



POLICY ON SOCIALLY RESPONSIBLE INVESTMENT

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1. PREAMBLE

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

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

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

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

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

2. CONTEXT AND OBJECTIVES

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

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

3. DEFINITION

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

This component is defined as the entirety of relationships maintained by a company with all stakeholders: clients, employees, the community, shareholders, governments, suppliers and competitors. The components of social responsibility include investment in the community, employer-employee relations, the creation and maintenance of jobs, environmental concerns and financial performance¹.

4. PRINCIPLES RELATED TO SOCIALLY RESPONSIBLE INVESTING

4.1 General Principles

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

¹ The above reiterates the definition proposed by the Conference Board of Canada.

- / to take all measures necessary to respect and to protect the environment in which they operate;
- / to respect the local communities in which they conduct their affairs and to promote community development.

4.2 Specific principles

- / The Caisse takes into consideration the corporate governance policies and principles implemented in the companies in which it invests;
- / The Caisse supports measures allowing minority shareholders to submit certain resolutions at shareholder meetings;
- / The Caisse adheres to the stated principles of the International Labour Organization;
- / The Caisse encourages disclosure of information on corporate environmental practices;
- / The Caisse encourages disclosure of information on corporate practices regarding political contributions but expressly encourages abstaining from such contributions;
- / The Caisse encourages companies to make contributions of a philanthropic nature and to generally pursue charitable and social involvement;
- / The Caisse supports the active exercise of voting rights as the principal method of intervention through a case-by-case consideration of shareholder resolutions of a socially responsible nature.

5. APPLICATION

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

5.1 Methods of intervention

Process for incorporating social, ethical and environmental criteria in portfolio management

- / Managers must take into consideration social, ethical and environmental criteria in making their preliminary analysis of the risks inherent in any given investment;
- / Managers are responsible for obtaining policies, reports, ethical and/or environmental studies and and/or assessments from the companies in which they invest;
- / Managers must make companies aware of the importance given by the Caisse to such reports, assessments and/or studies;
- / Managers are required make companies aware of the importance of developing and adopting policies and practices that address the various issues involved in corporate social responsibility;

/ Managers shall attend yearly training on socially responsible investment.

Dialogue and collaboration with company officers regarding the issues involved in socially responsible investment

- / Regular discussions via correspondence shall be established between managers and company officers with respect to socially responsible investing and, where necessary, meetings could be held;
- / Resolutions at shareholder meetings could, from time to time, be initiated by the Caisse;
- / Investment in a particular security could be withdrawn should the dialogue engaged in with the company concerned become unproductive and should the company's social behaviour prove unsatisfactory.

Exercise of proxy voting rights in accordance with the principles formulated on socially responsible investment

- / Shareholder resolutions submitted at meetings shall be analyzed, appropriate recommendations shall be made and voting rights shall be exercised in light of the principles formulated on socially responsible investment;
- / An internal corporate governance committee made up of members of management shall be consulted when necessary, specifically when shareholder resolutions concern controversial matters;
- / With a view to harmonizing decisions, the internal corporate governance committee, may, whenever it considers it appropriate, submit specific questions to the various stakeholders likely to issue position statements.

5.2 Consultation methods

Mechanisms for consulting with depositors

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

voting rights. Caisse management will inform the Human Resources, Ethics and Corporate Governance Committee, for recommendation of the Committee to the Board of Directors, as the case may be.

Updating

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

Rendering of account

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

6. ROLE OF CAISSE PARTICIPANTS

6.1 Board of Directors

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

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

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

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

6.2 Depositors

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

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

6.3 Caisse Management

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

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

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

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

6.4 Portfolio Managers

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

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

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

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