

Principles for Responsible Banking



2021 annual disclosure



Principle 1 – Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.

Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

About Desjardins

Our purpose is to enrich the lives of people and communities.¹ To do this, we focus on always doing what's best for members and clients by offering a full range of quality products and services across Canada.

Because we're a cooperative, sustainability is part of who we are and plays an integral part in our corporate strategy. Sustainable development has been a stated part of our strategic framework since 2016. We also have a long and rich history of solidarity and commitment to communities, dating back more than 120 years. Being there for the communities² we serve is important to us, as are the environmental efforts³ we've been making over the past several decades, which are supported by sound governance practices.⁴

We're committed

We align our activities to be consistent with our cooperative values and the United Nations Sustainable Development Goals.⁵ We're guided by both external frameworks and our own frameworks, like our sustainable development policy, which we first adopted in 2005 and updated and expanded in 2020. In addition to this policy, which

helps us consistently apply environmental, social and governance (ESG) criteria to our activities, we also draw on a number of other national and international frameworks:

- Business Ambition for 1.5°C – 2021
- Statement by the Quebec Financial Centre for a Sustainable Finance – 2021
- Canadian Investor Statement on Climate Change – 2021
- Net Zero Asset Managers initiative – 2021
- Climate Engagement Canada – 2021
- Global Investor Statement to Governments on the Climate Crisis – 2021
- Tobacco-Free Finance Pledge – 2020
- Women's Empowerment Principles – 2020
- Powering Past Coal Alliance – 2020
- BlackNorth Initiative Pledge – 2020
- Canadian Investor Statement on Diversity & Inclusion – 2020
- Partnership for Carbon Accounting Financials – 2020
- Principles for Responsible Banking (PRB or the Principles) – 2019
- Principles for Sustainable Insurance (PSI) – 2019
- Principles for Responsible Investment (PRI) – 2010

In 2017, we made a commitment to support the Paris Agreement's goals and subsequently created an [ambitious climate action plan](#). We will be mobilizing everyone in our organization to help us achieve net zero carbon emissions for our defined scope (extended operations, lending activities and our own investments) by 2040.

¹ See the **Our purpose: Enriching the lives of people and communities** section in the Social and Cooperative Responsibility Report ([page 6](#)).

² See the **Social** section in the Social and Cooperative Responsibility Report ([page 31](#)).

³ See the **Environment** section in the Social and Cooperative Responsibility Report ([page 22](#)).

⁴ See the **Governance** section in the Social and Cooperative Responsibility Report ([page 70](#)).

⁵ See the **Our contribution to the United Nations Sustainable Development Goals** section in the Social and Cooperative Responsibility Report ([page 7](#)).



Principle 2 – Impact & target setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis:

Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:

- a) Scope: The bank's core business areas, products/services across the main geographies that the bank operates in as described under Principle 1 have been considered in the scope of the analysis.
- b) Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business / its major activities lie in terms of industries, technologies and geographies.
- c) Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.
- d) Scale and intensity / salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity / salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services.

(Your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d).)

Show that building on this analysis, the bank has:

- Identified and disclosed its areas of most significant (potential) positive and negative impact.
- Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts..

Target setting

Show that the bank has set and published a minimum of 2 Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least 2 of the identified "areas of most significant impact," resulting from the bank's activities and provision of products and services.

Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.

Show that the bank has analyzed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG / climate change / society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.

Plans for Target Implementation and Monitoring – Not applicable for 2021 disclosure

