

2023 Annual Report on Responsible Investment

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.

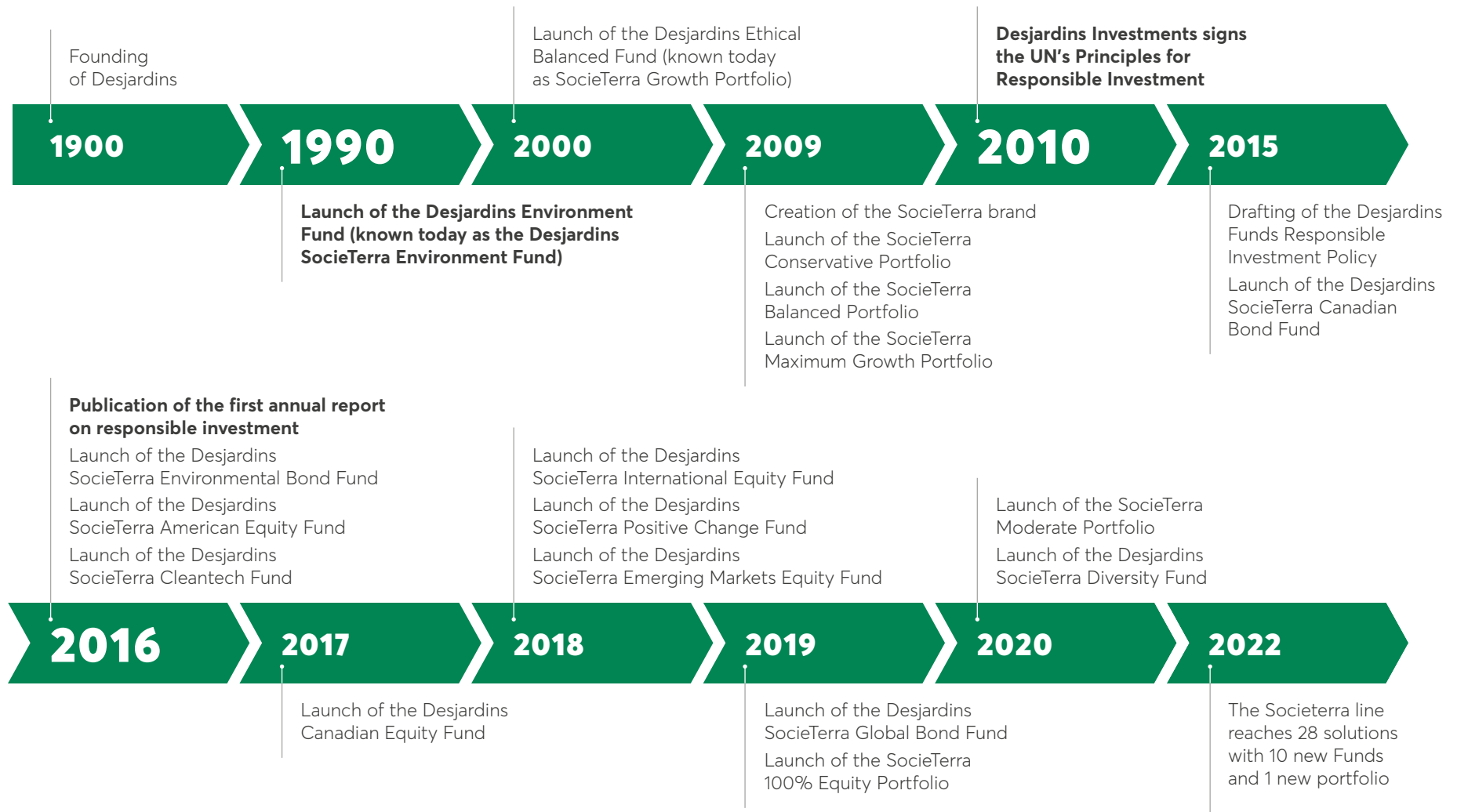
This approach, combined with our efforts to consider climate-related risk and opportunities, lends credence to our support for meeting the Paris Agreement's climate targets.

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





SocieTerra Funds and Portfolio Evolution





Responsible investment in figures

As at December 31, 2022

**\$36.9
billion**

assets under
management held in
Desjardins Funds

**\$7.4
billion**

assets under
management held in
SocieTerra Funds

We have voted on
17,875
proposals

A complete line of
28
SocieTerra Funds
and portfolio

42%

of Desjardins Funds holders
are SocieTerra holders

We examined
1,497
general meetings

226
issuers held in
SocieTerra Funds
have been targeted
by at least a dialogue

In 2022,
10
new Funds
1
new portfolio



Sébastien Vallée
President and CEO,
Desjardins Investments

Responsible investment: It's in our DNA

At Desjardins, responsible investment is a part of who we are. For more than 30 years, we've proudly offered a full range of funds and portfolios built on a robust approach and focused on continuous improvement. This has enabled us to provide solutions tailored to the changing world around us.

Our members and clients choose to invest responsibly, and they choose to do it with us. The percentage of Desjardins Funds investors who've chosen SocieTerra Funds has climbed from 24% in 2019 to 42% in 2022!

Strong governance supporting a rigorous, authentic approach

As leaders in responsible investment, we rely on strong governance that keeps pace with industry best practices. We've set up a steering committee on responsible investment that reports directly to our operating committee. We've also formalized the oversight role of the board of directors and senior management with respect to responsible investment and climate change. These actions ensure that environmental, social and governance factors—and the importance they hold for our members and clients—remain at the heart of our business decisions.

Responsible investment keeps its promises

The turbulent financial markets we saw in 2022 affected all investors. Despite these adverse conditions, our confidence in the appeal of responsible investment remains unshaken.

We know that adopting sound environmental, social and governance practices enables businesses to protect themselves against risk and set themselves up to take advantage of opportunities.

Returns on responsible investment solutions were affected by higher oil prices and outperformance in the energy sector. These events took a toll on investment approaches that exclude fossil fuels, such as the SocieTerra Funds and Portfolios. However, these short-term constraints signal positive outlooks over the long term since these price increases are accelerating demand for alternative energy—a popular industry in responsible investment. They also encourage businesses to better control their energy consumption, which will speed up their shift to a more sustainable model and improve their risk profile.

Finally, we must remember that the purpose of responsible investment is twofold: offer an attractive return potential and contribute to the transition to a more sustainable world. Even when short-term returns are down, the latter objective remains unchanged. This annual report is a testament to that.

Enjoy!



Marie-Justine Labelle
Head of Responsible Investment,
Desjardins Investments

Responsible investment faces headwinds

The events of the last few years—the pandemic, social unrest and a number of extreme weather events—have shown us that the status quo can no longer be maintained, and that change is urgently needed. Responsible investment (RI) continues to take its place as a tool for building a more equitable and sustainable world. This is reflected in industry trends and heightened investor demand.

At the same time, momentum has begun to stall as the sector faces headwinds. Greenwashing is a major concern for investors and advisors alike, and an "Anti-ESG" (environmental, social, governance) movement, for the moment confined to the United-States is growing in strength and calling out to us.

Given these circumstances, we need to demonstrate our own authenticity by making commitments, reporting on our progress and acting transparently.

Making commitments that align with our priority themes

We've made several public commitments related to our priority themes. We believe that human rights violations, nature degradation and the climate crisis are all systemic issues with grave repercussions for long-term portfolio returns—and more importantly, for communities and for the planet.

Desjardins Investments joined the [Net Zero Asset Managers Initiative](#). The section on climate change in this report bears witness to our thorough efforts to tackle it.

We also recognize that biodiversity loss is a danger to both human health and the environment, and we believe it is our duty to think of the nature when making investment decisions. Desjardins Investments has also signed the [Finance for Biodiversity Pledge](#).

As the manager of the Desjardins Funds, Desjardins Investments is responsible for ensuring human rights are taken into account throughout all our investment processes, in accordance with the United Nations Guiding Principles on Business and Human Rights. We've also endorsed the [Advance initiative from PRI](#), in which institutional investors work together to take action on human rights and social issues.

RI approaches: More stringent requirements and greater transparency.

We've also published an official [Desjardins Funds Stewardship Policy](#). For investors, stewardship consists of exercising influence on issuers, policymakers, asset managers and other stakeholders with the goals of mitigating risk, optimizing return potential and generating sustainable outcomes for holders and the community. Our stewardship policy presents our belief and objectives, then outlines our main levers for change to ensure that our investments reflect our convictions.

Our commitment to responsible marketing practices

Desjardins Investments intends to step forward as a leader in responsible communications and has developed awareness training on greenwashing for our marketing and communications teams. The course contains guidelines for highlighting responsible investment and presenting the ESG aspects of our products clearly and ethically, with all the nuance required.

These actions demonstrate our desire for stringent, robust approaches and will enable us to meet our commitment of transparency to holders. Our ultimate goal is to help build an industry that inspires trust and benefits future generations.



Our priority: responsible investment support for advisors

According to a survey by the Responsible Investment Association of Canada,¹ 73% of respondents would like their financial services provider to give them information about responsible investment, but only 31% of respondents reported having conversations on the matter.

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

We continued to educate Desjardins caisse network advisors on RI:

- Since 2021, more than 3000 Desjardins employees have 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 and help them meet those goals while investing with their values.
- We've provided a discount on the RIA Digital Academy courses for retail advisors and investment professionals. These courses are nearly 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, including 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. Almost 2000 of them have benefited of our online training on RI. Investment advisors across Canada were also able to take our RI-themed webinars.

- More than **380 advisors** attended **Grow your practice with RI: A road map**. This webinar teaches participants to identify client RI priorities and incorporate RI principles into their portfolios.
- More than **500 advisors** attended **Your portfolio on the path to net zero**. This webinar includes guidelines and practical tips for aligning portfolios with RI principles and updating advisor business models to reflect the transition to a net zero economy.



Deborah Debas

Senior Responsible Investment Specialist

“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.”

1. 2022 RIA Investor Opinion Survey - Responsible Investment Association (riacanada.ca).



Better responsible investment education for individual investors

Individuals need a basic understanding of responsible investment so they can seize opportunities and use their savings to aid the transition to a more sustainable world. That's why we make the time to participate in educational conferences. In 2022 alone, we reached more than 900 people with our courses and content, not counting people who watched the playback online.

