2024 Annual Report on Responsible Investment

Desjardins Funds[1]

[1] This annual report on responsible investment covers the Desjardins Mutual Funds line of products, referred to as Desjardins Funds.

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Desjardins's mission and values

Desjardins is the leading cooperative financial group in Canada

Desjardins Group helps improve its community's economic and social well-being through a line of products and services that cover all of its members' and clients' financial needs, and through its attention to environmental, social and governance (ESG) criteria when making business decisions. In keeping with its cooperative values and mission, it encourages people to develop healthy financial habits. It also contributes to sustainable development in communities by putting forward responsible offerings, among other things. Its responsible investment products are Canadian and international in scope.

In addition to the Principles for Responsible Investment (PRI), by signing the Principles for Responsible Banking (PRB) and the Principles for Sustainable Insurance (PSI) in 2019, Desjardins has committed to speeding up the integration of ESG criteria into all its operations in order to actively contribute to developing a more responsible and more sustainable economy.

Desjardins is contributing to energy transition to address climate change

Building on its accomplishments, Desjardins has renewed its commitment to fight against climate change and to broaden the scope of its efforts to reduce its GHG emissions. We're aiming to achieve net zero emissions by 2040 in our extended operations, our lending activities and our own investments in three key carbon-intensive sectors: energy, transportation and real estate.

This action plan is a continuation of what we've already done and reflects our desire to speed up what we're doing to respond to climate change.

This approach, combined with our efforts to consider climate-related risk and opportunities, lends credence to our support for meeting the Paris Agreement's climate targets.

Desjardins is also setting intermediate targets for itself, based on internationally recognized methodologies, and publishing an annual report of its progress in this area.

Sustainable Funds and Portfolio Evolution

1900

Founding of Desjardins

1990

Launch of the Desjardins Environment Fund (known today as the Desjardins Sustainable Global Opportunities Fund)

2000

Launch of the Desjardins Ethical Balanced Fund (known today as Desjardins Sustainable Growth Portfolio)

2009

Creation of the Desjardins Sustainable brand

Launch of the Desjardins Sustainable Conservative Portfolio

Launch of Desjardins Sustainable Balanced Portfolio

Launch of the Desjardins Sustainable Maximum Growth Portfolio

2010

Desjardins Investments signs the UN's Principles for Responsible Investment

2015

Drafting of the Desjardins Funds Responsible Investment Policy

Launch of the Desjardins Sustainable Canadian Bond Fund

2016

Publication of the first annual report on responsible investment

Launch of the Desjardins Sustainable Environmental Bond Fund

Launch of the Desjardins Sustainable American Equity Fund

Launch of the Desjardins Sustainable Cleantech Fund

2017

Launch of the Desjardins Sustainable Canadian Equity Fund

2018

Launch of the Desjardins Sustainable International Equity Fund

Launch of the Desjardins Sustainable Positive Change Fund

Launch of the Desjardins Sustainable Emerging Markets Equity Fund

2019

Launch of the Desjardins Sustainable Global Bond Fund

Launch of the Desjardins Sustainable 100% Equity Fund

2020

Launch of the Desjardins Sustainable Moderate Portfolio

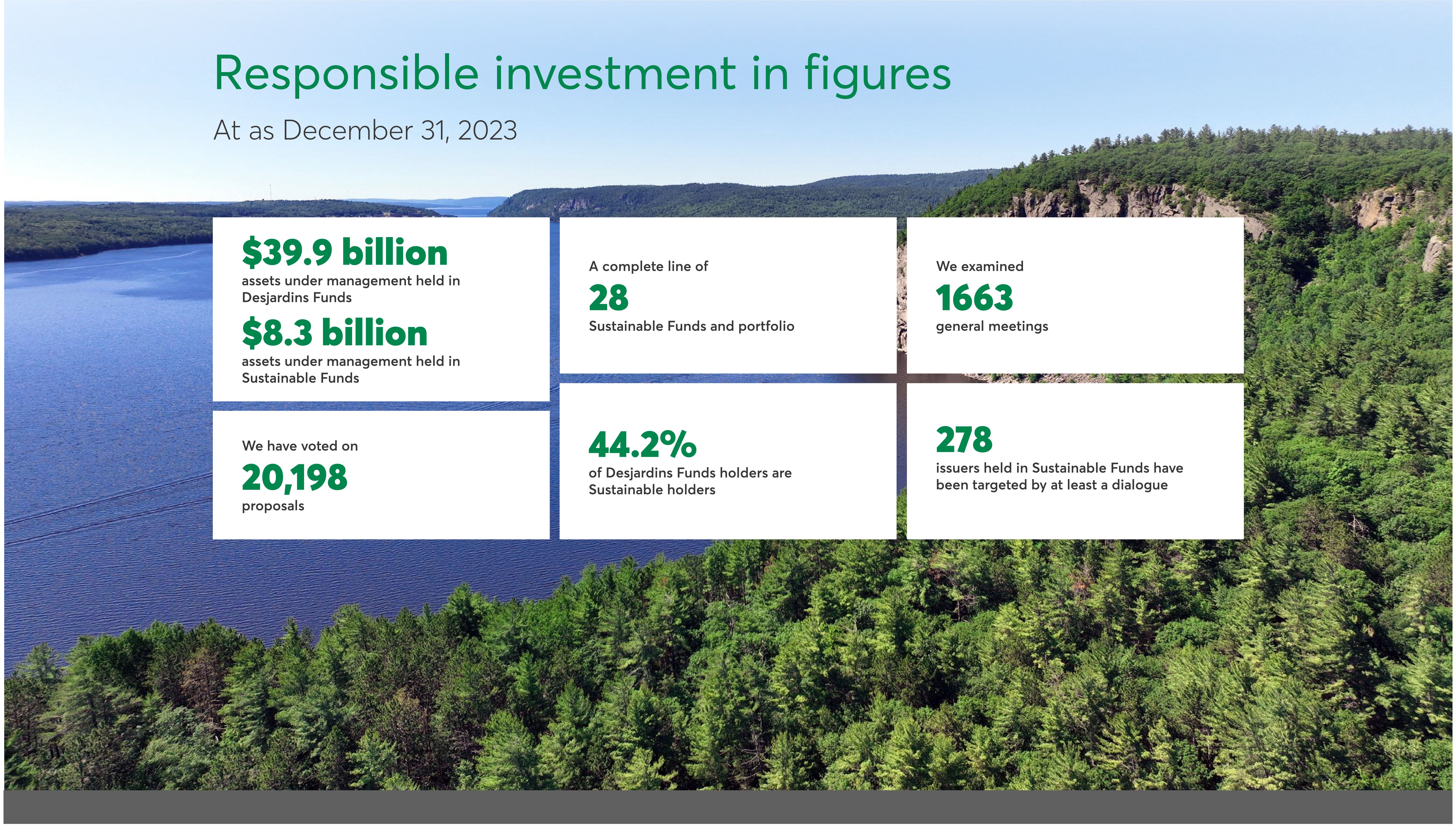
Launch of the Desjardins Sustainable Diversity Fund

2022

The Desjardins Sustainable line reaches 28 solutions with 10 new Funds and 1 new portfolio

2023

Desjardins Investments becomes a signatory of the Net Zero Asset Managers Initiative (NZAMi)



Responsible investment in figures

At as December 31, 2023

$39.9 billion
assets under management held in Desjardins Funds

$8.3 billion
assets under management held in Sustainable Funds

A complete line of
28
Sustainable Funds and portfolio

We examined
1663
general meetings

We have voted on
20,198
proposals

44.2%
of Desjardins Funds holders are Sustainable holders

278
issuers held in Sustainable Funds have been targeted by at least a dialogue

Messages from management

Sébastien Vallée

President and CEO
Desjardins Investments

EDITORIAL

Our pride in responsible investment

Responsible Investment (RI) is all about investing in companies that are committed to building a more sustainable future. It's a powerful driver of change and a testament to how crucial finance is when it comes to affecting change.

At Desjardins, responsible investment has been a part of who we are for more than 30 years—and that's something we're extremely proud of.

A growing number of investors are choosing Desjardins Sustainable Funds every year. In 2023, 44% of Desjardins investors chose Desjardins Sustainable Funds compared to 42% in 2022 and 24% in 2019. We're grateful for this vote of confidence and proud of how much our members and clients care about sustainable development.

We've been offering RI funds since the early 1990s. Over the years, we've expanded our offer to better meet the needs and expectations of our members and clients. Our line of responsible investment mutual funds now offers greater diversification across asset classes in more industries and geographic locations. Ultimately, these funds are curated for a wide range of investors who want to generate decent returns while having a positive outcomes on society, as shown later on in this report.

Our latest assessment of the Principles for Responsible Investment[2] (PRI) has made it possible to highlight the rigour and quality we bring to our approaches and policies, as well as our portfolio managers selection and monitoring processes. In fact, all of our scores have been above the median for all signatories, and among the highest compared to our reference groups. We take great pride in this recognition.

Responsible investment: Long-term investments guided by our beliefs

Over the past few years, the performance of our responsible investment products has been affected by geopolitical tension, inflation and rising interest rates.

We believe responsible investment has great return potential. Businesses that are prepared to manage climate and biodiversity risks are better equipped to deal with the challenges that lie ahead. They're also better prepared to seize opportunities arising from these changes.

RI support and training: working towards a virtuous circle

There are a number of challenges associated with training responsible investment advisors. Over the past few years, the RIA Canadian Investor Opinion Survey[3] has repeatedly highlighted that investors are interested in having more in-depth conversations about responsible investing with their Advisor.

We're sensitive to this issue and are doing everything we can to improve things. Accordingly, we've made a number of organizational adjustments to strengthen our proximity with advisors. As described in the section on training and support, when it comes to training advisors, we have an extensive collection of tools to choose from.

By making sure our advisors have access to effective training material, we're providing them with the tools they need to start conversations about responsible investing with members and clients. In turn, this will create positive spin-offs such as stronger growth and increased trust in our commitment to sustainability.

We hope this report will give you some tangible insight into our approach to responsible investing!

[2] ri_df_assessment_report_inv_a.pdf (fondsdesjardins.com)
[3] https://www.riacanada.ca/research/2023-ria-investor-opinion-survey/

Frederick Tremblay

Managing Director and Head of Investment Solutions
Desjardins Investments

OVERVIEW OF THE ANNUAL RESPONSIBLE INVESTMENT REPORT

This report was created for members and clients who invest in Desjardins Funds, to help them understand our responsible investment (RI) approach.

Transparency is the foundation of our RI approach. This report showcases the authenticity and sincerity we bring to the table. It also shows how important it is for us to honour our commitment to transparency and take on a leadership role in the sphere of responsible investment.

It presents our main results and the evolution of our responsible investment approach.

How we approach our 3 priority themes

This annual report provides an overview of how we approach our 3 priority themes : climate, nature and human rights.

We are presenting our approaches to nature and human rights for the first time. We've also renewed and updated our section on climate objectives to reflect our commitment to achieving net-zero emissions and align our climate disclosures with industry best practice.

Tangible results

Training and support

The section on our commitment to training and support presents the result of our efforts on this front. It shows what we're doing to set ourselves apart, whether that's making sure our advisors and other internal stakeholders have access to relevant training or educating the public. In 2023, more than 6,000 Desjardins employees completed the virtual training on RI, and nearly 1,000 advisors attended our series of RI management webinars.

Stewardship

Our stewardship section is designed to reflect our approach as described in the Stewardship Policy. In 2023, we voted on 20,198 proposals and had at least one interaction with 278 issuers of securities held in our Desjardins Sustainable Funds. This report presents a selection of 14 case studies aligned on at least one priority theme. Our examples reflect the diversity of actions taken under our approach.

Outcomes of our thematic and impacts Funds

This section is where we disclose indicators for thematic and impact funds included in Desjardins Sustainable Funds such as tons of CO_2 avoided and units of water saved.

Thanks to rigorous methodologies, we're delighted to be able to meet our members' and customers' expectations of knowing more about the tangible benefits of their investments.

Our commitment to training and support

Our priority: Responsible investment support for advisors

According to the 2023 Responsible Investment Association (RIA) Investor Opinion Survey,[4] 67% of respondents would like their advisors to give them information about responsible investment (RI), but only 32% of them reported that their advisor discussed it with them.

To bridge this gap as the sector continues to develop, it's essential that advisors receive guidance and tools that can help them discuss RI. This is a pressing need, as these specialists are often the main source of financial information for their clients.

We continued to educate Desjardins caisse network advisors on RI:

- As of December 31, 2023, more than 6,000 Desjardins employees had taken the online RI training developed by our specialized team. This one-hour course provides a clear understanding of RI and the different strategies implemented for each solution. Advisors are then better equipped to identify their clients' financial goals. In turn, advisors can help clients meet those goals by helping them make investments that are aligned with their values.
- We've provided a discount on the RIA Digital Academy courses for retail advisors and investment professionals. These courses are about a dozen hours long, and are intended to help our financial services and wealth management advisors further develop their knowledge of RI.
- We've also begun equipping network advisors with more modern tools and resources, including educational videos that they can share with members and clients on a number of specific topics such as the benefits of RI and the different approaches used.

As in previous years, we've made our educational content available outside of our own networks. Investment advisors across Canada were able to participate in our RI-themed webinars.

- Nearly 1,000 advisors attended our series of RI management webinars this year. The series covered topics such as fund selection based on RI principles, how to identify client RI priorities, and guidelines and practical tips for aligning portfolios with RI principles and updating advisor business models to reflect the transition to a net zero economy.

Better responsible investment education

Individuals need a basic understanding of RI so they can seize opportunities and use their savings to support the transition to a more sustainable world. That's why we make the time to participate in educational conferences. In 2023 alone, we reached nearly 400 people with our courses and content—and that doesn't include people who watched the playback online.

Deborah Debas
Senior Specialist,
Responsible investment

"RI has transformed significantly over the last few years. To keep up with these changes, education is key. We need to ensure that advisors are adequately trained and that investors are aware of the role they can play in the transition."

[4] https://www.riacanada.ca/research/2023-ria-investor-opinion-survey/

Here are some initiatives the RI team participated in during 2023:

ÉducÉpargne

We published an article for investors on ÉducÉpargne's website. The article, *Le pouvoir de votre argent*, explained some of the ways that RI can influence the real world, including:

- Lowering the cost of capital for businesses
- Using investor influence to improve environmental, social and governance (ESG) practices

We also reviewed the key questions that investors can ask their advisors to better understand the RI products available to them and how they can meet their needs and preferences. More than 1,000 people read the article.

LaSalle College – International management conference

This student educational conference presents the various RI approaches that can be used to build an investment portfolio. It also outlines how young people can learn about these approaches on their own and how they can incorporate them into their investment decisions based on their needs and interests.

Training for all internal collaborators: Authentic communications for effective change

Our RI initiatives require input from a wide range of internal collaborators, and we're committed to making sure that everyone involved is on the same page and is properly informed.

That's why we've developed an RI training program for everyone working at Desjardins Investments, with the information they need for their specific roles. As of 2023, more than 95% of our internal collaborators have taken the training.

There's no shortage of educational content for investment professionals, especially advisors. But there hasn't been enough content for marketing and communications specialists, as well as those who play a role in promoting RI. The industry needs to provide comprehensive training on RI and ESG issues to ensure communications are accurate and consistent. There also needs to be a greater awareness of the dangers of greenwashing.

With that in mind, we've established guidelines and developed training for teams with less RI experience, so they can determine what to do—and what not to do—when discussing ESG issues.

Beatriz Barahona
Senior Advisor,
Responsible Investment

"In a complex and rapidly changing environment, supporting members and clients is at the front and centre of our responsible investment practices. By educating investors about RI, we believe we're giving them the tools they need to make informed investment decisions that reflect what matters to them."

