax authorities' audit work.

In 2017, we sponsored and took part in the "Facing the Challenges of Tax Competition" conference organized by TaxCOOP as part of the Fifteenth Session of the United Nations Committee of Experts on International Cooperation in Tax Matters, held in Geneva.

In the months and years to come, la Caisse is committed to playing an active role, both privately and publicly, to advance practices so that all financial players follow the same rules, in a spirit of fairness and healthy competition. This is a major, long-term undertaking that is essential to maintaining the trust of citizens in companies and governments, and to preserving fairness in our societies.

We support international efforts to counter tax evasion and leverage our position as shareholder and investor to **influence the practices of the companies in which we invest.**

Evolution of international initiatives to counter tax evasion in recent years



Investment Process

A Comprehensive Vision for All Our Processes

From analyzing a potential investment to long-term participation in the governance of companies in our portfolio, ESG issues are integrated into all our decisions. This approach stems from both our need to manage risk and pursue new investment opportunities, and our commitment to stewardship investing.

ESG ANALYSIS

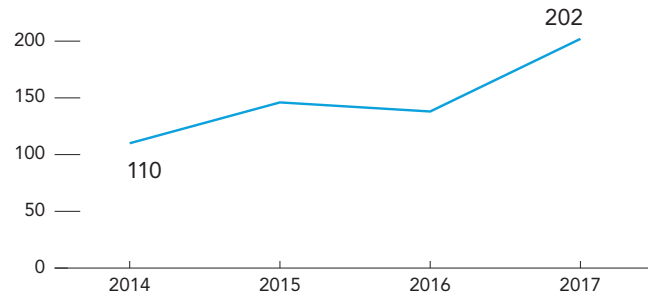
Our teams conducted more than 200 analyses on companies and assets in 2017, which corresponds to 100% of all new investments and investments under review. Each of these detailed analyses provides an overview of issues specific to each industry and the means implemented to manage them. Company-specific issues are also identified.

These reports are submitted to portfolio managers and investment committees and are considered in their decisions. Many give rise to more extensive follow-ups and discussions with companies to encourage them to improve their practices.

Over three years, **the number of ESG reports and profiles has almost doubled** and reached 202 in 2017.

FIGURE 7

ESG REPORTS AND PROFILES PREPARED FOR INVESTMENT TEAMS



ESG analyses that have an impact

Infrastructure

Our teams analyzed a potential investment in an infrastructure project in South America. The project included several subprojects, some of which involved significant environmental and social issues.

Decision: After a thorough review of these issues, we decided to exclude certain subprojects.

Financial data management

Our teams reviewed a prospective investment in a financial data management firm. The ESG analysis revealed multiple shortcomings, particularly with regard to personnel management and information security, as well as poor corporate governance practices in terms of compensation and succession.

Decision: Based on this information, we decided not to invest.

Financial institution

While our teams were looking into an investment in a financial institution, the ESG analysis identified potentially adverse impacts of an impending corporate downsizing. Further discussions with the company provided us with additional information on their plan.

Decision: We chose to support the company in its growth strategy.

Semiconductors

Our teams were looking at investing in a semiconductor company, and the ESG analysis showed that not only was the organization a leader in R&D in this field, but it was also highly respected for its environmental strategy, water management practices and human capital management.

Decision: We moved forward with the investment.

ESG Factors: At the Heart of Our Priorities

ENGAGEMENT AND VOTING

We continuously monitor the investments we make, which leverages the expertise of both our managers and our specialized teams.

As shown in Figure 8, our engagement through dialogue has increased considerably in recent years, more than doubling between 2015 and 2017.

In 2017, our teams and representatives attended 164 meetings with companies and addressed 476 environmental, social and governance topics.

We also regularly exercise our shareholder voting rights to support initiatives to improve transparency and account for ESG considerations in portfolio companies' operations.

Figure 9 and Table 10 break down la Caisse's votes on shareholder proposals by geography and by topic. Unlike the geographic distribution of our assets (which is linked to the value of our investments in each region), the geographic distribution of our votes is based on the number of public companies in which we own an interest and is strongly influenced by our index portfolios.

FIGURE 8

ENGAGEMENT BY TOPICS ADDRESSED



FIGURE 9

PROPOSALS VOTED ON IN 2017 BY GEOGRAPHY

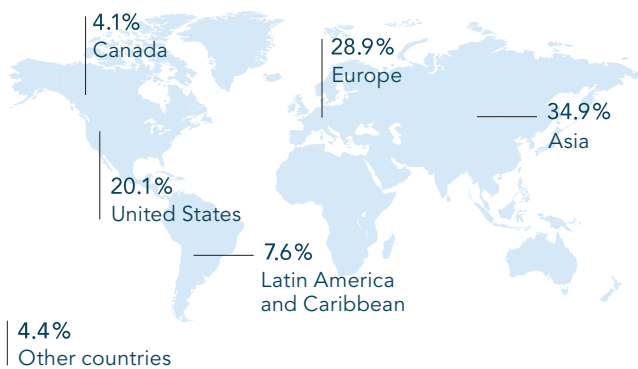


TABLE 10

PROPOSALS VOTED IN 2017 BY TOPIC
(management and shareholder proposals)

	(%)
Board members (elections and other)	52.0
Compensation	9.6
Capitalization	8.9
Mergers and acquisitions	3.9
Other*	25.6

* Other: Appointment of auditors, proposals regarding lobbying activities and political contributions, ESG issues, shareholder rights and procedural formalities.