Some conferences the RI team attended in 2022

ÉducÉpargne

RI Webinar at the Institut québécois de planification financière 2022 Congress. We debunked some longstanding myths about RI and answered questions such as:

- What is responsible investment?
- What questions should you ask your advisor or financial planning specialist?

Club d'investissement responsable du Québec (CIRQC)

Educational conference on different RI approaches that can be used when building a portfolio, and how self-directed investors can incorporate them into their stock selection, according to their preferences.

HEC Montréal Conference

Presentation on RI to students in the HEC Montréal Management Masters Degree Program (as part of a course on sustainable development, social responsibility and management). We discussed the links between financial results and social results.



Beatriz Barahona

Senior Advisor, Responsible investment

“ One of our goals is to democratize responsible investment by providing better investment education to individuals. Education plays a crucial role in helping our members and clients make informed decisions while also raising more capital to support sustainable development.”



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 2022, more than 90% of our internal collaborators have taken the training.

There's no shortage of educational content for investment professionals, especially advisors. But marketing and communications specialists have been underserved, just like many others who play a role in promoting responsible investment. The industry needs comprehensive training on responsible investment and ESG issues to ensure communications are accurate and nuanced. 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 say—and what not to say—when discussing ESG issues.





Assets selection and monitoring

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

The Desjardins SocieTerra 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.

SocieTerra 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 SocieTerra 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



Climate change: the urgent need to act

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 may present challenges, but it also gives us unique opportunities to use resources more efficiently, improve resilience, and develop clean energy, as well as new products, services and markets. The next decade will be a period of critical change as these trends materialize. The time for action is now!

As a stakeholder with strong socioeconomic beliefs and as the manager of the Desjardins Funds, Desjardins Investments recognizes the role it needs 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 Desjardins members and clients.





Our net zero ambition

Desjardins Investments has set the ambition to reach net zero by 2050 for its Desjardins Funds and Portfolios by prioritizing decarbonization in the real economy. We've joined the [Net Zero Asset Managers](#) initiative, an international coalition of over 315 asset managers with more than US\$59 trillion in assets under management. These managers are committed to supporting investment that's aligned with the goal of reaching net zero emissions by 2050.

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

- To work, in the interests of members and clients, to achieve decarbonization targets in line with the ambition of zero net emissions by 2050 or earlier for all assets under management;
- 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 is net zero?

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

Why is net zero important?

The science shows clearly that in order to avert the worst impacts of climate change and preserve a livable planet, global temperature increase needs to be limited 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 THE AMBITION
TO REACH NET ZERO
BY 2050 FOR ITS
DESJARDINS FUNDS
AND PORTFOLIOS



We recognize that the global economy is not yet on a path that's in line with the goal of reaching net zero emissions by 2050. Therefore, achieving our ambition depends on the actions of governments and other decision-makers. 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 alignment across different asset classes. That being said, Desjardins Investments is ready to be a committed investment fund manufacturer with other actors of the financial system and its investors to achieve this collective climate ambition.

To meet this commitment, we'll strengthen the effectiveness of several levers at our disposal which include:

- Carrying out stewardship activities with firms whose securities are held in our portfolio and engaging with decision-makers ([see the Stewardship section](#));
- Engaging with our portfolio managers
- Investing in climate solutions
- Educating investors
- Excluding fossil fuel producers and dedicated infrastructure from the SocieTerra product lineup.¹

We'll be formalizing our targets and implementation strategy in the coming months.

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

The Net Zero Asset Managers initiative

This international group of asset managers is committed to supporting the goal of achieving net zero by 2050 or earlier and to aligning investment with this goal by setting targets and reporting annually on their progress towards these targets. Desjardins Investments is a member of this initiative.



This initiative aims to encourage the world's largest GHG emitters to take steps to reach net zero by 2050. Several Desjardins Funds portfolio managers are responsible for direct, individual or collaborative commitments with companies targeted by the initiative.



This initiative aims to encourage Canada's largest GHG emitters to do what it takes to follow a path to reaching 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.



European Desjardins Funds portfolio managers are collaborating with this organization, which aims to raise capital for the transition to a lower-carbon economy.

1. For more information on exclusions specific to SocieTerra, see our [Responsible Investment Policy](#).



Our financed emissions

Financed emissions refer to greenhouse gas (GHG) emissions induced by holding 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.

For the first time this year, we've calculated the financed emissions of the SocieTerra lineup—that is, the GHG emissions associated with our investments in equities and corporate bonds in this product lineup as at December 31, 2022. The results in the table below represent over 83% of the SocieTerra product lineup or approximately 16% of our total assets under management ([see appendix for methodology details](#)).

Our financed emissions include Scope 1 and 2 emissions from the companies in which we invest (direct GHG emissions from sources attributed to the company and indirect emissions associated with the heating or electricity the company consumes), and we disclose separately Scope 3 emissions (indirect GHG emissions associated with the company's value chain, from suppliers to customers) associated with investments in the oil and gas, mining, transportation, construction, materials and industrial sectors.

Financed emissions – PCAF disclosure (as at December 31, 2022)^{1, 2}

ASSET CLASS	EMISSIONS (SCOPES 1 AND 2, KT CO ₂ E)	ASSETS UNDER MANAGEMENT (\$M)	% COVERAGE	EMISSIONS INTENSITY (T CO ₂ E/\$M)	AVERAGE PCAF ³ SCORE
Equities	74.1	4,533	98%	16.4	2
Corporate bonds	16.5	1,615	81%	10.2	2
Total investissement	90.6	6,148	94%	14.8	2

1. 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.
2. Results as at December 31, 2022, calculated using data from MSCI ESG ©2023 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.
3. Data quality score awarded based on the methodology of the Partnership for Carbon Accounting Financials. [See appendix for methodology details](#).



Scope 3 emissions associated with investments in the industrial activities sector amount to 633.9 kt CO₂e, those associated with investments in the oil, gas and mining sector total approximately 32.5 kt CO₂e, those associated with investments in the materials sector 22.0 kt CO₂e, those associated with investments in the construction sector 1.8 kt CO₂e and finally those associated with investments in the transportation sector 1.5 k CO₂e.

In some sectors, scope 3 emissions account for the majority of GHG emissions, since they include emissions from upstream activities, such as the manufacture, transport and waste of inputs to the company's activities, as well as downstream activities, such as the transport, distribution, use and end-of-life treatment of the company's products. This is also the case with the industrial activities sector, which includes the manufacture of food and beverages, textiles and clothing, electronics, machinery, vehicles and their components, and transportation equipment, and whose scope 3 emissions are relatively high compared with other sectors. However, an asset manager's share of a company's scope 3 emissions (like scope 1 and 2 emissions) also depends on the size of its investment in the company. As such, exclusions in place for the SocieTerra lineup¹ with regards to fossil fuel producers and dedicated infrastructure result in lower-than-expected financed Scope 3 emissions for the oil & gas sector.



Calculating our financed emissions enables us to identify the biggest contributors to our financed emissions, so that we can better direct our stewardship efforts. To reach our net zero ambition by 2050, we will continue calculating and disclosing our carbon footprint annually and aim to expand our calculation scope in the coming years to cover all Desjardins Funds and Portfolios. [See the appendix for more details on the scope and methodology of our financed emissions calculation.](#)

Note that the 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 methodology. We actively contribute to advancing these issues through our involvement with decision-makers and standardization bodies.

Greenhouse gas emissions associated with our activities

Although the majority of our emissions come from our investment portfolio, we take into account GHG emissions associated to our extended operations (buildings, business travel and supply chain) through Desjardins' [goal to reach net zero emissions by 2040.](#)

1. The SocieTerra 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 SocieTerra 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 materializing and influencing business practices, and will continue to do so in the years to come.

Climate risk management frameworks generally distinguish between two 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 public services and a decline in biodiversity, the materialization of these risks may compromise the safety of personnel, cause disruptions to companies' business operations and supply chain, and damage their assets.

On the other hand, 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, and changes in regulations, legislation or the perceptions of clients and civil society. 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 two risk categories associated with climate change.

Transition risks

- Legal and regulatory risks
- Technology risk
- Market risks
- Reputational risks

Physical risks

- Acute risks
- Acute risks



Desjardins Investments conducted a qualitative analysis to identify and assess the climate risks of its assets under management based on various scenario categories of 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 first 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 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 initial findings from our qualitative analysis

	PHYSICAL RISKS	TRANSITION RISKS
IT sector	Low	Low
Financial sector	Low	Low
Industrials sector	Low	Low
Energy sector	Low	High



Overall, the IT sector will be buoyed by many favorable opportunities arising from the transition, such as the substitution of existing products and services for other low-carbon options, and changes in consumer preferences. The financial sector, for its part, presents a low to moderate level of risk. It faces physical risks from the insurance sub-sector and transition risks such as uncertain 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, it is the energy sector that is most affected by transition risks such as rising carbon prices, stigmatization of the sector, and the substitution of existing products and services for other low-carbon alternatives.

We'll assess the significant risk exposure of each sector every year and continue to evolve our approach to climate risk management in 2023 and 2024. More specifically, we'll assess whether our sub-managers are managing these risks properly and 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 SocieTerra 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 (tCO₂e/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. Within a fund, the carbon intensity of the organizations held is added up to obtain the 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 organizations¹

Desjardins SocieTerra Canadian Equity Fund	→	-52%	Desjardins SocieTerra Global Opportunities Fund ²	→	-46%
Desjardins SocieTerra American Equity Fund	→	-77%	Desjardins SocieTerra Diversity Fund	→	-84%
Desjardins SocieTerra American Small Cap Equity Fund	→	4%	Desjardins SocieTerra Positive Change Fund	→	-75%
Desjardins SocieTerra International Equity Fund	→	1%	Desjardins SocieTerra Cleantech Fund	→	-13%
Desjardins SocieTerra International Small Cap Equity Fund	→	-88%	Desjardins SocieTerra Emerging Markets Equity Fund	→	-84%

1. Results as at December 31, 2022, calculated using data from MSCI ESG by comparing the carbon intensity of the funds with that of their benchmarks. © 2023 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.

