Responsible Investment Report
2024

dgam.ca

Desjardins
Global Asset Management

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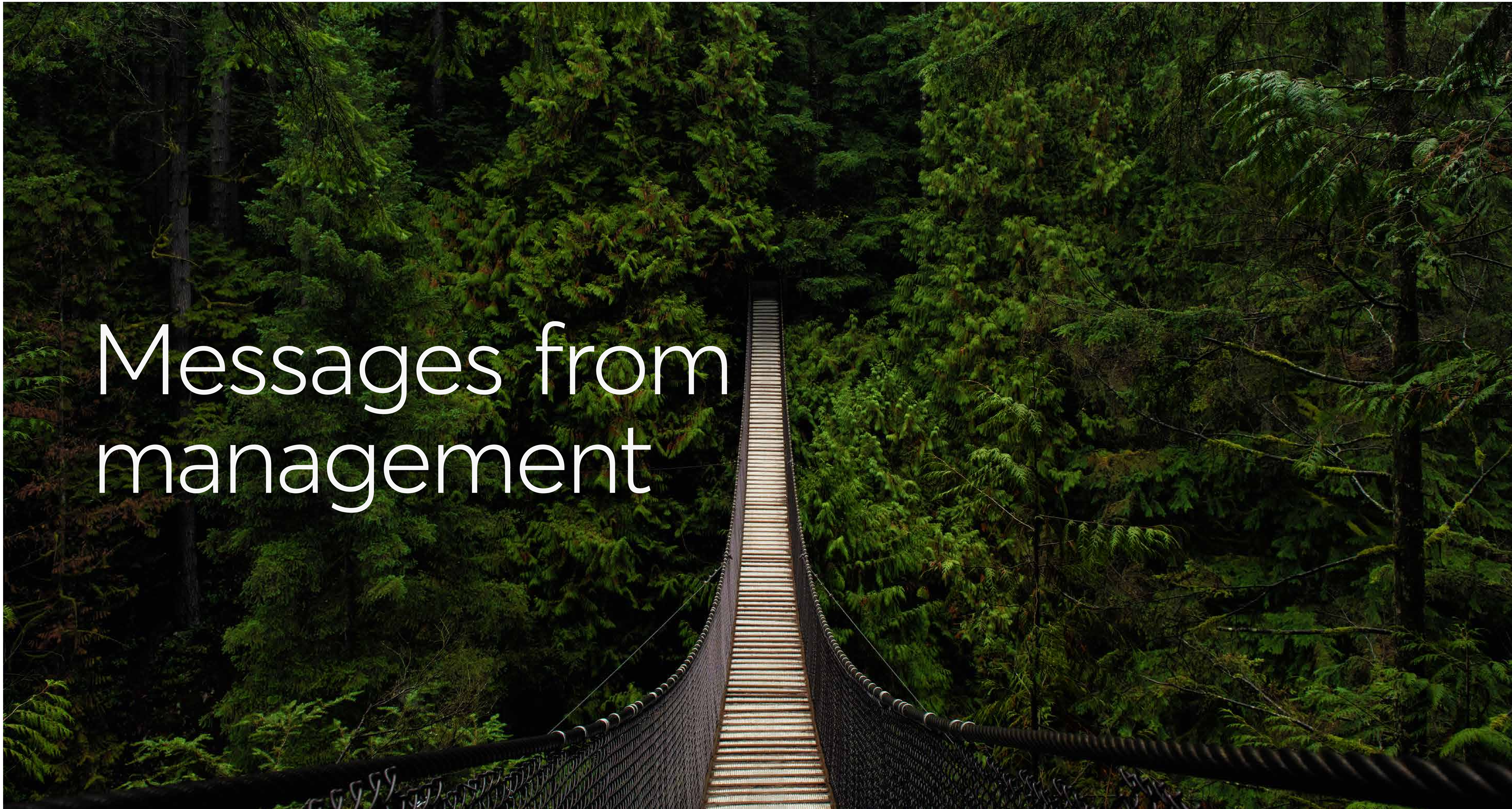
Messages from management



Nicolas Richard

President and
Chief Operating Officer

Moving forward with conviction: from commitment to results

Despite the current geopolitical instability and anti-ESG movement, responsible investment (RI) remains a central pillar of the vision adopted by Desjardins Global Asset Management (DGAM). We firmly believe that taking into account environmental, social and governance (ESG) factors is synonymous with best practices in portfolio management and allows us to be more effective as we assess risks and act on opportunities. Our commitment is based on three key areas: We deploy various RI approaches, including the integration of ESG factors into the management of all asset classes; we provide clear and relevant disclosure of our activities; and we leverage our extensive RI expertise.

These key areas constitute an approach that continues to be translated into tangible actions. In 2024, we conducted extensive work to refine our strategic RI positioning, with the goal of better defining the continuum of approaches, including impact investing and the related concepts of measurability, intentionality and additionality. In parallel, we continued to design niche RI solutions to meet the changing needs of our clients and the marketplace. Our team actively collaborates with our partners and the ecosystem as a whole, to ensure further progress on our priority themes.

Our vision aligns with DGAM's commitment to financial performance, recognizing that integrating ESG factors is critical to achieving our objectives, mainly our fiduciary duty. We are convinced that this vision enhances our decision making, sharpens our research and strengthens our investment discipline. Our RI commitments are not constraints on our teams; rather, they help us combine traditional financial metrics with material ESG criteria, to build portfolios that are more resilient to the challenges of today and tomorrow.

Amid geopolitical and economic uncertainty, several priorities continued to be imperative in 2024: maintaining rigorous processes; increasing access to and the use of robust data; and strengthening collaboration to promote RI as a value-creating approach. In this spirit, we were pleased to welcome Isabelle Laprise as Managing Director and Chief of Responsible Investment, and as a member of the Executive Committee. With more than 20 years of experience in research, RI and institutional asset management, Isabelle's strategic expertise strengthens our ability to systematically integrate ESG factors into our investment processes and continue the work we've started. Her leadership aligns perfectly with our drive to go further with RI.

Isabelle Laprise

Managing Director and Chief, Responsible Investment

RI expertise drives our ability to innovate

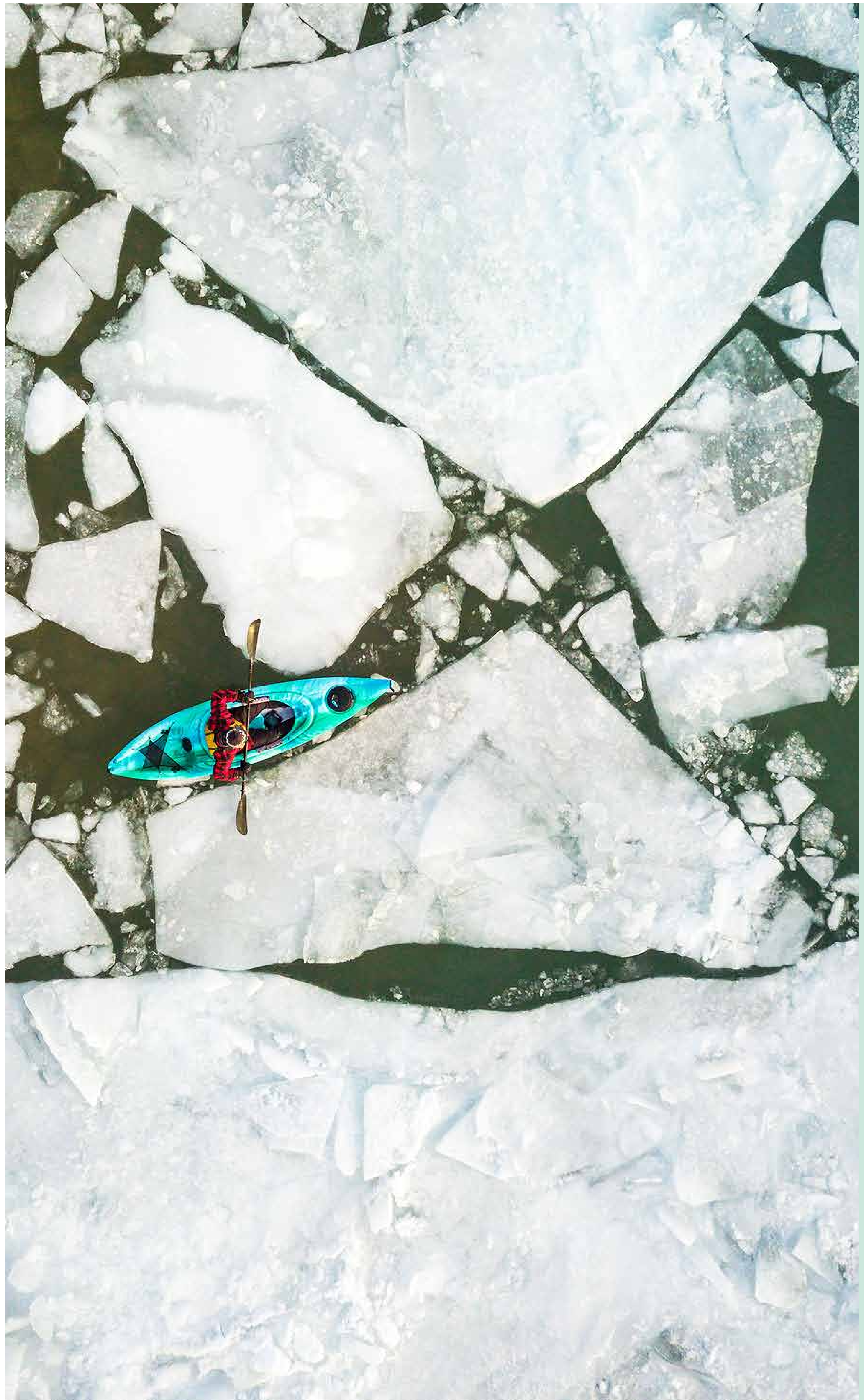
I was delighted to join DGAM in 2024 to support the leadership of a major organization firmly committed to achieving its RI goals. As this field continues to evolve and mature, despite the challenges that arise, DGAM continues to highlight the importance of RI by focusing on rigour and expertise to meet client needs. Our business decisions are aligned with a clear vision that includes three components:

