Caisse de dépôt et placement du Québec

WE INVEST OURSELVES TO GO FURTHER AS A RESPONSIBLE BUSINESS

PROFILE

The Caisse de dépôt et placement du Québec is a financial institution that manages the capital of about 20 depositors, most of which are public pension and insurance plans. It is a government corporation that was created in 1965 and has grown to become one of the foremost institutional fund managers in North America.

The Caisse invests its depositors' funds in Québec, Canada and international markets, in a wide range of financial products, including fixed income, equities, private equity, real estate, real estate debt and hedge funds. It also strives to take advantage of investment opportunities in all markets and regions of the world, to benefit the plans whose funds it manages.

MISSION

"The mission of the Caisse is to receive moneys on deposit as provided by law and manage them with a view to achieving optimal return on capital within the framework of depositors' investment policies while at the same time contributing to Québec's economic development."

Act respecting the Caisse de dépôt et placement du Québec, section 4.1

VALUES

The officers and employees of the Caisse share the values that guide the institution: excellence, ethics, boldness and transparency.

AMBITION

By aiming for excellence in all areas, the Caisse intends to become a benchmark organization among institutional fund managers.

CAISSE STAKEHOLDERS

QUÉBEC GOVERNMENT

The Caisse is an agent of the government, which appoints its Chairman and the members of its Board of Directors and approves the appointment, by the Board, of the President and Chief Executive Officer.

DEPOSITORS

The depositors are mainly pension and insurance plans whose funds are managed by the Caisse. Their common objective is to earn a superior return on the moneys provided by their contributors with a view to meeting future needs, such as payment of pension benefits or accident compensation.

CONTRIBUTORS

About 60% of the contributors to the plans are individuals. Most Quebecers are members of one of the plans and are therefore affected by the returns earned by the Caisse. For example, more than 3.7 million Quebecers contribute to the Fonds du Régime de rentes du Québec, and more than five million to the Fonds d'assurance automobile du Québec.

COMPANIES

The Caisse has a portfolio of investments in more than 3,000 publicly traded companies and in many privately owned businesses.

CLIENTS

In addition to depositors' funds, the Caisse administers or manages property for clients, mainly in the real estate sector.

EMPLOYEES

The Caisse has about 900 employees; its subsidiaries SITQ and Ivanhoe Cambridge have more than 1,600.

PARTNERS

The Caisse forms investment partnerships to share expertise and risk. It also maintains relations with various financial and business stakeholders for reasons that include maintaining a dialogue on the major issues facing the investment industry.

SUPPLIERS

The Caisse deals with various suppliers of goods and services, including fund managers, information technology specialists, legal advisers and auditors.

TABLE OF CONTENTS

MESSAGE FROM THE CHAIRMAN

Pierre Brunet
Chairman

The Caisse de dépôt et placement du Québec is truly one of our society's institutions. It has become known and respected around the world for the expertise of its personnel and its fundamental professionalism. I therefore agreed to become its Chairman in 2005 with a sense of great pride.

I also accepted this responsibility because the Caisse, while focused on its mission, was determined to act in accordance with its values, which I share without reservation: excellence, ethics, boldness and transparency. These values have inspired us in our commitment to make the Caisse a benchmark organization for governance.

The adoption of good governance practices is one of the most significant demonstrations of corporate responsibility and that is why we have made it a priority. A great deal has been accomplished in this area, on the initiative of senior management, with the support of my colleagues on the Board of Directors and the co-operation of employees.

The publication of this document marks a new stage, that of publicizing our achievements and describing our future direction. I am pleased to be associated with this initiative and I reiterate the Board's commitment to invest itself in going even further.

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Henri-Paul Rousseau
President and Chief Executive Officer

To manage a business with long-term vision, while taking into account a wide range of factors that can affect its profitability and development, is certainly not a new approach. Organizations that achieve sustainable success pay close attention to the needs of their customers, the quality of their products, the competence and loyalty of their employees, the reliability of their suppliers and the aspirations of the communities where they put down roots.

What is new is to regard such an approach not only as a strategy, but also as a responsibility incumbent on each business. And the need to report to all parties concerned by the operations of the business is also new.

It is only natural that the Caisse de dépôt et placement du Québec should have no reservations about endorsing the principles underlying this change, since its mission involves a long-term outlook, and its status as a government corporation is conducive to transparency. Still, our ability to measure the performance of a business in managing the social and environmental impacts of its operations is a far cry from our ability to measure its financial performance. Considerable progress is being made in this area, however, and the foundations have been laid. Henceforth, everyone can ensure that we make progress with such practices, so that standards are developed and applied. We are part of this trend by publishing this first overview of how we fulfill our corporate responsibility.

It goes without saying that the issues in this area differ from one sector of the economy to another. For a fund manager and investor such as the Caisse, the dominant issues are undoubtedly quality governance and the social and environmental aspects of investment. The increasing importance of major investors in the global economy is accompanied by an awareness of their powerful influence and related responsibilities. We have therefore taken stock of our progress in this area, as well as our initiatives to ensure we manage the funds entrusted to us by our depositors in a more rigorous and transparent fashion. We also describe the main initiatives we have taken to maximize our contribution to Québec's economic development and to be regarded as an employer of choice and a good corporate citizen.

I sincerely hope this publication ensures that the Caisse, a major financial institution, becomes better known, along with its efforts to earn Quebecers' trust by obtaining the expected returns while adopting responsible practices in all areas.

WE ADOPT THE BEST GOVERNANCE PRACTICES

OUR OBJECTIVE

TO CREATE CONDITIONS THAT ENSURE:

/ THE RIGHT DECISIONS ARE MADE AND APPLIED;
/ RESOURCES ARE USED PROPERLY;
/ DIRECTORS, OFFICERS AND EMPLOYEES RESPECT STRINGENT RULES OF ETHICS;
/ ACCURATE INFORMATION ON OPERATIONS AND RESULTS IS AVAILABLE IN A TIMELY FASHION;
/ PERFORMANCE IS EVALUATED REGULARLY.

According to the OECD definition,[1] corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. It also provides the structure through which company objectives are set, and the means of attaining those objectives and monitoring performance are determined.

In recent years, the Caisse has improved its governance significantly. To do so, we have taken the industry's best practices and adapted them to our situation. The improvements affect such fundamental aspects as the Board of Directors, operations planning, control, information disclosure, resource utilization and ethics.

[1] OECD (Organisation for Economic Co-operation and Development), *Principles of Corporate Governance*, 2004.

1.
BOARD OF DIRECTORS

THE BOARD OF DIRECTORS PERIODICALLY REVIEWS THE CAISSE'S BUSINESS STRATEGIES AND IMPORTANT POLICIES. IT APPROVES THE ORGANIZATIONAL STRUCTURE, ESTABLISHES ACCEPTABLE RISK LEVELS AND ALSO ENSURES THAT SENIOR MANAGEMENT IMPLEMENTS THE POLICIES ADOPTED AND MONITORS THE EFFECTIVENESS OF INTERNAL CONTROLS.

Any well-managed business must have a competent, independent board of directors that has the means to play its role effectively. In this respect, significant progress has been made.

EXPANDED ROLE

/ The Board of Directors appoints the President and Chief Executive Officer. It also determines his remuneration and employment conditions.
/ It approves the most important investment projects.
/ It approves the internal audit plan and monitors its application.
/ It reviews employee remuneration and human resources management.

ASSURED COMPETENCY

/ The independent members of the Board of Directors are appointed in accordance with a specific expertise and experience profile.
/ The Board members attend information sessions that enable them to increase their knowledge of the Caisse's operations.
/ As necessary, the Board and its committees may retain external experts to assist them with their work.