Our responsible investment approach

Assets selection and monitoring

Desjardins Funds are managed by Desjardins Investments Inc., one of the largest investment fund manufacturers in Canada.

The Desjardins Sustainable Funds and Portfolios aim to offer attractive return potential while benefitting communities and the planet. To do so, they go beyond traditional financial analysis, incorporating ESG criteria into their selection and management of securities.

Sustainable products strive to invest in businesses, government securities and projects that:

- use sound ESG practices across all of their operations
  - offer solutions to social and environmental challenges
  - improve their ESG practices subsequent to a shareholder
  - engagement process

Useful links

The Desjardins Funds have a Responsible Investment Policy and a Stewardship policy.

The key steps in our approach:

Norms-based and industry-based exclusions	**Selection and monitoring through different approaches**
Stewardship	**Disclosure**

Through its Sustainable Funds and Portfolios, Desjardins Investments is investing in the environment, society and future generations. In offering responsible investment products, Desjardins Investments is making the very commitment it recommends to investors.

Responsible investment go beyond conventional financial analysis by incorporating ESG criteria into the selection and management of securities.

An approach based on a rigorous selection of managers

Our responsible investment (RI) approach is built on an open architecture that provides access to world-class portfolio managers with a track record of generating RI-focused returns.

Our managers are chosen based on a diligent, specialist-led selection process that includes a financial assessment and ESG (environmental, social and governance factors) analysis.

Due diligence process: the backbone of our analysis

Our analysis of ESG processes is based on a due diligence questionnaire that is regularly reviewed for continuous improvement. It charts the advances in RI practices and expectations. For example, when we last reviewed the questionnaire, we added sections on climate, human rights, biodiversity and investment outcomes.

The due diligence questionnaire provides us with a clear understanding of the approaches our managers use when building new portfolios or monitoring existing ones.

Follow-up with our managers

We have regular follow-up meetings with our managers to discuss various ESG aspects: points of contention, stewardship implementation, climate road map, organizational changes affecting ESG factors, etc.

What the due diligence questionnaire focuses on

1	**Factoring ESG considerations into managers' policy, organization and governance**	• The organization's ESG convictions: policy, governance, strategy and planning • Processes for integrating ESG aspects into the organization
2	**ESG integration**	• Analysis of the financial materiality of ESG factors • Methodology for factoring in ESG aspects when selecting securities and building portfolios
3	**Stewardship**	• Formal stewardship policy • Description of stewardship activities • Priority setting process • Follow-up
4	**ESG priority issues: climate, nature, human rights**	• Formal policy or guidelines describing how to approach each issue • Specific indicators and methods • Risk and opportunity identification process • Goals (for example, net zero on climate) and rigorous implementation • Stewardship priorities
5	**Disclosure and sustainable outcomes**	• ESG data disclosure, alignment with UN sustainability goals and other recognized framework • Form and frequency of disclosure • Process for identifying investment outcomes (positives and negatives) • Setting sustainable outcomes goals and rigorous implementation

Our approach to climate change

Climate change: the time to act is now

Climate change is one of the most serious issues of our time. It exposes our ecosystems, public health, infrastructure, economy and communities to a multitude of risks. The transition to a low-carbon economy presents a number of challenges, but it also gives us unique opportunities to become more resilient, use resources and clean energy more efficiently, and develop new products, services and markets. While these trends are taking shape already, our investors are concerned about climate risks and would like their capital to contribute to the transition to a lower-carbon economy. As an investor with strong socioeconomic beliefs and as the manager of the assets of our product holders, we at Desjardins Investments recognize the role we need to play in achieving the goals of the Paris Agreement. Through our approach, we're contributing to collective efforts to achieve a just and orderly transition to limit global temperature increases to 1.5°C above pre-industrial levels, while fulfilling our fiduciary duty and continuing to serve the interests of the people who invest in our solutions.

Our net zero ambition

Desjardins Investments has set out to reach net zero emissions by 2050 for Desjardins Funds and Portfolios by prioritizing decarbonization in the real economy. We've joined the Net Zero Asset Managers initiative, an international group of over 325 asset managers with more than US$57 trillion in assets under management. These managers are committed to supporting investing aligned with reaching net zero emissions by 2050.

As required by our membership in the Net Zero Asset Managers initiative, we've committed to:

- Work in partnership with asset owner clients on decarbonization goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management (AUM)
- Set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner
- Review our interim target at least every 5 years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are included

More information on the commitments required by the Net Zero Asset Managers initiative can be found here.

What does "net zero emissions" mean?

Net zero simply means cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions in the atmosphere re-absorbed by oceans and forests, for instance.

Why is net zero important?

Science clearly shows that in order to avert the worst impacts of climate change and preserve a livable planet, we need to limit the global temperature increase to 1.5°C above pre-industrial levels. Currently, the Earth is already about 1.1°C warmer than it was in the late 1800s, and emissions continue to rise. To keep global warming to no more than 1.5°C, as called for in the Paris Agreement, emissions need to be reduced by 45% by 2030 and reach net zero by 2050.

Desjardins investments has set out to reach net zero emissions by 2050 for our Desjardins funds and portfolios.

Levers to achieve our climate ambition

Reaching our net zero emissions goal for 2050 requires sustained teamwork. We're using our influence to urge the companies in our funds and portfolios to steer their activities, products and services in this direction. There are a number of ways we do this:

- Engaging and dialoguing with issuers whose securities we hold in our portfolios
- Collaborative engagement
- Escalating concerns to upper management[5]
- Exercising voting rights
- Engaging with public policymakers and industry groups
- Engaging with our sub-managers

These actions all serve to strengthen the work we've already done, such as excluding fossil fuel producers and transporters from the Desjardins Sustainable line, investing in climate solutions and helping educate investors who hold our products.

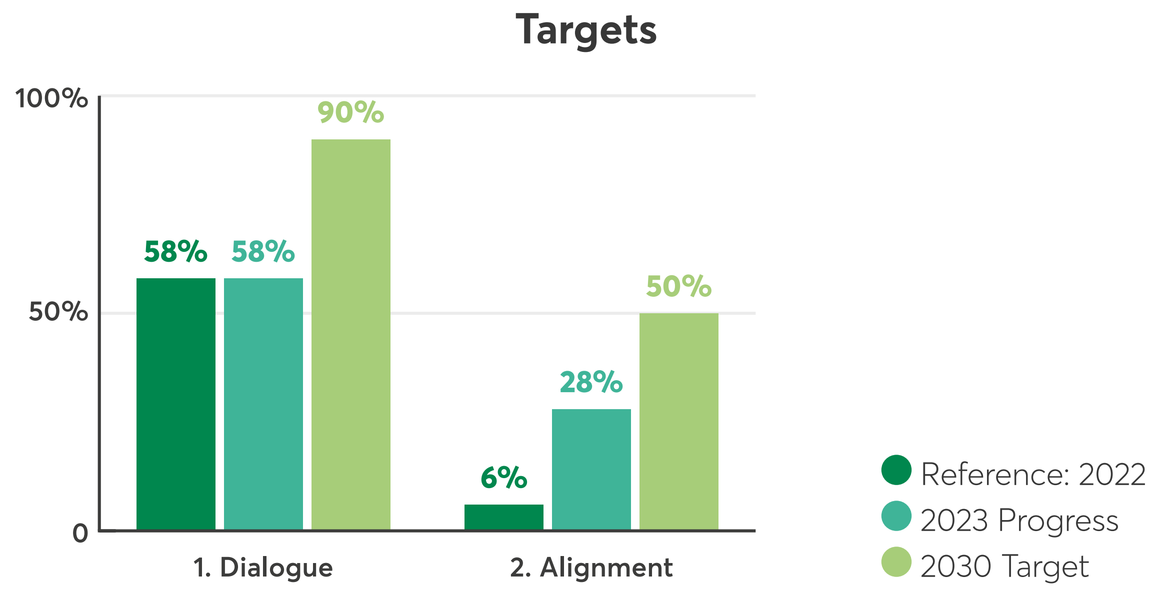
Proxy voting sends a clear signal to companies in our portfolio

Exercising our voting rights isn't just a serious responsibility. It's an effective tool that works hand in hand with other stewardship levers to clearly signal or reiterate our climate expectations of the companies whose securities are included in Desjardins Funds. We have a clear framework that guides our voting decisions to either support or oppose climate-related proposals. Generally speaking, unless a company's particular situation requires it, we support proposals to implement climate reporting mechanisms and climate goals, as well as to hold a vote on these plans and goals. We also vote in favour of proposals requesting the publication of a report on climate lobbying in accordance with the Paris Agreement. Our voting policy guides our choice to vote for or against a given climate transition plan. It takes into account criteria such as alignment with Paris Agreement targets, the company's disclosure of material indirect emissions, financing of new fossil fuel-intensive projects, and implementation of annual reporting to shareholders about the plan.

[5] See our Stewardship Policy for possible escalation measures

Our targets

In 2023, we set our 2030 targets, starting with our work on the Desjardins Sustainable Portfolios and Funds line. These short-term targets are based on a methodology approved and validated by the Net Zero Asset Managers initiative. They prioritize engagement with the businesses that contribute the highest levels of financed emissions, starting with those in the Desjardins Sustainable product range. The graph below illustrates our targets for 2030 and the progress we've made toward them.



1. Dialogue: Our goal is to have the companies that account for at least 70% of financed emissions in Desjardins Sustainable Funds[6] at net zero, aligned to a net zero pathway or subject to engagement by 2025[7]. We want to bring that proportion up to 90% by 2030. As of December 31, 2023, companies representing at least 58% of the range's financed emissions[8] met one or many of these criteria . In recent months, we've been raising awareness with our external managers to boost the number of companies subject to engagement on this issue.

2. Alignment: Our goal, by 2030, is for companies representing at least 50% Desjardins Sustainable Funds[9]' financed emissions to either reach or be on track to reach net zero emissions. We assess their alignment based the Net Zero Investment Framework, supported by criteria such as the adoption of a long-term ambition that's compatible with the notion of worldwide net zero emissions, adoption of short- and/or medium-term greenhouse gas (GHG) emissions reduction targets, disclosure of their GHG emissions, and the credibility of their transition plan. In 2022, the data we had to evaluate the alignment of companies in our portfolio on a net-zero emissions pathway was limited. In 2023, we increased our data coverage to be better able to evaluate this alignment. That, in combination with these companies' progress on their climate ambitions, explains the significant jump in financed emissions from companies considered to be aligned on a net-zero emissions pathway, from 6% to 28%.

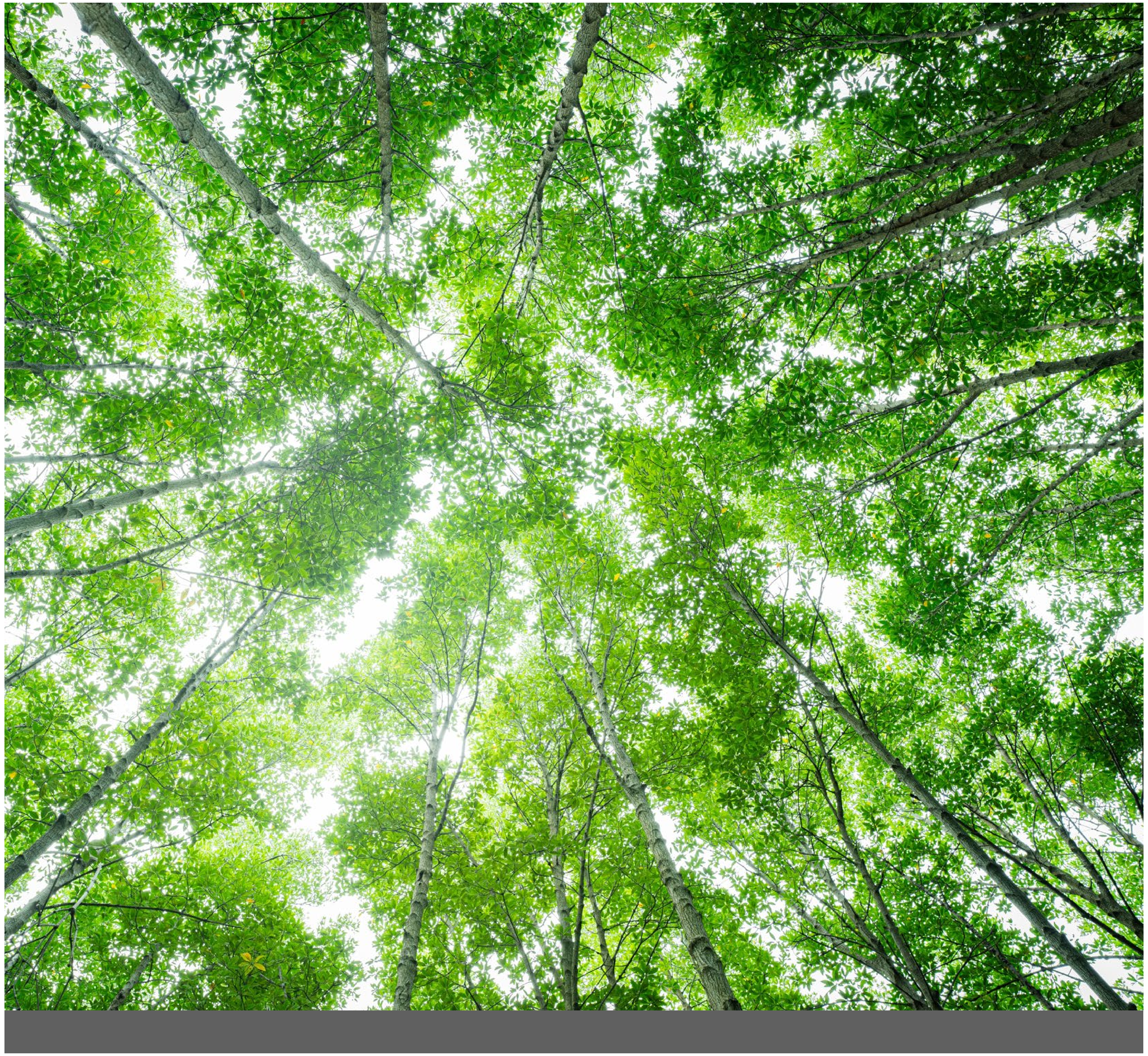
For more about our targets and how we're implementing them, please refer to [document Route ZEN].

We recognize that the global economy hasn't yet taken a path that's in line with the goal of reaching net zero emissions by 2050. That means that achieving our ambition depends on the actions and commitment of governments and other decision-makers toward reaching the Paris Agreement targets. It also relies on investors' appetite for solutions that are guided by our net zero ambition, the development of methodologies for calculating financed emissions and assessments of how well various asset classes align. That said, here at Desjardins Investments, we're ready to commit to our investors and major players in the financial system, as we work towards our collective climate ambitions to benefit all of our members and clients.

We're able to count on a number of partnerships and collaborations to support our efforts to achieve our net zero ambition.

Net Zero Asset Managers Initiative	This international group of asset managers is committed to supporting the goal of achieving net zero emissions by 2050 or earlier and to aligning investing with this goal by setting targets and reporting annually on their progress towards these targets. Desjardins Investments is a member of this initiative.
Climate Action 100+	This initiative aims to encourage the world's largest GHG emitters to take steps to reach global net zero by 2050. Several Desjardins Funds portfolio managers are responsible for direct, individual or collaborative commitments with companies targeted by the initiative.
ENGAGEMENT CLIMATIQUE CANADA	This initiative is designed to encourage Canada's largest GHG emitters to do what it takes to follow a path to reach net zero emissions by 2050. Several Canadian Desjardins Funds portfolio managers are responsible for direct, individual or collaborative commitments with companies targeted by the initiative.
IIGCC	European Desjardins Funds portfolio managers are collaborating with this organization, which aims to raise capital for the transition to a lower-carbon economy.