1. RI is a distinctive strength at DGAM and a reason for our growth.
2. ESG factors are an integral part of our investment decisions because of their role in the assessment of risks and opportunities.
3. In all areas of collaboration, including with our portfolio management teams, the RI team draws on its leading-edge expertise, ability to innovate and agility.

MOVING FORWARD IN TIMES OF ADVERSITY

Although disconcerting in some ways, the anti-ESG movement of recent years has had the beneficial effect of refocusing efforts on the most important elements. Despite some contrarian policy decisions, our commitment to RI is steadfast because it is based on a profound conviction. Many other organizations are also continuing their efforts in this regard. For example, despite the slow progress on disclosure, which is essential to our operations, we and other institutional players continue to use our power of influence with companies, to ensure critical information remains accessible.

In this particular context, the RI team has shown resilience and solidarity. I'm proud to count on such a dedicated team, which stands out in the industry with its diverse expertise and exemplary spirit of collaboration.



ADAPTING TO REGULATORY CHANGES

The team's expertise also facilitated our adaptation to the new regulatory requirements adopted by the Autorité des marchés financiers (AMF) and the Office of the Superintendent of Financial Institutions (OSFI) in connection with recommendations by organizations such as the Task Force on Climate-related Financial Disclosures (TCFD) and the International Sustainability Standards Board (ISSB).

Changes to Canada's regulatory framework have significantly increased the workload of financial institutions, which have had to adapt in order to provide the required data, including data pertaining to their financing and investment activities. Because we manage assets for targeted institutions, the increased requirements called for rapid changes to our processes and an even more rigorous approach.

MAKING PROMISING ADVANCES

In addition to our evolving processes, I'm especially proud of our teams' innovations in 2024. They developed an ESG analysis methodology for Canadian municipal bonds and launched our ESG infrastructure assessment questionnaire, demonstrating our ability to innovate in asset classes where standardized data are often lacking. In addition, our strategic partnership with the Ashukan Institute on Indigenous relations and economic reconciliation, which includes employee training, reflects our willingness to gaining a deeper understanding of complex social issues. Along with our analysis of climate scenarios for the energy sector, these initiatives illustrate our commitment to developing distinctive expertise to guide our clients more effectively as they seek sustainable prosperity.

Finally, this report has been redesigned to simplify and enrich the reader's experience. After due consideration, we decided to report in a more concise and accessible format. The new design features a streamlined layout that presents our achievements in a more intuitive way and highlights significant initiatives that helped us achieve our objectives.

Enjoy the read!

Isabelle Laprise

Highlights and achievements

2024 in figures

$2.2B invested in renewable energy infrastructure

183 ESG dialogues with companies

13 RI public speaking engagements

10 professionals dedicated exclusively to RI

$3.0B invested in sustainable bonds

2,839 shareholder meetings at which we exercised our voting rights

4 stars GRESB score for our direct real estate investment portfolio

Key achievements in 2024

→ Development of an ESG analysis methodology for Canadian municipal bonds

→ Training and strategic counsel provided by the Ashukan Institute on Indigenous relations and economic reconciliation

→ Launch of a KPI questionnaire to measure the RI performance of infrastructure investments

→ Adoption of an engagement target for biodiversity and natural capital

→ Publication of a white paper on the energy transition in the fossil-fuel sector

→ Analysis of the impact of various climate scenarios on energy-sector debt with various maturities

→ Launch of the DGAM Canadian Private Real Estate Fund

DGAM's RI timeline

2011

- Initial internal RI research

2013

- Launch of an Environmental global equity strategy

2014

- Adoption of a proxy voting policy

2016

- Creation of a dedicated RI team
- Launch of the Université de Sherbrooke's Chair in Responsible Investment by Desjardins Group

2017

- PRI signature
- Support of Desjardins Group following the announcement of its commitment to fight climate change

2018

- Launch of a series of RI ETFs focused on climate change
- Adoption of real estate responsible investment guidelines
- Adoption of a shareholder engagement program

2020

- Publication of the first RI report
- Development of a proprietary ESG rating grid to assess Canadian provincial bonds

2021

- Membership in Climate Engagement Canada, Net Zero Asset Managers, FAIRR and Climate Action 100+ initiatives

2022

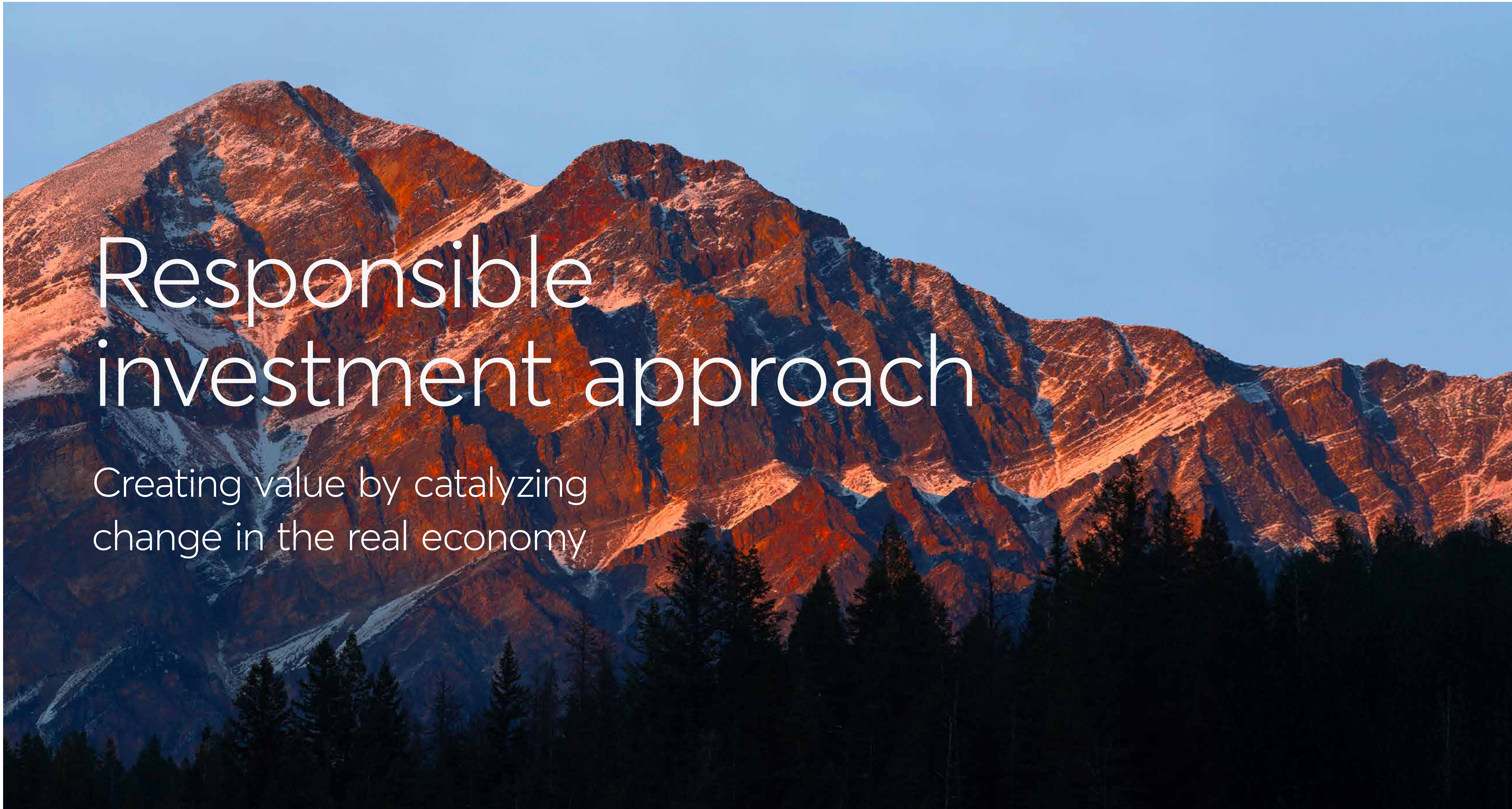
- Development of an ESG ranking model by country

2023

- Alignment of RI ETFs with decarbonization trajectories
- Adoption of a priority engagement plan for 50 companies and launch of an engagement plan for emerging markets
- Nature Action 100 initiative membership

2024

- Adoption of a biodiversity target
- Approval by SBTi of Desjardins Group's decarbonization targets implemented by DGAM for the portfolios concerned
- Development of a valuation framework for Canadian municipal bonds



Responsible investment approach

Creating value by catalyzing change in the real economy

At DGAM, we think our role as portfolio managers is to advance our clients' long-term interests by increasing and preserving their capital, and by having a positive influence on issuers' business practices.