SPECIFIC OPERATING RULES

/ The roles and responsibilities of the Board and its Chairman, as well as those of the committees and their chairmen, are spelled out in written mandates.
/ Each year, the members evaluate the effectiveness with which the Board discharges its responsibilities. This evaluation concerns planning and monitoring of results, application of policies, decision making and the contributions of all Board members, senior management and committee chairmen.

INDEPENDENCE AND RULES OF ETHICS

/ The position of Chairman is separate from that of President and Chief Executive Officer.
/ Two-thirds of the members of the Board of Directors, including the Chairman, are independent.
/ Only independent directors may sit on the Audit, Human Resources, and Governance and Ethics committees.
/ The directors regularly hold discussions without senior management being present.
/ When it so desires, the Board may hold discussions with personnel responsible for internal audit, risk management and legal affairs, without senior management being present.
/ The directors comply with a stringent code of ethics and professional conduct.

2.
OPERATIONS PLANNING

TO TRANSLATE ITS APPROACH INTO ACTION, THE CAISSE HAS ADOPTED A THREE-YEAR STRATEGIC PLAN. IN ADDITION TO DIRECTING AND OVERSEEING THE ACTION TAKEN BY THE CAISSE, THIS DOCUMENT IS USED TO ESTABLISH THE OBJECTIVES IN THE ANNUAL BUSINESS PLAN.

The strategic plan, the business plan and the resources to carry them out are established by senior management and approved by the Board of Directors. Each business unit is responsible for carrying out a portion of the annual business plan. Individual contributions are determined jointly by employees and their team leaders and are then approved at a higher level.

This planning process clarifies objectives and contributes to consistent action throughout the organization.

3.
CONTROL

THE CAISSE MANAGES CONSIDERABLE SUMS, INVESTED IN VARIOUS VEHICLES, IN MANY SECTORS AND IN ALL REGIONS OF THE WORLD.

The scope and complexity of these operations require controls that ensure compliance with the depositors' investment policies, the investment policies of each specialized portfolio and the rules in effect. Risk management, compliance and audit are important components of control and are independent of the investment process.

Since these controls are numerous and often complex, a general policy, the Policy on Internal Control, ensures overall consistency.

RISK MANAGEMENT

Like any business, the Caisse is exposed to risks, some of which can affect its ability to achieve its objectives. These risks fall into three categories: business, financial and operational.

Business risks are related to the Caisse's strategic orientations and their implementation. Examples are poor investment strategies or resource allocation that does not correspond to priorities.

It goes without saying that financial risks are of extreme importance to an investor. They include:

/ Market risk, or the risk of loss arising from changes in the market value of financial instruments, such as a decline in share prices;

/ Credit risk, which is the possibility of loss in the event that a borrower defaults or its creditworthiness diminishes;

- Liquidity risk, namely the inability to fulfill undertakings without having to obtain funds at abnormally high prices or to sell assets, or a loss of liquidity affecting certain assets.

Since any investment involves risk, the Caisse's objective is not to eliminate it completely. Moreover, there is a direct relationship between risk and return. Investments that present a low level of risk, such as bonds, generally offer a low return. Conversely, higher risk comes with a higher return. It is clear that to earn the long-term return expected by depositors, which is about 7%, the Caisse cannot hold a portfolio consisting solely of bonds.

The acceptable level of risk to obtain the desired rate of return is therefore a strategic decision made by each depositor and by the Caisse's Board of Directors. This decision results in a portfolio that includes investments of various kinds.

The first condition for effective risk management is obviously the ability to measure and identify risk. To do so, many factors have to be taken into consideration, which requires considerable expertise and analytical capacity. The Caisse has already made substantial investments in this area and continues to improve its capability.

It is also essential to have a rigorous risk management framework that:
- Provides guidelines so that investment operations remain within the limits set by the depositors and the Board of Directors;
- Specifies the responsibilities of the various stakeholders.

The Integrated Risk Management Policy serves as a framework for investment decisions. For example, it identifies three levels of control:
- The first is provided by the portfolio managers, whose decisions are governed by the depositors' investment policies, the investment policies of the specialized portfolios and the limits specified in the directives;
- The second level of control is provided by senior management, who use the same framework and are assisted by teams that are independent from the portfolio managers;
- The Board of Directors, through its Audit and Risk Management committees, provides the third level of control.

The policy also sets the authorization limits for transactions, the largest of which require approval from the Board of Directors.

Lastly, it defines governance conditions and appropriate rules for each type of risk.

COMPLIANCE

The compliance function ensures that laws, regulations, policies and directives are respected in all the Caisse's operations. To that end, we first ensure that these rules are known throughout the organization and then we monitor their application.

At the Caisse, compliance with depositors' investment policies and the investment policies of the specialized portfolios is checked regularly. Compliance certificates are then sent to senior management, the Board of Directors and depositors.

AUDIT

The Internal Audit team is responsible for evaluating the effectiveness of the systems and processes used for risk management, control and governance. This unit submits its annual plan directly to the Audit Committee of the Board of Directors, a practice that ensures it has the necessary independence to carry out its mandates. This team has been working since 2006 to improve the overall control environment. It is also evaluating the control environment used for computer system management.

Lastly, external oversight is provided by the Auditor General of Québec, independent accounting specialists and three credit rating agencies.

4. INFORMATION DISCLOSURE

TO EARN THE TRUST OF ITS SHAREHOLDERS, EMPLOYEES, CUSTOMERS AND SUPPLIERS, A BUSINESS MUST PROVIDE FINANCIAL INFORMATION THAT IS AS ACCURATE, CLEAR AND COMPLETE AS POSSIBLE.

At the Caisse, two policies oversee this process: the Information Disclosure Policy and the Financial Certification Policy. The first arises from the commitment to provide quality information and specifies the rules to be followed and the mechanisms to be put in place for that purpose.

The second, the Financial Certification Policy, which is based on the most stringent models developed by the regulatory bodies governing North American financial markets, is designed to ensure that:

/ The information to be included in the annual filings (the audited combined financial statements, the audited tables of returns, the press release on the results and the Annual Report) is available in a timely fashion;

/ The Caisse discloses reliable financial information and combined financial statements established in accordance with generally accepted accounting principles in Canada.

As the final step of this process, the policy provides that the financial certifications included in the Annual Report be signed by the President and Chief Executive Officer, as well as by the Executive Vice-President, Finance and Operations.

In addition to financial information, the Annual Report sets out the progress made in implementation of the strategic plan, the situation in the various investment sectors and the contribution to Québec's economic development. It is, without a doubt, the Caisse's main communication tool and it is carefully prepared – with considerable success, moreover. In recent years, the Report has achieved recognition for its overall quality and its presentation.

In addition to distributing the Annual Report, the Caisse updates the information on its website and issues press releases pertaining to events or decisions of general interest. The officers, in particular the President and Chief Executive Officer, also take advantage of the forums made available to them to ensure the organization is better known.

5. OPTIMAL UTILIZATION OF RESOURCES

THE CAISSE IS AWARE OF THE IMPORTANCE, FOR DEPOSITORS AND THEIR CONTRIBUTORS, OF THE FUNDS ENTRUSTED TO IT.

It strives to manage these funds with all due concern for optimal utilization of resources. Accordingly, with its full agreement, the obligation to prepare a plan on this matter every three years was included in its constituting statute.

The plan is designed to improve the processes, systems and tools used to manage investment resources (depositors' holdings and asset allocation) and operational resources (budgets and human, technology and information resources). It provides for various types of action, such as greater use of on-line recruiting, the development of a succession plan for key positions, a depositor survey and automation of dashboard production.

Improved utilization of resources requires an ongoing effort, for which the priorities are to a great extent determined by the strategic plan. The planning periods for these two documents therefore coincide. Optimal use of resources is also subject to internal audit.

6. ETHICS

LIKE THE MEMBERS OF THE BOARD OF DIRECTORS, ALL OFFICERS AND EMPLOYEES COMPLY WITH A STRINGENT CODE OF ETHICS AND PROFESSIONAL CONDUCT.