LEADERSHIP

La Caisse's contribution to growth and development extends beyond the companies and assets in our portfolio, influencing economic stakeholders in Québec, Canada and around the world, and promoting greater integration of financial and non-financial issues into decision-making processes.

Through our membership and active involvement in various groups of investors, we stay abreast of the latest ESG-related developments. We capitalize on these forums to dialogue with our peers and encourage the adoption of best practices.

Below are some examples of our involvement:

- › Signatory to and active advocate of the Principles for Responsible Investment (PRI);
- › Member and active participant of Réseau PRI Québec;
- › Member of Finance Montréal's responsible investment committee;
- › Member of the Pension Investment Association of Canada's investor stewardship committee;
- › Member of the advisory committee to the Sustainable Stock Exchanges Initiative;
- › Member of the Ceres Investor Network and its working groups on water and disclosure issues;
- › Signatory and member of the Carbon Disclosure Project (CDP);
- › Member of the working group on environmental and social issues of the Canadian Coalition for Good Governance (CCGG);
- › Member and trustee of the Standards Board for Alternative Investment (SBAI);
- › Member of the International Corporate Governance Network (ICGN);
- › Member of the Accounting for Sustainability (A4S) CFO Leadership Network;
- › Member of the Institute for Governance of Private and Public Organizations (IGOPP).

INITIATIVES AND ORGANIZATIONS IN WHICH WE ARE ACTIVE



Community Involvement

Investing in Communities

Many years ago, we committed to doing our part to contribute to community well-being and generate lasting social and environmental benefits for the communities where we operate. We achieve this through a number of philanthropic endeavours and our sustainable development action plan.

PHILANTHROPY

Our community engagement includes support for various philanthropic initiatives focused on five priority sectors (see Figure 11, p. 31):

- › **Community:** We support organizations that encourage student retention and success at the elementary and high school levels, promote the social development of young people and fight poverty by providing emergency services and resources to assist people in need;
- › **Universities:** We support research programs and chairs, in Québec universities, that are dedicated to management, responsible investment, innovation and entrepreneurship;
- › **Culture:** We support institutions and organizations in Québec that promote culture, offer educational programming and raise awareness of the arts;

- › **Health:** We support institutions, university hospital centres and organizations that promote excellence and innovation in scientific research and provide high-quality care to people with health problems;
- › **Business and financial community:** We support projects and events in the business and financial sector, as well as various professional associations and organizations that promote networking activities and company outreach.

EMPLOYEE AND EXECUTIVE INVOLVEMENT

Employees and executives of la Caisse are committed to serving various causes important to them. Their involvement can take many forms:

- › director in a non-profit organization;
- › patronage of various initiatives;
- › mentoring;
- › fundraising contributions.

Our team supports two major corporate causes every year: Centraide and the Juvenile Diabetes Research Foundation (JDRF). In 2017, la Caisse and our employees donated more than \$380,000 to Centraide, and over 200 staff members took part in Revolution Ride to Defeat Diabetes, raising \$115,000 for the JDRF.

In addition, employees and executives of la Caisse sit on more than one hundred non-profit boards.

CENTRAIDE

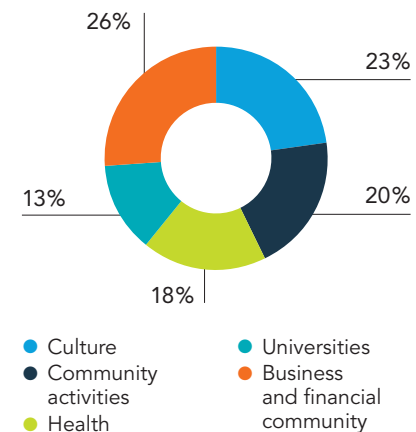
Centraide has been la Caisse's principal charity for many years. In the past two decades, thanks to the generosity of our employees and our institutional contributions, we have donated more than \$9 million to community betterment efforts.

INCLUSION FUND

In the wake of the tragic events that took place in Québec City in 2017, we felt compelled to make a powerful statement to promote our deeply held values of openness, inclusiveness and equality. We therefore joined forces with 24 partners from the Québec financial industry to set up a philanthropic fund to create inclusive communities and help young people develop greater openness to diversity in all its forms. Over the next five years, the Inclusion fund will support school education and awareness programs thanks to an investment of over \$3.5 million.