2. Formerly the Desjardins SocieTerra Environment Fund.



It should be noted that this measure has certain limitations. For example, it's 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. Although the Desjardins SocieTerra American Small Cap Equity Fund is almost as carbon-intensive as its index, the fund's biggest carbon contributor, Portland General Electric, has set a net-zero emissions target by 2040, as well as an intermediate target for 2030. Similar conclusion applies for the Desjardins SocieTerra International Equity Fund: Linde plc,¹ the main contributor to the fund's weighted average carbon intensity, has adopted a science-based GHG emissions reduction target which has been validated by the Science Based Targets initiative, an independent body renowned for its credibility and high standards for net zero emission targets.

In addition, this indicator excludes indirect GHG emissions caused by 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 solar panels components.

Moreover, the carbon intensity of portfolio companies is not the only ESG indicator considered in the SocieTerra lineup. The asset managers for the SocieTerra 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.

1. Note that the security was held in the fund as at December 31, 2022, but has no longer been part of its investment universe since March 2023, as it is no longer traded on the Frankfurt Stock Exchange, but rather on the New York Stock Exchange.



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



Collaborations with other investors



Exercising voting rights



Submitting shareholder resolutions¹



Engagement with political decision-makers and other major industry players

1. Desjardins Funds hasn't submitted any shareholder resolutions over the past few years.



Votes in 2022

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 1,497 business corporation meetings and 17,875 proposals submitted to a shareholder vote (3.1% of these proposals were submitted by shareholders rather than corporate management)

We voted in favour of proposals submitted by management in 63% of cases and supported 52% of the proposals submitted by shareholders.

In 2022



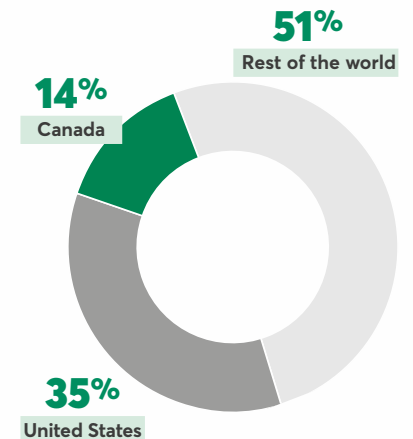
17,875

VOTES AT SHAREHOLDER MEETINGS

1,497

CORPORATE SHAREHOLDER MEETINGS EXAMINED

Geographic distribution of votes





Management proposals in 2022

Candidacies for director positions

In **40%** of cases, we voted against candidates for board seats (or abstained from voting), because the candidate was not independent.

Other times, we voted against a candidate because we weren't satisfied with how they engaged with environmental, social and governance (ESG) issues. For example, we voted against a candidate who was with a major company in the Japanese automotive industry, because we believed he was responsible for falsifying data related to product testing.

Diversity

For **372** companies, Desjardins Funds did not support the candidacies presented by the chair of the board of directors or the president of the nomination committee, because the board of directors was not made up of 30% women or more (or 2 or more women, depending on the region) or did not have an action plan to change this or credible targets to this effect.

Executive compensation (*Say on pay*)

For advisory votes on executive compensation (*Say on pay*), the percentage of **"no" votes** was **60%** for Desjardins Funds. We oppose elements of compensation when severance packages are deemed excessive, when there are stock purchase options in the incentive pay plan, or when the percentage of total dilution of the shares reserved for executive compensation exceeds 10%.





Shareholder proposals in 2022

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 2022. However, it took a stand on several proposals submitted by other investors while exercising their voting rights.

Considerations when voting on shareholder proposals

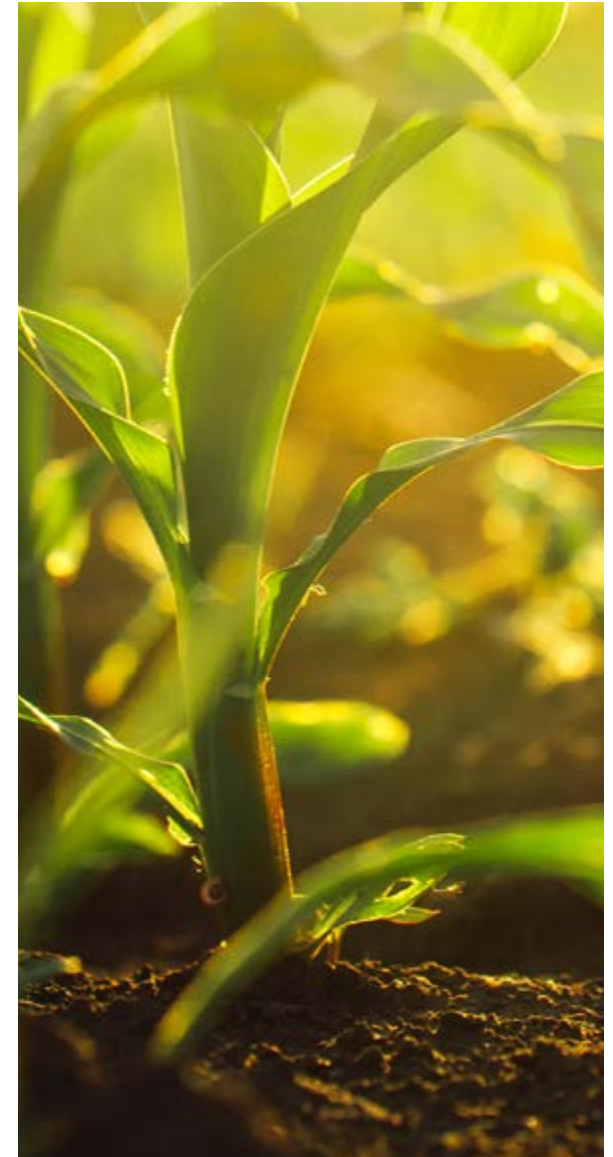
We believe that voting on shareholder proposals is a lever for change. It can mobilize shareholders, focus efforts on a call to action, engage a set of shareholders around this action and demonstrate that the company has been encouraged to make changes.

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](#).

We support proposals that aim to intensify efforts that are related to our priority themes. Before making a decision about a shareholder proposal, we consider its form and substance. That means we consider the quality of the writing in the proposal and its content to ensure it's in line with business realities.

Votes on shareholder proposals by Desjardins Funds

Desjardins Funds voted in favour of 52% 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: 2022 highlights

When it comes to shareholder proposals in Canada, 2022 was a record year compared to the rest of the decade. In 2013, advisory votes on compensation were just getting started, and in 2022, most proposals submitted by Canadian shareholders were about social and environmental issues. That said, close to 60 shareholder proposals were rejected in 2022, compared to 52 in 2021 and 18 in 2020. This significant number reflects the presence of constructive engagement between management and proposal writers. More than 90% of the rejected proposals were about environmental and social issues.

A record number of shareholder proposals were also recorded in the United States, but that's partly due to updates to instructions from the Securities and Exchange Commission (SEC), namely when it comes to proxy thresholds and support needed to submit the same proposal to the same company year after year.

The US also has a growing number of anti-ESG proposals.

Emergence of anti-ESG proposals: Example of a media and entertainment company

In a presentation outlining what motivated their proposal, the National Center for Public Policy Research suggested that their employee training program posed a major legal, financial and reputational risk by promoting discrimination. In fact, the author for the proposal claimed that anti-racist programs promoted the idea of basing salaries and positions of authority on race, sex and ethnic origin, and that the training program caused reverse discrimination against employees who did not belong to a minority group. The proposal also included a section requesting that a report be published on the company website to show that there was no discrimination within the company.

The share of votes in favour of this proposal was 2.7% and Desjardins Funds voted against it.

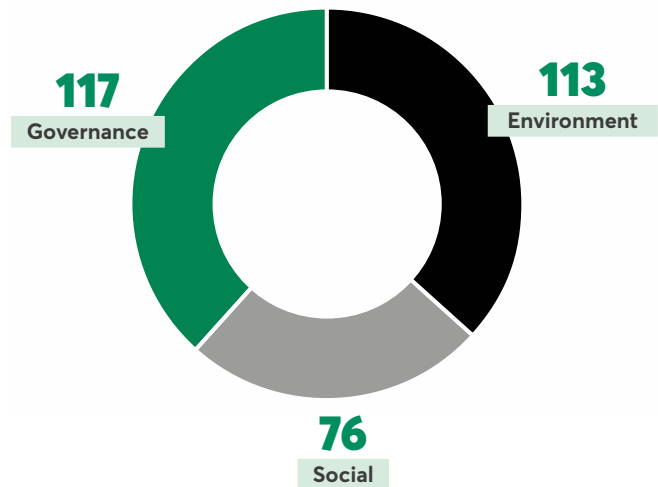


Engagement in 2022

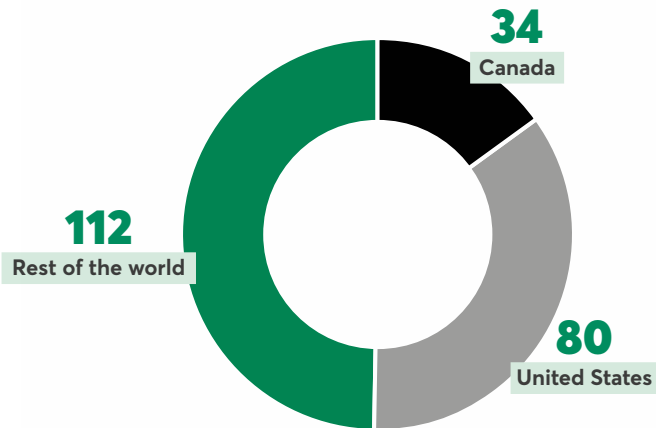
Engagement consists in talking to the company about ESG considerations that might have a long-term effect on its value, and more importantly, on the community. The goal is to set expectations for the company and encourage it to improve the way it manages ESG factors, thus helping to protect the long-term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

Distribution of dialogues by issue type



Geographic distribution of dialogues with targeted issuers



226

ISSUERS TARGETED BY AT LEAST ONE ENGAGEMENT IN 2022



Case studies

This section contains examples of engagement that are particularly focused on our 3 priority themes (climate action, nature and human rights) and governance.

Examples of individual and collaborative engagement are also included. Additionally, we'll cover how engagement and voting can be used to influence corporations on certain issues.





CASE STUDIES – CLIMATE AND THE ENVIRONMENT

Desjardins SocieTerra International Equity Fund

Portfolio Manager:
Addenda Capital

Company:
Hoya Corporation

The road to carbon neutrality: Setting clear expectations for less advanced geographic areas

In 2022, Addenda Capital, portfolio manager of the Desjardins SocieTerra International Equity Fund, engaged with HOYA corporation, a Japanese company that manufactures optical products. The manager's goal was to talk about the company's general strategic direction and initiatives regarding climate action.