All employees, both old and new, receive training on the *Code of Ethics and Professional Conduct for Officers and Employees*. They must each declare in writing that they have respected the Code in the previous year and that they undertake to do so in the coming year. Consultants must also undertake in writing to respect the Code.

Directors, employees and officers must declare any interests or activities that could conflict with those of the Caisse. Moreover, employees may not carry out personal transactions involving equities, equity derivatives, corporate bonds or income trust units without prior authorization. As necessary, officers must place their portfolios of securities subject to prior authorization in a blind trust. The objective is to avoid the use of information obtained in their work for their own advantage, or even the appearance of such use.

Lastly, employees must declare any situation that does not comply with the Code of Ethics to their superiors or to the person responsible for applying the Code. They may also use a strictly confidential telephone line for that purpose.

A TRUST-BASED RELATIONSHIP

WHEN I ARRIVED AT THE RÉGIE DES RENTES DU QUÉBEC IN 2003, THE RESPONSIBILITIES I WAS GIVEN INCLUDED RELATIONS WITH THE CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC. I SOON REALIZED THAT THE RELATIONSHIP BETWEEN THE TWO ORGANIZATIONS WAS EVOLVING. THE CHANGES WERE NOT YET FULLY DEFINED, BUT THERE WAS OPENNESS ON BOTH SIDES AND A STRONG WILL TO ENSURE CO-OPERATION AND TRANSPARENCY.

A few years earlier, consideration had been given to the long-term financing of the Régime de rentes du Québec. The government had decided in 1997 that the contribution rate would gradually be raised to 9.9%. But it was also necessary to ensure this rate would remain stable over the very long term. The Régie therefore began to pay greater attention to the plan's second source of financing, namely the return on the funds managed by the Caisse, and therefore to its investment policy, the main tool for achieving that objective.

When I began working on this matter, it had already been decided that the Régie would be responsible for establishing and reviewing the policy with the support and advice of the Caisse. The Régie is, of course, in the best position to determine the current and future financial needs of the Régime de rentes du Québec. More than 3.7 million Quebecers contribute to the plan and about 1.5 million are beneficiaries. The number of retirees is increasing and their life expectancy continues to rise. We regularly evaluate the impact of these and several other factors on Régime's financial equilibrium. We also determine the acceptable overall level of risk and the investments best adapted to the situation.

MIREILLE FILLION
Vice-President, Policies and Programs
Régie des rentes du Québec

The changes to the Act respecting the Caisse have specified its role and that of the depositors. We have always recognized that the Caisse is the investment expert and, in that capacity, it can advise us on the establishment of our investment policy. We determine the asset classes in which the funds are invested and the leeway that the Caisse has for active management, and it in turn reports on its management. It goes without saying that discussions are more constructive when each party knows what the other has to do and what to expect from it.

In my opinion, the relationship between the Régie des rentes du Québec and the Caisse de dépôt et placement du Québec has reached a very satisfactory level of maturity. Of course, certain aspects can always be improved, but our relationship is positive, the communication of financial information is good and our discussions are frank and open.

WE BELIEVE IN RESPONSIBLE INVESTMENT

OUR APPROACH

- / **TO ENCOURAGE THE COMPANIES WE INVEST IN TO ADOPT PRACTICES THAT COMPLY WITH PRINCIPLES OF CORPORATE RESPONSIBILITY.**
- / **TO WORK WITH INTERNATIONAL INVESTORS TO PROMOTE THESE PRINCIPLES AND TO DEVELOP THE MEANS TO MAKE THEM A REALITY.**

The first way we can demonstrate the Caisse's commitment to corporate responsibility and help extend this approach is through our investment operations. We firmly believe that good governance, environmental protection and support for community development have a positive impact on the profitability and sustainability of businesses.

OUR MAIN ACHIEVEMENTS

1. CLEAR POSITION AND EXERCISE OF VOTING RIGHTS

AS ASSETS UNDER MANAGEMENT HAVE INCREASED, THE CAISSE HAS DIVERSIFIED ITS INVESTMENTS TO ENHANCE RETURNS AND TO REDUCE RISK.

In this way, it has become a shareholder of a large number of companies in Québec, Canada and other regions of the world. It has developed a framework to ensure it can play this role properly, especially in the exercise of its voting rights, the preferred means of shareholder involvement. This framework offers the advantage of clearly stating the Caisse's position on matters involving governance.

FOR EXAMPLE, THE CAISSE IS IN FAVOUR OF:

/ Independent board members appointed on the basis of an expertise and experience profile;
/ Separation of the positions of chairman and chief executive officer;
/ Regular evaluation by the board of its work and that of each member;
/ Review of officer remuneration as a function of the company's results;
/ Measures enabling minority shareholders to submit resolutions to shareholder meetings.

The Caisse systematically exercises its voting rights according to the guidelines defined in its Policy on the Exercise of Voting Rights. Analyzing resolutions and taking positions involve considerable work, since the Caisse is a shareholder of more than 3,000 Canadian, U.S. and other companies. It reviews and votes on almost 20,000 resolutions annually.

Most of the resolutions by senior managers of the companies involve governance. The several hundred resolutions submitted each year by shareholders, especially in the United States, usually deal with governance, but a large number pertain to environmental and social issues.

The Caisse's voting record is posted on its website (www.lacaisse.com).

NON-FINANCIAL CRITERIA

Before investing in a company, and during periodic investment reviews, the Caisse's portfolio managers systematically analyze the financial situation and level of risk assumed. This process now includes environmental, social and governance criteria.

As part of their analysis, the portfolio managers often hold discussions with the companies. They take these opportunities to inform them of the importance the Caisse places on corporate responsibility. They also take note of reports, reviews and other documents that the companies have produced on this matter.

The company's compliance with the legislation in effect in the country where it is listed is also evaluated.

The Board of Directors and the depositors regularly receive a report on the Caisse's voting. An annual summary is also submitted, with a list of the main subjects on which the Caisse voted and examples of the positions taken.

DIALOGUE AND CO-OPERATION

The Caisse engages in dialogue with its portfolio companies to encourage them to improve their social record. Occasionally, if a company's performance in this regard is unsatisfactory, the Caisse may submit proposals to the shareholders' meeting. Ultimately, the investment may be sold if the dialogue proves futile.

Moreover, systematic and transparent exercise of voting rights is increasingly encouraging executives to consult the Caisse on draft resolutions before submitting them to shareholders. This development confirms the effectiveness of the Caisse's approach.

POLICY ON SOCIALLY RESPONSIBLE INVESTMENT

This new policy complements the Policy on the Exercise of Voting Rights.

GENERAL PRINCIPLES:

- The Caisse takes a proactive approach based on dialogue with officers regarding responsible investment issues.
- It favours a comprehensive approach that is flexible enough to suit all its depositors.
- It encourages its peers to have a positive impact on the social records of the companies they invest in.
- The Caisse expects its portfolio companies to:
  - Respect the fundamental rights and freedoms enshrined in laws and prohibit any discrimination;
  - Respect the rights of workers, offering them a safe, healthy environment and prohibiting any mistreatment or forced labour;
  - Adopt practices that respect and protect the environment where they operate;
  - Respect the communities where they operate and promote local development.

SPECIFIC PRINCIPLES:

- The Caisse takes into account the governance policies and principles adopted by companies.
- It supports measures that allow minority shareholders to submit certain resolutions to shareholders' meetings.
- It endorses the principles of the International Labour Organization.
- It encourages:
  - Disclosure of information on the environmental practices of companies;
  - Disclosure of information on political contributions, specifying that it is not in favour of such contributions;
  - Contributions and other commitments of a philanthropic nature.
- It emphasizes the exercise of voting rights as the main means of action, with individual analysis of shareholder proposals pertaining to social responsibility.