Our value proposition is unequivocal: "Institutional asset management for sustainable growth that counts." Sustainability is an integral part of this proposition, reflecting the importance we place on RI in all our investment activities. Specifically, we use our RI leadership and levers of influence to incentivize issuers to adopt sustainable practices. With these levers, we put forward catalysts for change, with the conviction that this approach can improve financial performance over the long term.

Our convictions

RI: A core part of our fiduciary role

We incorporate ESG factors into every stage of our analysis, selection and monitoring process—fulfilling our responsibility as asset managers.

Driving innovation through informed action

We think innovation starts with action based on facts and supported by a comprehensive research process.

Making a difference through active stewardship

Dialogue and proxy voting are powerful tools for influencing corporate behaviour—leading to better practices and an improved risk-return profile.

Creating long-term value through responsible investment

Our long-term approach to responsible investing enables us to focus on sustainability.

Our governance

Our RI convictions are deeply rooted in our organization. DGAM is committed to promoting them internally with a governance structure whereby RI is an integral part of the Executive Committee's functions, and the roles and responsibilities of the subcommittees and teams are clearly defined. Integrating these responsibilities across the board helps us implement our action plan, develop and share knowledge, and engage with stakeholders.

Even though DGAM has a dedicated RI team, integrating these practices into portfolio management is a responsibility shared by all our employees.

RI roles and responsibilities at DGAM

Executive Committee

Governance responsibilities

Strategic decisions on RI and governance of execution

Investment Sub-Committee	Responsible Investment Sub-Committee
Solutions and Business Development Sub-Committee	Operation Sub-Committee

Responsible Investment Team

Integration responsibilities

Design and implementation of RI strategies and engagement activities, research and innovation, ESG trend monitoring, publication of articles, collaboration with the industry and levers of influence

Investment Team

Integration of ESG criteria in the analysis and portfolio management processes

Dialogues with companies and partners on ESG issues

Equity	Fixed Income	Real Estate	Asset Allocation	Infrastructure

Investment Strategy Team

Development of RI products and solutions adapted to client needs and market analysis

Our dedicated RI team

The strategic importance of sustainability in DGAM's value proposition is reflected in its team of seasoned professionals dedicated exclusively to RI. These experts come from a variety of fields – including finance, actuarial science, engineering, sustainability, climate change, environment, human rights, governance, shareholder engagement and ESG data science – and provide leading-edge expertise that enables us to achieve our ambitions within a structure that leverages everyone's expertise.

The team members continually track ESG issues and work closely with our financial analysts and portfolio managers to ensure our investment processes and solutions incorporate RI practices. They further cultivate strong connections to the RI ecosystem and share knowledge with their colleagues. Their efforts focus on four key areas:

1. Implementing RI approaches in investments
2. Driving RI innovation and expertise through solutions and collaborations
3. Supporting the decarbonization of targeted portfolios
4. Providing thought leadership

Isabelle Laprise, CFA, FSA Credential Holder (SASB)

Managing Director and Chief, Responsible Investment

Catherine Jacques-Brissette, ASA, ACIA

Senior Advisor, Responsible Investment

Geneviève Grenon, MSc, PhD

Senior Advisor, Responsible Investment, Private Markets

Kim Desmarais*, MSc

Senior Advisor, Responsible Investment

Lila Roumane, MBA

Senior Advisor, Responsible Investment

Oumayma Ouzane*, MEng

Senior Advisor, Responsible Investment

Philippe Laforest, MSc

Advisor, Responsible Investment

Pierre-Alexandre Renaud*, MSc, CFA

Senior Advisor, Responsible Investment

Véronique Marchetti, CFA

Senior Advisor, Responsible Investment

Position to be filled

Senior Advisor, Responsible Investment

* Team member who has obtained the CFA Institute's ESG certification

Our approach

Upstream, our valuation methodology, inspired by the Sustainability Accounting Standards Board (SASB) and the United Nations Global Compact (UNGC), takes traditional corporate financial analysis to the next level. Our RI team and portfolio managers collaborate every step of the way to identify material extra-financial risks and opportunities. Downstream, through our engagement program and rigorous exercise of our voting rights, we focus on our broad sustainability themes, complemented by our active participation in various collaborative initiatives and our proprietary research.

This integrated approach allows us to improve our portfolios' risk-return profiles, while acting as a catalyst for change in the real economy.

Stewardship and collaboration

Levers for change: deploying multidimensional influence

At DGAM, stewardship is the cornerstone of our RI approach. We use a multidimensional strategy to influence issuers because we think engagement – through dialogue and proxy voting – is a fundamental transformative driver that encourages better ESG practices. Using all available levers, we strive to mitigate investment risks, optimize returns and generate positive benefits for all stakeholders.

Our approach is distinguished by the synergy between our analysts' industry expertise and our structured engagement program. Together, our professionals have in-depth understanding of the industries they cover, lending greater credibility and relevance to our interactions. Their sector expertise is rounded out by strategic collaborations with specialized partners, allowing us to widen our scope while maintaining the quality of our engagement.

DIALOGUES

Our many dialogues with issuers enable us to gain an in depth understanding of their business models and ESG practices. They also allow us to make recommendations to improve risk management practices and identify opportunities specific to the organization.

As part of Desjardins Group's commitment to transition to a low-carbon economy, DGAM, as the asset manager of the investments of the Group's insurers, has drawn up a list of 25 Canadian companies that are among the country's largest emitters of greenhouse gases. In 2024, our team met with all of them to discuss issues related to their carbon intensity. These companies will continue to form the basis of our shareholder engagement plan in the coming years.

PROXY VOTING

Proxy voting is an integral part of our fiduciary duty as portfolio managers. This responsibility commits us to voting on all proposals submitted to the shareholders' meetings of companies we own, in accordance with our convictions and those of our clients. In line with our Policy on the Exercise of Proxy Voting Rights and its guidelines, we do not back proposals that are unrealistic or that disregard the targeted company's efforts, needs or business reality. Instead, we support proposals that promote good governance, transparency, director independence, reasonable executive compensation, respect for shareholders' rights, and corporate social and environmental responsibility. We publish our voting record on our proxy voting disclosure platform on an annual basis.

"Shareholder engagement is our most powerful lever for change. When we broach ESG issues with companies, we work collaboratively with them, rather than creating a confrontational dynamic. We firmly believe in the power of the collective, so we're involved in many important collaborative initiatives."

Oumayma Ouzane

Senior Advisor,
Responsible Investment

CASE STUDY

Combining dialogue and voting to influence the climate strategies of two oil companies

We maintained a dialogue with two companies regarding their climate strategies, before and after their shareholders' meetings. In both cases, we supported shareholder proposals for science-based target setting (SBTi). For the first company, the proposal called for full disclosure of scope 3 GHG emissions. For the second company, it focused on assessment of climate and stranded-asset risks.

Our support for both initiatives aligned with our approach to decarbonization, while respecting our preference for proposals that are not unduly prescriptive but give companies a degree of leeway.

CASE STUDY

Voting strategically beyond say-on-climate proposals

In 2024, we voted against a say-on-climate shareholder proposal that all major Canadian financial institutions adopt an annual advisory vote on climate strategy.