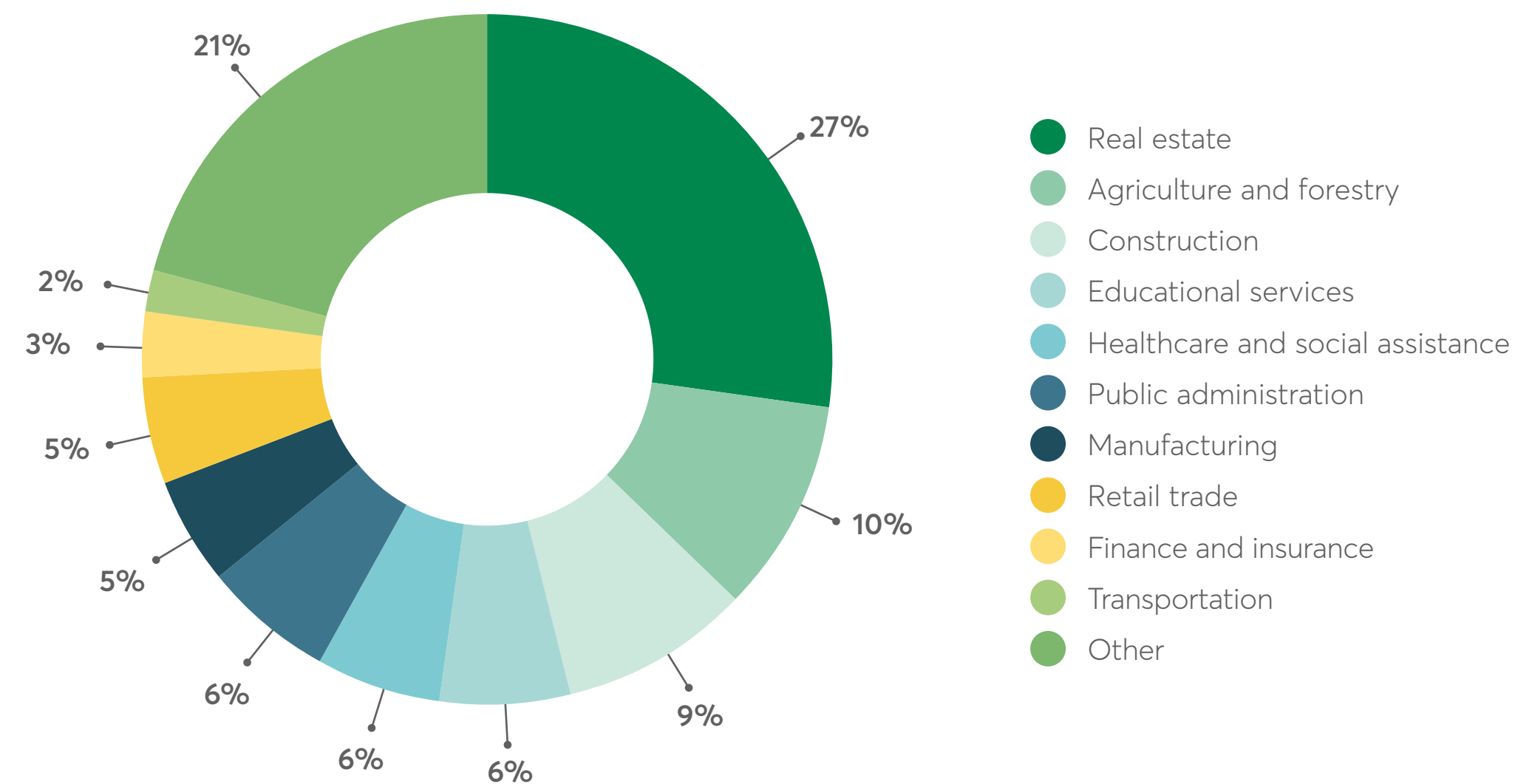
Impact analysis of our lending activities

The impact analysis we did of our lending activities in 2020 remains relevant for 2021. We've provided a summary below. The full analysis can be found in the [Impact & target-setting](#) section of our 2020 Principles for Responsible Banking Report.

For our impact analysis, we used the tools developed by the United Nations Environment Programme Finance Initiative's (UNEP FI) Positive Impact Initiative. We've included our lending activities to business members and clients in the scope of our analysis. This includes all loans to businesses, regardless of their size or industry. These loans make up about a quarter of our total loan portfolio. Our loans to individuals, which we are not including in our analysis at this time, are mainly home, auto and consumer financing.

Here's a breakdown of the portfolio by group.

BUSINESS LOAN COMMITMENTS
As at September 30, 2020



Main potential impact areas identified

The business activities we provide loans for generate positive and negative impacts. The impacts identified weren't measured, but represent probable impact areas under the methodology used.