A GRADUAL INITIATIVE

The inclusion of social, ethical and environmental criteria in the models used to analyze the performance of companies is not yet complete. The indicators are sometimes insufficiently defined or qualitative, and therefore difficult to check and assess.

Even so, the Caisse has completed the following steps:

- Investment due diligence systematically includes a review of environmental, social and governance considerations.
- The most important aspects of these three matters have been established.
- The portfolio managers have received the appropriate training.
- The information sources and mechanisms have been defined. A tool has been developed to monitor the social performance of businesses and to determine situations requiring special attention.

Inclusion of non-financial criteria will continue with the development of tools to measure performance and risks associated with various aspects of responsible investment. The approach will then be applied to other portfolios.

2. INVOLVEMENT IN INTERNATIONAL INITIATIVES

FOR MANY YEARS, THE CAISSE HAS ENCOURAGED ITS PORTFOLIO COMPANIES TO DEVELOP A BROADER VISION OF THEIR RESPONSIBILITY.

Ensuring these principles become reality does not take place overnight. Adoption of a sustainable development approach requires considerable effort by companies, at a time when performance evaluation tools are still incomplete.

In this context, concerted efforts by large investors can be an effective way of accelerating this trend. That is why the Caisse has committed itself to this approach.

ADOPTION OF UN PRINCIPLES

On April 27, 2006, the Caisse officially endorsed the Principles for Responsible Investment (PRI), an initiative of the United Nations. It was part of the first wave of institutional investors to do so.

The signatories, from more than 20 countries, undertake to use their power of influence to ensure companies develop greater social responsibility.

THE UNDERTAKINGS OF THE UN'S PRINCIPLES FOR RESPONSIBLE INVESTMENT:

/ We will incorporate environmental, social and governance (ESG) issues into investment analysis and decision-making processes.
/ We will be active owners and incorporate ESG issues into our ownership policies and practices.
/ We will seek appropriate disclosure on ESG issues by the entities in which we invest.
/ We will promote acceptance and implementation of the Principles within the investment industry.
/ We will work together to enhance our effectiveness in implementing the Principles.
/ We will each report on our progress and activities toward implementing the Principles.

The Caisse is a member of one of the committees created by the PRI Board and is actively involved in work to implement the principles. It is convinced that this initiative will be a major impetus for change in its industry.

More than 100 investors, managers and consultants have already endorsed the principles. Their combined $6 trillion of assets under management gives them considerable influence.

ENDORSEMENT OF THE CARBON DISCLOSURE PROJECT

When the Carbon Disclosure Project unveiled its report on Canadian companies on October 4, 2006, the Caisse joined this group of more than 200 global investors with a combined $30 trillion of assets under management.

The purpose of this coalition is to ensure companies disclose data on the greenhouse gas emissions generated by their operations and the measures taken to reduce them.

The annual reports[1] published by the coalition's secretariat analyze and summarize the responses of large companies, from all sectors, whose numbers have increased regularly since the project was launched in 2000. The information provided makes it possible to take this factor into account when an investment decision is made.

The President and Chief Executive Officer, as well as the Chief Investment Officer, has contacted the officers of about 100 of the Caisse's Canadian portfolio companies to encourage them to demonstrate transparency in this area.

INVOLVEMENT IN INTERNATIONAL EVENTS

Mindful of the role it can play as an international investor, the Caisse takes part in various events. For example, it attended the UN's forum on the social responsibility of companies doing business in countries with weak governance and in conflict zones. It goes without saying that this matter is of increasing concern to the international financial community.

[1] The annual reports of the Carbon Disclosure Project are available at www.cdproject.net.

CORPORATE RESPONSIBILITY GOES HAND IN HAND WITH PROFITABILITY

As a portfolio manager, I have always based my investment decisions on in-depth knowledge of companies: their balance sheets, of course, but also their rules of governance and operations. Since I specialize in the mining sector and pulp and paper, I also look carefully at the impact these industries have on the environment.

OVER TIME, I HAVE BECOME INCREASINGLY CONVINCED THAT A COMPANY'S BEHAVIOUR TOWARD THE ENVIRONMENT, COMMUNITIES, SHAREHOLDERS AND EMPLOYEES WILL AFFECT ITS PROFITABILITY SOONER OR LATER.

Since most Canadian companies have projects outside the country, I also pay close attention to their compliance with the laws and regulations of the countries concerned and their relations with local populations.

I welcomed the Policy on Socially Responsible Investment, because it gives me a rigorous framework and new tools. It facilitates my contacts with company managers, whether I'm asking for clarification or offering suggestions. As necessary, I can reiterate the Caisse's position, in order to encourage a company to improve its practices and assume its social responsibility.

STEPHEN KIBSEY
Senior Portfolio Manager
Caisse de dépôt et placement du Québec

WE SUPPORT QUÉBEC'S ECONOMIC DEVELOPMENT

OUR RESPONSIBILITY

TO CONTRIBUTE TO QUÉBEC'S ECONOMIC DEVELOPMENT THROUGH:

/ **RETURNS THAT ENSURE THE SUSTAINABILITY OF THE VARIOUS PENSION AND INSURANCE PLANS;**
/ **INVESTMENTS IN COMPANIES, THE REAL ESTATE MARKET AND THE BOND MARKET;**
/ **THE SPINOFF BENEFITS OF OUR OPERATIONS FOR THE ECONOMY AND THE FINANCIAL SECTOR.**

The Caisse has a mission to earn an optimal return for its depositors, while contributing to Québec's economic development. This second aspect of our mission reflects the obligation of any responsible business to make a substantial contribution to the society where it operates.

The Caisse is very active in international markets, but remains solidly grounded in Québec, as shown by its equity and bond portfolios. It takes advantage of its knowledge of Québec's markets when it invests. Moreover, it enables various economic actors to benefit from its expertise, networks and leadership.

OUR MAIN ACHIEVEMENTS

1. INCOME FOR DEPOSITORS

HIGH RETURNS INCREASE DEPOSITORS' INCOME AND CONTRIBUTE TO WEALTH CREATION. THIS IS THE CAISSE'S MOST SIGNIFICANT CONTRIBUTION TO QUÉBEC'S ECONOMIC DEVELOPMENT.

Its returns directly benefit the overwhelming majority of Quebecers, since they belong to one or more of the depositors' pension and insurance plans.

THE CAISSE'S FINANCIAL PERFORMANCE

For several years, the Caisse has ranked among the best fund managers in Canada. According to a 2006 compilation by RBC Dexia Investor Services, its average return for the past three years is 13.8%, a result achieved by only 5% of Canada's large pension funds.

This performance is due, among other things, to its considerable assets and the expertise it has developed through active management. It can deploy substantial amounts for investments in private equity, infrastructure and real estate, which offer high returns with an acceptable level of risk.

2. FINANCING AND OTHER ASSISTANCE FOR QUÉBEC COMPANIES

IN SEEKING THE BEST POSSIBLE RETURN, THE CAISSE INVESTS IN QUÉBEC COMPANIES. THE AMOUNTS IT MAKES AVAILABLE TO THEM, PRIMARILY THROUGH FUNDS, ARE INCREASING.

Moreover, the financial environment is constantly changing, and companies' needs are evolving. In Québec, as in all markets, capital is now plentiful and competition for investments is intense. In this context, the Caisse adapts its strategy while pursuing the same objectives:

/ To provide leadership in financing business activity;
/ To act as a catalyst for change to increase the supply of capital in sectors where it is insufficient;
/ To identify investment opportunities with partners;
/ To monitor markets to benefit medium-sized companies making the transition to the global economy.

In the current context, large Québec companies can obtain financing on the Canadian and international markets with advantageous, flexible conditions. The Caisse therefore plays a complementary role by maintaining strategic relations with them and carefully monitoring their situation. It is prepared to take action if credit conditions tighten, and it invests when opportunities arise. Large companies can also take advantage of openings on international markets through the transactions that the Caisse is involved in. It also offers them its business network and expertise for complex transactions.