This decision may seem counterintuitive for an asset manager committed to the climate transition but was the result of in-depth analysis and dialogue with the management and board of directors of each Canadian bank. Our assessment found that these institutions are already in the forefront of their industry on climate issues; all have adopted net-zero targets for 2050, joined the Partnership for Carbon Accounting Financials (PCAF) and made concrete commitments to measure their financed emissions. Two other factors influenced our decision: The proposal required an annual vote, which we thought was excessive, given the pace of change in climate strategies, and it took a one-size-fits-all approach, without taking into account the banks' specificities and varying degrees of progress. Since the Canadian banks' withdrawal from the Net-Zero Banking Alliance, we have continued to monitor their actions and disclosures closely and have pursued our dialogues.

This case study underscores our commitment to exercising our voting rights advisedly by favouring constructive dialogue over a dogmatic approach.

2024 TRENDS: PROGRESS AMID NEW CHALLENGES

In 2024, we saw a surge in allegations of greenwashing and the worrying emergence of greenhushing – companies' growing reluctance to report their ESG progress for fear of criticism or reprisal, including legal action. Despite this worrisome context, Canada made significant progress.

Notable advancements:

- 92% of S&P/TSX companies reached the threshold of 30% women on their boards of directors, up from 84% in 2023.
- Five more Canadian companies adopted say-on-pay management proposals.
- The record 71 shareholder proposals withdrawn in Canada are a clear sign of constructive dialogue between companies and proposers.

Emerging challenges:

- Anti-ESG proposals rose to 23% of Canadian shareholder proposals.
- Four companies obtained less than 50% support for their compensation programs, indicating shareholders' constant vigilance in this area.

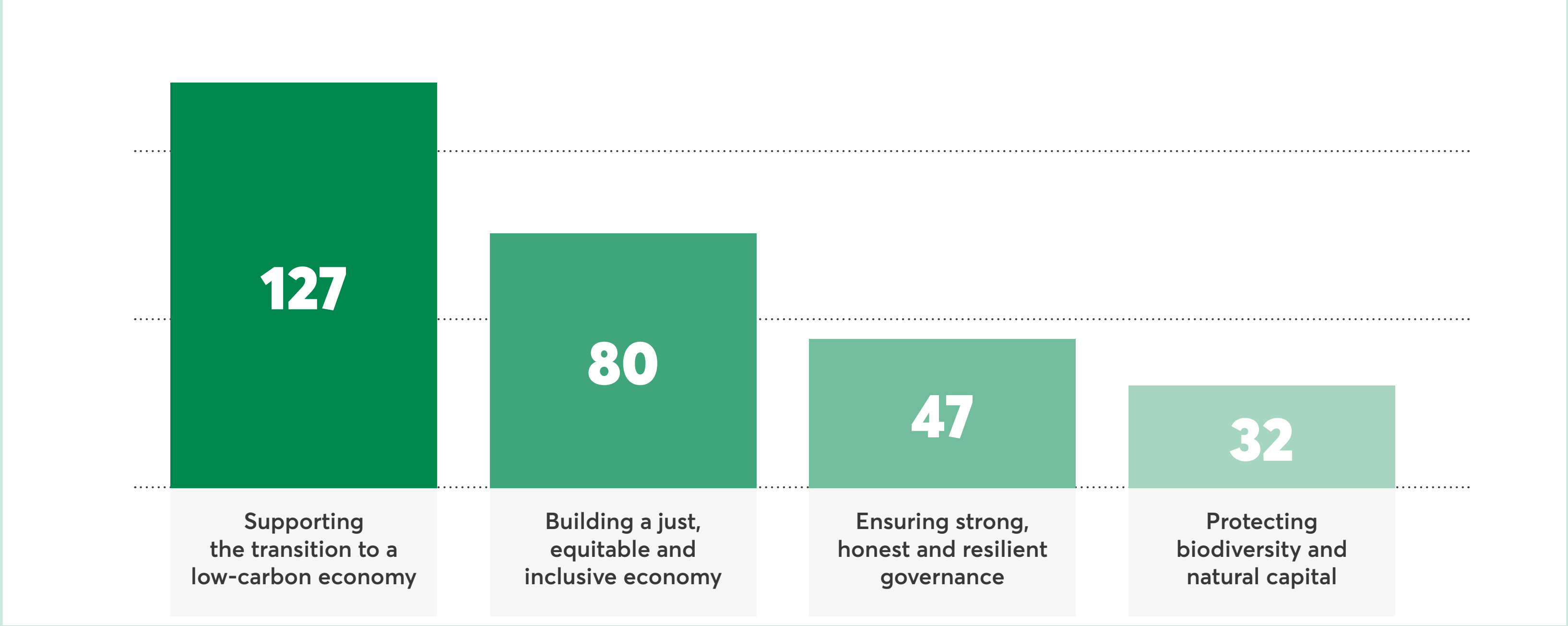
Our 2024 dialogues in figures

Number of interactions 183

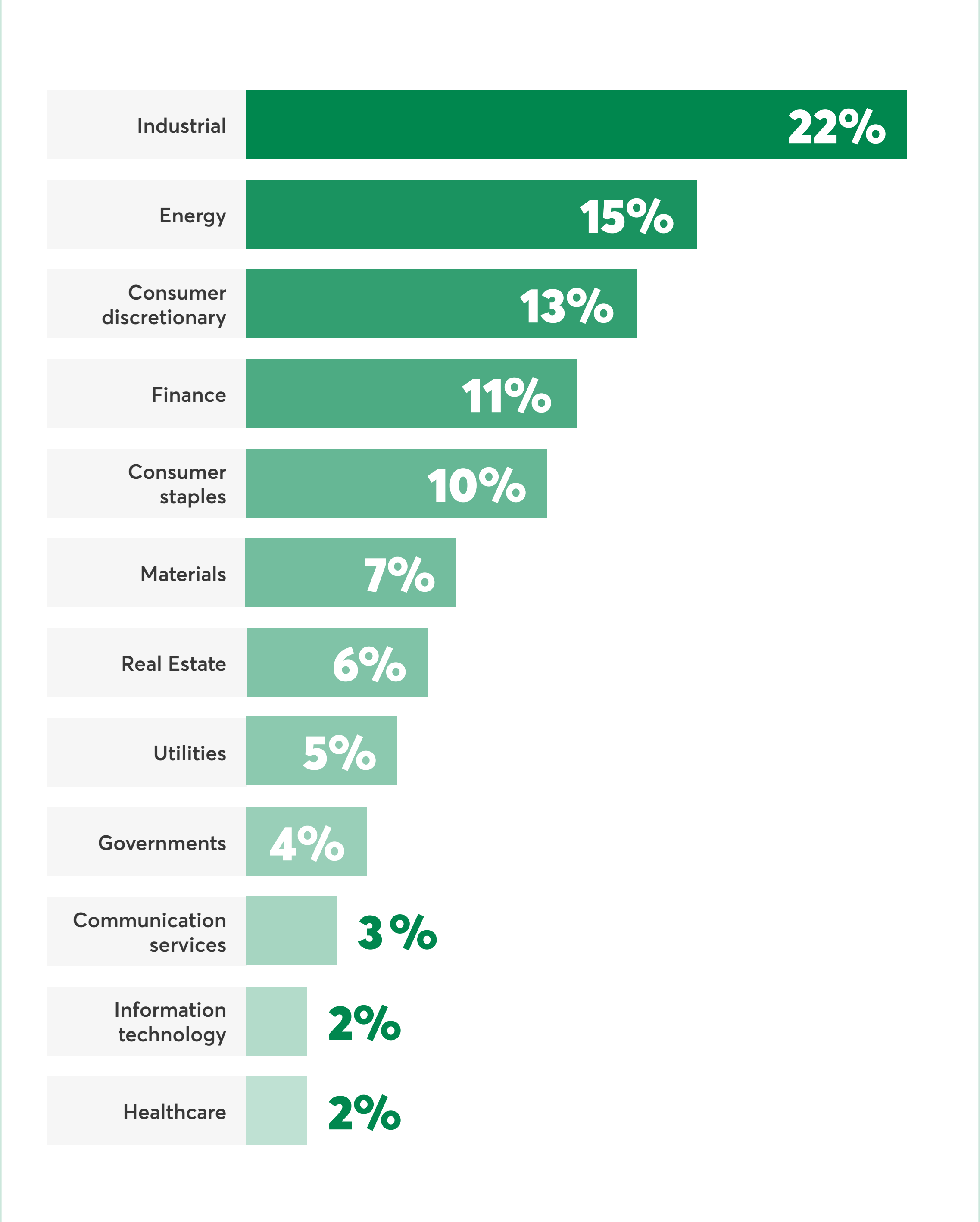
Number of companies met 155

Number of issues addressed 27

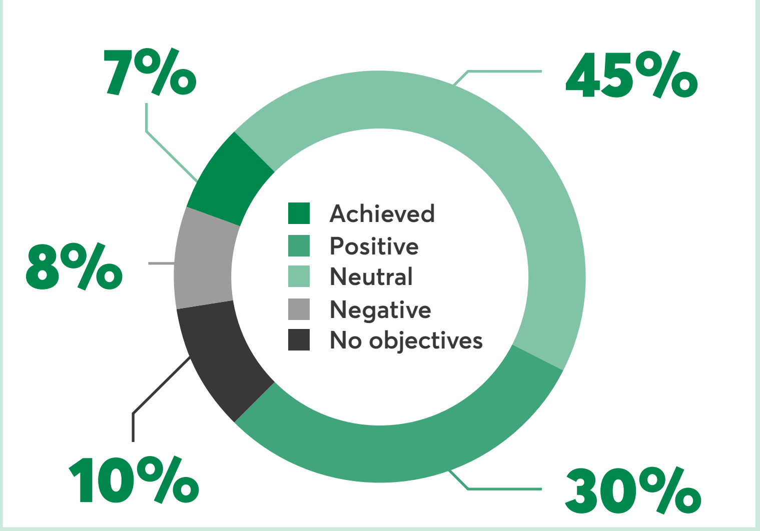
Occurrence of the broad sustainability themes addressed