[6] Equities and corporate bonds, material sectors as defined by the Net Zero Investment Framework
[7] This proportion of financed emissions may also include emitters that have already achieved net zero emissions, or are already aligned on a net zero emissions trajectory, and for whom dialogue efforts would be adjusted accordingly. However, their number is limited.
[8] See note 6
[9] Idem



Engaging with portfolio managers to reach our net zero emissions target

In 2023, we started talking about our net zero emissions target with the portfolio managers for the Desjardins Sustainable line. These rich conversations helped us understand, better than ever, the lengths our managers go to to help reach this shared target. They also helped us establish a dialogue with the companies in the Desjardins Sustainable line that emit the most greenhouse gas. We were able to focus on the importance of leading dialogue with specific companies about issues we've identified, such as the credibility of transition plans, setting short-term decarbonization targets and allocating expense budgets for investment in decarbonization efforts. Many managers stepped up to include these topics in their dialogues with companies in 2024. We're keeping a close eye on these dialogues and are regularly reiterating our net zero emissions target to our Desjardins Sustainable managers.

Our financed emissions

Financed emissions refer to greenhouse gas emissions from a financial asset, such as shares or corporate bonds. Companies in which asset managers invest emit GHGs through their activities and their entire value chain, and asset managers contribute indirectly to these emissions.

We've calculated the financed emissions of the Desjardins Sustainable lineup, meaning the GHG emissions associated with our investments in equities and corporate bonds in this product lineup as at December 31, 2023. The results shown in the table below represent nearly 85% of the assets under management in the Desjardins Sustainable line and about 17% of Desjardins Investments' assets under management. (For details on our methodology, refer to the appendix.)

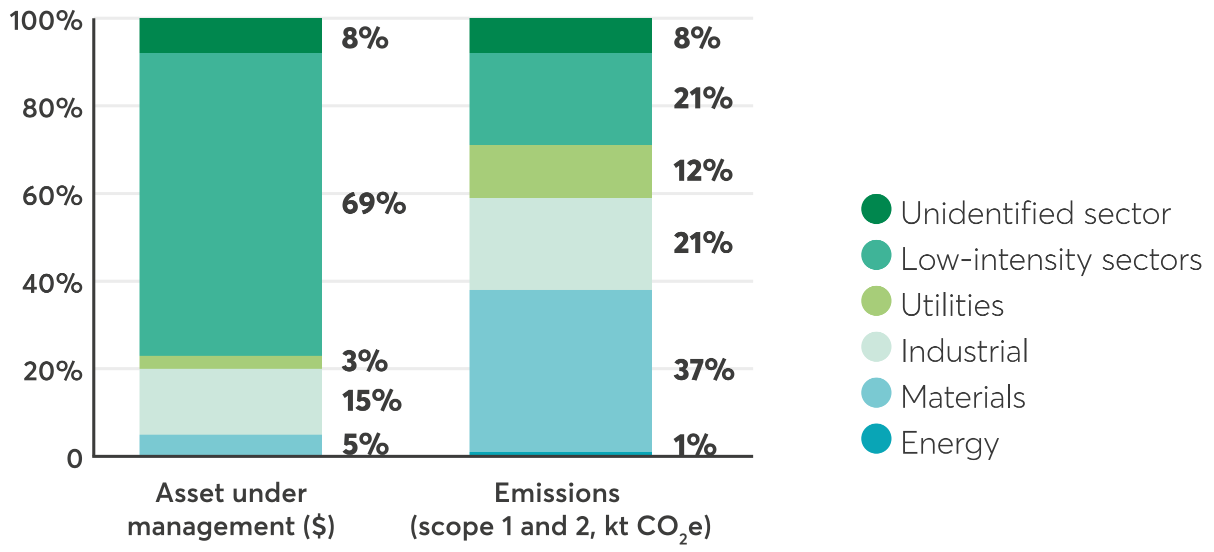
Our financed emissions include Scope 1 and 2 emissions from the companies we invest in (direct GHG emissions from sources attributed to the company, and indirect emissions associated with the heating or electricity that the company consumes). We have a separate disclosure process for Scope 3 emissions (indirect GHG emissions associated with the company's value chain from suppliers to their clients) associated with investments in the oil, gas, mining, transportation, construction, materials and industrial sectors.

Financed emissions – PCAF disclosures (as at December 31st, 2023)[10,11]

Asset class (December 31, 2023)	Emissions (scope 1 and 2, kt CO_2e)	Assets under management ($M)	% coverage	Emissions intensity (t CO_2e/$M)	Average PCAF score*
Equities and Corporate bonds	100	7	92	15.2	2

* Data quality score awarded in accordance with the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting and Reporting Standard for the Financial Industry. See appendix for details of methodology

Financed emissions



The materials, industrial and utilities sectors make up 70% of the Scope 1 and 2 emissions in the Desjardins Sustainable line, for only 23% of the market value. Note that the energy sector contributes very little to the composition and to the financed emissions of the Desjardins Sustainable line because of the exclusions targeting producers and specialized transporters of fossil fuels.

Scope 3 indirect emissions from the energy (oil and gas) and mining sectors are estimated, based on values provided by MSCI ESG Research, to be a combined 102 tCO_2e. Emissions from investments in the materials sector are estimated at 30 tCO_2e; from the construction sector, 4 tCO_2e; and 15 tCO_2e from investments in the transportation sector.

[10] These results are based on the best available data and the methodology deemed most appropriate for our portfolio; they have not been audited by a third party. Any calculation error or update resulting from a change in methodology or addition of new data that produces significantly different results from what has been published will be addressed and corrected in future publications

[11] Results as at December 31, 2023, calculated using data from MSCI ESG ©2024 MSCI ESG Research LLC. Reproduced by permission; no further distribution. This report contains certain information (the "Information") sourced from MSCI ESG Research LLC, or its affiliates or information providers (the "ESG Parties"). The Information may only be used for your individual use as an investor, may not be reproduced or re disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. Although they obtain information from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and they expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. None of the information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such, nor should it be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages

For some sectors, Scope 3 emissions make up the majority of their GHG emissions. This is because Scope 3 comprises emissions from upstream activities such as manufacturing, transformation and waste from inputs to the company's activities. And they also include downstream activities like transportation, distribution, usage and end-of-life handing for the company's products. This is the case for the industrial sector, which includes manufacturing food products as well as beverages, textiles and clothing, electronics, machinery, vehicles and automobile parts, and transportation equipment. Scope 3 emissions are relatively high for these industries compared to other sectors. That said, the share of a company's Scope 3 emissions that can be attributed to a single investor also depends on the level of their investment. This applies, of course, to Scope 1 and 2 emissions as well. The exclusions set up for the Desjardins Sustainable line regarding producers and specialized transporters of fossil fuels[12] results in smaller-than-expected Scope 3 emissions for the oil and gas sector.

Calculating our financed emissions enables us to identify the largest contributors to our financed emissions, which in turn helps us orient our stewardship efforts. We'll continue to calculate and disclose our carbon footprint every year. We also plan to expand the scope of our calculations in the coming years to cover all Desjardins Funds and Portfolios in the pursuit of our net zero emissions ambition for 2050. Refer to the appendix for more details on the scope and methodology of our financed emissions calculation.

Note that methodologies for calculating the carbon footprint of investments and allocating financed emissions to investors are evolving. Presently, there is limited disclosure of companies' greenhouse gas emissions. Some are estimated and most are not verified by a third party. As a result, the calculation and disclosure of our financed emissions are part of an approach that's based on continuous improvement and adoption of best practices to enhance the availability, accessibility and quality of data, as well as the quality of the methodology. We actively contribute to advancing these issues through our involvement with decision-makers and standardization bodies.

Greenhouse gas emissions from our operations

Although the majority of our emissions come from our investment portfolio, we remain committed to our goal to reach net zero emissions by 2040, by taking into account the GHG emissions linked to our extended operations (buildings, business travel and supply chain).

[12] The Sustainable lineup does not invest in companies that generate a major portion of their revenues from oil, gas and thermal coal extraction or production; from the operation of transportation infrastructure and gas and petroleum storage; from oil and gas refining; or from energy production from coal (see our Responsible Investment Policy for more details). As a result, the Scope 3 financed emissions of Sustainable securities are largely generated by the mining sector (NACE sectors 05-09) and by industrial activities derived from oil and gas (NACE sector 20; examples: chemicals, pesticides, plastics, rubber), which the PCAF considers as belonging to this sector

Climate risk

While we're actively working towards our net zero ambition, we can't ignore the risks associated with climate change. Its financial, social and environmental impacts are already being felt and influencing business practices, and it will continue to do so in the years to come.

Climate risk management frameworks generally distinguish between 2 types of risk: physical and transition risks.

Physical risks refer to the financial risks arising from an increase in the frequency and intensity of extreme phenomena and events linked to climate change (acute risks), as well as long-term changes in climate and the indirect effects of climate change, such as its impacts on public health (chronic risks). In addition to causing disruptions to utilities and a decline in biodiversity, the materialization of these risks may compromise workers' safety, cause disruptions to companies' business operations and supply chain, and damage their assets.

Transition risks are defined as the financial risks associated with the transition to a low-carbon economy. They can be linked to market movements, technological developments, changes in regulations and legislation or the changing perceptions of clients and the general public. If these risks materialize, they could lead to higher insurance premiums, lower demand for certain products and services, higher production costs and the abandonment of certain assets.

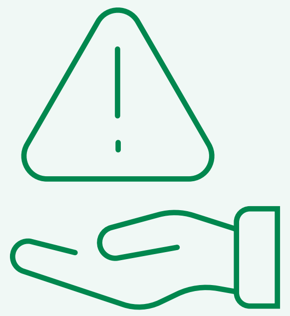
Therefore, it's important for asset managers to identify, assess and manage these 2 financial risk categories associated with climate change.

Transition risks

- Legal and regulatory risks
- Technological risks
- Market risks
- Reputational risks

Physical risks

- Acute risks
- Chronic risks

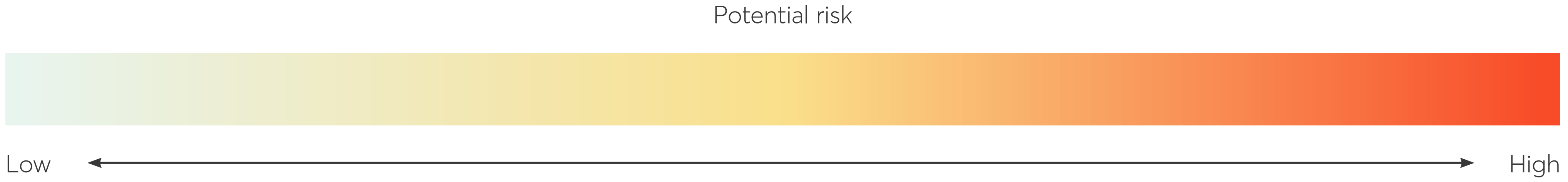


Desjardins Investments conducted a qualitative analysis to identify and assess the climate risks of its assets under management based on various scenarios from the Network of Central Banks and Supervisors for Greening the Financial System. These scenarios offer a glimpse of different plausible climate trajectories for the future. They take into account the ways in which the physical risks of climate change may arise and the changes in regulatory and technological trends.

For this exercise, we analyzed the climate risks inherent in the sectors to which our funds and portfolios are most exposed, namely the information technology (IT), financial and industrial services, and healthcare sectors. Even though Desjardins Funds and Portfolios are not particularly exposed to the energy sector, we still included this sector in the process, given its importance to the transition.

Overview of the findings from our qualitative analysis

Sector	Physical risks	Transition risks
Financial sector		
IT sector		
Industrials sector		
Healthcare Sector		
Energy sector		



Overall, the IT sector will be brought forward with many positive opportunities arising from the transition, such as changing consumer preferences and substituting existing products and services for other low-carbon options. Companies in the healthcare sector should also prepare to take advantage of opportunities, particularly to respond to needs for medication, services and equipment as physical risks intensify. The financial sector presents a low to moderate level of risk. It faces some physical risks in the insurance industry and transition risks such as the uncertainty of market signals and the stigmatization of certain sectors. Industrial services are more exposed to physical risks affecting their activities and infrastructures (moderate level) than to transition risks (low level). Unsurprisingly, the energy sector is the one that's most affected by transition risks such as rising carbon prices, stigmatization of the sector, and substitution of their existing products and services with other, low-carbon options.

We'll reassess the risk exposure of each sector every year and continue our approach to climate risk management in 2024 and 2025. More specifically, we'll assess whether our sub-managers are managing these risks adequately and we'll continue to develop new ways to better incorporate these risks into the investment process. We're also keeping a close eye on the development of tools and methodologies for assessing and managing climate risks in investment portfolios. That way, we can improve our approach and continually monitor our investors' assets.

The Desjardins Sustainable lineup: lower carbon exposure

Weighted average carbon intensity is a measure of the quantity of GHG emitted by an organization in relation to its revenue (tCO_2e/revenue) and takes into account Scope 1 and 2 GHG emissions. Thus, the weighted average carbon intensity allows us to evaluate organizations that stand out from their peers in terms of how effective their internal operations are at reducing GHG emissions. The carbon intensity of the organizations held within a fund is added up to obtain that fund's carbon intensity, with each organization having a weighting equal to its weight in the total value of the organizations included in the fund.

Estimated weighted average carbon intensity of organizations in which Desjardins Funds invest versus comparable organizations[13].

Desjardins Sustainable Canadian Equity Fund	-59%	Desjardins Sustainable Global Dividend Fund	-36%
Desjardins Sustainable Canadian Equity Income Fund	-63%	Desjardins Sustainable Global Opportunities Fund[14]	-42%
Desjardins Sustainable American Equity Fund	-76%	Desjardins Sustainable Diversity Fund	-84%
Desjardins Sustainable American Small Cap Equity Fund	-22%	Desjardins Sustainable Positive Change Fund	-74%
Desjardins Sustainable International Equity Fund	-7%	Desjardins Sustainable Cleantech Fund	-11%
Desjardins Sustainable International Small Cap Equity Fund	-90%	Desjardins Sustainable Emerging Markets Equity Fund	-73%

We need to keep in mind that there are certain limitations when it comes to measuring carbon intensity. For example, the measurement is based on historical data, which means it doesn't take into account the net zero emissions commitments and future transition plans of companies that are currently very carbon-intensive but that have adopted robust and credible strategies to decarbonize their activities. That's why, although the Desjardins Sustainable International Equity Fund is almost as carbon-intensive as its benchmark, we want to mention that the highest carbon exposure comes from Air Liquide, which has set a science-based medium-term target for GHG emission reduction. This target has been validated by the Science Based Targets initiative, an independent organization known for its credibility and rigorous standards for net zero emissions targets. In addition, this indicator excludes indirect GHG emissions from any transportation outside the company's control, as well as those arising from the supply chain or from product usage. Finally, it doesn't take into account the avoided emissions of a product, like those avoided by manufacturers of parts for solar panels.

Moreover, the carbon intensity of portfolio companies isn't the only ESG indicator considered in the Desjardins Sustainable lineup. Asset managers for Desjardins Sustainable Funds also evaluate the best practices of the companies they invest in from a social and governance perspective, in order to consider the ESG performance of companies as a whole.

[13] Results as at December 31, 2023, calculated using data from MSCI ESG by comparing the carbon intensity of the funds with that of their benchmarks. © 2024 MSCI ESG Research LLC. Reproduced with permission. Further distribution prohibited. This report contains certain information ("Information") from MSCI ESG Research LLC, its affiliates or information providers ("ESG stakeholders"). The Information is for your own personal use only as an investor. It may not be reproduced or distributed in any form and may not be used as the basis for or component of any financial instrument, product or index. While they obtain the information from sources that are deemed reliable, the ESG stakeholders in no way guarantee the originality, accuracy and/or completeness of any datum presented herein and expressly refrain from making any explicit or implicit guarantee, including any guarantee as to merchantability and adaptation for a specific purpose. The Information in no way constitutes investment advice or recommendations to make (or refrain from making) any investment decision. It must not be used as such, or taken as an indication or guarantee of any future performance, analysis, forecast or prediction. ESG stakeholders shall be held liable for any errors or omissions related to the data presented herein, or for any direct, indirect, specific or punitive damage or any other damages (including lost profits), even if they are notified of the possibility of such damages.