As for medium-sized companies, they face considerable challenges: competition from emerging markets, high energy costs, the strong dollar and a shortage of specialized labour. To meet these challenges, they must adapt their business models and invest in productivity enhancement and innovation.

The Caisse has created a team assigned exclusively to medium-sized businesses. It meets their needs for capital, directly or through funds, such as the Québec Manufacturing Fund, which has an initial budget of $100 million. Investments are accompanied by management assistance during growth or transition periods. The Caisse also monitors global markets and shares its strategic intelligence at conferences and in various publications.

Québec's small businesses can generally obtain development capital from banks, tax-advantaged funds—such as the Solidarity Fund QFL, Fondaction and Capital régional et coopératif Desjardins—and government bodies, such as Investissement Québec and Société générale de financement. Most of these actors have a network of service points that ensure proximity to their customers.

In this niche, the Caisse has opted to partner with the financial players already in place. It has joined forces with the Business Development Bank of Canada to provide financing for small businesses. The Bank has about 30 branches in Québec and about 100 across Canada, including offices serving smaller and more distant communities.

FORMATION OF THE CENTRE INTERNATIONAL SUR LA PROSPÉRITÉ DES ENTREPRISES DU QUÉBEC

The Centre international sur la prospérité des entreprises du Québec, created as a result of a Caisse initiative, is a non-profit organization financed by its founding partners and participating companies.

The Centre's mission is to contribute to the success of Québec companies in the international arena. It has four objectives:

/ Help executives gain a better understanding of the challenges of global markets and determine the best solutions;
/ Enable SMEs to benefit from the experience and resources of large companies;
/ Contribute to the development of business models adapted to the complexity of today's world and the sustainable prosperity of businesses;
/ Develop an international mutual-assistance network.

ACCÈS RELÈVE

Seven out of 10 company heads in Québec plan to withdraw from their businesses by 2015. The continuation of operations after their departure is crucial, for those who are affected directly as well as for the economy at large. The transition to a new generation of executives has to be planned and, in many cases, financed.

The Caisse broke ground in this area with the development of Accès Relève, a financial product designed to meet this need. National Bank of Canada and Royal Bank of Canada have joined this program to distribute the product to their customers. The Caisse also strives to promote co-operation among all investors so it can gain a better understanding of the needs of these new entrepreneurs and adapt to them.

MORE SOURCES OF VENTURE CAPITAL

Several years ago, the Caisse changed its venture capital strategy. Rather that investing directly in companies, it now does so through local and foreign venture capital funds active in Québec.

This adjustment enables it to benefit from the expertise of dynamic fund managers and to help build a stronger, more competitive industry. About a dozen Québec funds have been created and several foreign funds have set up operations in Québec. The Caisse's approach has been a determining factor in these developments.

3.
A KEY ROLE IN THE REAL ESTATE MARKET

THE CAISSE IS A MAJOR INVESTOR IN QUÉBEC'S REAL ESTATE SECTOR. ITS SUBSIDIARIES SITQ AND IVANHOE CAMBRIDGE HAVE GIVEN IT A DOMINANT POSITION IN THE OFFICE BUILDING AND SHOPPING CENTRE MARKETS WITH A PORTFOLIO OF TOP-QUALITY PROPERTIES.

The economic benefits of these real estate operations are substantial. Tens of millions of dollars is invested each year to enhance and expand the real estate portfolio, and operating expenditures exceed $250 million.

With its large portfolio of mortgage loans, the Caisse contributes to major projects in most regions of Québec, including business parks, hotels, residential complexes and office buildings.

In becoming one of the world's 10 largest managers of real estate assets, it has developed unique expertise in Québec, along with its partners and suppliers of services. Its real estate financing expertise is an additional advantage for the local financial community. Québec also benefits from the Caisse's network of international partners and the foreign investment it attracts to the province.

Some of the Caisse's real estate projects have had a structuring impact on the urban environment. A fine example is the Quartier international de Montréal, a landmark project that re-established the link between Old Montréal and the business district, and created a hub of international activity. The project has attracted substantial public and private investment. It generates significant financial benefits for governments as well as the businesses in the neighbourhood.

With its real estate projects the Caisse always strives to enhance the immediate environment, to respect heritage values and to ensure energy efficiency. Moreover, the work of its managers has been recognized by various awards on many occasions.

GO GREEN PLUS CERTIFICATION FOR SEVERAL SITQ BUILDINGS

In 2007, eight properties owned by the Caisse subsidiary SITQ received Go Green Plus certification, the only Canadian standard for existing buildings, from the Building Owners and Managers Association of Canada (BOMA):

/ In Montréal: 1000 De La Gauchetière, 1981 McGill College (BNP), 2001 McGill College, the World Trade Centre and Place Ville Marie;

/ In Québec City: the Édifice de la Haute-Ville, the Édifice Mérici and the Price Building.

In addition, BOMA named the Caisse's Montréal business office the Building of the Year, in the category "500,000 to 1,000,000 square feet." The award was presented to SITQ for its excellence in property management, operations, resource conservation and environmental awareness. The building was also the first in Québec to obtain Go Green Plus certification in 2006.

IVANHOE CAMBRIDGE, AN ENVIRONMENTAL LEADER

Ivanhoe Cambridge, a Caisse subsidiary that specializes in the management of shopping centres, is way out in front with its environmental efforts. It sees that most recyclable materials are recovered at its 60 Canadian shopping centres. To ensure energy efficiency, it uses adapted systems to control heating, air conditioning and lighting.

In 2007, Complexe Les Ailes in Montréal received Go Green Plus certification from BOMA, while the Montréal Eaton Centre and Place Laurier shopping centre, in Québec City, received Go Green certification.

/ 1000 De La Gauchetière, in Montréal

/ The Eaton Centre, a Montréal shopping centre

/ The Caisse's head office, the Price Building in Québec City

A DETERMINING INFLUENCE ON QUÉBEC'S FINANCIAL MARKETS

When the Caisse was created in 1965, public bodies did not have access to a competitive financial market. It met this need by purchasing bonds issued by the Québec government, Hydro-Québec and school boards.

In the 1970s and 1980s, the Caisse provided assistance to Québec companies having difficulty financing their expansion projects. It helped create a core group of companies that have seen outstanding growth: RONA, Transcontinental, Alimentation Couche-Tard and, more recently, the Garda group, to name only a few.

In the 1980s, taking advantage of a less competitive market, the Caisse began to build a real estate portfolio that now makes it one of the main investors in this sector.

4. BENEFICIAL SPINOFFS FOR QUÉBEC'S ECONOMY AND FINANCIAL SECTOR

THE CAISSE'S OPERATIONS HAVE SIGNIFICANT DIRECT AND INDIRECT ECONOMIC IMPACTS.

The Caisse has about 900 employees, while its subsidiaries SITQ and Ivanhoe Cambridge account for more than 1,600 jobs. It alone, excluding the subsidiaries, pays out almost $115 million in salaries each year. It also awards $40 million of professional-services contracts that enable its suppliers to develop and maintain specialized expertise.

These amounts, plus operating expenses, such as the cost of premises, equipment, supplies and subscriptions, all represent direct contributions to Québec's economy. More than 80% of the Caisse's operating expenditures are made in Québec.

With its presence and stature, the Caisse helps maintain Montréal as a financial centre. Moreover, the Caisse represents a concentration of professionals that has long earned it a reputation as a breeding ground for financial talent.

Today, the Caisse is a major financial sector player in Montréal and throughout the province as a result of its professional expertise, as well as its extensive and highly specialized operations involving private equity, hedge funds and real estate. It has world-class financial engineering expertise, and many of its specialists publish their research findings in the leading specialized journals.