FIGURE 11

BREAKDOWN OF OUR
COMMUNITY SUPPORT IN 2017
(percentage of donations and sponsorships)



In the past two decades,
more than \$9 million
has been donated
to Centraide by la Caisse
and its employees.

ESG Factors: At the Heart of Our Priorities



**COMMUNITY
ENGAGEMENT**

200
ORGANIZATIONS

Every year, we support
more than 200 community
organizations.

Looking to the Future

What's Next on the Horizon

By definition, our stewardship investing work changes continuously. Here are some of the projects we are working on for 2018.

CLIMATE CHANGE

In its final report, the TCFD recommended that financial institutions conduct scenario analysis to test the resiliency of their portfolios against certain climate-related risks. This may involve measuring the potential impact of the increased frequency of extreme climate events on real estate assets or insurance companies, or evaluating the effect of regulatory changes, such as the introduction or withdrawal of carbon pricing or renewable energy subsidies, on various portfolio assets. Given the high degree of complexity of this analysis, very few investors are currently in a position to issue reliable data in this regard.

In early 2018, we joined forces with a group of investors sponsored by the United Nations Environment Finance Initiative (UNEP FI) to develop a set of climate risk disclosure standards in line with the TCFD's recommendations, including scenario analysis.

CYBERSECURITY AND PRIVACY

In recent years, the risks related to cybersecurity and privacy have increased significantly. Incidents and leaks involving various organizations, assets and individuals have repeatedly made the headlines, further emphasizing the high cost of security breaches for affected companies.

In 2017, we set up a task force and began developing tools to measure companies' level of maturity for managing these new risks. This initiative will build momentum in 2018, and we foresee cybersecurity and privacy playing an increasingly important role in our ESG commitment and analysis program going forward.

GREENER SCHOOLS PROJECT

In 2017, we successfully completed a pilot project to create a greener environment for Vanguard School, which provides specialized educational services for students with severe learning disabilities. In addition to funding the project, some 15 employees from la Caisse volunteered to plant trees and bushes in the schoolyard. A larger-scale deployment of this initiative is planned for 2018.

GROWTH OF COMPANIES OWNED BY WOMEN

In 2017, we began work to focus on the issue of companies owned by women. Our goal is to support the growth of companies that are past the start-up stage and are now developing their local and international markets. Our approach is based on research and meetings with women entrepreneurs from various sectors and regions of Québec. A group of some 30 women business owners was invited to a brainstorming session in January 2018. We plan to expand on the needs and ideas that were identified during this meeting to implement a new initiative, taking into account existing programs with a proven track record in the Québec ecosystem.

Our efforts and priorities must be **adaptable** to new issues, new initiatives and to refinements of existing analytical tools.

2017 Sustainable Development Report

Sustainable Development

2017 Sustainable Development Report

2016-2018 ACTION PLAN

In 2016, la Caisse published the third edition of its Sustainable Development Action Plan, comprising 26 actions over a three-year period.

These actions address five of the government's eight major sustainable development priorities. With this new action plan, la Caisse intends to create a positive and sustainable social and environmental impact.

SUSTAINABLE DEVELOPMENT PLAN

In 2009, la Caisse adopted its first Sustainable Development Action Plan. Since then, numerous activities have been carried out to generate a positive and sustainable impact.

Our Sustainable Development Action Plan can be consulted on our website at www.cdpq.com.

LEGEND

-  Indicator achieved
-  Indicator in progress
-  Indicator not achieved
-  Indicator postponed

OBJECTIVE

Strengthen eco-responsible practices

ACTION 1

Measure / Take stock of procurement practices

Indicator / Take stock of procurement practices before December 31, 2017

Procurement practices were reviewed, resulting in a decision to emphasize procurement from businesses in the social economy.

On June 5, 2017, la Caisse met with public institutions and large private corporations that adhered to the *Économie sociale: j'achète!* initiative coordinated by the Conseil d'économie sociale de l'île de Montréal (CESIM). As one of the signatories, la Caisse has committed to considering social economy businesses as potential suppliers of goods and services.

Measure / Propose measures to improve procurement practices, as required

Indicator / At least one agreement signed with social economy businesses before December 31, 2017

Five contracts were concluded with social economy businesses, three of those participating in the CESIM's initiative.

ACTION 2

Measure / Set objectives for increasing the waste diversion rate at Canadian managed properties

- ✓ **Indicator / Obtain a waste diversion rate of at least 60% by 2020**

The overall waste reclamation rate at Ivanhoé Cambridge has reached 58.2%.

- ✓ **Indicator / Obtain a waste diversion rate at Édifice Jacques-Parizeau that exceeds the average for properties managed by Ivanhoé Cambridge**

The overall waste reclamation rate at Édifice Jacques-Parizeau has reached 65%.