[14] Formerly the Desjardins SocieTerra Environment Fund.

Our approach to nature and biodiversity

Considering nature and biodiversity in investments

Nature refers to the natural world with a focus on the diversity of living organisms—including humans—and their interactions with each other and their environment. Nature is made up of 4 realms: land, oceans, freshwater and atmosphere. Biodiversity is the variability among living organisms in those realms. It's an essential part of nature that allows ecosystems to be productive, resilient and capable of adapting to change.

People depend on nature in many ways, for things like access to water, food and medication. According to the World Economic Forum, more than half of the world's GDP (close to $58 trillion) depends on biodiversity and natural capital supporting economic activity. The WEF also ranks biodiversity loss and ecosystem collapse third among global risks for the next 10 years, behind extreme weather events and critical change to Earth systems.

As manager of the Desjardins Funds and in the interest of our investors, we recognize this risk and believe it is our duty to take nature into account when making investment decisions. This consideration aims to use our investment processes to protect and restore biodiversity, and to mitigate negative impacts on it.

We recognize that climate and nature are closely linked. Climate change could become the main cause of environmental degradation and biodiversity loss on land and in the sea in the coming decades. At the same time, biodiversity is essential for achieving climate goals, as it contributes to mitigation and adaptation measures. We also recognize that issues related to nature are closely linked to social issues, like human rights and, in particular, the rights of Indigenous Peoples. We understand the importance of Indigenous Peoples' roles and contributions as custodians of biodiversity and as partners in its conservation, restoration and sustainable use.[15]

Growing awareness of the role of investors

Amidst a decline in nature threatening the survival of 1 million species, the 2022 UN Biodiversity Conference (COP15) brought about the creation of the Kunming-Montreal World Framework on Biodiversity, which aims to halt and reverse nature loss. The framework is made up of several global targets to protect nature and underscores the role of the private sector in reaching these targets. Among other things, the framework's targets aim to ensure that at least 30% of terrestrial and inland water areas, as well as marine and coastal areas, are effectively conserved and managed, and that 30% of degraded ecosystems, are restored, by 2030.[16]

In 2023, the Taskforce on Nature-related Financial Disclosures (TNFD) published a set of recommendations and guidelines regarding the disclosure and assessment of biodiversity-related risks. Additional guidance for financial institutions was also made available.

Nature Action 100 (NA100), which was launched in 2023, is the first global initiative to engage investors in response to the urgent crisis of nature and biodiversity loss. NA100 released a list of 100 companies in 8 key sectors deemed to have a significant impact on nature. The 8 sectors are: biotechnology and pharmaceuticals, chemicals, household and personal goods, consumer goods retail, food, food and beverage retail, forestry and packaging, metals and mining. Many of our portfolio managers are signatories of this initiative, including Impax Asset Management, DGAM, Fidelity and Federated Hermes.

Our commitments

Since December 2022, we've been signatories of the Finance for Biodiversity Pledge, a commitment by the financial sector to biodiversity. The pledge has 177 signatories and represents approximately $33 trillion in assets.[17] We're committed to protecting and restoring biodiversity through our investments by:

1. Collaborating and sharing knowledge

2. Engaging with issuers through dialogue and voting activities

3. Assessing the impact on nature

4. Setting targets

5. Reporting publicly on the above before 2025

[15] 15/4. Kunming-Montreal Global Biodiversity Framework (cbd.int)
[16] Ibid.
[17] Finance for Biodiversity Foundation

Assessment of the impact of the Desjardins Sustainable Funds on biodiversity

We assessed the negative impact of the Desjardins Sustainable Funds on biodiversity. We based our approach on the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) tool to determine which industries have the most negative impacts on biodiversity and the nature of those impacts.

- In 2023, 23% of the Desjardins Sustainable lineup's equity and corporate bond assets under management were invested in priority industries identified by the TNFD as having a high potential impact on nature.
- For our Desjardins Sustainable lineup, we determined that exposure to the chemical industry has the greatest potential impact on biodiversity. The following industries were also deemed to have a significant potential impact on nature: metals and mining, transportation, capital goods, food and beverage, pharmaceuticals, semiconductors and semiconductor equipment, and group services.
- The most significant factors common to these industries are freshwater use, water and soil pollution, and solid waste production.
- The heat map shows that GHG emissions are an important factor in the Desjardins Sustainable Funds. We won't keep this factor in our analysis because we already factor it into our climate change approach.
- Certain industries identified by the TNFD as having a significant impact on biodiversity appear in green on all factors that affect our Desjardins Sustainable Funds. This is because we're not heavily invested in these industries. For example, our Desjardins Sustainable Funds exclude fossil fuels, which means we aren't investing in the oil, gas or fuel industries.

Methodology

Using the stocks and bonds included in our Desjardins Sustainable lineup, we analyzed our exposure to the TNFD's priority industries, namely those that have the greatest impacts on nature, while also depending to a significant degree on natural capital. The TNFD recommends disclosing the percentage of exposure to securities in these industries.

We then analyzed this exposure using ENCORE to identify our potential negative impact on nature.

ENCORE is a database that provides a sector- and subindustry-based list of impacts and dependencies on issues such as the use of freshwater ecosystems, greenhouse gas emissions, water and soil pollution, or the use of land-based ecosystems. It was created to help financial institutions understand their dependencies and potential impacts on nature. We used ENCORE on our Desjardins Sustainable Funds by weighting it based on our investments in each industry.

How do the industries impact nature?

- Mining operations use large quantities of water. This resource is required at almost every stage of the mining process. For example, a lot of water is needed to cool down machines and remove dust. Water for the mining industry is drawn from ground reserves, increasing the severity and frequency of droughts.[18]
- Producing certain chemicals generates wastewater containing nutrients, like nitrates and phosphates, and heavy metals and chemicals, like nickel or ethylene oxide.[19]
- Manufacturing pharmaceuticals produces waste that can contribute to environmental pollution if it isn't processed properly. It also involves the use of multiple packaging materials.[20]

To complete our analysis, we used the Forest 500 index to identify portfolio stocks exposed to deforestation, along with the worst offenders.

Forest 500 assesses and ranks the 500 companies and financial institutions that have the greatest influence on tropical deforestation. In particular, they're assessed based on the strength and implementation of their public commitments to deforestation, forest conversion and human rights. Over the last decade, the Forest 500 index has focused on the raw materials that cause more than a third of tropical deforestation (beef, leather, soy, palm oil, timber and paper).

[18] ENCORE (encorenature.org)
[19] Ibid.
[20] Ibid.

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Heat map of the potential negative impacts of Desjardins Sustainable Funds on nature

Sector	Industrial group / industry	Disturbances	Freshwater ecosystem use	GHG Emissions	Marine ecosystem use	Non-GHG air pollutants	Soil pollutants	Solid waste	Terrestrial ecosystem use	Water pollutants	Water use	Biological interferences/ alterations	Assets under management in Desjardins Sustainable Funds
Energy	Oil, gas & consumable fuels	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low	0.14%
Materials	Chemicals	Very Low	Very Low	Very High	Very Low	Very High	Very High	High	Very High	Very High	Very High	Very Low	3.04%
	Construction materials	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low	0.00%
	Containers and packaging	Very Low	Very Low	Low	Very Low	Low	Medium	Low	Very Low	Medium	Medium	Very Low	0.50%
	Metals and mining	Medium	Medium	High	Very Low	Medium	Medium	Medium	Medium	Medium	High	Medium	1.82%
	Paper & forest products	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low	0.10%
Industrials	Construction services	Medium	Medium	High	Medium	Medium	Medium	Medium	High	Medium	Medium	Medium	1.29%
	Sewerage, waste collection, treatment and disposal	Very Low	Very Low	Very Low	Very Low	Medium	Medium	High	Very Low	Medium	Medium	Very Low	2.36%
	Transport and associated services (includes passenger airlines)	Very High	Low	Very High	Very Low	High	Medium	Medium	Low	Medium	Medium	High	2.36%
Consumer discrtionnary	Automobiles	Medium	Very Low	Medium	Very Low	Medium	Medium	Medium	Very Low	Medium	Medium	Very Low	0.47%
	Textiles, apparel and luxury goods	Very Low	Very Low	Very Low	Very Low	Medium	Medium	Medium	Medium	Medium	Medium	Very Low	0.97%
Consumer staples	Beverages and food products (includes agriculture)	Very Low	Low	High	Very Low	Low	High	High	Low	High	High	Very Low	1.91%
	Personal care products	Very Low	Very Low	Medium	Very Low	Medium	Medium	Medium	Very Low	Medium	Medium	Very Low	0.61%
Health Care	Pharmaceuticals	Very Low	Very Low	Very Low	Very Low	Medium	High	High	Very Low	High	High	Medium	1.87%
Information technology	Semiconductors and semiconductor equipment	Very Low	Very Low	Very High	Very Low	Very Low	Very High	Very Low	Very Low	Very High	Very High	Very Low	3.17%
Utilities	Electric utilities, gas utilities, water utilities, Independent power and renewable electricity producers	Medium	High	Very High	Low	Very Low	Medium	Very Low	Very High	High	High	Very Low	2.44%

- Very Low
- Low
- Medium
- High
- Very High

Stewardship as a key driver

We recognize that the global economy hasn't yet taken a path that's in line with the fight against the loss of nature and biodiversity. This means that achieving our ambition will also depend on the actions of governments and other decision-makers. It also relies on investor demand for investment solutions to fight nature and biodiversity loss. That said, Desjardins Investments is ready to commit to investors and major players in the financial system to work together toward achieving the ambition to protect nature and biodiversity.

We'll continue to use stewardship as a key driver to act on nature and biodiversity loss:

- Our approach and expectations for biodiversity will be communicated to our portfolio managers, along with the list of priority companies with which we want to engage in dialogue.
- To encourage companies to take steps to reduce their impact on nature, we'll also continue to vote in favour of shareholder resolutions, in accordance with our Policy on the Exercise of Proxy Voting Rights. For example, we vote FOR proposals requesting disclosure of the strategy regarding deforestation in the supply chain and FOR the disclosure of the strategy regarding the reduction of plastic pollution.

At the same time, we'll continue to develop our knowledge of nature and biodiversity by taking part in conferences and webinars, and closely monitoring developments in industry best practices.

Our approach to human rights

What are human rights?

Human rights are rights that are inherent to all human beings, including the universal and inalienable right to well-being, dignity and equality. They protect civil, political, economic, social and cultural rights such as the right to life, liberty, health, education, an adequate standard of living, freedom of expression, and freedom from discrimination.

Our approach to human rights is based on the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

Desjardins Investments has adopted the same position as the United Nations, which states that while corporations should not be a substitute for governments and international organizations when it comes to promoting human rights and labour rights, they are nevertheless responsible for ensuring that their activities don't interfere with a person's ability to exercise these rights and for addressing potential harms that might arise as a result.

As Desjardins Funds managers, we are responsible for taking human rights into account at every stage of the investment process, in accordance with the United Nations Guiding Principles on Business and Human Rights. This consideration allows us to identify risks related to human rights violations. It also makes it possible to mitigate and prevent the negative impacts of business practices and improve daily living conditions for people and communities whenever possible.

We prioritize investment categories we're more likely to be able to influence as investors, such as human capital, labour rights, supply chains and consumer rights.

Among others, our objective is to make sure everyone has to access to adequate working conditions and goods and services that meet basic quality standards. We also want to focus on improving our relations with Indigenous peoples and building sustainable and inclusive communities.

We're also signatories of Advance[21], a PRI-led collaborative initiative where institutional investors work together to take action on human rights and social issues.

Using tangible leverage to mitigate risk

Exclusions

Desjardins Funds already exclude countries, industries and issuers that have a record of using practices that violate human rights. In particular, we keep a close eye on businesses that don't comply with the UN Global Compact.

Identification

Our portfolio managers have the data and analytical tools required to identify potential human rights risks and controversies that might impact the people who work for these companies, or occur as a result of their operations. They also assess a company's human rights record prior to investment and during the holding period.

Stewardship and monitoring

The stewardship activities we take on in collaboration with our portfolio managers allow us to influence companies and improve their practices. We also follow-up on any issues or controversies at hand. To ensure human rights remain protected, our portfolio managers have the ability to engage in dialogue with these companies and use escalation measures, leading all the way to divestment if necessary. We also leverage our voting rights to influence companies.

Next steps

We're getting ready to draft a list of companies to focus on as part of our mission to address human rights issues through our stewardship activities. The list will include companies involved in certain controversies and whose human rights record could stand to be improved. The list will be shared with our portfolio managers in order to improve our position. Progress indicators will include:

- Being open to accepting responsibility for controversies that have been highlighted
- Implementing solutions to resolve these issues and controversies
- Establishing or strengthening policies, such as by implementing a supply chain code of conduct

The impact and progress of our stewardship activities will be communicated to all companies included on the list.

[21] https://www.unpri.org/investment-tools/stewardship/advance

Stewardship

Our approach to stewardship

"Stewardship is about using influence to maximize global long-term value, including the value of common social, environmental and economic assets that clients and beneficiaries depend on for interest returns" (Principles for Responsible Investment glossary).

Objective

We believe that stewardship is essential for promoting the long-term value of investments while also fostering sustainable benefits for shareholders and the community.

Our stewardship approach supports 3 priority themes: climate, nature and human rights. We believe these 3 issues could have negative effects on the long-term value of security holdings and a systemic impact on communities and the planet.

For more information, see the detailed description of our stewardship approach in the [Desjardins Funds Stewardship Policy.]

Levers of our stewardship approach

- **Engagement with issuers**[22]
- **Collaborations with other investors**
- **Exercising voting rights**
- **Submitting shareholder resolutions**[23]**.**
- **Engagement with political decision-makers and other major industry players**

[22] For the Desjardins Sustainable line
[23] Desjardins Funds hasn't submitted any shareholder resolutions over the past few years.

Engagement in 2023

Engagement consists in talking to the company about ESG considerations that might have a long-term effect on its value, and more importantly, on the community. The goal is to set expectations for the company and encourage it to improve the way it manages ESG factors, thus helping to protect the long-term value of its investments.

Collaborative engagement enables a group of investors to exert influence over issuers of the securities in their portfolios to bring about positive change. It complements individual engagement, but doesn't replace it. Over the past few years,a number of collaborative engagement initiatives have seen the light of day, and we generally encourage portfolio managers with Desjardins Funds to participate.

278

issuers targeted by at least one engagement in 2023

Distribution of dialogues by issue type

Environment	136
Social	146
Governance	113

Geographic distribution of dialogues with targeted issuers

Canada	25
United States	132
Rest of the world	121

Votes in 2023

By exercising voting rights, shareholders can have a say on all matters submitted each year at shareholder meetings. Most proposals are submitted by management and deal with items such as electing directors and compensating principal officers. We are also called to vote on proposals submitted by other shareholders.

Useful links

Desjardins Funds has a Policy on the Exercise of Proxy Voting Rights, which applies to all of its investment funds and portfolios. In keeping with our regulatory obligations, we disclose all of the votes we exercise on an annual basis. The Legal and Financial Publications section on desjardinsfunds.com sets out the list of Desjardins Funds that hold shares with voting rights.

We reviewed 20, 198 proposals submitted to a shareholder vote (3.2% of these proposals were submitted by shareholders rather than corporate management). We voted in favour of proposals submitted by management in 62% of cases and supported 48% of the proposals submitted by shareholders.