It also contributes to the financial sector's development through its service agreements with external portfolio managers and investors, which also enable it to obtain complementary expertise in certain areas.

Moreover, it takes part in various initiatives that generate new financial activities. For instance, the Caisse assisted the Montréal Exchange with its successful transition to the derivatives market, and supports its efforts to develop the Montréal Climate Exchange (MCeX).

Creating new financial products, such as Accès Relève, and attracting new sources of venture capital are also among its contributions.

Finally, the Caisse works to enhance the expertise and stature of various economic and financial sectors by supporting major events and providing assistance to universities.

A BRIDGE BETWEEN LOCAL TALENT AND LARGE MARKETS

BEFORE TAKING THE HELM AT RHO, A VENTURE CAPITAL FUND, WE HAD BOTH FOUNDED AND MANAGED COMPANIES IN CANADA AND ELSEWHERE. SO WE SPEAK THE SAME LANGUAGE AS ENTREPRENEURS AND WE UNDERSTAND THEIR SITUATION.

It's harder for large investors to establish an effective, profitable relationship with venture-stage companies. The Caisse has a good grasp of this context, so it encourages the creation of funds like ours, which make a name for themselves in a specific niche through their expertise and international network. In our case, it's information technology. We're interested in backing companies that bring innovative products to market in new categories, using videos and lasers, for example.

Every day we see how creative Quebecers are in these areas, and our ambition is to serve as the bridge between the wealth of talent here and the large markets in the United States and other countries. We also want each company we back to become a breeding ground for new entrepreneurs, since success breeds success. It's happening elsewhere, so why not here?

JEFF GRAMMER AND ANTOINE PAQUIN
Partners
Rho Canada

WE RELY ON OUR EMPLOYEES

OUR RESPONSIBILITY

TO ENSURE OUR TEAM EMBRACES OUR MISSION BY:
- / **OFFERING CHALLENGES AND DEVELOPMENT OPPORTUNITIES;**
- / **MANAGING HUMAN RESOURCES ACCORDING TO CLEAR, SHARED PRINCIPLES;**
- / **PROMOTING OPENNESS AND COMMUNICATION;**
- / **CREATING A STIMULATING WORK ENVIRONMENT.**

In our business, success depends essentially on employee expertise and engagement. We therefore strive to attract the best candidates and to offer conditions that enable them to use their talent.

Our employees are well educated and relatively young:
- / 75% are university graduates;
- / 70% are under the age of 45;
- / About 50% have at least 15 years of experience.

In addition, the Caisse must cope with the shortage of qualified professionals in its field. This situation results in considerable mobility, especially among the most specialized employees. We do our utmost to keep the employee turnover rate as low as possible.

OUR MAIN ACHIEVEMENTS

1.

THE CAISSE SPENDS 3% OF ITS PAYROLL ON EMPLOYEE DEVELOPMENT

AN ORGANIZATION SUCH AS THE CAISSE, WHICH IS BASED ESSENTIALLY ON LEADING-EDGE EXPERTISE AND KNOW-HOW, MUST EMPHASIZE EMPLOYEE TRAINING AND DEVELOPMENT.

As a result of such training, employees can remain at the cutting edge of knowledge and acquire skills required for new tools and concepts. In this way, they can advance their careers and gradually climb the ladder at our organization.

Enhancing its expertise is a key component of the Caisse's strategic plan. It has earmarked an annual budget of $2 million for that purpose. Each year, up to 40% of employees take part in at least one training activity, for a total of 10,000 hours.

This approach is enriching for employees and the Caisse alike. In addition to enhancing expertise and facilitating succession, the opportunities provided to personnel help secure their loyalty and set the Caisse apart in its recruiting efforts.

The Caisse has created an integration program for new employees. It includes information on the structure and operation of the organization, ethics, information management and security. The program also includes meetings with the President and Chief Executive Officer and senior management.

In addition, the Caisse offers internships and fellowships to university students majoring in economics and finance. In this way, it helps create a new generation of specialists, while raising its profile in academia.

QUALIFIED EMPLOYEES

Seventy-five per cent of the Caisse's employees are university graduates. Of that number, 33% have a master's degree and 3% a doctorate.

About 130 staff members have the Chartered Financial Analyst (CFA) designation, about a dozen hold that of Financial Risk Manager (FRM) and about 100 have a Master of Business Administration (MBA) degree.

Research is a vital performance lever that is strongly encouraged. The results of the research conducted at the Caisse appear regularly in specialized publications, such as the *Journal of Portfolio Management* and *Financial Analysts Journal*.

Finally, the investment professionals are backed up by multidisciplinary teams of accountants, actuaries, engineers and lawyers.

This concentration of expertise, as well as the scope and complexity of the matters handled, creates an exceptional work environment.

2.

THE CAISSE HAS ADAPTED ITS HUMAN RESOURCES MANAGEMENT TO BETTER REFLECT EMPLOYEE EXPECTATIONS

THE APPROACH TO HUMAN RESOURCES MANAGEMENT HAS UNDERGONE A COMPLETE REVIEW IN RECENT YEARS.

This work continues, with the co-operation of the Board of Directors, which has approved its principles, senior managers, who oversee the process, and employees, who are involved in defining their individual objectives.

A survey on employee engagement was instrumental in helping define the new approach.

The first two aspects that have been addressed are performance management and compensation.

The new performance management approach is therefore based on three principles: meritocracy, transparency and collaboration. In practice, it ensures co-ordination of the individual's objectives with those of the team and the organization, as well as equitable recognition of the contribution of each employee. Team leaders, who play an important role in this new initiative, receive all the necessary support to be fully engaged in it.

Compensation has been rethought accordingly. Clear, measurable individual objectives are set at the start of each year and then monitored. An evaluation of the results determines pay adjustments and, as applicable, the award of bonuses, in a transparent manner and according to precise rules.

The Caisse is continuing this work by considering other priority aspects, such as career advancement, work-family balance and employment equity.

THE CAISSE LISTENS TO ITS EMPLOYEES

An initial survey on engagement, covering all employees, saw an unusually high participation rate of 81%. The Caisse's overall employee engagement index is within the average for the 140 Canadian companies that conducted this exercise.

An analysis of the results revealed positive aspects, including strong endorsement of the Caisse's mission and vision. The employees also expressed their expectations, with four priorities emerging from the discussion groups held after the survey: performance management, compensation, career advancement and personal motivation.

EMPLOYMENT EQUITY

Under the *Act respecting equal access to employment in public bodies*, the Caisse does a survey of its employees.

This exercise, conducted in 2006, showed that 9.5% of employees identify themselves as members of a visible minority and 4.9%, an ethnic minority. About 47% of the staff members are women, who represent 17% of senior management, 30% of management, 40% of professional personnel and 81% of technical and support personnel.

Over the medium term, the Caisse is aiming to reach a level of diversity that, at a minimum, reflects our society. Awareness measures have been introduced, especially as regards the hiring of employees.


/ From left, Yanik Gohier, Linda Asselin, Sylvie Lepage, Boris Gouin and Marielle Bouchet, from the Investment Administration team.

3.
THE CAISSE PROMOTES OPENNESS AND COMMUNICATION WITH EMPLOYEES

EFFECTIVE COMMUNICATION WITH EMPLOYEES STRENGTHENS THEIR UNDERSTANDING OF THE CAISSE'S MISSION, ENDORSEMENT OF ITS OBJECTIVES AND CONSISTENCY OF ACTION, IN ADDITION TO CREATING AN OPEN, STIMULATING WORK ATMOSPHERE.

Twice a year, the President and Chief Executive Officer meets with the team leaders to provide an update on business objectives and various other subjects of interest. He also meets with all personnel to do a recap, outline the work program and discuss major projects. All managers meet at the same interval to discuss strategic orientations and priorities.