Main positive impacts

- Employment
- Housing
- Inclusive, healthy economies

Main negative impacts

- Waste
- Resource efficiency/security
- Climate

Details: [2020 Principles for Responsible Banking Report](#)

Context for potential impacts identified

The potential impact areas identified in our analysis must be assessed according to Canada's impact needs, and more specifically the needs of Quebec and Ontario, where most of the businesses we lend to are located. Using a series of indicators, these national and regional needs are assessed on a 4-level scale from low to extremely high. The main impact needs for our context are set out in the table below.

Impact need	Level of need
Climate	Extremely high
Waste	Extremely high
Housing	High

Details: [2020 Principles for Responsible Banking Report](#)

Prioritized impact areas

The table below shows the overlap between certain sectors of our business loan portfolio and Canada's biggest needs. Yellow and green squares indicate a significant overlap between the sector and need, pointing to the impact areas we should prioritize.

Overlap between main needs for our context and contributing sectors in our portfolio

The yellow (negative) and green (positive) squares indicate a more significant overlap between the sector and need.

Main impact needs	Major sectors in our business loan portfolio				
	Real estate	Agriculture	Manufacturing	Construction	Transportation
Climate	<ul style="list-style-type: none"> GHG emissions (mainly outside Quebec) 	<ul style="list-style-type: none"> Land use GHG emissions (including methane) 	<ul style="list-style-type: none"> GHG emissions 	<ul style="list-style-type: none"> GHG emissions 	<ul style="list-style-type: none"> GHG emissions
Waste		<ul style="list-style-type: none"> Major source of waste (livestock and crops) 	<ul style="list-style-type: none"> Major source of waste (especially food and plastic production) 	<ul style="list-style-type: none"> Major source of waste production (construction and demolition) 	
Housing	<ul style="list-style-type: none"> Quality and availability of housing 			<ul style="list-style-type: none"> Increase in available housing 	

We use this grid to determine our priorities based on our most significant impact areas. **According to our analysis, climate and waste are our most significant impact areas.**

Targets to improve our impact

First impact area: Climate

Goal: Achieve net zero emissions by 2040

Target: Reduce our operational emissions by 41% compared to 2019 levels by 2025

Target: Boost the share allocated to renewables in our lending to energy corporations to 35% by 2025

In April 2021, we announced that we'd be implementing an [ambitious action plan](#) to achieve net zero emissions by 2040 in our extended operations and in our lending activities and own investments in 3 carbon-intensive sectors: energy, transportation and real estate.