Thanks to its recently implemented sustainability team, HOYA Corporation is making progress when it comes to disclosure, and according to the Task Force on Climate-related Financial Disclosures (TCFD) framework, it's planning on publishing its first report in the next fiscal year. What's more, HOYA's Chief Sustainability Officer directly reports to the company president, which suggests the company is taking ESG issues very seriously.

When it comes to integrating ESG factors into business strategies, Japan is one of the least advanced countries in the world. For this reason, Addenda Capital considers that the creation of a team that's entirely dedicated to sustainability is a very good thing. HOYA Corporation has also recognized the need to create a calendar of its commitments regarding carbon neutrality. It hasn't yet published information about Scope 3 greenhouse gas emissions (GHG), but plans to do so soon. The lack of renewable energy options in the regions where the company operates is a major challenge, although it is expecting to see more local investment in sustainable energy solutions over the next few years.

Addenda Capital is planning on furthering its engagement with HOYA Corporation to ensure the company is on track to reach its goals. Special attention will be paid to the renewable energy supply, since this appears to be the largest challenge the company is facing in its current decarbonization process.



CASE STUDIES – CLIMATE AND THE ENVIRONMENT

Desjardins SocieTerra Cleantech Fund

Portfolio manager:
Impax Asset Management (Impax)

Company:
Giant Manufacturing

The importance of greenhouse gas emission management

Giant Manufacturing, a corporation listed on the Taiwan Stock Exchange, is one of the world's largest bicycle designers and manufacturers.

Impax, portfolio manager for the Desjardins SocieTerra Cleantech Fund, first engaged with Giant Manufacturing in 2019 after noticing that their ESG risk management processes and information disclosure policies were lacking.

Following initial engagement on managing climate risk, Giant Manufacturing started developing a reference base for its Scope 1 and 2 emissions by collecting data, mainly for its 2 manufacturing plants in Taiwan. Since then, it has received a certification regarding the quantification of these emissions.

The company disclosed its GHG emissions in its 2021 annual report. A few details are missing, but this was the first time it disclosed material environmental data about its water consumption and overall waste production.

In 2022, Impax spoke with Giant Manufacturing to review the progress it had made regarding the disclosure of GHG emissions. The company informed Impax that it had completed a more rigorous inventory of its Scope 1, 2, and 3 emissions, and that they were on the process of undertaking an independent review of the data.

Later that same year, the company completed its first disclosure in accordance with Carbon Disclosure Project (CDP). In 2023, it's planning on implementing a more transparent disclosure process with respect to ESG practices.

Impax will continue to engage with Giant Manufacturing about disclosing its GHG emissions. The portfolio manager is also tasked with making sure the company reaches its absolute targets and sets science-backed goals for itself in accordance with international frameworks and best practices.



CASE STUDIES – CLIMATE AND THE ENVIRONMENT

**Desjardins SocieTerra
Environmental Bond Fund****Portfolio manager:**
Mirova**Green bonds don't meet the manager's expectations:
Divestment example**

In October 2018, the first green bond was issued by a corporation in the field of aerospace infrastructure. a company operating in aviation infrastructure became the first to issue a green bond in the sector. The proceeds were expected to improve the energy efficiency of buildings and support the electrification of transport vehicles used in the airport.

From 2021, Mirova, the portfolio manager of the Desjardins SocieTerra Environmental Bond Fund, organized engagement meetings with the issuer. The goal for these meetings was to make sure their impact report was aligned with the manager's expectations and best practices in the green bond market. The report revealed that most of the funds had been allocated for activities with less carbon intensive activities, although limited funds had been dedicated to transportation, which was responsible for a large share of the company's carbon footprint. In addition, they didn't disclose a single impact measure for projects related to transportation. Accordingly, Mirova reiterated its expectations regarding green bonds: Issuers must work toward maximizing the environmental impacts of projects financed.

Following this engagement and the unsatisfactory feedback provided by the company, Mirova's ESG team decided to downgrade the transaction, which became ineligible for the strategy's investment scope, and the investment team therefore chose to sell the position.

**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.



CASE STUDIES – CLIMATE AND THE ENVIRONMENT

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.



Voting in favour of a climate strategy proposal and a Canadian railway company

The company had ramped up its efforts since 2020 by setting medium-term goals based on science and approved by the Science Based Targets initiative—an independent organization that specializes in validation and is recognized for its high standards and credibility. In addition to making its climate strategy official in 2021, it increased the perimeter for calculating its value chain emissions (Scope 3 emissions) and strengthened its governance and disclosure regarding climate matters. In light of this information, we voted in favour of the corporation's climate strategy proposal. It was approved by 86.9% of voters.



CASE STUDY – NATURE AND BIODIVERSITY

In 2022, an ever-growing number of people acknowledged the need to protect nature and biodiversity through our investments. Industry professionals recognized the importance of supporting investments that take nature into account, and they broached this topic with issuers.

Desjardins SocieTerra Canadian Equity Income Fund

Portfolio Manager:
Desjardins Global Asset Management
(DGAM)

Biodiversity: A service provider does everything it can to progress

Ever since the topic of biodiversity started gaining momentum in the field of responsible investment, financial institutions and organizations are increasingly turning to service providers to learn how to evaluate ecological impacts and determine the effects of portfolios and projects.

To this effect, DGAM, the portfolio manager of the Desjardins SocieTerra Canadian Equity Income Fund, engaged with a company offering first-rate professional services at a global scale. The leader of ecological services explained that in 2021, the corporation acquired an environmental consulting firm to enhance their expertise and incorporate these services into their offering. They set clear objectives to protect biodiversity, identify projects they would like to participate in and guide their discussions with clients. For example, in an effort to protect biodiversity, the company answered a call for urban planning projects involving the immediate preservation and restoration of natural habitats, even though that wasn't part of the client's initial requirements. It carved out an enviable market share in terms of incorporating biodiversity into its infrastructure projects, and became a preferred partner for local communities.

In the coming months, DGAM will continue its engagements with the company, namely to discuss the development of biodiversity indicators and strategies to incorporate them into their projects.



CASE STUDY – NATURE AND BIODIVERSITY

**Desjardins SocieTerra
International Small Cap Equity Fund****Portfolio manager:**

Clearbridge Investments (Clearbridge)

Company:

MP Materials

Sustainable water management¹

ClearBridge, the portfolio manager of the Desjardins SocieTerra International Small Cap Equity Fund, engaged with MP Materials, a US mining company.

Water management is a core consideration of ClearBridge's ESG framework for the mining sector. Water is a necessary input for mines, smelters, and processing facilities, but it must be used efficiently to minimize negative effects on the environment and the community.

One best practice involves reusing water as much as possible. Clearbridge has visited and engaged with MP Materials, which has a rare earth element production plant used to manufacture electric vehicle motors. The company is committed to recycling all of the water it uses to meet 95% of the plant's needs. The remaining 5% is groundwater. In the recycling process, wastewater is piped to an on-site water treatment plant where it is treated using reverse osmosis and then reused.

During discussions, ClearBridge encouraged MP Materials to disclose the amount of groundwater it was extracting to meet 5% of their needs and compare it to their peers. Since the company issued a green bond in March 2021, it's required to compile an annual report of its sustainable water management practices.

In its last sustainability report, MP Materials quantified its groundwater consumption and confirmed that it was being used to meet around 5% of the facility's needs. That said, the company didn't evaluate how this percentage compared to its peers. ClearBridge Investments will continue to encourage the company to provide comparisons of its water used to peers.

1. All opinions and data included in this commentary are as of September 18, 2023, and are subject to change. The opinions and views expressed herein are of the ClearBridge Investments Small Cap portfolio management team and may differ from other managers, or the firm as a whole, and are not intended to be a forecast of future events, a guarantee of future results or investment advice. The statistics have been obtained from sources believed to be reliable, but the accuracy and completeness of this information cannot be guaranteed. Neither ClearBridge Investments nor its information providers are responsible for any damages or losses arising from any use of this information. The recipient is responsible for ensuring this material is approved by the proper authority before subsequent use or distribution. Past performance is no guarantee of future results.