A daily electronic newsletter quickly communicates information on the Caisse to all employees. Special editions are published when an important event occurs, such as a major transaction, an appointment or a public appearance by a senior manager.

The newsletter has been incorporated into the Intranet portal *CyberCaisse*, which provides access to corporate tools and information, administrative policies and on-line services for employees.

4.
THE CAISSE MAINTAINS A STIMULATING WORK ENVIRONMENT

VARIOUS SERVICES AND FACILITIES ARE AVAILABLE TO EMPLOYEES AND THEIR FAMILIES TO CREATE AN OUTSTANDING WORK ENVIRONMENT.

- The Centre des petits daycare can accommodate up to 80 preschool children. Priority is given to the children of employees, but children who live in the neighbourhood also have access to it.
- The Centre de santé Montreal Herald is used by more than 450 employees of the Caisse and its subsidiaries. It offers equipment for individual or group fitness, under the supervision of kinesiologists.
- A summer schedule that enables parents to handle such things as school vacations.
- A service that lends bicycles to employees at no charge during warm weather. *Vélo en libre-service*, an initiative of the subsidiary SITQ, is a joint project of Voyagez futé, the Agence métropolitaine de transport and Vélo Québec.
- Various presentations and activities on work-life balance, smoking, nutrition, stress management and environmental issues. An assistance program also enables employees in difficult situations to obtain professional help with the assurance of complete confidentiality.

In addition to these services, the Caisse offers an outstanding work setting. The business office, whose architectural merit has been recognized, provides functional, ultramodern workspaces and facilities. The Parquet, which links two remarkable public spaces, Square Victoria and Place Jean-Paul-Riopelle, is a gathering place for employees and a window onto a vibrant neighbourhood.

KIDS "WORK" WITH MOM AND DAD

Philippe, our five year old, was part of the first group of children to use the Centre des petits daycare when it opened in 2003. His younger brother Charles joined him a little later.

Since my wife also works downtown, we go off to "work" as a family. This way, we get to spend more time with our kids and, if there's a delay, we don't worry because they're with us.

My wife and I are very satisfied with the daycare centre: the staff members are energetic, the kids eat well and the rooftop playground lets them go outside in complete safety.

When you become a parent, you have to adapt to your children's schedule. The top management at the Caisse understand this situation and make sure we can reconcile our two lives.

THE DAYCARE CENTRE IS A FACTOR THAT COUNTS IN MY CHOICE OF A JOB. I IMAGINE IT'S THE SAME FOR MOST PARENTS WITH YOUNG CHILDREN.

MARTIN MONTPETIT
Senior Portfolio Manager
Caisse de dépôt et placement du Québec

WE CONTRIBUTE TO COMMUNITY WELL-BEING

OUR RESPONSIBILITY

CONTRIBUTE TO COMMUNITY WELL-BEING THROUGH:
- **SUPPORT FOR VARIOUS INITIATIVES, MAINLY OF A PHILANTHROPIC NATURE;**
- **INVOLVEMENT IN DISCUSSIONS OF SOCIETAL ISSUES;**
- **COMMITMENT TO IMPROVE THE URBAN FABRIC AND NEIGHBOURHOOD LIFE.**

Our determination to be regarded as a good corporate citizen takes several forms. Through our involvement in philanthropic and other initiatives, we strive to have a positive impact on our community.

Moreover, since the Caisse is an institutional fund manager, it is only natural that we should be involved in projects that are related to our business and likely to have an impact on its development.

For example, the Caisse supports university chairs and conferences on issues affecting society. Our contributions also include respect for heritage in the redevelopment of our buildings and investment in the development of the Quartier international de Montréal.

OUR MAIN ACHIEVEMENTS

UNIVERSITY CHAIRS SUPPORTED BY THE CAISSE AND ITS SUBSIDIARIES

/ The Bell-CDPQ Chair in Experimental Economics at the Université de Montréal
/ The Observatoire SITQ du développement urbain et immobilier at the Université de Montréal
/ The UQAM-SITQ Real Estate Chair
/ The Raoul Dandurand Chair at UQAM
/ The Omer DeSerres Chair of Retailing at HEC Montréal

1. SUPPORT FOR EDUCATION AND TRAINING

THE CAISSE PROMOTES EDUCATION, TRAINING AND RESEARCH IN AREAS RELATED TO INVESTMENT AND THE BUSINESS ENVIRONMENT.

It is involved in various university activities that stimulate interest in its occupations, such as stock market simulations and business competitions. On two occasions, the Caisse has played host to the annual stock exchange simulation organized by HEC Montréal, with 600 students from about 15 Canadian universities taking part. It has also been involved for several years in a financial simulation activity organized by Université Laval.

Moreover, it provides bursaries and awards prizes to encourage excellence in business and financial journalism.

The Caisse also spearheaded the creation of the Centre international sur la prospérité des entreprises du Québec. The purpose of the Centre is to provide assistance and training so that senior managers can cope with the growth issues their businesses face.

Lastly, the Caisse is a partner in Question Retraite,[1] a group of agencies and companies from the public and private sectors that promotes financial security for retirees. This organization makes Quebecers aware of retirement-related issues and provides tools to help them plan that stage of their lives.

[1] The Question Retraite website can be consulted at www.questionretraite.qc.ca.
[2] The training programs of the Collège des administrateurs de sociétés can be consulted at www.cas.ulaval.ca/sgc/cas.

THE CAISSE, A FOUNDING MEMBER OF THE COLLÈGE DES ADMINISTRATEURS DE SOCIÉTÉS[2]

The college was created, on the Caisse's initiative, by the Faculty of Business Administration at Université Laval, the Autorité des marchés financiers, the Ministère du Conseil exécutif and the Caisse to offer a corporate-governance training program. The program is for board members of government bodies, public and private companies, and pension committees.

The college operates in partnership with public and private enterprise and professional orders, with training personnel recognized for their experience as corporate directors or governance specialists.

SOLIDAIRES AWARDS FROM CENTRAIDE

The Caisse, its subsidiaries and its employees have received several *Solidaires* awards, a distinction presented by Centraide of Greater Montréal at the end of the annual fund-raising campaign, in the categories Employee Campaign and Overall Support. They have also been finalists several times.

The *Solidaires* awards recognize the leadership and commitment of the volunteers and partner organizations of Centraide, which has been raising funds for various community organizations for more than 40 years.

2. SUPPORT FOR THE CULTURAL COMMUNITY AND ART COLLECTION

THE CAISSE SUPPORTS VARIOUS CULTURAL ORGANIZATIONS, INCLUDING THEATRE COMPANIES, DANCE TROUPES, ORCHESTRAS, EXHIBITION CENTRES AND MUSEUMS.

Its assistance often takes the form of a financial contribution but it also helps organize events, lends premises for shows and provides other types of support. Moreover, the Caisse encourages its officers and employees to work for the cause of their choice, in a cultural or other field.

Since 2001, the Caisse has been acquiring a collection of works by Québec artists in disciplines such as painting, printmaking, drawing, sculpture and photography. Its acquisition policy emphasizes artistic trends since the Caisse was founded in 1965.

The works are on display at the business office. On various occasions, such as the Journées de la culture, a portion of the collection is shown to the public.

3. SUPPORT FOR THE CENTRAIDE FUND-RAISING CAMPAIGN AND OTHER PHILANTHROPIC INITIATIVES

THE COMMITMENT OF THE CAISSE AND ITS EMPLOYEES TO THE LESS FORTUNATE MEMBERS OF OUR SOCIETY IS VERY MUCH IN EVIDENCE DURING THE ANNUAL CENTRAIDE FUND-RAISING CAMPAIGN.

Under the direction of the President and Chief Executive Officer and with the participation of all employees, the campaign has become a unifying, imaginative, festive and effective event. The amounts raised by volunteers have constantly increased and, since 2002, the Caisse has matched employee contributions.