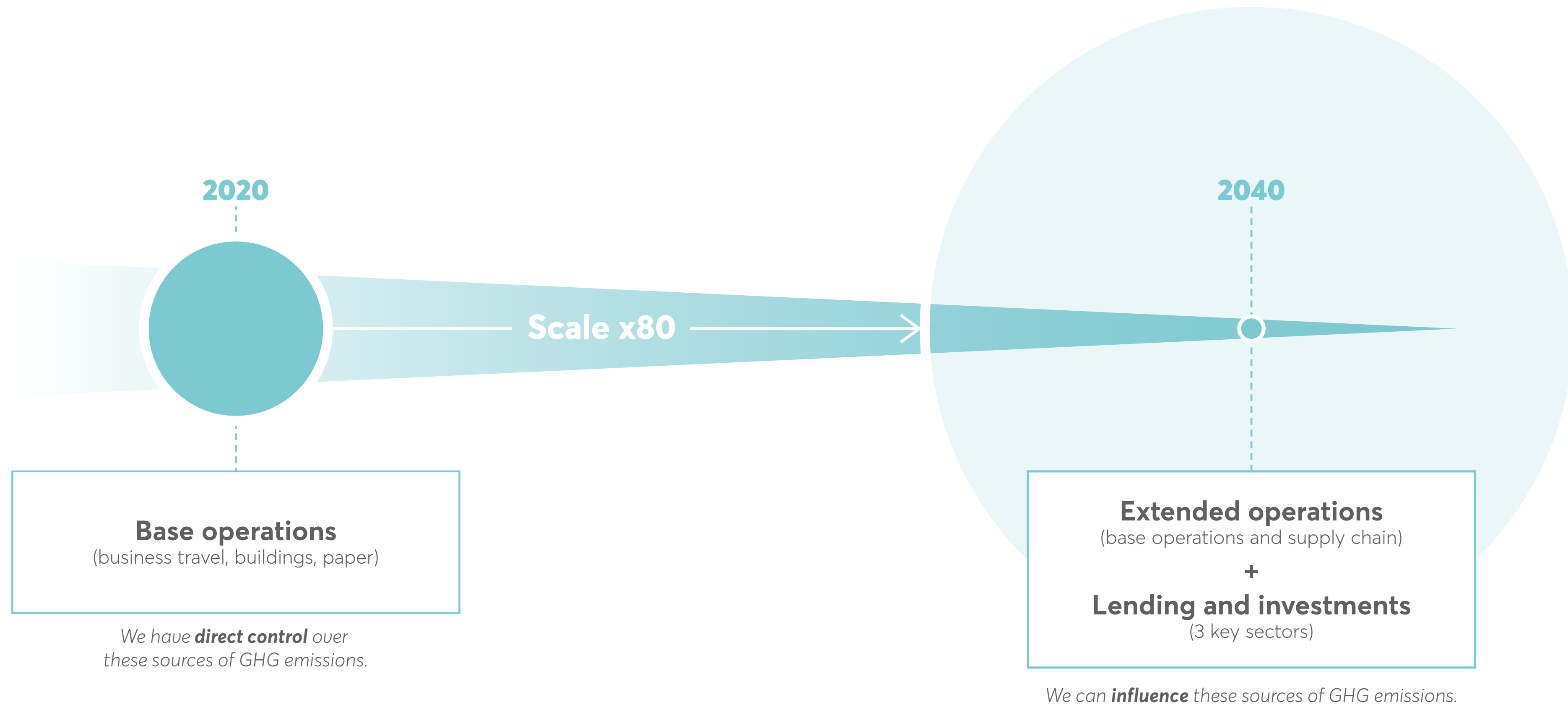
This action plan builds on what we've already started—but it goes farther, fast-tracking our climate action and adaptation efforts.

To show how seriously we're taking this target, in October 2021, we became the first financial institution in Canada to join the [Business Ambition for 1.5°C](#) international campaign organized by the Science Based Targets initiative, in partnership with the United Nations Global Compact and the We Mean Business Coalition. In doing so, we've committed to setting short- and medium-term science-based GHG emissions reduction targets within 24 months.

Our first target: Reduce our operational GHG emissions by 41% compared to 2019 levels by 2025.

But our climate ambition doesn't stop there. We're also targeting emissions generated by our financial activities, increasing the scope about 80-fold. For this reason, we've also committed to boosting the share allocated to renewables in our lending to energy corporations from 24% in 2020 to 35% in 2025.

AN AMBITIOUS PLAN



This approach, combined with our efforts to consider climate-related risk and opportunities, clearly demonstrates our support for meeting the Paris Agreement's climate targets. For more information, see our [2021 Climate Action at Desjardins report](#), which is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures. The report includes a carbon footprint assessment for several components of our lending activities, based on the method established by the Partnership for Carbon Accounting Financials.

Second impact area: Waste

Goal: Support the development of the circular economy

Target: Provide financial support for 5 development projects to convert organic waste (largely from agriculture) into renewable energy (biomethanization) by 2025

Since the start of the industrial age, the global economy has been based on a "linear" model that uses a "take-make-waste" approach. This linear model requires constant economic growth and disregards the limited availability of resources.

[The circular economy](#) is one way we can move beyond this unsustainable economic model. It focuses on improving how we use resources and extending the life of products and the materials they're made of.

In Canada, the circular economy movement is gaining momentum. In September 2020, the École de technologie supérieure opened the Center for Intersectoral Studies and Research on the Circular Economy (CERIEC). [Desjardins provided \\$2.1 million in funding](#) to CERIEC to help launch an ecosystem of roughly 10 virtual circular economy acceleration labs over 5 years. These efforts reflect [Canada's ambitious targets](#), which include decreasing waste by 30% by 2030, and by 50% by 2040. According to a recent report on the [circularity rate in Quebec](#), only 3.5% of the province's economy is circular. There's a lot of work to be done.