ACTION 3

Measure / Continue implementing the Information Management and Security program for la Caisse as a whole

- ✓ **Indicator / Program deployed in at least 100% of units before December 31, 2018**

Meetings were held with all of la Caisse's teams to implement the Information Management and Security program. Many activities were carried out to help employees adopt new work methods: group meetings, workshops, training and individual follow-up meetings.

Measure / Continue reducing the mass of paper documents

- ✓ **Indicator / Destroy at least 600 boxes per year**

937 boxes were destroyed.

- ✓ **Indicator / Maintain a ratio of boxes received to boxes destroyed of less than one**

With 421 new boxes sent to the warehouse, the ratio was achieved.

Measure / Train new employees on good document management practices

- ✓ **Indicator / At least six information sessions organized for new employees each year**

All new employees must attend a mandatory session on document management practices at la Caisse. A total of 10 sessions were held in 2017.

ACTION 4

Measure / Take stock of how employees travel for their professional trips, in and outside the city of Montréal

- ✓ **Indicator / Take stock before December 31, 2018**

In 2017, work began on a status report on work-related air travel by employees.

As part of the Investment Strategy to Address Climate Change, announced in October 2017, la Caisse has committed to becoming a carbon-neutral institution (by offsetting emissions related to energy consumption and the work-related travel of employees). Actions have been taken to calculate emissions from work-related air travel by employees.

Measure / Develop a communication plan targeting employees' work-related and personal travel habits

- ✓ **Indicator / Execute a communications plan on work-related personal travel before December 31, 2017**

A communications plan on employee travel has been developed. In 2016 and 2017, videos of employees using active modes of transportation, such as cycling and walking, were circulated.

Sustainable Development

ACTION 5

Measure / Conduct a review of the occupation strategy for Édifice Jacques-Parizeau

✓ **Indicator /** Complete the pilot renovation project before December 31, 2017

A pilot renovation project was carried out, taking into account the requirements of environmental certifications and accreditations at Édifice Jacques-Parizeau. The building received LEED Gold for Existing Buildings: Operations and Maintenance and BOMA BEST – Platinum certifications.

Measure / Foster eco-responsible practices when developing and redeveloping commercial buildings

✓ **Indicator /** Achieve an environmental certification renewal rate of at least 90% per year

90% of the properties managed by Ivanhoé Cambridge renewed their certifications.

✓ **Indicator /** Achieve an environmental certification rate for managed properties of at least 70% per year

82% of the properties managed by Ivanhoé Cambridge have environmental certifications.

ACTION 6

Measure / Integrate specific environmental and sustainable development criteria for products in calls for tenders

✓ **Indicator /** 100% of tenders require a description of sustainable development initiatives

This is already in place and the indicators have been at 100% since they were first measured.

✓ **Indicator /** 100% of the equipment bought each year complies with the Energy Star and EPEAT Gold standards

This is already in place and the indicators have been at 100% since they were first measured.

Measure / Encourage the use of cloud services in order to provide IT services in a shared environment

✓ **Indicator /** Increase the percentage of cloud applications deployed by 2% from 2016 numbers

Cloud services are now an integral part of all analyses when selecting solutions. In October 2017, the level of cloud services reached 16%, double the 8% level reached in 2016.

Measure / Optimize employee work stations, in favour of mobile and more efficient IT equipment, and continue its deployment

✓ **Indicator /** At least 95% of the targeted work stations replaced by mobile IT equipment by December 31, 2017

93% of the targeted work stations have been replaced by mobile IT equipment. The target will be achieved in 2018.

Measure / Ensure that an eco-responsible process is implemented for dealing with IT equipment that has reached its end of life

✓ **Indicator /** Each year, 100% of outdated computer equipment is sent to social economy businesses

Discussions were held with social economy organizations on recovering outdated IT equipment. All IT equipment identified as outdated in 2017 was given to two social economy businesses.

ACTION 7

Measure / Provide training to designated employees on how to manage events sustainably

This measure was completed in 2016.

Measure / Take stock of la Caisse's current practices and see where they can be improved

This measure will be completed in 2018.

Measure / Develop an action plan for implementing best practices

This measure will be completed in 2018.

OBJECTIVE**Strengthen consideration of sustainable development principles****ACTION 8**

Measure / Prepare and distribute informative articles and documents on specific issues related to responsible investment

- ✓ **Indicator** / Publish internally at least two informative articles or documents on issues related to responsible investment for 2017 and 2018

In 2017, two documents were distributed: the Statement on International Taxation and the Investment Strategy to Address Climate Change.

Measure / Organize internal activities on various subjects related to responsible investment

- ✓ **Indicator** / Organize at least two activities by December 31, 2018

A meeting on cybersecurity was held in April 2017. Cybersecurity is an important issue for all companies around the world. The presentation was intended to develop employee reflexes and raise awareness about cybersecurity weaknesses at companies in the portfolio and those being considered for investment. The presentation was made by seasoned internal and external experts.

