

# Desjardins Sustainable Funds and Portfolios

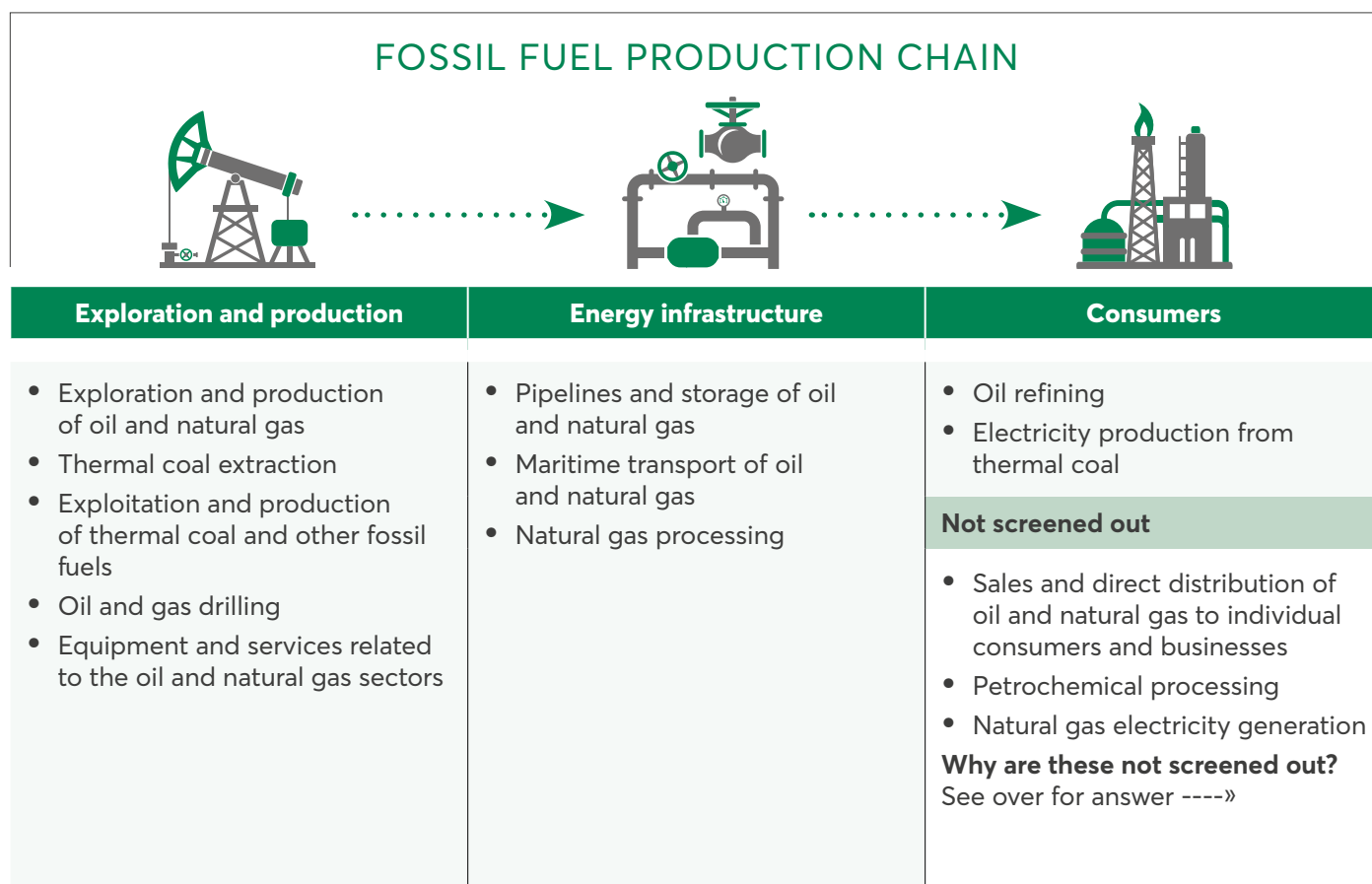
Another step forward in the energy transition:  
What it means to screen out producers and specialized transporters of fossil fuels



## What are fossil fuels and what exactly is being screened out?

Fossil fuels are sources of energy created by burning fossilized organic matter that's extracted from below the Earth's surface. To support the transition to renewable energy, our aim is to screen out producers and specialized transporters of thermal coal,\* oil and natural gas.