As a socioeconomic leader, we've always been at the forefront of helping business owners adapt to new realities. The transition to a circular economy is now a must for businesses to ensure their growth and to support a prosperous future for generations to come.

We're intensifying our efforts to support business owners as they make this necessary transition. In 2021, we partnered with the Fédération des chambres de commerce du Québec for [an online tour of the province to discuss the circular economy](#) (site in French only) to help businesses ensure their medium- and long-term sustainability.

Some business owners are already taking action. For example, one of the projects we provide funding for is [Coop Agri-Énergie Warwick](#), a cooperative that reuses agricultural waste. The co-op extracts methane from its members' agricultural waste, purifies it to make renewable natural gas and injects it into the gas grid, replacing natural gas from fossil fuels. Digestate, a by-product of biomethanization, is then sent back to farms to fertilize crops, which completes the circular economy loop.

Producing biomethane enables farmers to diversify and increase their sources of income, participate in the energy transition, reduce odours from manure spreading and get high-quality digestate for farming purposes.

Following the success of the Coop Agri-Énergie Warwick project, the first of its kind in Quebec, we've pledged to provide financial support to 5 more projects of this kind by 2025. This target will increase the amount of funds directed toward circular economy projects and encourage dialogue with our agricultural business members about their business model.



Principle 3 – Clients & customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programs and actions implemented (and/or planned), their scale and, where possible, the results thereof.

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.

Our target: Always do what's best for members and clients

Our business practices are guided by this target and by modern, dynamic democratic governance.¹ We have internal policies on:

- Sustainable development
- Financial education
- Regional decentralization
- Communications
- Compliance
- Complaint handling and dispute resolution
- Personal information protection
- Privileged information
- Privacy and types of consent
- Information security
- Sound commercial practices
- Risk management in the caisse network
- Acceptable use of technology
- Identity and access management
- Information security classification
- Security of information available to suppliers
- Professional conduct

In addition to these frameworks, we've adopted an integrated socioeconomic leadership strategy that reflects our commitment to our members and clients. For example, to support our members who are doing their part for the planet, we offer a [Green Program](#) that includes loans, insurance and investment products. With \$12.3 billion in assets under management and almost 50 responsible investment product options, we're a responsible investment leader in Canada.² To support our members in a just energy transition, our SocieTerra funds and portfolios are [100% oil production- and pipeline-free](#).

For individuals and business owners who don't qualify for traditional financing, we offer solidarity-based finance³ and crowdfunding products so they can contribute to the economic vitality of their community. We pay special attention to making our advisory services accessible to everyone,⁴ and we promote financial⁵ literacy to boost our members' financial empowerment.

The peace of mind and well-being of our members and clients is a priority for us. That's why we provide [Desjardins Identity Protection](#), as well as perks and free assistance services⁶ that include legal and psychological assistance [for our members ages 18 to 30](#).

¹ See the **People-focused governance** section in the SCRR ([page 71](#)).

² See the **A one-of-a-kind approach to responsible investment** section in the Social and Cooperative Responsibility Report ([page 41](#)).

³ See **Solidarity-based finance programs** in the Social and Cooperative Responsibility Report ([page 54](#)).

⁴ See **Convenient services and expertise** in the Social and Cooperative Responsibility Report ([page 38](#)).

⁵ See **Financial literacy** in the Social and Cooperative Responsibility Report ([page 33](#)).

⁶ See the **Exclusive services and advantages** section in the Social and Cooperative Responsibility Report ([page 32](#)).



Principle 4 – Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.

Stakeholder survey

In 2017, we conducted a materiality analysis on our sustainable development priorities according to the Global Reporting Initiative methodology, which remains relevant in 2021. We surveyed 1,700 stakeholders to get a comprehensive look at their concerns regarding sustainable development.