ACTION 9

Measure / Continue and improve the internship program to develop a new generation of professionals

- ✓ **Indicator** / Hire at least seven interns per session
Hired more than 10 interns in each session in 2017.
- ✓ **Indicator** / Introduce at least two measures to improve the internship program by December 2018

Several activities were undertaken to improve the internship program, including:

- › Following interns and students on LinkedIn;
- › Improving our collaborations with universities;
- › Recruiting interns for the winter and summer periods at the same time;

- › Having women on the investment teams giving presentations at the universities. Having women present their career paths and career opportunities.

Measure / Continue hiring students each summer, offering them quality jobs in a large organization

- ✓ **Indicator** / Hire at least 30 students each summer

Hired 48 students in the summer of 2017.

- ✓ **Indicator** / Reach at least 80% of "Satisfactory" or "Very satisfactory" ratings in the satisfaction survey

100% of the students and 95% of the team leaders reported that they were satisfied or very satisfied with the experience.

ACTION 10

Measure / Based on the gender diversity profile developed for each department, develop measures to enhance the representation of women, as required

- ✓ **Indicator** / Introduce at least two concrete actions to foster diversity, for each targeted team, by December 31, 2017

All the targeted teams took at least two actions to foster diversity.

Measure / Propose, support and promote women candidates and employees at la Caisse to enhance their visibility provincially, nationally and internationally

- ✓ **Indicator** / Introduce at least two initiatives per year spotlighting women at la Caisse

At least two initiatives were introduced in 2017, including a mentoring program supported by members of the Executive Committee, for 15 women identified in the organization as well as the permanent implementation of l'Effet A's Défi 100 jours program.

Sustainable Development

OBJECTIVE

Continue developing knowledge and skills on sustainable development


ACTION 11

Measure / Prepare and distribute informative articles on sustainable development

 **Indicator** / At least two informative articles per year on sustainable development

Many informative articles on sustainable development were distributed, with some promoting the social economy and greening actions taken by la Caisse.

Measure / Organize internal activities on various subjects related to sustainable development

 **Indicator** / At least one internal activity organized on different subjects related to sustainable development for 2017 and 2018


The main signatories to the Économie sociale: j'achète! initiative were announced at a public event held on the Parquet of Édifice Jacques-Parizeau. The announcement was followed by a trade fair for social economy businesses to showcase the range of their products and services. La Caisse's employees were invited to the fair, which was held during the lunch hour.

OBJECTIVE

Strengthen access to and participation in cultural life as a lever of social, economic and territorial development

ACTION 12

Measure / Organize guided visits for employees and members of the greater community

 **Indicator** / Organize at least three guided visits per year


Six guided visits were organized for external groups and la Caisse employees.

Measure / Invite artists for lunchtime conferences

 **Indicator** / At least one artist invited per year

Marc Mayer, Director and CEO of the National Gallery of Canada, was invited to give a presentation on contemporary art.


Measure / Protect and restore works in la Caisse's art collection

 **Indicator** / Establish an action plan as a follow-up to the report on conservation of la Caisse's photograph collection

Implementation of the action plan adopted to restore certain photographs in the collection has begun.

ACTION 13

Measure / Participate in the internationalization of la Caisse's art collection

 **Indicator** / Exhibit works by Québec artists in at least 50% of the international offices

La Caisse is well on its way to attaining this objective: all its international offices are or will be exhibiting works of contemporary art from Québec. In 2017, work was carried out in the London, Mexico City, Washington, D.C., New Delhi and Paris offices.

ACTION 14

Measure / Develop employees' critical thinking about art through workshops that encourage dialogue and interaction

- ✓ **Indicator** / At least one workshop given by December 31, 2017

A workshop was organized with Marc Mayer, Director and CEO of the National Gallery of Canada, entitled "Demystifying Contemporary Art." His presentation was followed by a question and discussion period to further stimulate participants' thoughts on art.

Measure / Encourage la Caisse's employees to become involved in the promotion of Québec art and culture

- ✓ **Indicator** / At least three meetings of the art committee per year

The art committee met 3 times. Seven employees (excluding the curator) and an external consultant attended the meetings.

ACTION 15

Measure / Integrate cultural considerations into decisions on leasehold improvements and property modernizations and restorations

- ✓ **Indicator** / At least three initiatives promoting culture to the general public by December 31, 2018

Several initiatives were undertaken: the transformation of the Fairmount Queen Elizabeth, a partnership with the ArchitecTours by Heritage Montreal, and the McCord Museum's Urban Museum application.

Measure / Develop partnerships with various organizations in order to protect and showcase our cultural heritage

- ✓ **Indicator** / At least two collaborative projects per year

Three-year partnerships entered into with the McCord Museum and the Pointe-à-Callière museum.