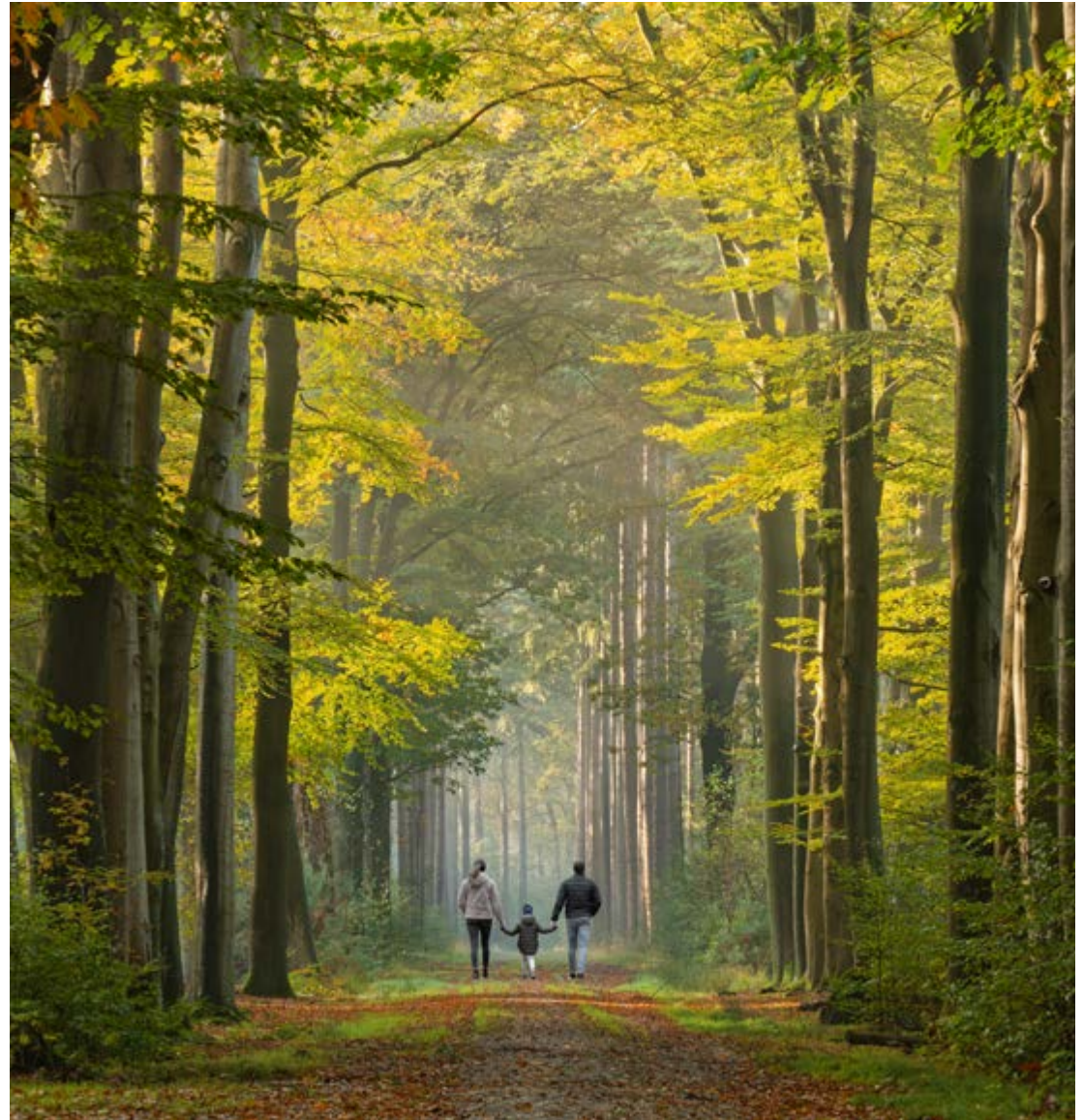
CASE STUDY – NATURE AND BIODIVERSITY

COP15 in Montreal: Desjardins commits to sustainability

In December 2022, Montreal hosted the 15th Conference of the Parties (COP15) as part of the UN's Convention on Biological Diversity. During this conference, participants adopted the Kunming-Montreal Global Biodiversity Framework, which aims to preserve nature and halt and reverse biodiversity loss to put nature on a path to recovery by 2050. The framework presents a number of global targets to be reached by 2030, and is a major step in the fight against climate change.

Accordingly, Desjardins decided to take action along with other major players in the financial sector. More specifically, we've supported the financial sector's declaration, which calls on governments to reach an agreement that will bring clarity and elicit action among all major economic players—including those in financial sector—to halt and reverse nature loss.

What's more, in December 2022, Desjardins Investments Inc. and Desjardins Global Asset Management Inc. (DGAM) signed the Finance for Biodiversity pledge ([Finance For Biodiversity Pledge](#)). The goal is to take the protection and restoration of biodiversity into account in the management of our own investments and in the investment solutions available to our members and clients.





CASE STUDY – HUMAN RIGHTS, EQUITY, DIVERSITY AND INCLUSION

Desjardins SocieTerra Global Corporate Bond Fund

Portfolio manager:
Western Asset Management (WAM)

Engaging with an issuer from the automotive sector about a controversy on forced labour in China

Whilst now couple years old, the controversy around using forced labor this automotive issuer' supply chain was reignited in a 2022 MSCI report. The company published a statement on its website denying the accusations based on the following arguments:

- The sources cited by MSCI have not demonstrated a link between the automotive company and forced labor.
- The plant targeted by these allegations is operated by a subsidiary of the automotive company, whose name may have led people to believe the activities were perpetrated by the issuer.

For this reason, WAM, the portfolio manager of the Desjardins SocieTerra Global Corporate Bond Fund, met with the issuer's investor relations team to get more information about the controversy.

During their conversation, the company explained the accused subsidiary's governance and control structure, stating that it manages 50% of the subsidiary company in China, and that its governance allows it to have proportional representation on the board.

The manager accepted the first argument claiming that the references made to certain sources weren't strong enough to establish a relationship between the issuer in the automotive sector and the forced labour, but was not convinced with the second argument regarding the absence of shared control over the company.

This point was raised during engagements: WAM understands the constraints the company must face in China, but expect it to use its leeway to promote an ethical program. The manager shared this with the company and will keep monitoring the situation closely.



CASE STUDY – HUMAN RIGHTS, EQUITY, DIVERSITY AND INCLUSION

Desjardins SocieTerra Global Dividend Fund

Portfolio manager:

Sarasin & Partners (Sarasin)

Company:

Siemens

Stricter rules for supply chains in Germany

Siemens is a German company specializing in infrastructure, transportation and healthcare. In 2022, Sarasin, the portfolio manager of the Desjardins SocieTerra Global Dividend Fund, met with Siemens's compliance officer and other members of the company's management team. They discussed how the company was preparing to comply with the new German supply chain due diligence act. The new act will require companies to produce environmental and social risk analysis reports and implement risk management policies. Among other things, they'll be required to identify risks associated with human rights violations and with the destruction of the environment by direct suppliers. They'll be expected to follow the same procedure for indirect suppliers if they find out about a potential violation from a trusted source. Companies will also be required to prepare annual reports about their supply chain activities and correct any violations they become aware of.

Siemens doesn't think it will have any issues complying with the act. It published a statement of principles explaining how it intends to respect the strict requirements on human rights and environmental due diligence. Sarasin requested additional proof of the improvements they've made in these areas and intends to monitor their future progress. For this reason, the portfolio manager will take the time to review the details of how the policy is being rolled out during future exchanges. Sarasin will pay special attention to the concrete reports about the results of the risk analysis and corrective measures taken as a result.



CASE STUDY – HUMAN RIGHTS, EQUITY, DIVERSITY AND INCLUSION

Desjardins SocieTerra Positive Change Fund

Portfolio manager:

Baillie Gifford Overseas Limited
(Baillie Gifford)

Company:

Deere & Company

Furthering our understanding of the debate surrounding the right to repair

The “Right-to-Repair” movement is a socio-political movement that seeks to reduce the monopolistic powers of manufacturers and provide consumers with more choices and freedoms when it comes to the right to repair or modify the products they buy.

Deere, the agriculture company that is driving developments in precision farming and automation, is equipping its products with increasingly complex technology and software. In 2022, Deere was targeted by right-to-repair supporters, which led Baillie Gifford, the Portfolio Manager of the Desjardins SocieTerra Positive Change Fund, to engage with Deere to understand the issue better.

Deere, which claims to support the right to repair (but not the right-to-modify its machinery), has been accused of restricting access to manuals and diagnostic tools for its machines, monopolizing the aftermarket and inflating costs by consolidating dealerships.

Baillie Gifford believes that the company can improve even though many farmers prefer to have their machines repaired by Deere technicians.

On the other hand, the demand for manuals, tools, and software to be made available for farm machinery entails risks. Indeed, modifications made by farmers can render machines non-compliant with environmental regulations and increase wear and tear. This, in turn, can reduce safety and traceability. This is why the company calls for caution, which the manager understands and supports.

In January 2023, Deere announced that it had signed a memorandum of understanding with the American Farm Bureau Federation, agreeing to provide farmers and independent repair facilities with software, equipment, and documentation to diagnose, repair, maintain and upgrade its equipment under “fair and reasonable terms”.

Over the next few years, Baillie Gifford will continue the right-to-repair conversation with Deere, encouraging approaches that will reduce the demand for modifications, streamline repairs and balance dealer consolidation with ease of access for farmers.



CASE STUDY – HUMAN RIGHTS, EQUITY, DIVERSITY AND INCLUSION

Desjardins SocieTerra Diversity Fund

Fund manager:

Lazard Asset Management (Lazard)

Company:

SAP

An honest and constructive discussion to ensure the company is sincere about its diversity engagements¹

In 2022, Lazard, the portfolio manager of the Desjardins SocieTerra Diversity Fund, engaged with SAP, a global leader in the development of integrated management software solutions.

At the time of the exchange, 50% of the company's board of directors was made up of women, which was higher than the average in Germany (33%). That said, Lazard felt improvement could be made to the executive committee, which was only made up of 28.5% women in 2022. The company hadn't reached its goal of achieving 30% female representation in management positions in 2022. However, the manager was reassured by SAP's determination to reach this goal by the end of 2023 and keep improving after that.

What's more, during its discussion with SAP, Lazard asked the company for its perspective on a news article about allegations of workplace harassment. The discussion was constructive, and the company confirmed that it had a zero-tolerance policy regarding any type of harassment or discrimination. This policy goes beyond the general policy actively applied by the company, as witnessed by the termination of contracts of employees who commit violations. Having made extra commitments to support diversity and high-level commercial ethics, the company informed Lazard that it was working to strengthen its compliance culture by reminding people about its code of ethics and business conduct, and launching an improved training course for company executives.

To enhance its alignment with best industry practices, the company also improved its reporting system by transferring its internal tool to an external platform where employees can voice their concerns and communicate with the compliance team. Lazard thought this commitment was constructive, and that the company had listened to their shareholders' comments and responded accordingly.

Lazard will pursue its constructive dialogue with the company to assess whether the new training program, the reminder of the code of ethics and the improvements to disclosure correlate with effective risk management and a more inclusive work culture, in accordance with its expectations regarding equity, diversity and inclusion.

1. This research report was prepared by Lazard Asset Management, LLC ("Lazard") for the use of its internal investment staff. It's provided for illustration purposes as part of Desjardins Funds' annual report on responsible investment. Nothing in this report should be considered as a recommendation to buy or sell a Lazard stock, investment or strategy. The information and opinions in this report come from sources that Lazard deems to be reliable, but the manager makes no statements regarding their accuracy or completeness. All opinions and assessments are valid as of the date of this report and are subject to change.



CASE STUDY – HUMAN RIGHTS, EQUITY, DIVERSITY AND INCLUSION

**Desjardins SocieTerra
Canadian Equity Fund /
Desjardins SocieTerra
Canadian Equity Income Fund**

Portfolio Manager:

Desjardins Global Asset Management
(DGAM)

Diversity: the strength of collaborative engagement

In 2022, a Canadian mining sector company, was identified by investors as underrepresented by women on its board of directors. DGAM, the portfolio manager of the SocieTerra Canadian Equity Fund decided to lead this engagement collaboratively by joining forces with another 30% Club¹ member. DGAM approached the company with two clear objectives: to convince it to foster greater gender diversity by working towards a 30% female leadership share, and to encourage it to adopt a diversity and inclusion policy with objectives. The company was very receptive and quickly rectified the situation by achieving 30% female representation on its board, a target it had set for 2024. Although this is positive news and demonstrates the leverage of collaboration, DGAM wanted to go further by encouraging the company to adopt a policy for diversity and to hire more women for management roles, which are currently almost exclusively occupied by men.