In 2023,

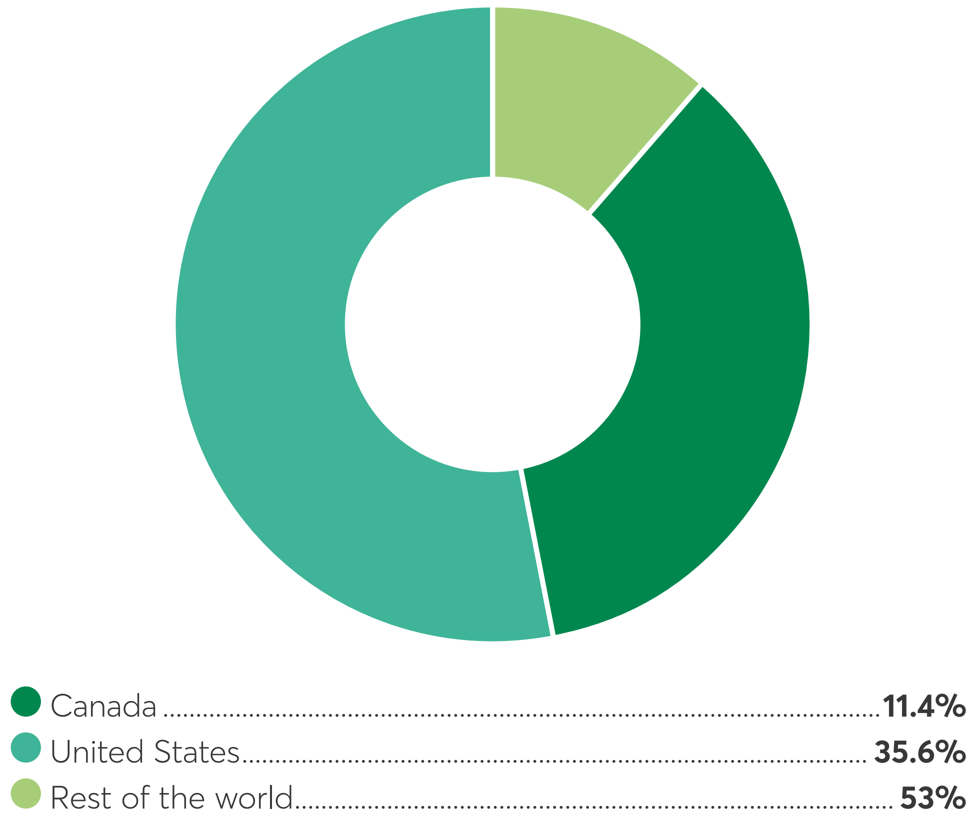
20,198

Votes at shareholder meetings

1,663

Corporate Shareholder meetings examined

Geographic distribution of votes



Shareholder proposals in 2023

Among shareholders' rights and privileges, the shareholder proposal can be a way to raise awareness about a specific ESG issue within a company and among its shareholders. The activity consists in drawing up a non-restrictive recommendation, meaning that it doesn't prescribe a direct action that could hamper company officers' ability to carry out their duties, and that will be submitted to all company shareholders.

This option is typically used by investors when engagement doesn't lead anywhere, in an effort to force the company to take a stance on an issue during its shareholder meeting. Sometimes, once submitted, a shareholder proposal can also be used as a bargaining tool with a company, resulting in the implementation of a new measure before the meeting is even held. Desjardins Funds did not file any shareholder proposals in 2023. However, it took a stand on several proposals submitted by other investors while exercising their voting rights.

Considerations when voting on shareholder proposals

We believe that voting on shareholder proposals is a lever for change. It can mobilize shareholders, focus efforts on a call to action, engage a set of shareholders around this action and demonstrate that the company has been encouraged to make changes.

Generally, we want to add our voice to those of other shareholders by expressing support for shareholder proposals that are in line with our positions as described in the Policy on the Exercise of Proxy Voting Rights.

However, before making a decision about a shareholder proposal, we consider its form and substance. We don't support all shareholder proposals. We may reject proposals for any of the following reasons:

- The proposal may not be in line with our Policy on the Exercise of Proxy Voting Rights.
- Our discussions with management may have indicated that the company is already responding to the issue.
- The proposal may not be written well enough, or its content may not be in line with business realities.
- The proposal may be too prescriptive and deal with the company's day-to-day operations, which would make it difficult to monitor.
- Some of the shareholder proposals we've seen in recent years have been anti-ESG.

50%

Votes on shareholder proposals by Desjardins Funds

Desjardins Funds voted in favour of **50%** of shareholder proposals directly related to ESG factors (environmental, social and governance). These proposals primarily addressed environmental challenges such as climate change, and social issues such as diversity and human rights.

Shareholder proposals: 2023 trends and highlights in Canada and the United States

Desjardins Funds voted on approximately 50 proposals from Canadian shareholders in 2023, down from a record of 86 in 2022. Meanwhile, 52 shareholder proposals were withdrawn in 2023, compared to 58 in 2022, 52 in 2021 and 18 in 2020. Proposals are often withdrawn when management reaches an agreement with the filer. These numbers suggest companies are open to constructive engagement.

The United States continued to have a very high number of shareholder proposals. This is partly due to more relaxed Securities and Exchange Commission (SEC) requirements, particularly in terms of the ownership thresholds and support required to submit the same proposal to the same company year after year.

Anti-ESG proposals spiked in the United States and are starting to appear in Canada

Anti-ESG proposals increased in the United States and appeared for the first time in Canada in 2023. Desjardins Funds voted against all 31 anti-ESG proposals it received in 2023.

These proposals targeted all aspects of ESG. On climate issues for example, Canadian banks received anti-ESG proposals aiming to curb spending on climate action analyses and to continue funding fossil fuels. On the social side, these proposals also called for diversity, equity and inclusion measures to be abandoned. The share of votes in favour of these anti-ESG proposals remains very low at 1–2%.

Engaging in dialogue with public authorities and industry players

As a leading proponent of responsible investment, Desjardins Investments is always looking for ways to advance and improve the conditions in which we work. We primarily do this by engaging in discussions with industry players, regulators and public authorities. These exchanges can occur in a variety of formats, such as answers given during consultations or statements made during public speaking engagements or working groups.

- Desjardins is a member of the Responsible Investment Association (RIA) of Canada, having served on its board of directors since 2018. As an active member of the association, we support its initiatives and take part in its events. For example, we were involved in carrying out the 2023 RIA Investor Opinion Survey.
- Having signed the Principles for Responsible Investment (PRI) in 2010, we get to participate in discussions that transpire as a result of this initiative. We also take part in discussions on strategy and the future of communications. Desjardins Investments' RI department has a member that serves on the PRI Quebec advisory committee.
- As a member of the Investment Funds Institute of Canada (IFIC) ESG working group, Desjardins Investments attended a consultation about proposed revisions to CSA Staff Notice 81-334 about the fund's environmental, social, and corporate governance (ESG) factors.
- Desjardins Investments also shares its expertise through its involvement in outreach activities such as attending public meetings and speaking to the press. Namely, we had more than 20 opportunities to voice our opinions in 2023. Among these, we were consulted for an article on sustainable bonds in The Globe and Mail, and another article on greenwashing published by RIA in their magazine.

A system-wide commitment with Institutional Shareholder Services

Desjardins Funds votes are cast on a platform run by Institutional Shareholder Services (ISS), an international proxy voting and advisory firm. Although Desjardins Funds has an in-house voting policy, other ISS clients have the option to vote according to a benchmark policy developed by ISS. This policy is systemically important for shareholders from around the world, because it's the only way many investors get to voice their opinion about what securities they hold in their portfolios. Accordingly, in 2023, Desjardins Investments was involved in two (2) ISS reference policy consultations to ensure ESG factors would be given greater consideration when voting at a global level. During these meetings, we were able to weigh in on issues such as the board's responsibility for climate risk management, the level of ambition and credibility companies are expecting to be applied to climate targets, and alignment with ISS recommendations regarding industry standards used by investors to assess impacts on climate issues. We also plan on underscoring the importance of these issues in future consultations with ISS.

Political decision-makers such as governments and regulatory bodies routinely ask Desjardins to comment on various issues. For example:

- The Bank of Canada asked Desjardins about how we support the green bond market and its development
- Desjardins contributed to the Current State of Play on Green Finance, Green Investment, Transition Finance and Transparency, Standards and Taxonomy—a study carried out by the House of Commons' Standing Committee on Finance
- Desjardins took part in a consultation by the Office of the Superintendent of Financial Institutions (OSFI) about the Standardized Climate Scenario Exercise

Participation in the Carbon Disclosure Project (CDP) Science-Based Targets Campaign

In 2023, Desjardins Group and its various entities, including Desjardins Investments, supported the SBTi with its CDP Science-Based Targets (SBT) Campaign. This joint effort is led by two non-profit organizations that are responsible for setting industry standards: The CDP, an organization that's currently recognized as the gold standard in environmental reporting, and the Science-Based Targets initiative, which is recognized for its leadership role in tackling global warming with science-based net-zero target validation services. Through this campaign, Desjardins Group was able to add its voice to 367 major players in the financial industry, making a formal demand that 2,100 companies with high CO_2 emissions set science-based net-zero targets. The letters were sent in October 2023, and the results of the campaign will be announced in the coming months.

CASE STUDIES - CLIMATE AND ENVIRONMENT

Desjardins Sustainable Canadian Equity Fund

Portfolio Manager: Desjardins Global Asset Management (DGAM)

Collaborative dialogue with a Canadian transportation company

Background and issues

The company's ambition is to align itself with the Paris Agreement's goal, which is to limit global warming to 1.5°C by setting targets that are backed by science (via the Science Based Targets initiative [SBTi]).

The company is also on the priority list of the collaborative initiative called Climate Engagement Canada (CEC, see text box).

Objectives and approaches

As part of CEC's collaborative initiative, Desjardins Global Asset Management (DGAM), portfolio manager of the Desjardins Sustainable Canadian Equity Fund, is co-leading the dialogue with this transportation company.

During the dialogue with this company, DGAM's objective was to confirm if the company's strategy was in line with their net-zero emissions target, particularly the concrete operational rollout of their strategy to decarbonize their operations.

The company, represented by senior management, presented its short-term strategy, which includes optimizing routes, electrifying processes and upgrading locomotives to improve their energy efficiency.

In the longer term, the company seems to be targeting hydrogen as an alternative fuel, by increasing partnerships and research and development in this technology.

Conclusions and next steps

The dialogue confirmed that the company is sincere in its decarbonization efforts.

Discussions will continue with the company to make sure that the strategy is implemented and that results are aligned with targets.

Given the floods and forest fires that occurred in Canada in 2023, DGAM also felt that it was appropriate to ask the company about their analysis of the impact of climate change and the associated physical risks on their network. The company explained that every railroad line construction and renovation includes an analysis of how the infrastructure in question is adequately adapted to extreme weather effects.

Climate Engagement Canada, a collaborative initiative

Climate Engagement Canada is a financial initiative that fosters dialogue between the financial community and issuers to promote a just transition to a net-zero economy.

Climate Engagement Canada focuses on certain companies listed in Canada. These companies are identified as the top reporting or estimated issuers, or as companies that can contribute significantly to the transition to a low-carbon future and become sectoral and organizational climate action leaders in Canada. These companies operate across the Canadian economy in the oil and gas, utilities, mining, agriculture and food, transportation, materials, industrials, and consumer discretionary industries.

Desjardins Global Asset Management (DGAM) is actively involved in the Climate Engagement Canada initiative.

Desjardins Sustainable Cleantech Fund

Portfolio Manager: Impax Asset Management

Company: Clean Harbors

Dialogue as a lever for achieving our net zero targets

Background and issues

Clean Harbors provides a range of solutions for managing waste and ensuring environmental compliance. In 2023, Impax Asset Management (Impax), the portfolio manager of the Desjardins Sustainable Cleantech Fund, flagged the company as high priority for engagement on climate-related issues.

Objectives and approaches

The dialogue was about calculating and disclosing Scope 3 emissions, with the aim of pushing the company to publicly set decarbonization targets. Impax discussed its voting guidelines on climate-related issues and raised expectations in line with the Net Zero Asset Managers (NZAM) commitment.

Clean Harbors has made progress in disclosing their GHG emissions. The company prepared a report in 2022, and presented a report to CDP for the first time. It is estimating its Scope 3 figures and working on creating a more holistic Scope 3 baseline.

The company is looking to increase its renewable energy supply and has integrated identification and management of climate-related risks into its risk management process.

Clean Harbors is laying out a path for goal setting, and Impax has advised it to use the Science Based Targets Initiative (SBTi) framework to guide the target-setting process.

Progress and next steps

Impax has noted the company's progress, with its improved data collection systems for calculating Scope 3 emissions. However, Clean Harbors has indicated that it wants to wait until it has 3 years of reliable data available before setting targets. Impax believes that waiting for the perfect data won't progress things fast enough, and that it's important for the company to set targets sooner.

At the company's re-evaluation in early 2024, progress was deemed insufficient and escalation measures were considered. Impax will continue to engage with the company on these issues on an ongoing basis.

Desjardins Sustainable Environmental Bond Fund

Portfolio Manager: Mirova

Company: ENGIE

What are green, social and sustainability bonds?

Green bonds are debt securities created to finance projects that address environmental issues such as the development of renewable energy sources, energy efficiency, sustainable waste management, sustainable uses of soil, biodiversity preservation, sustainable transportation and sustainable water management. Social bonds are debt securities aiming to support projects that address social issues such as affordable housing, food security, healthcare services, education and socioeconomic development. And sustainable bonds are debt securities created to finance social or environmental projects.

Geopolitical context and the net-zero trajectory: the importance of dialogue

Background and issue

ENGIE SA (ENGIE) is a French multinational company that operates in the fields of energy solutions, as well as power generation from gas, nuclear and renewable energy.[24]

In 2021, the company announced its ambition to become Net Zero by 2045, covering all emissions across its value chain (scopes 1 to 3).

ENGIE's climate near-term targets have been certified by the Science Based Target Initiative as well below 2°C-aligned. This commitment is supported by various targets, such as a deployment of renewable energy capacities from 38 GW in 2022 to 50 GW in 2025, and 80 GW in 2030, as well as a commitment to exit from coal globally by 2027.

ENGIE's current business model remains largely based on natural gas, but the company believes renewable gases have a key role to play in the energy transition because of their ability to be stored and distributed on demand. The company has therefore set itself the challenging ambition to achieve 100% decarbonized gas by 2045 in all its networks through the use of biomethane, renewable hydrogen, and carbon capture, utilization and storage (CCUS) technologies.

ENGIE reported that 15% of its revenue in 2022 (including 0.4% for electricity generation from nuclear energy in existing installations) was aligned with the EU taxonomy. Its share of capex (maintenance and growth) aligned with the EU taxonomy is much higher than revenue, at 58%, indicating that the company is actively pursuing its transition toward sustainable energy activities. The share of taxonomy-aligned growth capex is even higher at 68%. It is expected to rise further to 76% over 2023–2025.

In the aftermath of the Russian invasion of Ukraine that started in February 2022, the European Commission announced in its RepowerEU plan a goal to make the EU independent of Russian fossil fuels well before 2030, starting with gas. Due to its business model and with ENGIE's largest shareholder being the French government, this plan is likely to have an impact on the company's strategy.

Objective and approach

Mirova, the portfolio manager of the Desjardins Sustainable Environmental Bond Fund, engaged with ENGIE in 2023.

The objective was to improve Mirova's understanding of how the company manages its risks associated with the high climate warming potential of fossil gas, and how its usage could be reduced and/or substituted by lower emission gases, such as biomethane or green hydrogen, to meet its Net Zero Carbon goal by 2045 on all scopes.