OBJECTIVE

Cooperate on sustainable development nationally and internationally, in particular within the Francophonie

ACTION 16

Measure / Regularly scan the environment for undertakings in which la Caisse could participate

- ✓ **Indicator** / Perform a scan each quarter

Scans were performed on a quarterly basis, as well as on other occasions, on the Principles for Responsible Investment website and on the websites of securities authorities and various international groups (FSB, OECD, SEC, etc.).

Measure / Identify relevant initiatives for la Caisse and participate in them

- ✓ **Indicator** / Participate in at least 10 initiatives by December 31, 2018

La Caisse participated in many positioning activities related to responsible development issues, including:

- › Signing, with international peers, a letter to the G20 reaffirming the need to implement the Paris Agreement and advocating a transition to a low carbon economy;
- › Signing, with international peers, a letter asking the SEC to reconsider its planned suspension of Article 1502 of the Dodd-Frank Act on conflict minerals;
- › Signing the Declaration of Institutional Investors on Climate-Related Financial Risks;
- › Signing, with Canadian peers, a declaration of intent regarding the representation of women on Boards of Directors and in senior management.

Sustainable Development


ACTION 17

Measure / Renew commitments to various associations: Canada Green Building Council, France Green Building Council

 **Indicator / Renew 100% of the memberships**

The partnership with the Canada Green Building Council – Québec Chapter has been renewed, and the partnership with the France Green Building Council is currently being renewed.

Measure / Participate in the sustainable development committees of professional associations (BOMA, ICSC, REALPAC)

 **Indicator / Participate in at least 75% of the sustainable development committees of the professional associations in which Ivanhoé Cambridge is a member**


Participation in the REALPAC, ICSC/RILA/ IMT, CPEQ (Collectif RSE) and GRESB committees.

OBJECTIVE

Support the development of green and responsible business practices and models

ACTION 18

Measure / Continue the responsible investment approach in Private Equity

 **Indicator / Presentation on responsible investment given to Private Equity groups**

A presentation was given to Private Equity to share best practices on a specific issue related to governance. An ESG team was also added to the Risk Group.

ACTION 19

Measure / Implement the Green Space Leader program

 **Indicator / At least five more members in 2017**

In 2017, a new method was adopted for approaching retailers with stores in shopping centres owned by Ivanhoé Cambridge. In 2017, two shops were identified as Green Space Leaders. Since implementing this program presents several challenges, we do not expect another deployment. Instead, we will analyze other approaches to mobilizing tenants and customers to take action on the environment.

OBJECTIVE

Foster investment and financial support to ease the transition to a green and responsible economy

ACTION 20


Measure / Actively participate in responsible investment events

 **Indicator / Participate in at least nine events on responsible investment by December 31, 2018**

La Caisse's employees participated in many events in 2017, including as panelists at:

- › The Responsible Investment Forum – New York – March 2017, on how to integrate ESG into external management and private equity;
- › A discussion on corporate governance organized by Québec Bourse – Montréal – September 2017;
- › The Sustainable Stock Exchange's Green Finance Dialogue at COP23 – Bonn – November 2017;
- › RI Americas 2017 – New York – December 2017;
- › The Engaging for Climate event at the One Planet Summit – Paris – December 2017.

Measure / Continue developing responsible investment requirements for external managers

 **Indicator / Review external managers' ESG integration requirements by December 31, 2018**

All potential external managers and those with contracts up for renewal completed la Caisse's questionnaire on integrating ESG factors. Conversations were then organized with some of them to discuss their results.

OBJECTIVE

Efficiently manage natural resources in a concerted manner to support economic vitality and maintain biodiversity

ACTION 21

Measure / Improve how water is managed in buildings managed by Ivanhoé Cambridge

 **Indicator / Improve the quality of water meters by December 31, 2017**


This action was postponed to 2018, since in 2017 activities were focused on managing energy and the carbon footprint. A plan will be carried out by the end of 2018.

OBJECTIVE

Conserve and promote biodiversity, ecosystems and ecological services by improving the interventions and practices of society as a whole

ACTION 22

Measure / Participate in greening and biodiversity initiatives on the Island of Montréal

 **Indicator / At least four greening projects by December 31, 2018**


La Caisse and Ivanhoé Cambridge contributed to the greening of three projects, including one at Vanguard School, which provides special education services to students with serious learning disabilities. In addition, although it was not included in the action plan, la Caisse committed to planting 250,000 trees to offset GHG emissions during the construction of the REM.

OBJECTIVE

Help recognize, develop and maintain skills, particularly among the most vulnerable

ACTION 23

Measure / Continue social reintegration initiatives

 **Indicator / Support at least five organizations with missions to encourage social integration, by Ivanhoé Cambridge**

The following organizations were supported: Refuge des jeunes, Maison Marguerite, Le Chaînon, Maison du père, Accueil Bonneau, Old Brewery Mission and Habitat for Humanity (Canada). The agreements allow Ivanhoé Cambridge employees to volunteer with these organizations.