1. [30% Club, Growth Through Diversity, Increasing Gender Balance \(30percentclub.org\)](https://www.30percentclub.org/).



CASE STUDY – GOVERNANCE

Desjardins SocieTerra American Equity Fund

Portfolio manager:

ClearBridge Investments (ClearBridge)

Company:

UnitedHealth Group

Placing ESG factors at the heart of governance

ClearBridge, manager of the Desjardins SocieTerra American Equity Fund, is one of the top 20 shareholders of UnitedHealth Group—the largest managed care provider in the United States.

In 2022, ClearBridge met with the company to discuss recent changes to its governance and organization. ClearBridge and other investors have often been critical of the company, namely due to the seniority of its board members. As a result of this criticism, the company refreshed 7 board seats over the past 5 years, and separated the positions of chair and chief executive officer.

UnitedHealth Group also reorganized and strengthened the way the board keeps track of ESG issues. Accordingly, the board's governance committee is now in charge of overseeing the company's ESG initiatives and progress.

The company has also appointed a Sustainability Officer who reports directly to the CEO and attends each Governance Committee meeting to present progress. UnitedHealth has placed health equity objectives, in addition to its clinical policy, under the oversight of the Board's Health and Clinical Policy Committee, with the Audit Committee responsible for reviewing the quality and accuracy of all ESG disclosures.



CASE STUDY – GOVERNANCE

**Desjardins SocieTerra
Canadian Equity Income Fund****Portfolio Manager:**

Desjardins Global Asset Management
(DGAM)

Using our voting power when an engagement is unsuccessful

In the framework of an advisory vote on compensation, DGAM, manager of the Desjardins SocieTerra Canadian Equity Income Fund, met with management of a company in the IT sector.

During this exchange, DGAM announced that it did not intend to support the advisory vote on compensation for company executives (*Say on pay*).

In 2021, Desjardins Funds had voted in favour in the compensation plan for executives, but had reservations about the CEO's total compensation package (which had increased more than 115% since the 2020 fiscal year). In 2022, the situation had worsened due to the CEO's increased compensation despite negative impacts for the company. In fact, the CEO's bonus for 2022 was set at 1,053% of their base salary, which was deemed to be excessive.

The company had based its 2022 compensation plan on the competition and what other executives were earning, including companies outside of Canada. It also mentioned the need to acknowledge its CEO's 10 years of service, during which time results had been generally positive. The manager did not feel that this explanation justified the CEO's compensation. Engagement with the company on this topic proved unsuccessful, and Desjardins Funds voted against the company's proposed compensation plan.

The company was not open to discussing this issue, but DGAM will continue to engage with them about it in the coming years.



Engagement with public authorities and industry players in 2022

As a leading proponent of responsible investment, Desjardins wants to promote and improve the conditions under which we carry out our responsible investment work. This intention guides our engagement with major industry players, regulators and public authorities. Our exchanges come in all shapes and colours: answers given during consultations, public speaking engagements, working groups, etc.

- Desjardins is a member of the Responsible Investment Association (RIA) of Canada and has been sitting on its board of directors since 2018. As an active member of the RIA, we support and take part in events. For example, we supported the [2022 RIA Investor Opinion Survey](#) and answered the [2022 Canadian RI Trends Report](#) questionnaire.
- As a signatory of the Principles for Responsible Investment (PRI) since 2010, Desjardins participates in discussions organized between industry players. We participated in the [PRI in a changing world](#) consultation as part of our strategic planning.
- We participated in a consultation led by the Canadian Investment Funds Standards Committee (CIFSC) to document the different strategies used for Responsible investment funds in Canada.¹
- Desjardins participated in [Impact Frontiers](#), an initiative that aims to shape industry methodologies for impact investing.
- We participated in the International Financial Reporting Standards (IFRS) consultation on future International Sustainability Standards Board (ISSB) disclosure standards.
- Desjardins supported [The Investor Agenda's](#) Global Investor Statement to Governments on the Climate Crisis, which calls for all governments to commit to ambitious climate policy action.

Political decision-makers with the government and regulatory bodies routinely ask Desjardins about its point of view and position on various issues.²

- As a member of the Sustainable Finance Action Council (SFAC), Desjardins participated in the technical expert group on green taxonomy.
- Desjardins participated in the consultation of the Canadian Securities Administrators (CSA) on the duty to disclose information about climate change. As part of our response, we supported the enhanced requirements to disclose information about climate change for Canadian issuers, since this will enable investors to access this information more easily and therefore manage climate risk more effectively.
- Desjardins supported the financial sector statement made during COP15, which took place in Montreal in December 2022. This declaration called on governments to reach an agreement that would make it possible for all sectors of the economy, including finance, to align and take action to halt and reverse biodiversity loss.
- Desjardins participated in the consultation by the Office of the Superintendent of Financial Institutions (OSFI) for its new Guideline on climate risk management for federally regulated financial institutions.

We also contributed to sharing expertise through outreach activities such as participating in public conferences and voicing our opinions to the press. More specifically, we had no less than 14 opportunities to express ourselves in 2022, including an editorial article about biodiversity in [Canada's National Observer](#) and a contribution to a report on greenwashing in the French-language newspaper [Les Affaires](#).

1. [Responsible Investment Identification Framework | Canadian Investment Funds Standards Committee \(CIFSC\)](#).

2. Our contributions were publicly stated in accordance with applicable regulations in the regions where we are present.

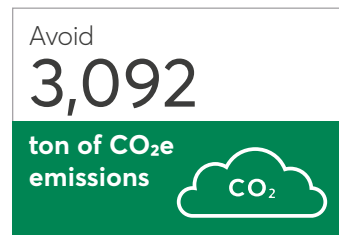


Thematic and Impact Funds

Desjardins SocieTerra Environmental Bond Fund

The Desjardins SocieTerra 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 the Fund invests in have helped:



Estimates based on an investment of CA\$10 million in 2022.¹

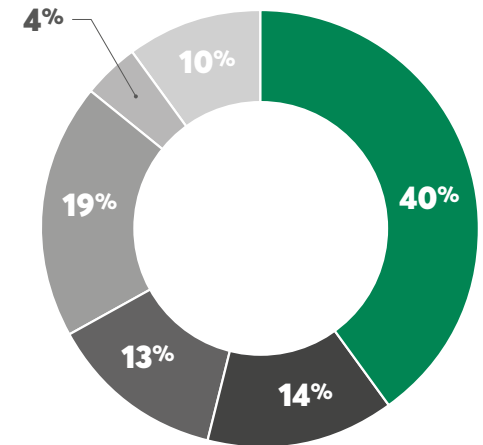


1.5°C

By investing in a wide range of quality projects, the Desjardins SocieTerra Environmental Bond Fund actively contributes to the climate objectives of the Paris Agreement² scenario to limit global temperature increases to 1.5°C.

In 2022, the Fund invested in the following project types:³

- Renewable energy
- Clean transportation
- Energy efficiency
- Diversified⁴
- Sustainable land use
- Other (sustainable waste management, biodiversity conservation, etc.)



1. Source: Mirova SA. The information mentioned above belongs to its respective owners, Mirova and its data providers. The figures provided are from 2022 and 2020. The contributions are based on the annual impact of the assets held in the Desjardins SocieTerra Environmental Bond Fund portfolio on December 31, 2022. 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. Difference in data between 2021 and 2022 can be explained by an update in the data provider's methodology to improve precision of avoided emissions calculation as well as increased bond coverage.

2. [The Paris Agreement | UNFCCC \(unfccc.int\)](https://unfccc.int/).

3. 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 SocieTerra Environmental Bond Fund, as of December 31, 2022.

4. "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.



THEMATIC AND IMPACT FUNDS

Desjardins SocieTerra Diversity Fund

Desjardins SocieTerra 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 SocieTerra Diversity Fund managed by Lazard is

41%

compared to 30% for companies in the Fund's benchmark, in the Fund's benchmark, the MSCI All Country World Index.¹

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

33%

compared to 22% for companies in the Fund's benchmark, in the Fund's benchmark, the MSCI All Country World Index.¹

1. Source: Lazard Asset Management LLC. Results as at December 31, 2022, 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.



THEMATIC AND IMPACT FUNDS

Desjardins SocieTerra Positive Change Fund

The Desjardins SocieTerra 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.

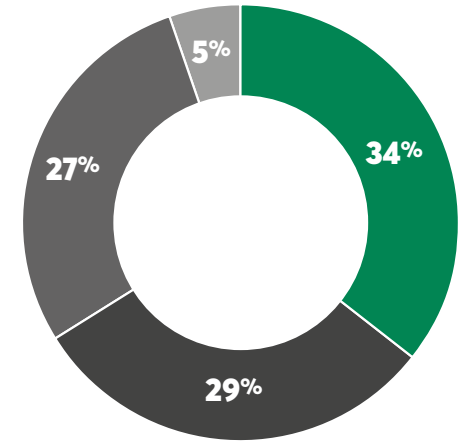
The companies the Fund invests in are estimated to have:

Avoided 1,742 metric tons of CO ₂ e 	Saved over 10.5 million litres of drinking water
Provided access to education and/or training to 7,225 learners 	Provided access to financial service to at least 3,225 people

Estimates based on an investment of CA\$10 million in 2022.¹

In 2022, the Fund invested in the following themes:²

- Healthcare and quality of life
- Social inclusion and education
- Environment and resource needs
- Base of the pyramid



1. Source: Baillie Gifford Overseas Limited. The contributions are based on the annual impact of the assets held in the Desjardins SocieTerra Positive Change Fund portfolio on December 31, 2022. 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 we have a long time horizon and aim to invest in our holdings for 5-10 years or longer, portfolio turnover is low. Headline Impact Data, 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 and, in some cases, requires conversion to allow for aggregation across the portfolio. Where information is not available we do not include a company's contribution within the Headline Impact Data snapshot. In time we hope to be able to encourage companies to increase their reporting. Data for CO₂e saved is based on company reporting which is either in CO₂ or CO₂e; the aggregate data is presented as CO₂e as this is the most conservative approach. Data related to money spent on healthcare services and prevention and disease is presented to date, covering multiple years.