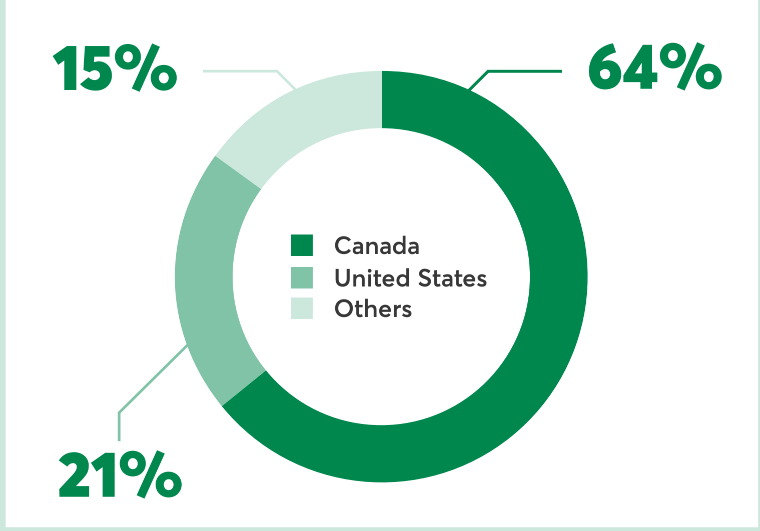
Dialogues per sector



Progress on dialogue objectives



Geographic allocation of the companies met



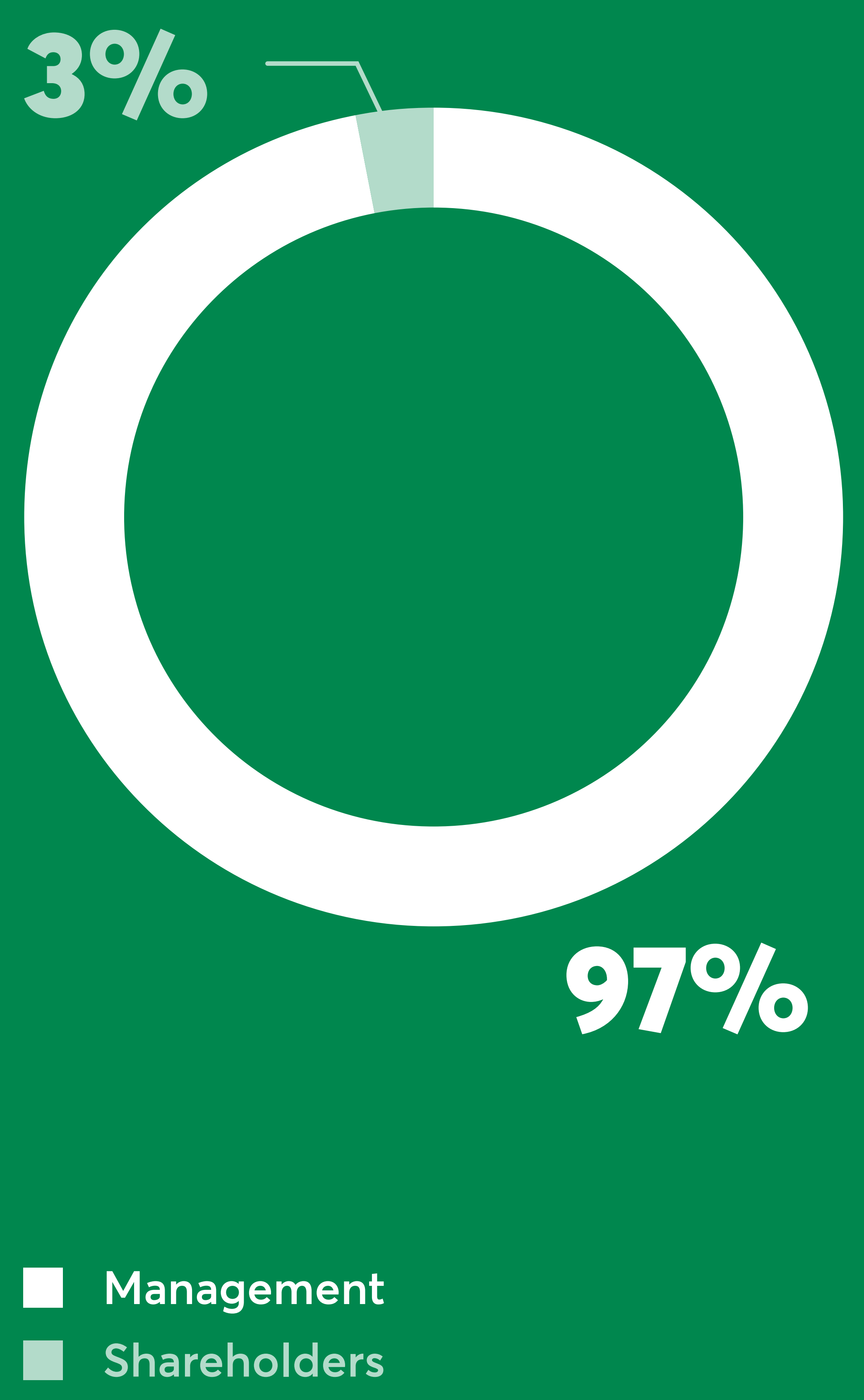
Our 2024 votes in figures

Total number of proposals voted on (2,839 shareholder meetings)	→ **33,645**
Support rate for shareholder proposals	→ **45%**
Support rate for human rights proposals	→ **83%**
Support rate for GHG-disclosure and -reduction proposals:	→ **83%**
Support rate for management proposals	→ **66%**
Abstentions from or votes against the election or re-election of one or more directors because women represent less than 30% of the board	→ **459** companies[1]
Abstentions from or votes against the re-election of one of more directors owing to insufficient diversity (beyond gender):	→ **96** companies
Votes against say-on-pay proposals	→ **52%**[2]

[1] Nominations for the position of chair of the nomination committee or chair of the board, including companies that do not have an action plan or credible targets for board representation of women.

[2] The most common reasons for opposition were excessive severance pay, stock options in incentive compensation plans and an overall dilution rate of more than 10% resulting from executives' security-based incentive compensation.

Where proposals came from



Levers of influence: Collaborate, build awareness and engage

DGAM continued to deploy its levers of influence in 2024 by taking part in numerous initiatives and by playing an active role in the RI ecosystem. Our efforts were reflected in various initiatives and projects with two common objectives: to create sustainable value and promote a long-term vision of performance with positive spinoffs for society.

TAKING PART IN CONSULTATIONS HELD BY REGULATORS

We think involvement in consultations held by regulatory authorities is an important RI lever of influence, which is why we take part actively in such initiatives. In 2024, DGAM participated in the following consultations:

- AMF consultation on the draft version of the Climate Risk Management Guideline.
- Second phase of the joint OSFI-AMF consultation on draft Standardized Climate Scenario Exercise (SCSE) methodology.
- Consultation on the adoption of Canadian Sustainability Disclosure Standards (CSDS 1 and CSDS 2), based on International Financial Reporting Standards (IFRS S1 and IFRS S2).

TAKING PART IN COLLABORATIVE INITIATIVES WITH OTHER INVESTORS

At DGAM, we strongly believe that amplifying our voice alongside other institutional investors is the key to driving meaningful progress in corporate sustainability. In 2024, we continued our active participation in collaborative initiatives aligned with our broad sustainability themes.