Amid the ongoing war in Ukraine, Mirova has held a meeting with the company to ensure that their commitment towards carbon neutrality by 2045 would not be jeopardized, particularly in view of the increased imports of LNG deemed necessary by the French government to ensure the security of the country's energy supply.

Results and next steps

The company provided reassuring answers to reconciliate their long-term Net Zero commitment with these short-term hiccups, with particular emphasis on the importance of biomethane as a growing substitute of fossil gas. The company's ambition to boost its biomethane production during this decade is fully consistent with the REPowerEU plan.

Mirova also participated in a meeting with 2 biomethane experts from ENGIE. During that meeting, the experts provided incremental details on the credibility of the company's roadmap and ambitions within the industry.

While it is becoming increasingly clear that the path towards carbon neutrality will be a bumpy road because of the developments and implications surrounding gas imports from Russia, Mirova believes ENGIE's strategy remains consistent with the achievement of their Net Zero Carbon goal by 2045.

Mirova will monitor upcoming developments regarding gas supply from Russia, and ENGIE's response and actions to keep their climate commitment.

[24] In accordance with the Desjardins Funds Responsible Investment Policy, ENGIE does not exceed our significant revenue threshold of 10% from the extraction, production, specialized transportation or storage of natural gas, or power generation from nuclear.

Desjardins Sustainable American Equity Fund

Portfolio Manager: Clearbridge

Company: Ball

Aluminium and recycling

Background and issue

Ball is the largest manufacturer of recyclable aluminum beverage cans in North America and one of the largest producers of aluminum packaging for the beverage, food, personal care and household products industries.

In September 2023, ClearBridge, the portfolio manager of the Desjardins Sustainable American Equity Fund, continued a long-running discussion with Ball on the sustainability profile of aluminum relative to plastic and glass.

Ball has a 2030 target of 55% reduction of its scope 1, 2 and 3 GHG emissions. Their biggest decarbonization lever is increasing recycled content. Beyond that, there are several promising technologies with real potential to meaningfully decarbonize primary aluminum production.

Objective and approach

ClearBridge has been asking about Ball's views on recycling rates in the U.S. and the role of recycling rates in Ball's decarbonization targets. The portfolio manager also wanted to better understand how aluminum recycling compares to that of plastic and glass and learn more about chemicals of concern.

Several points helped deepen ClearBridge's understanding of Ball's sustainability profile and opportunity.

The biggest challenge for aluminum can makers is getting consumers to actually recycle the cans. Ball is targeting 85% recycled aluminum content by 2030 (it was 66% in 2021), and this is the single largest lever in reaching its climate goals. But this relies in part on increasing recycling rates, something Ball can't control.

U.S. investments in aluminum recycling plants are, meanwhile, moving in the right direction. There are several promising technologies with real potential to meaningfully decarbonize primary aluminum production, including inert anode technology (Elysis), which eliminates direct CO_2 emissions from the smelting process.

Phasing out chemicals of concern (BPA, PFAS, formaldehyde) is progressing and represents a manageable cost. Ball has partnered with coating companies like Sherwin-Williams that have developed BPA-free coatings, enabling Ball to increasingly shift its production to BPA-free cans. Ball is currently 100% BPA-free in its North America division (its largest segment). The company also noted that removing chemicals of concern from plastic is harder than it is from aluminum cans, especially recycled plastic where it is hard to know the extent of unwanted substances in it.

Shifting bottled water from plastic bottles to aluminum bottles or cans represents a new growth opportunity for Ball and an opportunity to reduce a key source of single-use plastic. Gaining just 2% share of the bottled water market would be a meaningful success. Interestingly, aluminum is starting to make more inroads in the water market. For example, Liquid Death is having success selling still water in tallboy cans, indicating consumers may accept non-resealable cans.

Conclusion and next steps

The meeting reinforced ClearBridge's view that aluminum has the strongest sustainability profile among beverage can substrates and this should continue to provide a long-term tailwind to growth for Ball.

Aluminum is the only option that has the potential to deliver true circularity given its infinite recyclability, which makes it structurally less exposed to additional regulations and costs associated with re-engineering plastic packaging. The technological challenges in decarbonizing primary aluminum production are significant, but there's a credible path to overcoming them with technologies that are reaching commercial viability.

The portfolio manager will continue to discuss recycling rates and will monitor Ball's next sustainability report for news on its chemicals of concern phaseout.

Desjardins Sustainable Canadian Equity Fund

Desjardins Sustainable Canadian Bond Fund

Portfolio Manager: DGAM

Using voting power to encourage climate action

Background and issues

In 2023, this low-cost consumer goods company received a shareholder proposal requesting that it commit to decarbonization targets that are aligned with the Science Based Target Initiative (SBTi). Since Desjardins Investments has set itself the ambition of achieving zero net emissions by 2050 for its Desjardins Funds and Portfolios, we're closely monitoring shareholder proposals that aim to establish credible decarbonization targets for our portfolio companies.

Objectives and approach

The filing of this shareholder proposal is an opportunity for DGAM to communicate its shareholder expectations regarding the company's climate strategy, as well as to communicate its voting intentions.

The debate revolves around 2 main issues: absolute GHG reduction targets (as opposed to intensity-based targets) and indirect emissions (scope 3).

According to the company, its planned growth is not consistent with the absolute targets (+400/600 stores by 2030). DGAM has told the company that their peers are successfully combining both: at least 2 direct Canadian competitors will almost or already have SBTi-validated targets. For scope 3 emissions, the company says it is committed to reducing them, but no timetable has been shared.

At our meeting, management informed us that work would be done by summer 2025 with an external consultant. The proposal calls for this to be done by the end of 2025.

Conclusion and next steps

Desjardins Funds investors voted in favour of the shareholder proposal, which was aligned in substance and form with the company's climate positions.

The proposal gave the company until 2025 to submit targets, giving it time to respond.

Although this proposal did not win the support of the majority of shareholders (25.9% in favour), DGAM will continue to monitor the company's progress in this area.

Voting power: Our position on climate action

Companies that allow shareholders to participate in advisory votes on proposals related to their energy transition and climate strategy (Say on climate) are displaying transparency. Desjardins

Funds generally vote in favour of these kinds of proposals, except in the following cases:

- The report is not based on a recognized disclosure framework, such as that of the Task Force on Climate-related Financial Disclosures (TCFD).
- The report doesn't provide information about the company's indirect GHG emissions (Scope 3).
- The reduction targets aren't in line with the Paris Agreement, nor are they based on science.
- No interim targets have been adopted or disclosed.
- The company doesn't have a strategy for the gradual elimination of using and/or producing fossil fuels.
- The emissions data hasn't been verified by an independent source.
- New fossil fuel-intensive projects have been funded.
- No annual reports have been presented to shareholders, and nothing to this effect is in the works.
- The company isn't planning on adopting practices that are in line with the general guidelines of the above-mentioned statements.

Aiming higher: Desjardins Funds supports Dollarama's adoption of net zero emissions targets in line with the Paris Agreement

During Dollarama's 2023 annual general meeting, Canadian organization Shareholder Association for Research & Education (SHARE) submitted a motion asking the company to adopt science-based greenhouse gas emissions reduction targets that are in line with the Paris Agreement. The Paris Agreement's goal is to limit the global temperature increase to 1.5°C. As per our voting policy, we voted in favour of the motion, since the company's existing greenhouse gas emissions reduction targets fell short of the Paris Agreement. We also wanted our vote to show the company that we support efforts to raise its current targets. In all, 25.9% of shareholders voted in favour of this motion.

CASE STUDIES - NATURE AND BIODIVERSITY

Desjardins Sustainable Global Dividend Fund

Portfolio Manager: Sarasin

Company: Koninklijke Ahold Delhaize

Plastic in food packaging

Background and issues

Koninklijke Ahold Delhaize is a multinational food retailer. As a major user of plastic packaging, the company had set the target of achieving 100% reusable, recyclable or compostable plastic packaging for its own brands by 2025. Although some progress was made toward the target, the company announced that it didn't expect to reach its 2025 target.

Objectives and approach

The dialogue was intended to provide greater clarity on the company's progress, challenges and plans for improvement. During the discussion, Sarasin outlined its expectations and listened to the company's explanations and goals for reporting, accelerating plastic reduction measures and increasing the use of reusable containers. There was also discussion of the possibility of supporting industry coalitions such as the Business Coalition for a Global Plastics Treaty.

Conclusion and next steps

The company explained that progress had slowed down due to high costs and the lack of available post-consumer recycled content. However, there was a slight downward trend in the use of plastic packaging and a small increase in the use of compostable content, which still shows progress toward the target.

Koninklijke Ahold Delhaize acknowledged the portfolio manager's concerns and expressed a keen interest in regular dialogue as part of its strategy review. It plans to set new targets in 2024. This exercise includes reducing the amount of plastic used in the production and product packaging operations, conducting materiality assessments and lastly carrying out a full lifecycle assessment.

Sarasin will monitor the strategy and continue to press for improvements.

CASE STUDIES - NATURE AND BIODIVERSITY

Desjardins Sustainable Global Opportunties Fund

Portfolio Manager: Impax

Company: Croda

Encouraging a company to disclose its links with nature

Background and issues

In 2023, Impax Asset Management (Impax) —portfolio manager of the Desjardins Sustainable Cleantech Fund and the Desjardins Sustainable Global Opportunities Fund—engaged with Croda, a producer of specialty chemicals such as polymers, additives and active ingredients for beauty products.

Impax had already discussed climate risk management with the company in recent years. But with Croda's activities heavily dependent on biobased commodities like palm oil derivatives, the portfolio manager decided to add nature-related topics to its commitments to the company.

Objectives and approach

The main purpose of the dialogue was to understand the company's process for assessing nature-related dependencies and impacts. It also aimed to encourage the company to disclose these in accordance with the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD). In addition, Impax wanted to gain a better understanding of Croda's processes for increasing the use of biobased commodities, as well as tracking freshwater use and pollution impacts. The discussion also addressed challenges related to supply levels and certifications given the company's reliance on palm oil derivatives.

Conclusion and next steps

Dialogue with the company has continued in a positive manner. Based on discussions with Croda, Impax has learned that the company is continuing to improve data management for its upstream supply chain, which will help to better manage the risks associated with the company's nature-related activities.

The company was keen to highlight nature-based opportunities and the progress made toward its goal of bringing an average of 2 crop-related technological breakthroughs to market every year up to 2030.

What is the TNFD?

TNFD is a global, science-based and government-backed initiative that encourages companies and financial institutions to assess, disclose and act on their nature-related dependencies, impacts, risks and opportunities.

Desjardins Emerging Markets Equity Fund

Portfolio Manager: Federated Hermes

Company: LG Chem

Monitoring risks related to hazardous chemicals

Background and issues

LG Chem is a South Korean company specializing in chemical manufacturing, advanced materials and batteries. It's one of the largest chemical companies in the world. As a member of the Investor Initiative on Hazardous Chemical (IIHC)—a group that includes 51 investors representing over US$10 billion per year—EOS at Federated Hermes (the stewardship provider for Federated Hermes) wrote a letter to the CEO of LG Chem to discuss the company's chemical production and transparency. This letter came on the heels of the publication of the ChemScore 2023 report, which revealed that LG Chem produces 20 hazardous substances identified by ChemSec and 4 persistent chemicals. At the same time, it disclosed only 39% of its global output. Although the company conducts life cycle assessments and proposes greener materials, it hasn't made a clear commitment not to include any hazardous chemicals in its new products.

Objectives and approach

The purpose of this letter was to point out the major risks faced by manufacturers and users of per- and polyfluoroalkyl substances (PFAS), also known as forever chemicals due to their persistent nature and the contamination risks they pose to soil and water. These risks include legal and insurance issues that can adversely affect a company's long-term value. The letter also drew attention to tougher regulations worldwide, particularly in Europe, where numerous restrictions and bans are in place. Authorities are asking companies to be more transparent about the types and volumes of hazardous substances they produce.

The IIHC is requesting information on the share of income and manufacturing volumes of products containing hazardous substances for all the company's activities and those of its subsidiaries worldwide.

Conclusion and next steps

LG Chem must address concerns and commit to improving its transparency and practices. The company is asked to provide detailed information on the hazardous substances it uses and publish a phase-out plan with clear performance indicators. By stepping up R&D efforts to find safer alternatives, LG Chem will be able to reduce legal and insurance risks while improving long-term value for shareholders.

CASE STUDIES – HUMAN RIGHTS, EQUITY, DIVERSITY AND INCLUSION

CASE STUDIES – HUMAN RIGHTS, EQUITY, DIVERSITY AND INCLUSION

Desjardins Sustainable Diversity Fund

Portfolio Manager: Lazard

Company: Visa

Dialogue to encourage DEI progress

Background and issue

In 2023, Lazard, the portfolio manager of the Desjardins Sustainable Diversity Fund, had their annual engagement with Visa (a global payments company) on Diversity, Equity and Inclusion (DE&I).

Objective and approach

The portfolio manager's objectives were to track the representation of women in leadership and historically underrepresented groups, and ask for increased transparency in DE&I data. They wanted better disclosure on the link between executive compensation and DE&I goals. Lastly, they wanted to understand Visa's social impact through financial inclusion and women's empowerment.

Starting in 2023, Visa went through a leadership transition that involved carrying out succession planning, splitting the previously combined roles of chair and CEO, and appointing a new CEO and an independent board chair. The female representation on the board was 33%, and this has increased meaningfully from 20% in 2018. The overall diversity on the board, including gender, ethnicity and nationality diversity increased to 64% from 50% in 2018.

Visa has seen a consistent increase in female representation throughout its organization and, in particular, in senior leadership. The representation of women in senior leadership has increased from 31% globally in 2018 to 36% globally in 2023. This is compared to 42% in the workforce overall.

Standing for global acceptance, Visa has made social justice and racial equality a business imperative. In 2020, they committed to increase the number of employees from historically underrepresented groups at the vice-president level and above in the U.S. by 50% by 2023. They have met this target and are on track to meet or exceed their target to increase the number of employees from historically underrepresented groups at the vice-president level and above within Visa overall in the U.S.A in the workforce overall by 50% by 2025.

Progress and next steps

Lazard saw progress on all four objectives of this engagement and the achievement of four key milestones.

The manager was pleased that Visa improved the disclosure of their sustainability, social impact and human capital KPIs, which was a key milestone in this engagement.

The manager was also pleased to learn that Visa now links its executive annual incentive plans to KPIs, including financial, operational excellence, talent and ESG. This was a positive step toward creating more accountability on progress in these areas.

The company has met its 2023 target to increase the representation of historically underrepresented groups at the vice-president level and above in the U.S., and is on track to meet or exceed their 2025 targets.

Visa is also committed to women's empowerment and financial literacy, with a focus on serving unbanked and underserved consumers. An estimated 1.7 billion people around the globe remain excluded from the formal financial system, and most of these consumers are women.

At the next engagement with Visa, the portfolio manager will continue to monitor progress toward the above targets. Lazard will encourage Visa to report on their gender and racial/ethnic pay gaps, having already reported pay equity for many years.

Desjardins Sustainable Low Volatility Global Equity Fund

Portfolio Manager: Fidelity Investments Canadan ULC

Dialogue with an agri-food issuer on the subject of child labor

Background and issues

Fidelity Investments Canada ULC, the portfolio manager of the Desjardins Sustainable Low Volatility Global Equity Fund, engaged in dialogue with a US agri-food company specialized in the manufacture and sale of chocolate confectionery. Cocoa is a key raw material used in chocolate-based confectionery. Audits by independent third parties on child labour within the company's supply chain show that this practice is common on the family farms where it sources cocoa, particularly in Ghana and Côte d'Ivoire.