2. Source: Baillie Gifford Overseas Limited. As at December 31, 2022. Excluding cash and cash equivalents and non-categorized holdings.



THEMATIC AND IMPACT FUNDS

Desjardins SocieTerra Cleantech Fund

The Desjardins SocieTerra 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.

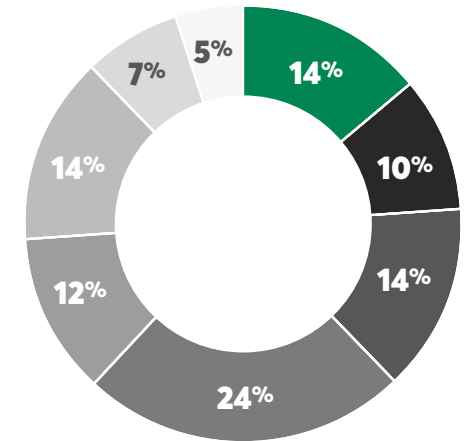
The companies the Fund invests in have contributed to:

Avoid the emission of 3,580 tons of CO ₂ e 	Provide, treat or save 140 million litres of water
Recover or treat 173 tons of residual materials 	Generate 933 megawatt hours of renewable energy

Estimates based on an investment of CA\$10 million in 2022.¹

In 2022, the Fund invested in the following environmental sectors:²

- Renewable and alternative energy
- Digital infrastructures
- Energy management
- Resource efficiency and waste management
- Sustainable food and agriculture
- Water infrastructure and technologies
- Transport solutions
- Other



1. 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 SocieTerra Cleantech Fund holdings on December 31, 2022. 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.

2. Source: Impax Asset Management Limited. As at December 31, 2022. Excluding cash and cash equivalents.



Companies effecting change

The companies whose securities are included in the SocieTerra Funds help to mitigate environmental and social issues, whether through operational practices or the nature of the goods and services they provide.

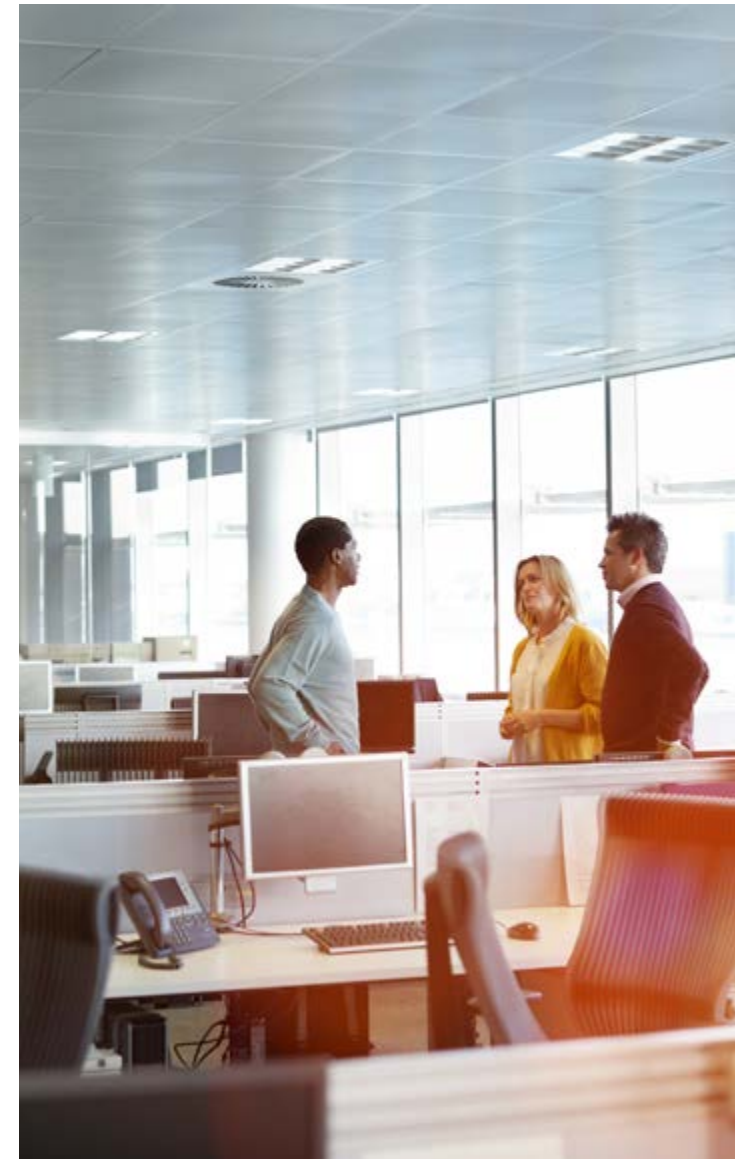
Every industry has the power to enact change: companies from all sectors can adopt best practices and improve operations to address social and environmental issues. On the environmental front, for example, companies can become more energy efficient, reduce waste, or join the circular economy to minimize their use of raw materials. In terms of social issues, organizations may focus on equity, diversity, health, wellness or social relationships. Companies may also choose to influence working conditions at other points in the supply chain, or build ties with their communities.

Other companies may effect positive change through the goods and services they produce. For example, the entire renewable energy sector, including EV battery manufacturers, are helping reduce our carbon footprint. And in terms of social good, the portfolios may invest in companies that generate revenue through activities that provide access to healthcare or education.

Below, we've listed example of companies that stocks were part of the Desjardins Funds SocieTerra portfolios,¹ as well as the issues they address.

[Click here](#) to learn about the other companies in these portfolios.

The Desjardins Funds website also contains a number of [articles on RI](#), including more information about the issues we prioritize.



1. As of December 31 2022.



COMPANIES EFFECTING CHANGE

EQUALITY, DIVERSITY AND INCLUSION

[Why it matters](#) →

Rockwell Automation Inc.

[Desjardins SocieTerra Diversity Fund](#)

Rockwell Automation provides electrical engineering and automation services. In recent years, the company has focused on inclusion and diversity as a vehicle for changing its organizational culture, which has improved employee recruitment and retention. Drawing on specific resources and training, Rockwell Automation is also seeking to increase the presence of women in science, technology, engineering and mathematics positions. In 2022, the company had 36% women on its board and 26% on its management committee.

Chr. Hansen Holding A/S

[Desjardins SocieTerra Positive Change Fund](#)

Chr. Hansen is a bioscience company that develops natural solutions for the food, nutritional, pharmaceutical and agricultural industries. The company stands out for its diversity best practices. In 2020, they had 36% women on the board, 22% on the executive committee and 43% in the total workforce. They have been successfully building their pipeline of female talent over the years, especially at the director level, with a target of 30% women in director positions by 2022. Chr. Hansen has significantly changed its recruitment practices, reports quarterly on progress and pays attention to gender pay equity.

HEALTH AND WELL-BEING

[Why it matters](#) →

Alnylam Pharmaceuticals Inc.

[Desjardins SocieTerra Positive Change Fund](#)

Alnylam Pharmaceuticals is a biopharmaceutical company focused on the research and development of medical treatments in the following areas: genetic medicines, cardio-metabolic diseases, infectious diseases, eye diseases and central nervous system diseases like Alzheimer's. Founded in 2002, the company has led the translation of RNA interference (RNAi) into an entirely new class of medicines. Their RNAi treatments were the first in the world to be approved.

Hologic Inc.

[Desjardins SocieTerra Diversity Fund](#)

[Desjardins SocieTerra Low Volatility Global Equity Fund](#)

Hologic is a medical technology company primarily focused on improving women's health and well-being through early detection and treatment. The company launched a multi-year commitment to tackling breast cancer screening disparities for women. Research has shown that black women are 40% more likely to die from breast cancer than non-Hispanic white women because it's harder for them to access to breast cancer screening. Hologic launched a campaign to stress the importance of screening and provide women in underserved communities with access to breast cancer screening technology.



COMPANIES EFFECTING CHANGE

SUSTAINABLE FOOD AND AGRICULTURE

[Why it matters](#) →

Koninklijke DSM (Royal DSM)

[Desjardins SocieTerra Global Opportunities Fund](#)

[Desjardins SocieTerra Cleantech Fund](#)

[Desjardins SocieTerra Global Dividend Fund](#)

Royal DSM is a global science-based company developing solutions in nutrition, health and sustainable living. The company helps to improve livestock health and feed efficacy, which serves to lower input-related waste, mitigate against emissions and limit harmful by-products. For example, Royal DSM develops a feed additive for cows that suppresses the enzyme that triggers methane production in a cow's rumen and consistently reduces enteric methane emission.

Darling Ingredients

[Desjardins SocieTerra Cleantech Fund](#)

Darling Ingredients is a developer and producer of sustainable natural ingredients from edible and inedible bionutrients. With over 250 processing plants around the world, Darling Ingredients helps reduce food waste by collecting and reusing animal products and other natural materials that would otherwise go to waste. These materials are then recycled into animal feed products, fertilizers and biofuels. Preventing the decomposition of these by-products is essential to protect the environment and groundwater resources.

SUSTAINABLE PRODUCTION MODELS

[Why it matters](#) →

Adidas AG

[Desjardins SocieTerra International Equity Fund](#)

Adidas is one of the world's best-known sports companies. It is committed to integrating natural resource protection criteria through innovation in its production processes across its supply chain. In 2015, the company introduced a running shoe made from plastic waste recovered from the ocean. In addition, it has pledged to use only recycled polyester by 2024. Adidas is also working to recover used items to extend product life through second hand sales and the reuse of materials to reduce waste.

Waste Connections, Inc.

[Desjardins SocieTerra Canadian Equity Fund](#)

[Desjardins SocieTerra Canadian Equity Income Fund](#)

[Desjardins SocieTerra Low Volatility Global Equity Fund](#)

Waste Connections specializes in the collection and treatment of waste and recyclable materials in Canada and the United States. The company develops gas recovery systems to provide renewable energy. Methane recovered from 23 of these systems can be used to generate electricity for households, power local industrial facilities and alternative fuel vehicles, or even qualify for carbon offsets and renewable fuel credits.