Broad sustainability theme	Collaborative initiative	Involvement
Transversal	PRI Principles for Responsible Investment	Signatory and involvement in the Nature Reference Group (DGAM)
	RIA	Member (DGAM)
	IFRS Sustainability Alliance	Member (DGAM)
	Sustainable Development Goals	Integration into RI approach (DGAM)
Transition to a low-carbon economy	Net Zero Asset Managers Initiative	Signatory (DGAM)
	Science Based Targets – Driving ambitious corporate climate action	Reference framework for the alignment of decarbonization targets (Desjardins Group)
	Climate Action 100+	Signatory and involvement in engagement initiatives (DGAM)
	Climate Engagement Canada	Founding member and involvement in engagement initiatives (DGAM)
	PPCA Powering Past Coal Alliance	Member (Desjardins Group)

Broad sustainability theme	Collaborative initiative	Involvement
Biodiversity and natural capital	FAIRR – A Coller Initiative	Signatory and involvement in engagement initiatives (DGAM)
	Finance for Biodiversity Foundation	Pledge signatory, member of the foundation and involvement in five working groups (DGAM)
	Ceres	Involvement in the Food and Nature Working Group and the Food Emissions 50 initiative (DGAM)
	Nature Action 100	Signatory and involvement in engagement initiatives (DGAM)
Just, equitable and inclusive economy	30% Club – Growth through diversity	Signatory and involvement in engagement initiatives (Desjardins Group)
	advance	Signatory and involvement in engagement initiatives (DGAM)
	Canadian Investor Statement on Diversity Inclusion	Founding signatory to this RiA initiative (Desjardins Group)
Strong, honest and resilient governance	CCGG Canadian Coalition for Good Governance	Member (DGAM)

INCREASING AWARENESS IN THE FINANCIAL COMMUNITY

We collaborated in the sharing of knowledge and integration of RI principles through conference presentations, contributing to multiple publications, and taking part in discussions with other actors in the financial community. Examples of our 2024 contributions include:

- 13 presentations at major events, including PRI's annual conference, the United Nations COP16 and RI Canada, with five panel discussions on the prominent theme of biodiversity and natural capital.
- Series of LinkedIn posts titled "Informed Outlook", in which our RI specialists shared their views on the evolution of RI practices and the latest trends in the field.
- Publication of a white paper on navigating the energy transition in the fossil-fuel sector.
- Publication of an article in *Your Guide To Responsible Investing*, demonstrating how the financial sector can start to integrate and engage on biodiversity.
- Participation in an International Sustainability Standards Board (ISSB) roundtable to share our perspectives on the challenges related to the new reporting nomenclature.
- Co-signing of an investor letter to S&P/TSX companies on the importance of respecting shareholder rights in the case of virtual general meetings. The letter was featured in an article by a *Globe and Mail* journalist who interviewed a member of our RI team.
- Consultations with SHARE, the *Mouvement d'éducation et de défense des actionnaires* (MÉDAC) and Investors for Paris Compliance (I4PC) on shareholder proposals.

SHARING OUR EXPERTISE AND KNOW-HOW

We believe in the importance of doing our part to share our expertise the financial community and educate the next generation of investment professionals. Here are some examples of our 2024 initiatives:

- We continued our partnership with PolyFinances and the Université de Sherbrooke Student Investment Fund (FIEUS) to provide students with asset-management and RI guidance.
- A member of our RI team served as Co-chair of the Industry Leaders Advisory Panel (ILAP), which was created by Climate Engagement Canada (CEC) and brings together representatives from Canada's main financial institutions to provide thought leadership on sustainable finance.
- A member of our Global Equities team is a regular contributor to the sustainable investment training program of the Association de la retraite et des avantages sociaux du Québec (ARASQ).
- We led a Climate Fresk workshop to help investment consultants understand the causes and consequences of climate change.
- We took part in a biodiversity workshop, organized by EY with representatives of the Montreal sustainability community, which included a presentation on our practices and further discussion on bridging the gap between academic projects and finance for biodiversity projects.

Broad sustainability themes

The 17 Sustainable Development Goals (SDGs) adopted by the United Nations provides a global framework for a more sustainable and resilient economy. For asset managers, these goals represent a basis for analysis and a strategic compass to guide their RI approaches.

At DGAM, we recognize that the current economic model faces major structural challenges, such as climate change, biodiversity decline, persistent inequalities and inadequate corporate governance. These interconnected issues pose systemic risks to portfolios over the long term but also create investment opportunities in sectors that are part of the solution.

Aligning our actions with broad sustainability themes

To maximize our impact and ensure consistency in our activities, we have divided our priorities into four broad sustainability themes, directly related to the SDGs and based on sector materiality studies. This targeted approach allows us to focus our efforts and resources on the levers with the greatest potential for transformation. The four themes guide our ESG analysis and issuer engagement activities. They also inspire our research and the development of new solutions for our clients. By aligning our actions with global issues identified as critical for a sustainable future, we help create value over the long term.

Our approach is based not only on a conviction but also an economic reality: Companies that thrive while meeting the major challenges of our time will be better positioned in a changing world.

Four broad themes for a sustainable transformation of the economy

- SUPPORTING THE TRANSITION TO A LOW-CARBON ECONOMY
- BUILDING A JUST, EQUITABLE AND INCLUSIVE ECONOMY
- PROTECTING BIODIVERSITY AND NATURAL CAPITAL
- ENSURING STRONG, HONEST AND RESILIENT GOVERNANCE

DGAM TRANSFORMATION MECHANISMS

ESG INTEGRATION

- Management of material ESG risks and opportunities
- Proprietary, science-based ESG rating methodology

INNOVATION

- Team of experts specializing in RI research
- Collaboration between RI experts and investment professionals
- Ongoing monitoring of trends

STEWARDSHIP

- Exercise of voting rights
- Dialogues with issuers
- Involvement in collaborative initiatives
- Intervention with regulatory authorities
- Raising awareness and sharing of expertise

RI SOLUTIONS

- Design of sustainable solutions
- Measurement of benefits and reporting
- Transparent marketing

Supporting the transition to a low-carbon economy

New year, new record: In 2024, the planet crossed the threshold of 1.5°C above preindustrial levels, exceeding the symbolic goal of the Paris Agreement. The year also saw financial institutions withdraw from global initiatives such as the Net-Zero Banking Alliance (NZBA). In addition, Canada experienced its most expensive year for insured damage caused by extreme weather and natural hazards, with losses totalling $8.5 billion, or 12 times the annual average for the decade from 2001 to 2010. Despite these setbacks, we saw encouraging trends, including unprecedented global investment in the low-carbon energy transition, which rose 11% to US$2.1 trillion.

From issues to action

ISSUES

According to the World Economic Forum's 2025 report, climate change is the most severe global risk in the short and long terms. The pace of climate change is accelerating, with negative impacts on the environment, ecosystems and human health.

"Energy demand is increasing globally. The power grid will have to be expanded and modernized in response to the needs of emerging and developing economies, population growth and surging consumption by data centres. Moreover, the need to adapt infrastructure to extreme weather events, and the technological innovation required, are creating opportunities in the market."

Pierre-Alexandre Renaud

Senior Advisor,
Responsible Investment

OUR APPROACH

ESG integration

The management of our portfolios' climate risks is based on four pillars:

- Assessment of climate risks in companies' business models and opportunities that arise from them.
- Analysis of various climate scenarios and their impact on the portfolios.
- Development of investment solutions to reduce exposure to climate risks.
- Use of levers of influence to encourage companies to start or accelerate their transition.

For the targeted investments of Desjardins Group insurers, several initiatives have been taken, including a policy that excludes issuers with exposure to thermal coal but no credible strategy for transitioning away from coal. The policy also stipulates reduction targets approved by the SBTi and an exit from oil and gas by 2040. The tools developed by our team to implement and monitor these initiatives, including calculation of financed emissions, are based on recognized methodologies, such as the Partnership for Carbon Accounting Financials (PCAF). These efforts have served us well in our preparations for OSFI and AMF disclosure requirements.

To facilitate the monitoring of targets, our approach includes precise parameters to enable periodic calculation of the different trajectories aimed at achieving the targets, verification of climate data with companies and suppliers, and close collaboration with our portfolio managers such as the sharing of climate data within the transaction and portfolio-monitoring systems. We also collaborate with our partners to stay abreast of applicable methodologies and regulations. Although the Net Zero Asset Managers (NZAM) initiative suspended its tracking activities to conduct a strategic review, DGAM remains a signatory and is monitoring the situation.

Shareholder engagement and voting rights

As part of our engagement and voting activities, we assess a company's strategy from several perspectives:

- The governance structure used to oversee the climate change strategy.
- Disclosure of scope 1, 2 and 3 GHG emissions and adherence to a recognized reporting structure, such as ISSB S1 and S2.
- The goal of net-zero emissions by 2050, with credible short- and medium-term reduction targets.
- Executive compensation incentives tied to measurable climate targets.
- A plan for a transition to a low-carbon economy and development of new green technologies.