Objectives and approach

The company highlighted that there are a multitude of factors behind the use of child labour, primarily the cost of living and the cost of the equipment used to produce cocoa on farms. The goal of the dialogue was to monitor how the company assesses the use of child labour in its supply chain, how it manages the causes it has identified as being behind this risk, and how it manages the risk itself.

Conclusion and next steps

In response, the company published a statement on its position on decent wages and income in 2021 and established a baseline for its supply chain workers' wages, drawing on studies conducted in Ghana and Côte d'Ivoire.

The company says it has implemented several initiatives to identify and address instances of child labour. Safeguards include quarterly reports on suppliers' compliance with the company's sourcing policies; independent audits and random checks; a Child Labour Monitoring and Remediation System (CLMRS); family visits and monitoring by International Cocoa Initiative community facilitators; and verification by these facilitators of remedial efforts in the event inappropriate or forced labour is identified. Community facilitators check whether businesses are members of the CLMRS—under which suppliers are responsible for reporting violations—and conduct follow-up visits with children (typically 2 to 3 visits over several months) to ensure they're not participating in the workplace or being prevented from attending school.

The portfolio manager seems reassured by the company's current disclosure. The portfolio manager will continue the dialogue with the company in 2024, specifically on the issue of decent wages as its fair compensation strategy to lift people out of poverty is implemented.

CASE STUDIES – HUMAN RIGHTS, EQUITY, DIVERSITY AND INCLUSION

Desjardins Sustainable Global Opportunties Fund

Portfolio Manager: Impax Asset Management

Company: Applied Materials

Working together to better identify companies with human rights management issues

Background and issues

In May 2023, Impax Asset Management (Impax), the portfolio manager of the Desjardins Sustainable Global Opportunities Fund, joined the Investor Alliance for Human Rights (IAHR) initiative, which facilitates collaborative engagements with some of the lowest-ranked companies in the World Benchmarking Alliance's (WBA) Corporate Human Rights Benchmark. The manager identified Applied Materials, a US supplier of equipment and services to the global semiconductor industry, for further engagement based on its low benchmark ranking, including supplier evaluation, on-site audits, staff and supplier training, and strengthening overall governance of human rights risks.

Objectives and approach

The objective of the engagement was to better understand how the company addresses human rights issues: the importance given, and the policies and procedures in place. It also aimed to encourage the company to improve its disclosure on human rights in its next sustainability report.

Conclusion and next steps

Following the discussion, the company confirmed that it was seeking to improve its human rights risk management process. It's worth noting that it has put in place a revised human rights governance structure, including a newly formed working group that provides regular input to the board and is broadly represented across the company's functions. The company also confirmed that it had recently updated its human rights policies. The manager has shared best practices from peer companies on this topic, and Applied Materials has agreed to review them. In terms of next steps, IMPAX will review its upcoming sustainability report and human rights disclosures before proceeding with the engagement.

Desjardins Sustainable Positive Change Fund

Portfolio Manager: Baillie Gifford

Company: Moderna

Equitable access to medicine: Engaging with Moderna

Background and issues

The strategy of the Desjardins Sustainable Positive Change Fund aims to select companies that deliver positive impacts alongside attractive long-term investment returns. Baillie Gifford (BG), the fund's portfolio manager, engages with companies to influence them and ensure they remain focused on delivering positive change.

BG has been invested in Moderna since its initial public offering in December 2018, and is a supportive shareholder. BG supports Moderna's mission to create a new generation of transformative medicine that is available to a broad global patient cohort.

Objectives and approach

The Fund prioritizes equitable access to technologies, especially when it's related to healthcare and giving broader access to the most effective treatments for patients of all socioeconomic status. Over a number of years, engagements with Moderna have sought to address issues that could affect equitable access to its treatments.

Alongside its Health Innovation Team, BG has built relationships with UNICEF,[25] which have been particularly useful for learning about access to medicine in low- and middle-income countries. They also contributed to BG's own generic medicine research and helped it better understand the complexities of drug distribution, including last-mile delivery challenges, patents and pricing.

According to Moderna, last-mile delivery and poor infrastructure are the most significant factors that are preventing vaccines from reaching people's arms. To address this issue, Moderna is working with local supply chain partners, including national governments, supply chain businesses, and international organizations. BG has actively encouraged Moderna to engage with multilateral organizations to facilitate last-mile distribution in lower-income countries.

Pricing has also been a focus in conversations with Moderna. BG was pleased to hear that the company has been working with multinational organizations to make sure that people who need vaccines the most get free access to them. Moderna has also adopted a differentiated pricing approach when dealing with supply to developing countries, offering access to its vaccine at a lower price point than in developed countries.

Conclusions and next steps

Now that COVID-19 is in an endemic phase (steady state), BG aims to continue reviewing Moderna's approach to pricing and vaccine distribution.

However, BG's priority is to see Moderna convert more of its pipeline of transformational drug candidates to the commercial stage. These include drugs to treat diseases like HIV. As and when this happens, BG will continue to discuss its pricing and distribution strategy, because these things affect investment and impact outcomes.

[25] The United Nations agency responsible for providing humanitarian and developmental aid to children worldwide.


CASE STUDIES - GOVERNANCE

CASE STUDIES - GOVERNANCE

Sound governance is a crucial aspect of any company. The more solid and robust a company's governance is, the better investors will understand its ability to carry out its strategy, manage its risks and plan its growth.

Governance came up a lot during discussions between portfolio managers and issuers in 2023. In fact, the topic came up no less than 112 times.

We also leveraged our voting rights to improve the governance structure of companies that Desjardins Funds has chosen to invest in.

For example:

- We pay attention to diversity when reviewing board member applications
- We seek to encourage director independence
- We ensure that advisory votes on executive compensation are justified in sizable terms
- We make sure all auditors are independent

Board candidates

In **38%** of board elections, we abstained from voting or voted "no" due to a lack of independent candidates.

Other times, we opposed a candidate because we weren't satisfied with how they responded when they were asked about ESG factors. For example, we adopted this position by voting against a director from a major automotive company in Japan after learning he was responsible for falsifying data related to product testing.

Diversity

Desjardins Funds refused to support chairperson of the board or nomination committee candidates for **368** companies, either because the board of directors was not made up of **30%** women or more (or 2 or more women, depending on the region) or because they had no tangible plans to change this or credible targets to this effect.

In 2023, we expanded our diversity requirements beyond gender. For example, we objected to certain appointments by **80** companies due to a lack of ethnic diversity.

Advisory votes on executive compensation

For advisory votes on executive compensation, the percentage of "no" votes was **62%** for Desjardins Funds. More specifically, we oppose elements of compensation when severance packages are deemed excessive, when stock options are included in the incentive plan, and when the percentage of total dilution of shares reserved for executive compensation exceeds 10%.

Example: Advisory vote on compensation at a Canadian mining company

In 2023, we voted against an advisory vote on executive compensation in the materials sector because of questionable practices. High bonuses were awarded to the CEO and executive chairperson without any predetermined parameters or vesting conditions. What's more, the bonuses were awarded in cash—a practice deemed harmful in corporate governance. When we spoke with company management ahead of the shareholders' meeting to learn more about why these payments were made, management explained that a number of their key growth criteria had been met, and that they had agreed that they would no longer be issuing one-time bonuses. This explanation did not sway our team in favour of the resolution. It failed for the second year in a row, with nearly 75% of shareholders voting against it. It should be noted that the appointment for chair of the compensation committee was retracted from the ballot shortly before the meeting. Only one other Canadian company has ever lost 2 consecutive votes on executive compensation.

Example: A vote to take artificial intelligence risk into account

In December 2023, a group of Microsoft investors from Arjuna Capital filed a shareholder proposal about the risks associated with artificial intelligence and generative AI. The proposal called on Microsoft's board of directors to issue a report on the material risks that AI could create by spreading misinformation and disinformation, with a section assessing Microsoft's efforts to remediate these harms. Among other things, the proposal raised concerns that generative AI tools "may dramatically increase misinformation and disinformation globally, posing serious threats to democracy and democratic principles."

Desjardins Funds voted in favour of the proposal, along with just under 21% of shareholders. Even if shareholder proposals don't usually receive a majority of votes, the support shown here sends a strong message that the company really needs to consider the issues being raised, which will likely persist or even intensify over the next few years.

Our Thematic and Impact Funds positive outcomes

Desjardins Sustainable Environmental Bond Fund

The Desjardins Sustainable Environmental Bond Fund invests in organizations that are fighting climate change. The Fund helps finance green projects by investing mainly in environmental bonds, also known as green bonds. The projects in which the Funds invest are estimated to have contributed to:

Avoid
3,139
tons of CO_2e emissions

CO_2

the equivalent of CO_2 emissions produced by 758 cars in one year[26].

Estimates based on an investment of CA $10 million in 2023[27].

1.5 °C

By investing in a wide range of quality projects, the Desjardins Sustainable Environmental Bond Fund actively contributes to the climate objectives of the Paris Agreement to limit global temperature increase to 1.5°C[28].

In 2023, the Fund invested in the following project types[29]:

Renewable energy	**33%**
Clean transportation	**33%**
Energy efficiency	**13%**
Diversified[30]	**11%**
Sustainable land use	**2%**
Other (climate adaptation, biodiversity conservation, etc.)	**9%**

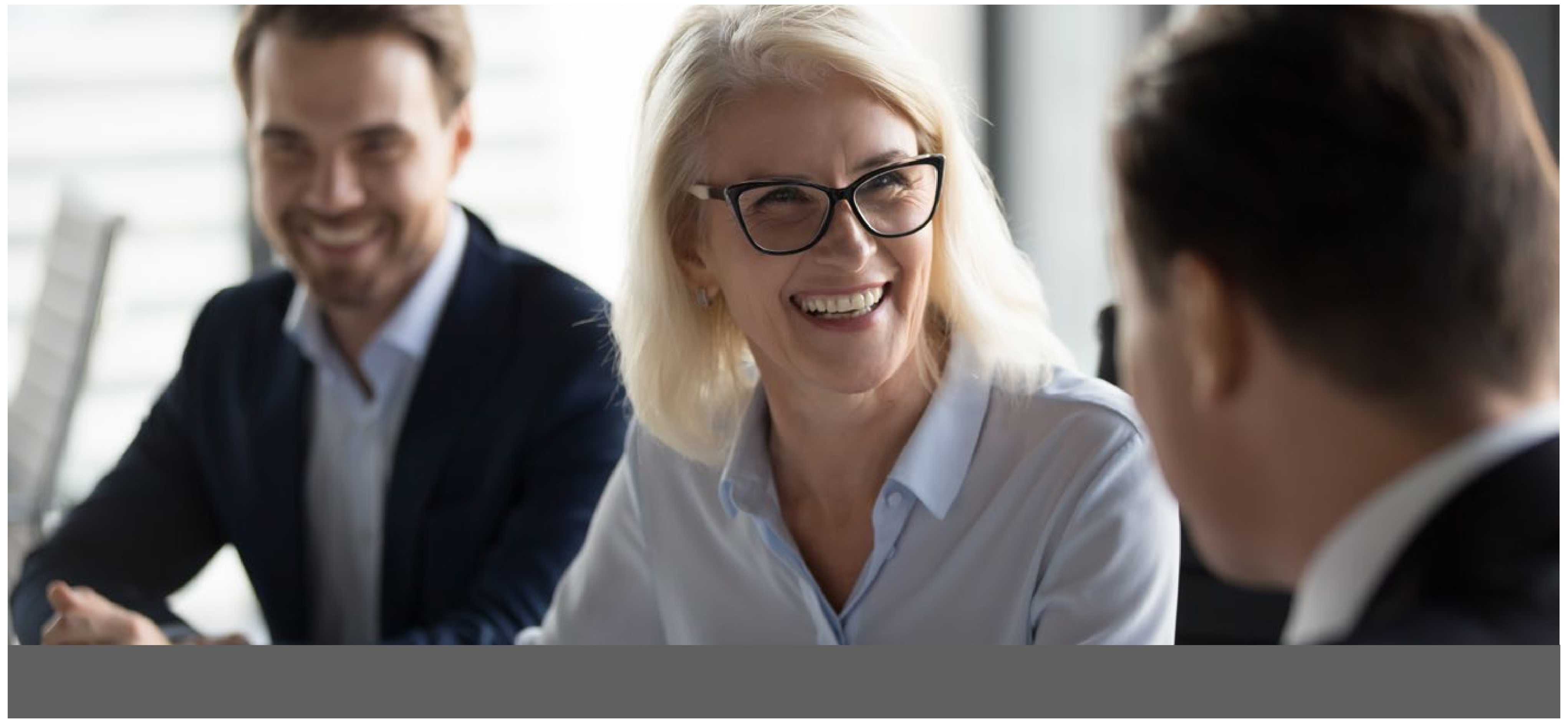
[26] Learn more about calculating the CO_2 emissions of a car with annual kilometrage of 20,000 km.
[27] Source: Mirova SA. The information mentioned above belongs to its respective owners, Mirova and its data providers. The figures provided are from 2023. The contributions are based on the annual impact of the assets held in the Desjardins Sustainable Environmental Bond Fund portfolio on December 31, 2023. Mirova will not be held liable for any financial loss or decision made or not made based on the information disclosed or for any use that a third party might make of this information. This information is based on present circumstances, intentions and beliefs and may require subsequent modifications. Mirova reserves the right to modify it at any time without notice. No responsibility or liability is accepted by Mirova towards any person for errors, misstatements or omissions in this document or for the adequacy, accuracy, completeness or reasonableness of other such information or documents. Mirova does not guarantee the accuracy, adequacy or completeness of information obtained from external sources included in this document.
[28] The assessment Desjardins Sustainable Environmental Bond Fund's contribution to the goals of the Paris Agreement is based on a proprietary methodology elaborated by Mirova and its data provider, and which considers indiced and avoided emissions, as well as decarbonization targets and policies from portfolio companies.The weighted average of the assessment score is then compared to that of a Paris-aligned benchmark, designated as such following criteria established by the European Commission. Because the Desjardins Sustainable Environmental Bond Fund obtains a better or equal assessment than that of the benchmark and it invests in projects supporting the energy transition, it is considered as contributing to the goal of limiting global temperature increase to 1.5°C.
[29] Percentage breakdown of the portfolio's exposure to bonds classified as green bonds by Mirova, by type of project financed. Totals may not sum 100% due to rounding. Source: Mirova SA, portfolio manager for the Desjardins Sustainable Environmental Bond Fund, as of December 31, 2023.
[30] "Diversified" includes new green bond issuance that have not yet been the subject of a report on the use of proceeds. This report is usually available one year after the issuance of the bond.

Desjardins Sustainable Diversity Fund

Desjardins Sustainable Diversity Fund invests in companies that can maintain a high level of financial profitability that have a clear and demonstrable commitment to encourage promoting women.

The Fund targets companies that:

- have at least 30% female representation on their board of directors;
- have at least 15% female representation in their management team;
- apply internal policies and practices that promote diversity;
- show significant improvement in their practices.



Beyond simple representation metrics, the manager actively engages with management to develop insights into how a company builds and nurtures its pipeline of female talent. The gender conversation with senior leadership emphasizes the importance of diversity and serves to accelerate the pace of change.

These discussions are not limited to the company's workforce, they encompass its product development strategy, its relationships with the supply chain, and its responsibility to its larger communities.

Female representation on the boards of the companies included in the Desjardins Sustainable Diversity Fund managed by Lazard is

41%,

compared to 33% for companies in the Fund's benchmark, the MSCI All Country World Index. Female representation on Boards of Directors 24% higher than comparable companies[31].

Female representation on the executive committees of the companies included in the Desjardins Sustainable Diversity Fund managed by Lazard is

32%,

compared to 25% for companies in the Fund's benchmark, the MSCI All Country World Index. Female representation on executive committees 29% higher than comparable companies[32].