COMPANIES EFFECTING CHANGE

WATER MANAGEMENT

[Why it matters](#) →

Algonquin Power & Utilities Corp

[Desjardins SocieTerra Canadian Bond Fund](#)

Algonquin Power & Utilities is a distributor of water, natural gas and electricity that plays an active role in the energy transition. The company distributes drinking water and collects wastewater from more than 160,000 customers. In an effort to lower its water consumption, Algonquin Power & Utilities rolled out new technologies to put in place sound water efficiency, conservation, reuse and recycling practices. It also made a commitment to continue to invest in water quality improvement, water desalination projects to mitigate groundwater depletion and education to raise community awareness of the importance of water.

Ecolab Inc.

[Desjardins SocieTerra American Equity Fund](#)

[Desjardins SocieTerra Positive Change Fund](#)

Ecolab is a global leader in water, hygiene and infection prevention solutions. Its wastewater treatment programs help companies reduce the toxic emissions that result from their processes. It also hopes to achieve a number of goals by 2030, including concrete objectives for water management and stewardship, workforce diversity, inclusivity and workplace safety. Ecolab also hopes to achieve net zero emissions by 2050 and regularly reports on its sustainability progress.

BIODIVERSITY

[Why it matters](#) →

Ørsted

[Desjardins SocieTerra Positive Change Fund](#)

[Desjardins SocieTerra Environmental Bond Fund](#)

Ørsted is a world leader in offshore wind energy, and like all wind producers, its installations can disrupt vital ocean ecosystems. However, this company is actively seeking to offset any biodiversity losses caused by its operations and has set an ambitious goal to ensure all new projects have a net-positive impact on biodiversity by the year 2030 at the latest.

Ørsted has partnered with several non-governmental marine organizations and is experimenting with a number of different approaches to restore habitats and support biodiversity. The company's track record shows that it is able to meet the targets it sets, no matter how ambitious. We believe it's ready to put in the work and resources needed to reach this goal.

Tornator

[Desjardins SocieTerra Global Bond](#)

Tornator is a private company that owns forests. Its core business is forest management and silviculture on 0.72 million hectares of secondary forest in Europe. All Tornator forests are certified for sustainable management and are managed to maintain biodiversity. The company has developed a series of sustainable forest management indicators to monitor the impact on biodiversity and climate. Tornator aims to preserve endangered species, increase carbon sequestration per zone and increase biomass production per hectare.



COMPANIES EFFECTING CHANGE

ENERGY TRANSITION

Why it matters →

Schneider Electric SE

[Desjardins SocieTerra Global Opportunities Fund](#)

[Desjardins SocieTerra International Equity Fund](#)

[Desjardins SocieTerra Global Corporate Bond Fund](#)

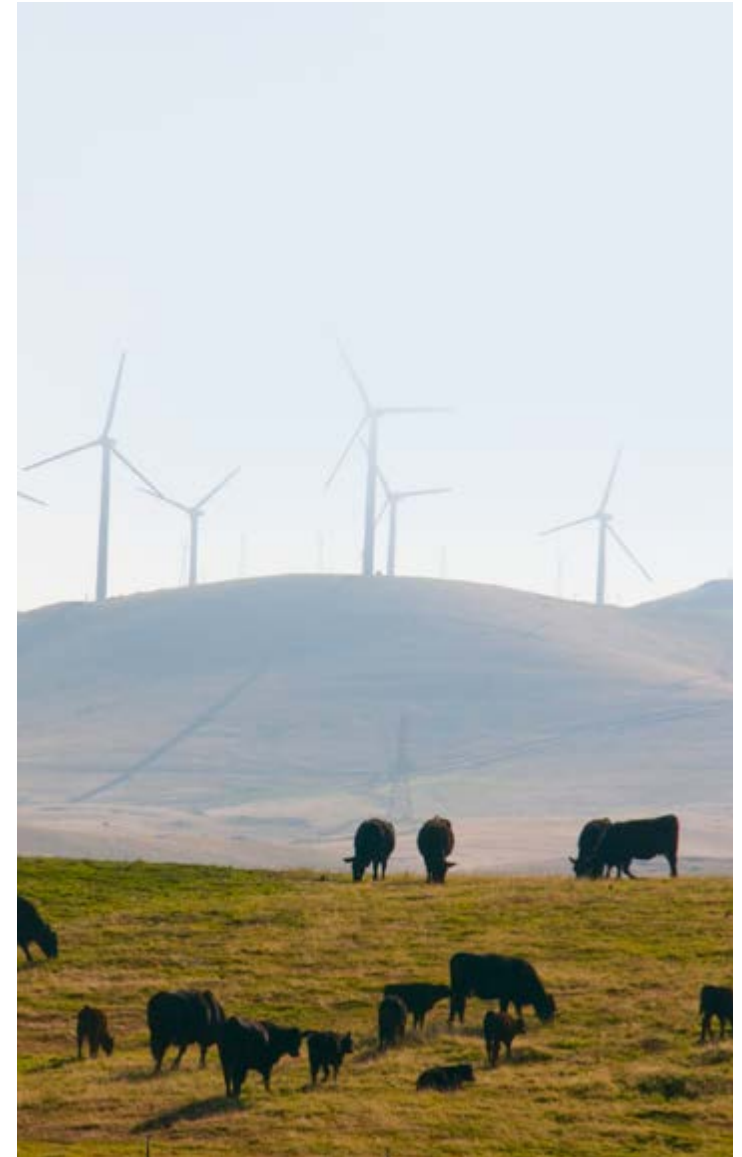
[Desjardins SocieTerra Canadian Equity Income Fund](#)

Schneider Electric is a French company that offers an integrated range of technologies and solutions to support the transition to electric, digital, carbon-free and decentralized energy. The company offers electrical equipment for solar energy, charging stations for vehicles electricity, home automation, demand management, smart grids, etc. Schneider Electric has also deployed a system promoting the commercialization of products that are durable, repairable, adaptable and easily processed at the end of their life cycle. The company has committed to a low-carbon future by adopting a climate strategy compatible with the 1.5°C trajectory adopted by the Paris Agreement.

Lower Mattagami Energy Limited Partnership

[Desjardins SocieTerra Canadian Bond Fund](#)

Lower Mattagami Energy is a partnership created by Ontario Power Generation to redevelop and operate four hydroelectric generating facilities on the Mattagami River in northern Ontario. In the last decade, the generating facilities underwent a major redevelopment to produce a further 438 megawatts of renewal electricity from the four existing stations. This massive hydroelectric project is being carried out in collaboration with the local Indigenous community, which actively contributed to its completion and holds a 25% equity interest in the project.





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 CO₂ equivalents (CO₂e) and therefore includes the GHG emissions named in the Greenhouse Gas Protocol: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆) and nitrogen trifluoride (NF₃).

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.

General description of data quality scores for corporate shares and bonds

DATA QUALITY SCORE	SOURCE OF DATA ON GHG EMISSIONS
1	Disclosed by the company and verified by a third party
2	Disclosed by the company
3	Estimated based on the company's energy consumption or output
4	Estimated based on sectoral averages (revenues)
5	Estimated based on the sectoral averages (assets or the asset turnover ratio)



TCFD Appendix

SUBJECT	DÉCLARATION / DOCUMENTATION
Governances	<p>See the Governance section of the Climate Action at Desjardins 2022 report.</p> <p>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:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> - Approving climate policies and positions - Ensuring Desjardins Investments' climate-related regulatory and operational compliance - Ensuring sound management of Desjardins Investments' climate risks
Strategy	<p>See the Our net zero ambition section on page 15.</p> <p>We have formalized our targets and implementation strategy in 2023</p> <p>See our Responsible Investment Policy for details on our position and climate-related exclusions.</p>
Risk management	<p>See the Climate risks section on page 19.</p>
Indicators and targets	<p>See the Our financed emissions section on page 17 and the appendix on page 54 for emission details related to the SocieTerra lineup.</p> <p>In the coming months, we'll be formalizing our implementation strategy and targets linked to our net zero ambition.</p>



Partnerships, collaborations and external engagements at the end of 2022

Desjardins' partnerships, collaborations and external engagements

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: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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 SocieTerra 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
Impact Frontiers	Impact Frontiers is a collaboration initiative aimed at various players in the financial arena that promotes learning and innovation in the field of impact investing. It supports investors' ability to manage impacts and integrate them with financial data, analysis, frameworks and processes.	Desjardins Investments was part of the initiative's Canadian cohort in 2022
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



Examples of collaborations of our portfolio managers

COLLABORATION NAME	COLLABORATION DESCRIPTION
<u>Climate Action 100+</u>	Several portfolio managers of the Desjardins SocieTerra 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
<u>Institutional Investors Group on Climate Change (IIGCC)</u>	European Desjardins SocieTerra Fund portfolio managers collaborate with this organization, which aims to mobilize capital to foster the transition to a low-carbon economy
<u>Climate engagement Canada</u>	Canadian Desjardins SocieTerra 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.
<u>Net Zero Asset Manager Initiative (NZAM)</u>	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.
<u>Climate Bonds Initiative</u>	The Desjardins SocieTerra 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.
<u>International Corporate Governance Network (ICGN)</u>	Numerous Desjardins SocieTerra Fund portfolio managers belong to the ICGN, an authority in setting global standards for corporate governance and investor stewardship.
<u>Canadian Coalition for Good Governance</u>	The portfolio manager for the Desjardins SocieTerra Canadian Bond and SocieTerra 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.
<u>30% club Canada</u>	The portfolio manager for the Desjardins Desjardins SocieTerra Canadian Bond Fund and the Desjardins SocieTerra Canadian Equity Fund is a member of the 30% Club, whose mission is to increase the number of women on corporate boards and in executive management positions, with the goal of 30% representation by 2022.
<u>Farm Animal Investment Risk and Return (FAIRR)</u>	Several portfolio managers for the Desjardins SocieTerra Funds are members of FAIRR, a network of collaborative investors who address ESG risks and opportunities associated with intensive livestock farming.
<u>Global Impact Investing Network (GIIN)</u>	Many Desjardins SocieTerra Fund portfolio managers belong to the GIIN, which specializes in impact investing and measuring investment spinoffs.

The Desjardins Funds are not guaranteed, their value fluctuates frequently and their past performance is not indicative of their future returns. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The Desjardins Funds are offered by registered dealers.

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