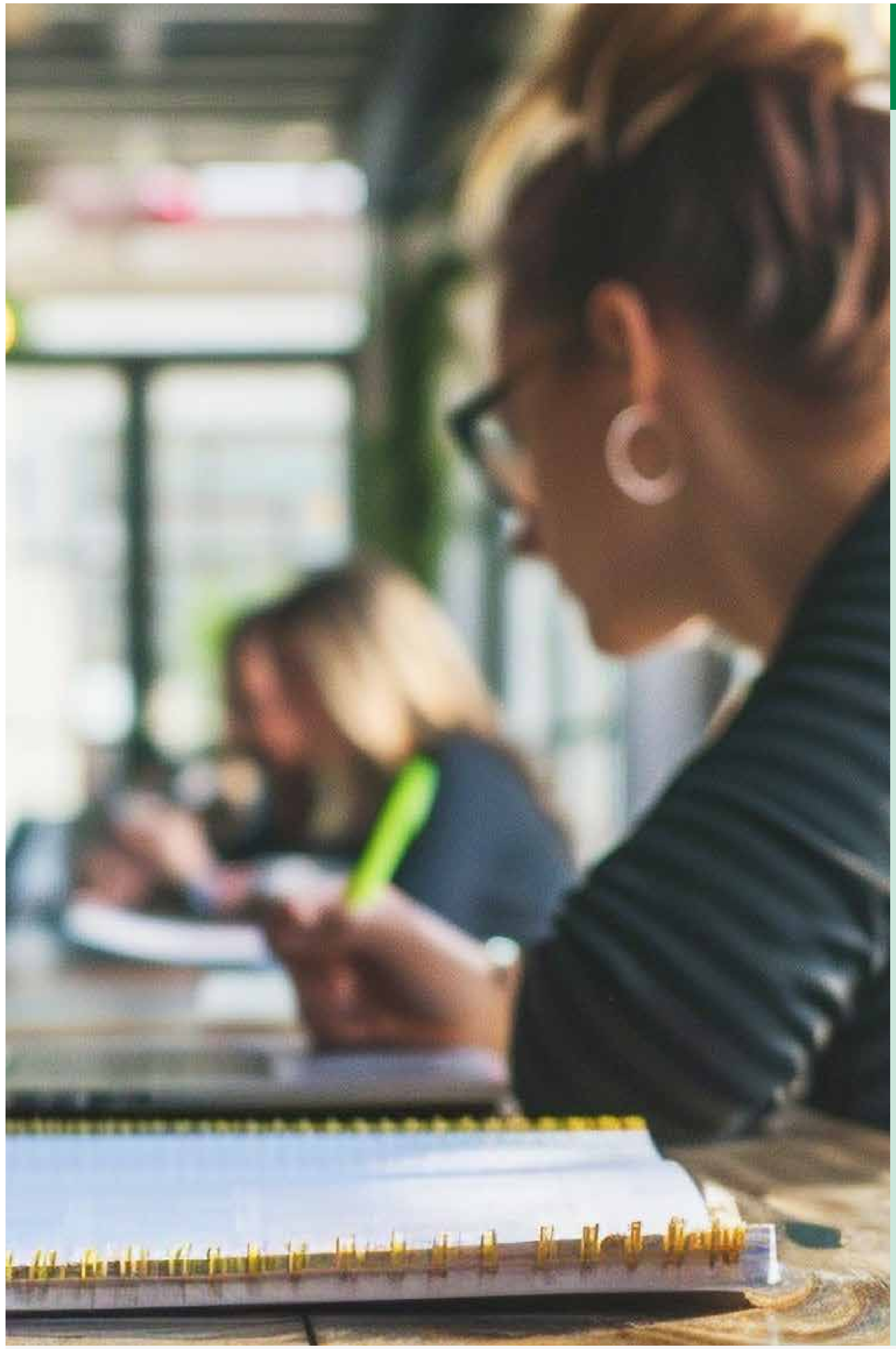
Management proposals, such as say-on-climate votes, promote transparency regarding climate strategy. Good disclosure in this area enables us to support such proposals. Although say-on-climate is an advisory vote, and, therefore, not binding, it allows shareholders to vote on important matters, such as whether disclosure is sufficient to allow them to express their views on the company's strategy, or whether the plan includes sufficiently robust interim targets with concrete actions to achieve them.

Under our Policy on the Exercise of Proxy Voting Rights:

- We support votes proposing reduction targets aligned with the Paris Agreement.
- Our decision-making criteria allow us to analyze proposals rigorously in order to support those that align with our objectives.

Examples of areas of investment or intervention

7 AFFORDABLE AND CLEAN ENERGY	• Issuers that use a high proportion of electricity use from renewable energy • Issuers and assets that produce renewable energy
13 CLIMATE ACTION	• Development of operations related to the transmission, distribution and generation of renewable or alternative energies • Issuers that provide GHG mitigation technology • Issuers with net-zero emissions goals and science-aligned interim targets



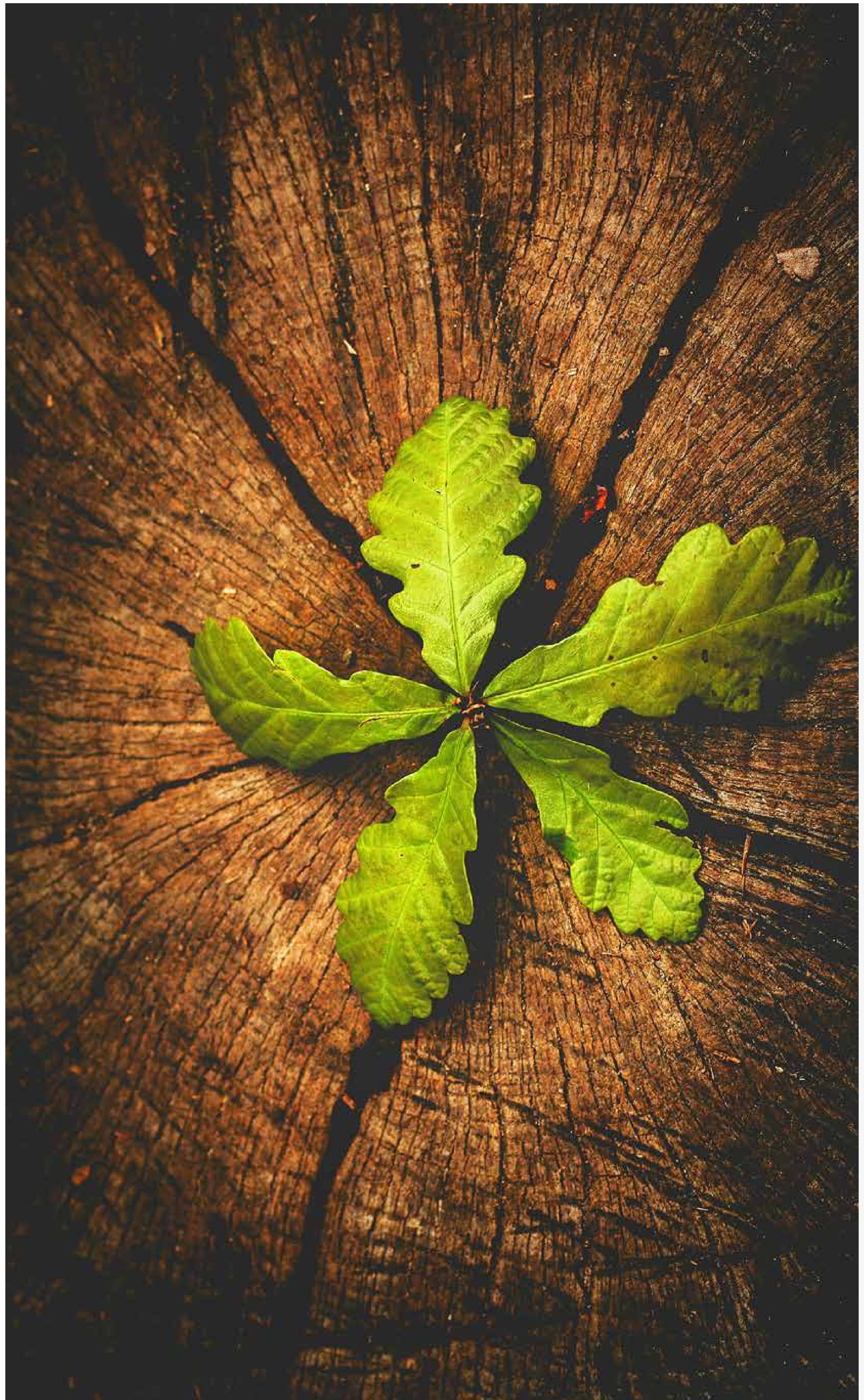
CASE STUDY

From influence to climate action

For several years, we have been holding discussions with a company in the consumer discretionary sector to encourage it to improve its climate disclosure and transition strategy. The recent strengthening of the board's ESG competencies has led to ambitious climate goals, including targets for renewable energy procurement and scope 3 emission reduction. The targets were submitted to the SBTi, a benchmark organization for methodology to limit global warming, and were accepted in 2024.