The Caisse also makes donations to various foundations, primarily in health care, and to charitable organizations.

4.
CONSIDERATION OF ISSUES AFFECTING SOCIETY

THE CAISSE IS ACTIVELY INVOLVED IN FORUMS ON VARIOUS MATTERS RELATED TO ITS INDUSTRY. FOR EXAMPLE:

/ It has been an important sponsor of the International Economic Forum of the Americas / Conference of Montreal for several years. This annual event attracts prestigious speakers from around the world for a discussion of global economic issues. It is conducive to meetings and exchanges of ideas between business people, representatives of government and international organizations, academics and members of civil society.

/ It is a partner in the Centre Jacques Cartier, which consists of more than 80 companies and universities in France and Québec. It contributes actively to the organization of the Entretiens Jacques Cartier, a seminar held alternately in Québec and in the region of Lyon, France. Business succession, governance and pension fund management in the context of an aging population are some of the subjects covered.

/ Each year the Caisse organizes the Journées Claude-Prieur, named after its first President and General Manager. This strategy session on investment issues is for Caisse managers, depositor representatives, experts and invited journalists.

/ It creates forums for research and discussion with other pension fund managers in Canada and elsewhere in the world. It is a founding partner of the International Centre for Pension Management (ICPM), affiliated with the Rotman Institute at the University of Toronto. It is a member of the executive of the Pension Investment Association of Canada (PIAC) and a founding member of the Montréal Group, an international organization of pension and reserve fund managers.

/ Lastly, it is a financial partner and organizer of the North American Venture Capital Summit, held each year in Québec City.

5.
CONTRIBUTION TO URBAN HERITAGE AND NEIGHBOURHOOD LIFE

THE CAISSE'S INITIATIVES IN URBAN AREAS REFLECT ITS UTMOST RESPECT FOR HERITAGE AND ITS DETERMINATION TO CONTRIBUTE TO QUALITY PROPERTY DEVELOPMENT.

Examples are the careful renovation of its head office and efforts to develop the Quartier international de Montréal, where its business office served as the catalyst.

6.
RESTORATION OF THE PRICE BUILDING IN QUÉBEC CITY

THE PRICE BUILDING, ON RUE SAINTE-ANNE IN QUÉBEC CITY, IS HOME TO THE CAISSE'S HEAD OFFICE, AS WELL AS THE OFFICIAL RESIDENCE OF QUÉBEC'S PREMIER.

This art deco treasure, built stone by stone in 1929, recently underwent a major restoration.

The period architectural features were carefully preserved, and the building was equipped with leading-edge systems using innovative techniques. For example, as a result of concerted efforts by SITQ and Hydro-Québec, the building is the only one in Québec heated exclusively with a thermal storage system that uses stone as the storage medium for maximum energy conservation.

SITQ received the 2002 Building of the Year award in the Historic Building category from the Building Owners and Managers Association of Canada (BOMA).

7.

THE CAISSE, A LEADER OF THE QUARTIER INTERNATIONAL DE MONTRÉAL PROJECT

THE CAISSE HAS PLAYED A KEY ROLE IN THE RENAISSANCE OF THIS DISTRICT AND CONTINUES TO CONTRIBUTE TO ITS ENHANCEMENT, ITS CULTURAL ACTIVITIES AND THE INVOLVEMENT OF NEIGHBOURING PROPERTY OWNERS.

The Quartier international de Montréal (QIM)[3] was created under its leadership in 1999, with the co-operation of many Montréal partners. The purpose of this non-profit organization is to promote Montréal's international vocation, especially through the emergence of a district for various international activities.

The new business office contributed to the district's structure and revitalization, joining other buildings with an international vocation, such as the Palais des congrès convention centre, the World Trade Centre and the headquarters of the International Civil Aviation Organization.

At QIM's request, the area's major landowners agreed to invest more than $16 million in enhancements for the district, such as sidewalks, streets, trees, parks and street furniture.

These combined efforts have had the desired spinoff effects, including the creation of Place Jean-Paul-Riopelle and the redevelopment of Square Victoria according to its original configuration. Moreover, the district has also seen many residential and hotel projects. The total investment is estimated at more than a billion dollars.

QIM continues its efforts by co-ordinating the redevelopment of McGill Street, a large complementary project.

In partnership with other sponsors, the Caisse contributes to cultural activities in the district by organizing the *Midis concerts du Quartier international*. Performances by up-and-coming musicians alternate between two public spaces, Square Victoria and Place Jean-Paul-Riopelle.

/ HEC Montréal stock market simulation, in the Parquet of the Caisse

/ The Caisse's business office in the heart of the Quartier international de Montréal

THE BUSINESS OFFICE,[4] A KEY COMPONENT OF THE QUARTIER INTERNATIONAL

The construction of the business office made it possible to remove a major obstacle to the revitalization of this part of downtown. The Ville-Marie Expressway severed the district's urban fabric. The building was constructed over the gash of the freeway to re-establish the link between Old Montréal and the business district.

The Caisse's business office was inaugurated in 2003. With its striking architecture, it has received a spate of architectural, urban-planning, engineering and interior-design awards.

Of all the sites that could have been used, this one was selected for reasons that include its strategic role in urban development.

AWARDS FOR THE QUARTIER INTERNATIONAL DE MONTRÉAL

The Quartier international de Montréal development project has received more than 20 awards in local and international competitions. The project is unanimously regarded as a success and has garnered honours in many areas, including architecture, urban planning, real estate, tourism, engineering, culture, design and management.

[3] More information on the project and the Quartier international de Montréal is available at www.qimtl.qc.ca.
[4] More information on the Centre CDP Capital is available at www.centrecdpcapital.com.

THE CAISSE'S TANGIBLE CONTRIBUTION TO ITS ENVIRONMENT

I HAVE THE GOOD FORTUNE TO HAVE BEEN ASSOCIATED WITH THE DEVELOPMENT OF THE QUARTIER INTERNATIONAL FROM THE OUTSET, ALONG WITH MY FELLOW ARCHITECTS RENÉE DAOUST AND RÉAL LESTAGE, AND TO BE INVOLVED IN THIS COLLECTIVE SUCCESS STORY, WHICH HAS ENHANCED MONTRÉAL'S STATURE.

It is a fine example of what can be accomplished when all players get behind a powerful idea, and an inspiring, structuring project. It also demonstrates that we have the expertise and talent to carry out projects comparable to the best efforts of the world's large cities.

The result is outstanding, and it was all completed on schedule and with no cost overruns. We have proved we could aim high, without making any compromises along the way. As I have said many times, doing something ordinary was not an option.

Behind this success and its economic spinoffs, which go beyond all expectations, is the leadership of the Caisse and its will to make a tangible contribution to its environment. The senior managers involved at the time, Jean-Claude Scraire and Jean-Claude Cyr, saw real estate as an investment whose value rises along with improvements in the environment. They also believed that major institutions, while pursuing their objectives, must enrich our collective heritage.

The Caisse's commitment has continued since then and has in fact proved to be contagious. The first successful phase has given way to a second, which is now complete, and opportunities are still opening up.

CLÉMENT DEMERS
General Director
Quartier international de Montréal

This publication is available on the website: www.lacaisse.com
Cette publication est aussi disponible en français dans notre site Internet.

Legal Deposit – Bibliothèque et Archives nationales du Québec, 2008

Produced by the Corporate Communications team, February 2008

DESIGN: WWW.NOLIN.CA

BUSINESS OFFICE
Centre CDP Capital
1000, place Jean-Paul-Riopelle
Montréal (Québec) H2Z 2B3
Tel.: 514 842-3261
Fax: 514 847-2498

HEAD OFFICE
Édifice Price
65, rue Sainte-Anne, 14e étage
Québec (Québec) G1R 3X5
Tel.: 418 684-2334
Fax: 418 684-2335

www.lacaisse.com