Sustainable Development

OBJECTIVE**Support and promote the activities of community organizations and social economy enterprises that make a contribution to social inclusion and reduce inequalities****ACTION 24**

Measure / Recognize employees' involvement through visibility on the internal newsletter or through a direct donation to the organization of up to \$1,000


 **Indicator / At least 40 donations by la Caisse linked to employee involvement**

In 2017, foundations in which 34 employees were involved each collected donations of up to \$1,000 as part of the Community program. The results for this indicator fell slightly short of the planned amount, and a communication plan is being developed to raise awareness of the program.

 **Indicator / Philanthropy communications plan developed and executed by December 31, 2017**

To raise employee awareness on the Community program, a profile of an employee involved in the community was published each month on the intranet. They were among the most widely read and appreciated articles on the intranet.


Measure / Encourage employees to share their expertise with organizations through the Bénévoles d'affaires platform

 **Indicator / At least 15 more employees paired with non-profit organizations by 2018**

Twelve pairings have been completed, and another five are being developed.


 **Indicator / At least one information meeting per year beginning in 2017**

An information session organized by Bénévoles d'affaires was held in early 2017. A panel of experts was also organized as part of our Centraide campaign. Panel members included the founder of Bénévoles d'affaires and employees who serve as directors on the Boards of NPOs.


 **Indicator / At least one article published on the intranet each year, beginning in 2017**

Two articles were published on the intranet to provide information on the organization.

Measure / Create opportunities for collective commitment in support of causes by encouraging employees who organize team volunteer activities

 **Indicator / Establish a committee for the Centraide campaign by December 31, 2017**

A committee of 14 people representing all la Caisse's teams was formed in order to stimulate employee involvement in the Centraide campaign. Their efforts yielded good results, since over 500 employees made contributions to the campaign.

 **Indicator / Receive the committee's recommendations by December 31, 2017**

A report was produced on the actions and results of the 2017 Centraide campaign. Recommendations were made for the next Centraide campaign.

ACTION 25

Measure / Implement a volunteer program in partnership with NPOs

 **Indicator / Propose a volunteer program through donation and sponsorship partnerships by December 31, 2017**

This initiative is included in partnership agreements with: Maison Marguerite, Covenant House (Toronto and Vancouver), Refuge des jeunes, Habitat for Humanity (Canada) and Eva's Initiative (Toronto). These agreements allow Ivanhoé Cambridge employees to become involved with these organizations as volunteers.

OBJECTIVE**Optimize the production of renewable forms of energy for the benefit of all Quebecers****ACTION 26**

Measure / Assess the feasibility of solar panel projects at our commercial properties.

This measure was completed in 2016.

Appendices

APPENDIX 1

CALCULATION OF THE INTENSITY OF LA CAISSE'S PORTFOLIO

Calculation

$$\text{Total Caisse Portfolio Intensity} = \frac{\Sigma \text{Caisse emissions (tCO}_2\text{eq) of the portfolio as at December 31}}{\text{Caisse portfolio within the perimeter (millions of CAD)}}$$

$$\text{Caisse Emissions} = \frac{\text{Asset-related emissions (tCO}_2\text{eq)} \times \text{LT Capital supplied by la Caisse (millions of CAD)}}{\text{Total LT Capital of the asset (millions of CAD)}}$$

LT Capital = Long-term capital used by a company to finance its production assets (fair market value of equity + long-term debt).

Perimeter of calculation: Caisse portfolio within the perimeter

Type of investment = Investments, including those of non-consolidated subsidiaries, in the form of shares, corporate and Crown corporation debt, securities held through market indexes or exchange traded funds (ETFs), externally managed investments, securities lending and borrowing. Are excluded: Government bonds, cash, warrants, derivative financial instruments and securities purchased under resale agreements.

Specialized portfolios = Equity Markets, Fixed Income, Private Equity, Infrastructure, Real Estate, certain investments in shares (including short positions) held in Asset Allocation.

Value as at Dec. 31, 2017 = Included \$268 billion, excluded \$65 billion (government bonds) and \$5 billion (other).

Emissions considered

The carbon footprint of an asset corresponds to its direct or indirect greenhouse gas emissions (scopes 1 and 2) converted into equivalent tons of CO₂ as defined in the GHG Protocol.