## Activities that we screen out of our Desjardins Sustainable Funds and Portfolios:



\*Thermal coal is a type of coal used to generate electricity. It's different from metallurgical coal, which is a vital raw material in the production of steel, high-strength iron alloys, carbon and other metals used in a wide range of applications. We screen out thermal coal but not metallurgical coal.

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## Why not screen out sales and direct distribution of oil and natural gas?

**85%** of households in **Quebec** use **electric heating**

**50%** of homes across **Canada** are heated with **natural gas**<sup>1</sup>

Companies that sell and distribute oil and natural gas tend to operate across a variety of sectors. For example, many natural gas distributors also distribute electricity and water, and many companies involved in retail sales also distribute food or other products. Plus, some local distribution networks are also used to transport green energies, like biogas generated from organic waste.

### EXAMPLE

**Algonquin Power & Utilities Corp.** is a distributor of natural gas, electricity and water.

**92%** of the company's electricity production comes from **renewable energy sources**.

The Desjardins Sustainable Canadian Bond Fund<sup>2</sup> invests in the company's green bonds, which are funding a program to transition from coal to wind power.

## Why not screen out petrochemical

The petrochemical industry manufactures all kinds of industrial and consumer products, like plastics, paints, rubber, fertilizers, detergents, dyes, textiles and solvents.<sup>3</sup> Oil and natural gas are the major raw materials used by the industry.

Because of the industry's crucial role in manufacturing and the lack of viable alternatives, we decided against screening out petrochemical processing.

However, we intend to maintain dialogues with these companies so we can keep encouraging them to reduce their dependence on fossil fuels **by improving their practices and developing other types of raw materials, like recycled plastics.**

## Why not screen out electricity generated from natural gas?

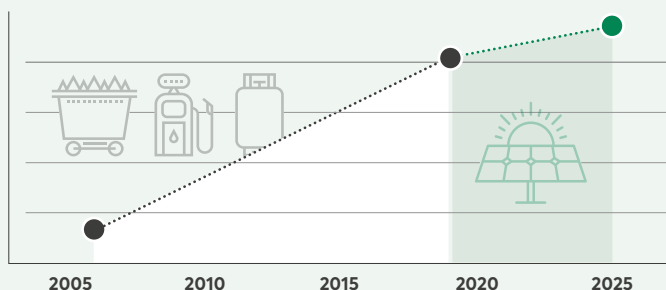
Electricity generation is a key part of the fight against climate change. Our goal is to help the sector become less carbon-intensive and begin transitioning to renewable energy. We chose thermal coal and oil as sectors to screen out, since they currently represent over 42% of global electricity production.<sup>4</sup>

We're not screening out electricity from natural gas because it produces 40% fewer greenhouse gas emissions than thermal coal.<sup>5</sup> And according to the International Energy Agency, since 2010, coal-to-gas switching has saved an estimated 500 million tons of CO<sub>2</sub> worldwide.<sup>6</sup>

Screening out this sector would also considerably limit our influence, since it would mean nearly 75% of electricity generation sources would be off-limits to Desjardins Sustainable products.

### EXAMPLE

**Ørsted** is a company that specializes in energy production. In 2006, it began transitioning to renewable energy, phasing out thermal coal, oil and gas. Between 2006 and 2019, the proportion of its renewable energy generation increased from 17% to 86%.<sup>7</sup> The company's goal is to reach 99% by 2025.



### Sources

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