The survey confirmed that our priorities are in line with stakeholders' overall expectations and that we're demonstrating leadership in the just energy transition and the fight against climate change. In 2021, we also polled our members, most of whom (79%) said they expect us to be a leader in sustainable development.

Surveying our stakeholders helped us establish what's most important to our members and clients. We've addressed these priorities in our [Social and Cooperative Responsibility Report](#). See the [materiality analysis](#) for more information.

A preferred partner¹

We work with all levels of government, regulators and other standard-setting organizations on a variety of issues, including implementing best practices (new legislation) on identity protection in the digital era, modernizing Ontario's capital markets and protecting marginalized populations.

Through our many partnerships,² we're committed to helping communities make the energy transition and take climate action. Our partnerships support university research and training, foster the development of real solutions for economic players, and promote climate education and engagement. To learn more, see the [diagram](#) of our environmental and climate action partners.

We also participate in a number of working groups set up by the UNEP FI to support the implementation of the PRB and PSI. These working groups provide an opportunity to discuss and work on initiatives addressing ESG issues with other financial institutions from around the world.

¹ See the list of partnerships in the GRI Index ([page 12](#)).

² See the **Partnerships committed to climate action** section in the Social and Cooperative Responsibility Report ([page 29](#)).



Principle 5 – Governance & culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

Describe the relevant governance structures, policies and procedures your bank has in place / is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.

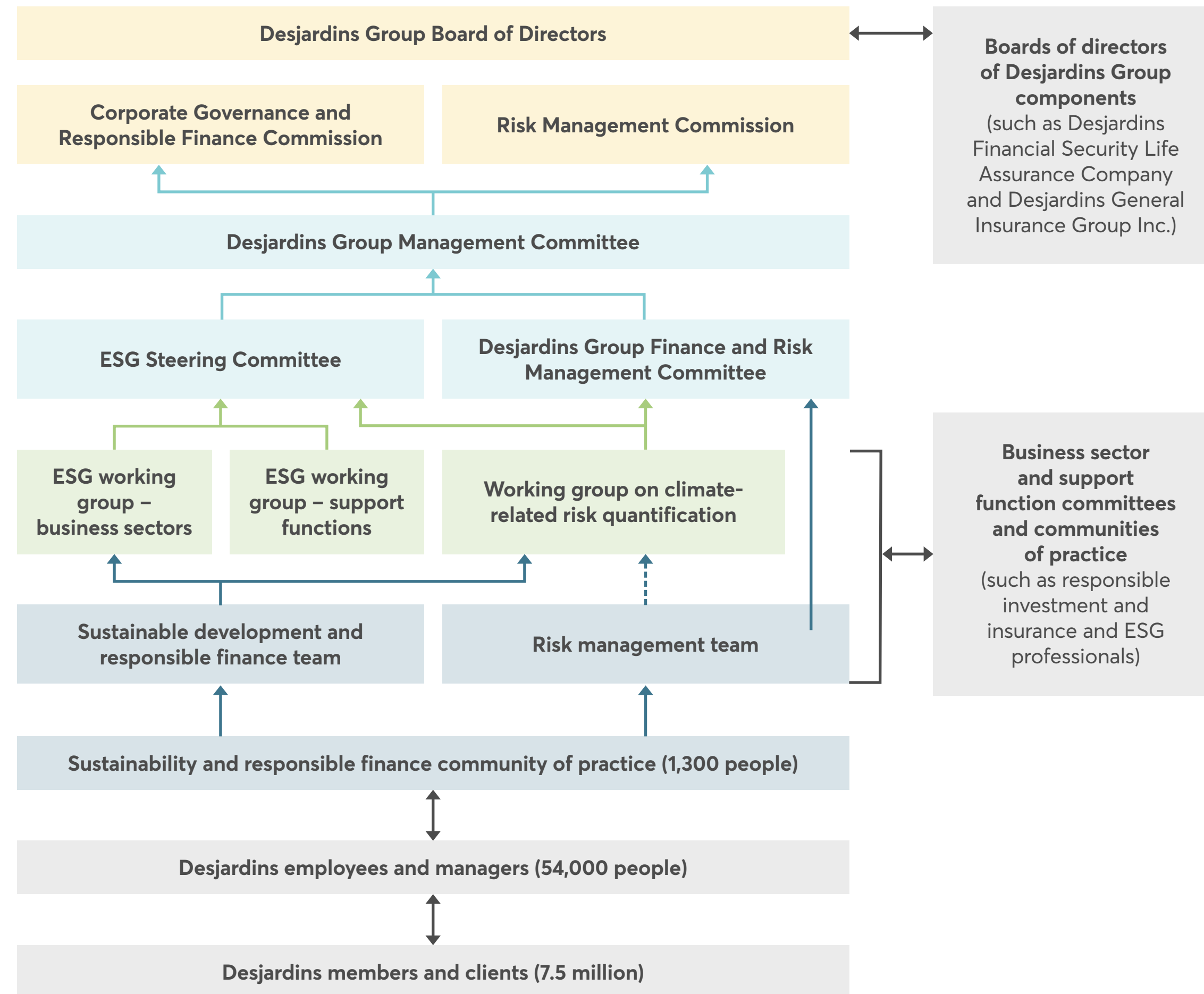
Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.