Data sources

A) Direct holdings

The Trucost database is la Caisse's preferred source for individual issuers. Combined with data from the Compustat database, the Trucost figures (calendar year 2017) form the foundation of our calculations of emissions of individual securities and average sector intensity. In the absence of Trucost data, our approach is:

Low Intensity Assets (<120 tCO ₂ /M\$) and intense assets under the methodological threshold	Average sector intensity (GICS Level 4 classification)
High intensity assets (≥120 tCO ₂ eq/M\$) that exceed the methodological threshold Ivanhoe Cambridge's assets	In order of priority: <ul style="list-style-type: none"> › Footprint disclosed by the issuer (if credible) › Footprint estimated by a credible source › Use of specific comparables operating facilities similar to those of the issuer › Estimation based on technical data from emitting facilities and credible sources of standardized data › Average intensity of the sector › Average corporate intensity for certain sectors or assets in emerging markets

B) Indirect holdings

Where data is available, the intensity of funds is calculated according to the rules applicable to direct holdings. Where data is not available, la Caisse uses the intensity of the fund disclosed by the manager or, if the data is unsatisfactory, the average intensity of the sector or asset class appropriate to the nature of the fund.

Methodological thresholds

La Caisse has established thresholds that allow it to adjust its level of analysis by sector:

	Caisse exposure threshold
Very high intensity sectors (≈5,000 tCO ₂ eq/M\$)	\$10 million
High intensity sectors (≈2,000 tCO ₂ eq/M\$)	\$25 million
Average intensity sectors (≈500 tCO ₂ eq/M\$)	\$100 million

APPENDIX 2

INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT ON THE CARBON INTENSITY OF THE PORTFOLIO WITHIN THE CALCULATION PERIMETER OF THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

To the Board of Directors and Management of the Caisse de dépôt et placement du Québec

We have undertaken a limited assurance engagement of the carbon intensity of the portfolio within the calculation perimeter of the Caisse de dépôt et placement du Québec as at December 31, 2017 appearing on page 11 of the Stewardship Investing Report, whose calculation is defined in schedule "Calculation of the Intensity of the Caisse Portfolio" on page 46 of the Stewardship Investing Report (the "Carbon Intensity of the Caisse Portfolio").

Responsibility of the Caisse de dépôt et placement du Québec for the Carbon Intensity of the Caisse Portfolio

The Caisse de dépôt et placement du Québec is responsible for preparing the Carbon Intensity of the Caisse Portfolio in accordance with the internally developed criteria applied as explained in the schedule "Calculation of the Intensity of the Caisse Portfolio" on page 46 of the Stewardship Investing Report. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of a Carbon Intensity of the Caisse Portfolio that is free from material misstatement, whether due to fraud or error.

There are currently no legislative or regulatory requirements requiring the Caisse de dépôt et placement du Québec to prepare, publish or have verified the carbon intensity of an asset. As a result, the quantification of the Carbon Intensity of the Caisse Portfolio is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Our independence and quality control

We have complied with the relevant rules of professional conduct/code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Canadian Standard on Quality Control and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Carbon Intensity of the Caisse Portfolio based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with Canadian Standard on Assurance Engagements 3410, *Assurance Engagements on Greenhouse Gas Statements* (CSAE 3410), issued by the Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the Carbon Intensity of the Caisse Portfolio is free from material misstatement.

A limited assurance engagement undertaken in accordance with CSAE 3410 involves assessing the suitability in the circumstances of the use by the Caisse de dépôt et placement du Québec of internally developed criteria as the basis for the preparation of the Carbon Intensity of the Caisse Portfolio, assessing the risks of material misstatement of the Carbon Intensity of the Caisse Portfolio whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Carbon Intensity of the Caisse Portfolio. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we performed:

- › Interviews with selected personnel to understand the key issues related to the data and processes for the collection and accurate reporting of the Carbon Intensity of the Caisse Portfolio.
- › Where relevant, walkthroughs of systems and processes for data aggregation and reporting.
- › Inquiries of management regarding key assumptions and the evidence to support the assumptions.
- › Validations of the accuracy of calculations performed, on a sample basis, primarily through inquiry, analytical procedures and recalculations.

Our procedures did not include providing conclusions in relation to:

- › The completeness or accuracy of data sets or information relating to areas other than the Carbon Intensity of the Caisse Portfolio included in the Stewardship Investing Report.
- › An assessment of the current value of the individual or aggregate interests of the Caisse de dépôt et placement du Québec appearing in the schedule "Calculation of the Intensity of the Caisse Portfolio."

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the Carbon Intensity of the Caisse Portfolio has been prepared, in all material respects, in accordance with the internally developed criteria applied as explained on page 46 of the Stewardship Investing Report.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Carbon Intensity of the portfolio within the calculation perimeter of the Caisse de dépôt et placement du Québec as at December 31, 2017 appearing on page 11 of the Stewardship Investing Report is not prepared, in all material respects, in accordance with the internally developed criteria applied as explained in the schedule "Calculation of the Intensity of the Caisse Portfolio" on page 46 of the Stewardship Investing Report.



March 29, 2018
Montréal, Québec, Canada

¹ CPA auditor, CA, public accountancy permit no. A112431



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