[31] Lazard Asset Management LLC. Results as at December 31, 2023, calculated using weighted averages. The information is provided in response to a specific request from Desjardins and remains the property of Lazard Asset Management LLC (Lazard). Reproduced with permission by Desjardins; no further distribution. The information is for Desjardins use only and may not be reproduced or distributed in any form. Certain information included herein is derived by Lazard in part from an MSCI index or indices (the "Index Data"). However, MSCI has not reviewed this product or report, and does not endorse or express any opinion regarding this product or report or any analysis or other information contained herein or the author or source of any such information or analysis. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any Index Data or data derived therefrom. Information and opinions presented have been obtained or derived from sources believed by Lazard to be reliable. Lazard makes no representation as to their accuracy or completeness. All opinions expressed herein are as of the date of this presentation and are subject to change. This material is for informational purposes only. It is not intended to and does not constitute financial advice, fund management services, an offer of financial products or an offer to enter into any contract or investment agreement in respect of any product offered by Lazard and shall not be considered as an offer or solicitation with respect to any product, security or service in any jurisdiction or in any circumstances in which such offer or solicitation is unlawful or unauthorized or otherwise restricted or prohibited.

[32] Ibid.

Desjardins Sustainable Positive Change Fund

The Desjardins Sustainable Positive Change Fund seeks to provide a long-term capital appreciation by investing in companies whose products, services and actions are helping to build a more sustainable world for current and future generations. These companies located anywhere in the world respond to a variety of crucial issues: social inclusion and education; environment and resource needs; healthcare and quality of life; and base of the pyramid. The companies the Fund invests in are estimated to have contributed to:

Avoided
250
Metrics tons of CO_2e

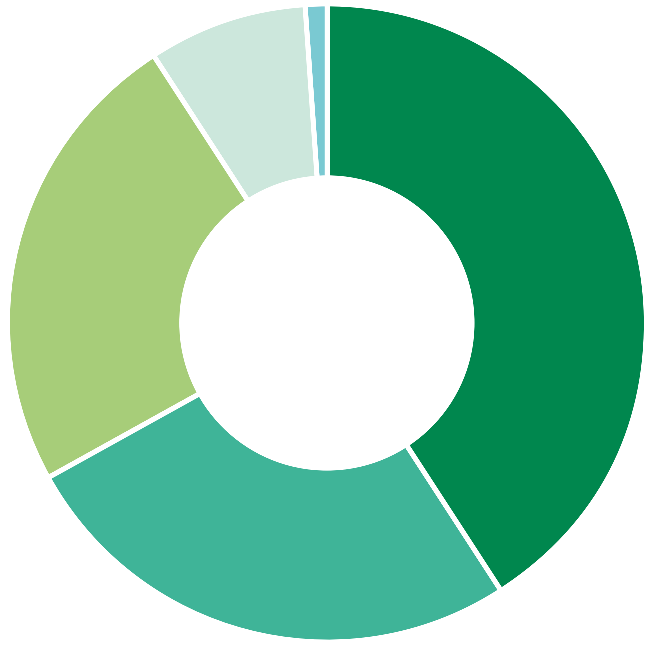
Saved over
12.8 million
litres of drinking water

Provided access to education and/or training to
13,097
learners

Provided access to financial service to at least
3,686
people

Estimates based on an investment of CA$10 million in 2023[33].

In 2023, the Fund invested in the following themes[34]:



Social inclusion and education	**41%**
Healthcare and quality of life	**26%**
Environment and resource needs	**24%**
Base of the pyramid	**8%**
Cash and cash equivalents	**1%**

[33] Source: Baillie Gifford Overseas Limited. The contributions are based on the annual impact of the assets held in the Desjardins Sustainable Positive Change Fund on December 31, 2023. Data is collected from each of the company within the Fund on what their impact is at the end of their fiscal year. For those holdings that have been in the portfolio for less than the full year, no attempt has been made to pro-rate the contribution. However, as the strategy has a long-time horizon and aims to invest in holdings for 5-10 years on average, portfolio turnover is low. Aggregated impact data for the portfolio, while providing an indication of the impact of the portfolio, is vulnerable to inconsistencies. These can be caused by underlying assumptions: how companies measure, and report is not always uniform, so as well as obtaining data from company reports, engagement is also conducted with companies to understand how they have compiled the data. Only data that relates to positive impacts from the products and services of the companies in the portfolio (what they do or sell) is included. Where information is not available to calculate impact, or when a company does not report a figure that can be verified, a company's contribution is not estimated or included. When a holding was divested in the reporting year, its contribution is not included. Data for CO_2e saved is based on company reporting which is either in CO_2 or CO_2e; the aggregate data is presented as CO_2e as this is the most conservative approach. Healthcare companies tend to report cumulative data, and therefore data related to healthcare is presented to date, covering multiple years. The data for each company is divided by its market capitalisation in US dollars, which is then multiplied by the percentage weighting of that company in the portfolio (all as at end December 2023). The figure is pro-rated again and converted for the value entered: 10M$ CAD.

[34] Baillie Gifford Overseas Limited. As at December 31, 2023. Excluding cash and cash equivalents and non-categorized holdings.

Desjardins Sustainable Cleantech Fund

The Desjardins Sustainable Cleantech Fund invests in companies that earn at least 50% of their income from the sale of environmental products or services in new energy, mobility, sustainable food, water, circular economy, and smart environment solutions. The companies the Fund invests in have contributed to:

Avoid the emission of 3,570 tons of CO_2e

equivalent to taking 862 cars off the road for a year[35];

Provide, treat or save 300 million litres of water

the equivalent 3,686 Canadians' annual water consumption[36];

Recover or treat 90 tons of residual materials

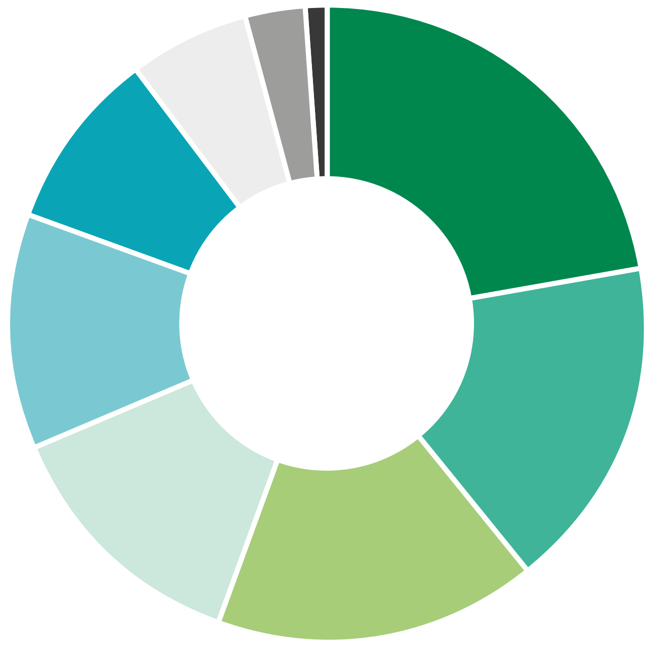
the equivalent of 131 Canadians' annual waste production[37];

Generate 1,390 megawatt hours of renewable energy

the equivalent of 59 Canadian housholds' annual energy consumption[38]

Estimates based on an investment of CA$10 million in 2023[39]

In 2023, the Fund invested in the following environmental sectors[40]:



- Resource efficiency & waste management 22%
- Energy management & efficiency 17%
- Water infrastructure & technologies 16%
- Alternative energy 13%
- Sustainable food & agriculture 12%
- Digital infrastructure 9%
- Transport solutions 6%
- Environmental services & resources 3%
- Cash 1%

35 Learn more about calculating the annual CO_2 emissions of car with annual kilometrage of 20,000 km
36 Learn more about annual residential water consumption per Canadian (approximately 215 litres per day)
37 Learn more about annual waste production per Canadian (approximately 694 kg on average)
38 Learn more on annual energy consumption for per Canadian household (approximately 25.1 MWh on average)
39 Source: Impax Asset Management Limited. The strategy's past performance does not guarantee future performance. Impact of CA$10 million invested in the strategy for one year. Based on the most recently published annual environmental data for Desjardins Sustainable Cleantech Fund holdings on December 31, 2023. The impact methodology used by Impax is based on the company's net value. The information in this document is provided solely for illustration and discussion purposes and may be changed without warning. The information and any opinions contained in this document have been compiled in good faith, but no representation or warranty, express or implied, is made to their accuracy, completeness or correctness. Impax, its officers, employees, representatives and agents expressly advise that they shall not be liable in any respect whatsoever for any loss or damage, whether direct, indirect, consequential or otherwise however arising (whether in negligence or otherwise) out of or in connection with the contents of or any omissions from this document. This document does not constitute an offer to sell, purchase, subscribe for or otherwise invest in units or shares of any fund managed by Impax.
40 Source: Impax Asset Management Limited. As at December 31, 2023. Excluding cash and cash equivalents.

Appendix

Financed emissions

Our methodology for calculating our financed emissions is based on The Global GHG Accounting and Reporting Standard for the Financial Industry, developed by the Partnership for Carbon Accounting Financials (PCAF) and widely adopted within the financial sector. Our indicators include Scope 1 and 2 emissions of portfolio companies (direct GHG emissions from sources attributed to the company, and indirect emissions associated with the heating or electricity that the company consumes), and for certain sectors, Scope 3 emissions (indirect GHG emissions associated with the company's value chain, from suppliers to customers). Emissions from investments from Desjardins Investments are attributed according to the proportional share of the investment in the GHG-emitting company. For example, if Desjardins Investments owns 1% of the company's value (including cash), 1% of its GHG emissions will be included in our financed emissions. The company value (including cash) is calculated in US dollars by a third-party data provider. We've used the average annual USD/CAD exchange rate that corresponds to the year for which the company value (including cash) is provided.

Our methodology takes into account GHG emissions in CO_2 equivalents (CO_2e) and therefore includes the GHG emissions named in the Greenhouse Gas Protocol: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF_6) and nitrogen trifluoride (NF_3). We've calculated and disclosed the GHG emissions associated with our long positions in equities and corporate bonds. The calculation scope does not cover sovereign bonds, cash and cash equivalents, derivatives, and investments for which there is no recognized methodology for determining GHG emissions.

Methodologies for calculating financed emissions are evolving rapidly, including the attribution of portfolio company emissions to investors. It should be noted that, like weighted average carbon intensity, this measure has several limitations and challenges, such as our reliance on company published data supplied by a third party. Most of this data is not verified by a third party, and a proportion of the data is estimated by our supplier. In addition, the calculation of Scope 1 and 2 emissions excludes indirect GHG emissions caused by any transportation outside the company's control, as well as those arising from the supply chain or product usage. It also doesn't take into account the avoided emissions of, like those avoided by manufacturers of parts for solar panels. Finally, this indicator is based on historical data, which means it doesn't take into account the net zero emissions commitments and future transition plans of companies that are currently very carbon intensive but that have adopted robust and credible strategies to decarbonize their activities.

We've included the weighted data quality score of our calculations in our disclosure. Emissions data come from a variety of sources. The table below describes where the data comes from and the associated quality score, according to the PCAF standard. Disclosed and estimated GHG emissions have been provided by a third party.

TCFD Appendix

Subject	Statement / documentation
Governances	See the Governance section of the Climate Action at Desjardins 2023 report. At Desjardins Investments, which develops and manages Desjardins Funds, a number of governance bodies are responsible for the organization's climate strategy and the climate risks to which its assets are exposed: • The Desjardins Investments Board of Directors is responsible for reviewing and approving the strategic direction and risk management related to responsible investment and climate change. • One of the responsibilities of the Desjardins Investment Managing Committee is to ensure the implementation of Desjardins Investments' climate and responsible investment strategy, and the management of associated risks. • Desjardins Investment Responsible Investment Steering Committee, has several responsibilities related to overseeing the climate approach, which include: - Approving climate policies and positions - Ensuring Desjardins Investments' climate-related regulatory and operational compliance - Ensuring sound management of Desjardins Investments' climate risks
Strategy	See the Our net zero ambition section and our document Our path to net zero. See our Responsible Investment Policy for details on our position and climate-related exclusions.
Risk management	See the Climate risks section
Indicators and targets	See the Our financed emissions section on page 24 and the appendix on page 62 for emission details related to the Desjardins Sustainable Funds lineup. See our Net zero ambition section for targets

Partnerships, collaborations and external engagements at the end of 2023

Name of the partnership / collaboration	Content of the partnership / collaboration	Date
Responsible Investment Association (RIA)	The Responsible Investment Association (RIA) aims to promote responsible investment (RI) in Canada. To achieve this mission, the RIA organizes conferences and develops training courses and content for advisors to help improve their RI knowledge. Desjardins is a sustaining member of the RIA	Desjardins has been a member since 2018
Canadian Investor Statement on climate change - RIA	The objective for this declaration is to: • Help fight climate change via investment practices • Consider the significance of the risks and opportunities associated with climate change to achieve net zero emissions by 2050 (or sooner).	Signed by Desjardins in 2021
The Canadian Investor Statement on Diversity & Inclusion	The objective for this declaration is to: • Recognize the existence of systemic racism and its repercussions on Black and Indigenous communities and People of Colour in Canada and around the world • Recognize the existence of inequality and discrimination based on sex and gender, sexual orientation, age, disability, religion, culture, economic status and more.	Signed by Desjardins in 2020
Principles for Responsible Investment (PRI)	In December 2022, Desjardins Investments and all Desjardins Sustainable Funds portfolio managers signed the PRI sponsored by the United Nations. Signatories use the PRI collaboration platform, a private forum that allows users to pool their resources, share information, and strengthen their influence on ESG issues.	Desjardins Investments has been a member since 2010
Finance for Biodiversity Pledge	The goal of the Finance for Biodiversity Pledge is to consider the protection and restoration of biodiversity in the framework of financing and investment activities.	Desjardins Investments signed the pledge in 2022
Net Zero Asset Manager Initiative (NZAMi)	The Net Zero Asset Managers initiative is an international group of asset managers committed, consistent with their fiduciary duty to their clients and beneficiaries, to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner.	Signed by Desjardins Investments in 2023

Collaboration name	Collaboration description
Climate Action 100+	Several portfolio managers of the Desjardins Sustainable Funds are collaborating on this initiative, which aims to influence the world's largest GHG emitters to take the measures required to fight climate change
Institutional Investors Group on Climate Change (IIGCC)	European Desjardins Sustainable Fund portfolio managers collaborate with this organization, which aims to mobilize capital to foster the transition to a low-carbon economy
Climate engagement Canada	Canadian Desjardins Sustainable Funds portfolio managers are collaborating on this initiative, which promotes dialogue between finance and industry to foster a just transition to a net zero emissions economy.
https://www.netzeroassetmanagers.org/	The Net Zero Asset Managers initiative is an international group of asset managers committed, consistent with their fiduciary duty to their clients and beneficiaries, to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner.
Climate Bonds Initiative	The Desjardins Sustainable Environmental Bond Fund portfolio manager participates in this initiative, which aims to mobilize the bond market to find solutions to the problems caused by climate change.
International Corporate Governance Network (ICGN)	Numerous Desjardins Sustainable Fund portfolio managers belong to the ICGN, an authority in setting global standards for corporate governance and investor stewardship.
Canadian Coalition for Good Governance	The portfolio manager for the Desjardins Sustainable Canadian Bond and Sustainable Canadian Equity funds is a member of the CCGG, which acts on behalf of institutional shareholders to promote good governance practices among Canadian public companies.
Farm Animal Investment Risk and Return (FAIRR)	Several portfolio managers for the Desjardins Sustainable Funds are members of FAIRR, a network of collaborative investors who address ESG risks and opportunities associated with intensive livestock farming.
Global Impact Investing Nerwork (GIIN)	Many Desjardins Sustainable Fund portfolio managers belong to the GIIN, which specializes in impact investing and measuring investment spinoffs.

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