Show that your bank has a governance structure in place for the implementation of the PRB, including:

- a) Target-setting and actions to achieve targets set
- b) Remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected

Strong governance

Since 2018, our ESG Steering Committee, made up of senior managers from our business sectors and support functions, has guided and advised our management committee, and ultimately our board of directors, on sustainable development and responsible finance issues.



As the guiding force behind the application of ESG criteria at our organization, the ESG Steering Committee oversees many tasks:

- Recommending positions on ESG issues to the management committee
- Overseeing the coordination and consistent application of these positions by clarifying the roles and responsibilities of each business sector and support function
- Making sure we set ambitious performance targets and indicators
- Overseeing ESG disclosures
- Ensuring we meet our international commitments (PRB, PRI, PSI) and gradually and methodically adopting best practices for disclosures
- Helping the integrated risk management team assess climate risk and making recommendations on risk appetite and tolerance
- Addressing ESG concerns raised by international coalitions of investors and other stakeholders and making recommendations to the management committee as needed
- Validating the guidelines in the policy on the exercise of proxy voting rights
- Overseeing the implementation and operation of our sustainable bond program
- Monitoring international trends in best practices for sustainable development, responsible finance and climate action and adaptation to appropriately position our strategies

To assess our progress, we've established 10 performance indicators that are presented quarterly to our management committee. Where relevant, the indicators and associated targets are included in the compensation structure of seniors managers and employees.

Driven by responsible finance

At Desjardins, responsible finance is part of who we are as a cooperative, and we've dedicated [an entire section](#) to it in our Social and Cooperative Responsibility Report. In addition to the information in this report, our president and CEO, Guy Cormier, is a champion of responsible finance. For example, he published an open letter calling on businesses across Canada to take action for a green economic recovery. Throughout 2021, he promoted sustainable finance and shared prosperity at events like the International Economic Forum of the Americas in September and the opening of the Sustainable Finance Summit in Montreal in October, where we were the presenting sponsor.

Lastly, our organization and our president actively supported the coalition that led Montreal's successful bid to become a host city for the International Sustainability Standards Board's efforts to establish international ESG disclosure standards.



Principle 6 – Transparency & accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

Show that your bank has progressed on implementing the 6 Principles.

Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the 6 Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.

Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.

Monitoring best practices

In line with one of the significant impact areas identified in our impact analysis, 2 international benchmarking exercises in recent years helped us determine the types of strategic initiatives necessary as part of our climate action. While we know we need to be proactive about our own operations, we've also realized how important it is for us to do more about the emissions produced by our lending and investing activities. We can use our financial leverage to help people, businesses and communities address climate change.

Continuous improvement

We are aware of the importance of transparency in disclosure reporting. This report summarizes the measures we're taking to apply the Principles and manage our impacts. The PRB build on our cooperative values and are helping us fast-track the inclusion of ESG factors in our business decisions.

For more information on our goals and the measures we're taking to achieve them, see our [Social and Cooperative Responsibility Report](#).