This engagement illustrates our ability to encourage a company to improve its knowledge in order to develop opportunities and analyze climate risks, in an environment that requires a transition to a lower-carbon economy.

DGAM's collaborative initiatives related to supporting the transition to a low-carbon economy are discussed in the section on our levers of influence.



Protecting biodiversity and natural capital

Even though 2024 saw increased awareness of biodiversity and natural capital issues among financial institutions and investors, the year produced mixed results. The 16th meeting of the Conference of the Parties (COP16) to the UN Convention on Biological Diversity (UNCBD) in Cali, Colombia, saw encouraging outcomes, including the Cali Fund, a new benefit-sharing mechanism for genetic resources, and the creation of a permanent body for Indigenous Peoples under the Convention. Even so, the parties failed to agree on a strategy to mobilize $200 billion of resources a year by 2030. The year ended on a slightly more positive note at the UN Convention to Combat Desertification (UNCCD) COP16 in Riyadh, Saudi Arabia. The meeting concluded with a commitment to provide financial support for land restoration and drought resilience but failed to establish a legally binding global framework.[3]

[3] LIKHACHOVA, IRINA. New In Biodiversity Finance: November 2024

From issues to action

ISSUES

The World Economic Forum's 2025 report ranks biodiversity loss and natural ecosystem collapse as the second most significant global risk over the next decade. More than 55 of global GDP is moderately or highly dependent on nature.[4] Degradation of biodiversity and natural capital can lead to serious consequences[5], including the loss of ecosystem services, increases in natural disasters and adverse impacts on human health and quality of life.

OUR APPROACH

Our approach focuses on the integration of material biodiversity, nature and natural-capital issues into our RI practices, including policies, analyses and stewardship. Our focus is less on emerging issues and more on integrating all relevant material dependencies and impacts into our understanding of a sector, including water, land, species and more. We have integrated biodiversity-related ESG metrics into our internal assessment methodology, analyses and stewardship activities, with double materiality as a key priority. In 2024, we took part in various panel presentations and conferences on biodiversity, such as COP16 in Cali, Colombia, to engage with stakeholders and discuss relevant industry practices.

[4] PwC. Avril 2023

[5] WWF: What is biodiversity?

"We need to integrate biodiversity into investment practices now. While the focus is on climate change, companies need to understand that protecting our environment is fundamental to reducing our GHG emissions. We are working against nature, removing its capacity to hold carbon. Improving momentum requires an understanding that climate change and biodiversity are interrelated issues."

Geneviève Grenon

Senior Advisor, Responsible Investment, Private Markets

MOVING FORWARD

With the completion of the ENCORE review of impacts and dependencies, it was time for us to move forward by integrating biodiversity into our portfolios more effectively. Furthermore, as signatories to the Finance for Biodiversity (FFB) Pledge, we surpassed our initial objective of understanding the biodiversity and natural-capital risks and opportunities of our portfolios, with an understanding of biodiversity materiality. We, therefore, spent part of 2024 updating our targets.

We sought to understand metrics, examine efforts made by others and identify ways to move forward with our integration. A review of available biodiversity metrics within MSCI ONE was completed to determine which metrics had coverage and could be integrated into company assessments for internal use. Using our knowledge of ENCORE and MSCI, we identified metrics that have good coverage, that are material to individual companies, and that, when integrated into analyses, will enable improved dialogues with companies. In addition, a market-watch analysis of 40 asset managers and their practices of integrating biodiversity considerations was completed. The results were compounded with an understanding of the Canadian market's appetite for integration of nature.

We decided to establish an attainable short-term target and focus on building a solid knowledge foundation, while enhancing our stewardship practices with regard to biodiversity. As one of our main levers of change, we implemented a framework for engagement with companies, establishing stages for dialogue progression to ensure increased momentum in all current and future dialogues. To aid in the achievement of our target, the following information was created or compiled through relevant sources (TNFD, ENCORE, FFB Foundation and Ceres): a general engagement framework; questions to be integrated into dialogues at different stages; a continuum to track engagement progress; and clear alignment of subsectors with ENCORE mapping of impacts and dependencies. We also identified material MSCI metrics with robust data availability across most companies. Our targets, published in 2025, are available here.

Examples of investment or action areas

2 ZERO HUNGER	• Sustainable agriculture • Food security
6 CLEAN WATER AND SANITATION	• Water quality • Water treatment infrastructure • Water scarcity
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Production of recycled packaging • Non-intensive agricultural processes • More efficient industrial processes • Waste management and pollution prevention
14 LIFE BELOW WATER	• Water-efficient production • Sustainable aquaculture and fisheries
15 LIFE ON LAND	• Commitment and practices to stop deforestation • Sustainable supply-chain practices

CASE STUDY

Collective engagement drives ecological progress

We led a group engagement on waste and pollution management with a food-sector company. Group engagements such as this one, supported by the FAIRR Initiative, bring more weight and assets under management to a conversation. The dialogue centred on a water-risk assessment performed more than five years ago, which the company recognized as due for complete renewal. The company said it planned to integrate a risk-related assessment on nature in the near future and committed to revising its SBTi targets according to a new Forest, Land and Agriculture (FLAG) science-based target. The discussion also covered other waste-management and research projects, revealing that the company, a leader in its field, was looking for solutions, such as reusing manure as organic fertilizer.

DGAM's collaborative initiatives related to protecting biodiversity and natural capital are discussed in the section on our levers of influence.

Building a just, equitable and inclusive economy

As the themes of inclusion and diversity face headwinds in the United States and elsewhere, 2024 put human rights at the centre of significant legislative efforts. Canada, the European Union, the United Kingdom, Germany, Australia and California adopted laws and directives against forced labour and child labour in supply chains, in response to the increased importance placed on these matters. Companies will have increased due diligence and disclosure obligations in these areas and will need to address the negative effects of their operations.

We also saw the integration of Indigenous peoples' rights into the fight against climate change and the protection of biodiversity. Canada sent a strong signal with its $5-billion loan guarantee program to support major energy and natural resource projects in Indigenous territories. Respect for the rights of Indigenous peoples is crucial for a just energy transition, as are clear legal structures enabling them to exercise their fundamental rights. Without their consent, it will be impossible to transition to a low-carbon economy.

"Artificial intelligence is a major trend we're monitoring. It's a powerful tool that can contribute to sustainability goals. But, from an ESG perspective, such opportunities also entail risks that need to be considered beyond the environmental impacts, such as job losses, ethics and data security."

Lila Roumane

Senior Advisor,
Responsible Investment

From issues to action

ISSUES

According to the International Labour Organization (ILO), economic inequality continues to widen globally. The pandemic exacerbated this trend, further widening the gap between the richest and the most vulnerable. This situation undermines social cohesion, erodes economic stability and hinders long-term sustainable development.

OUR APPROACH

Human rights

Executives must consider the interests of all stakeholders to maximize the long-term value of their businesses; accordingly, our ESG analyses examine business practices regarding human rights and stakeholder engagement. We check that companies have the following:

- A governance structure that ensures respect for human rights.
- Policies and due diligence processes that respect the rights of their employees and those in their supply chain, as well as access to remedies for affected parties, whether they are unpaid or undeclared workers or communities affected by the company's operations.
- A framework for stakeholder consultation to ensure the social licence to operate for all projects.
- Concrete initiatives to gain a better understanding of issues related to Indigenous peoples' representation and economic development.

Equity, diversity and inclusion (EDI)

We think sound EDI practices help companies become more innovative and inclusive and, therefore, highly effective. Our assessment of issuers' EDI practices includes the following:

- Programs that encourage diversity at all levels of the company.
- Number of women and ethnic and cultural minorities in decision-making positions.
- Sponsorships or scholarships that promote access to male-dominated fields for people from diverse backgrounds.
- Measures against unconscious biases that can affect relationships between colleagues as well as recruitment and advancement of diverse people in decision-making positions.

Cybersecurity

In our ESG assessments of issuers, we analyze four aspects of cybersecurity risks:

- The company's will and ability to incorporate these issues into its business strategy and commitment to quality disclosure.
- A cybersecurity culture that ensures processes are effective.
- Clear processes and adapted mechanisms to maintain cybersecurity in response to ever-changing threats.
- Robust processes ensuring business continuity in the event of a cyberattack.

Human capital management

Apart from significant costs to companies, human capital is directly linked to their productivity, their ability to innovate and their success. As part of our ESG analyses, we assess employee health and safety policies, practices and data, workforce management, and programs to attract and retain employees

Examples of areas of investment or intervention

8 DECENT WORK AND ECONOMIC GROWTH

- Job creation and economic development
- Engaged employees
- Exemplary workplace safety
- Supply chain oversight to ensure human rights are respected

10 REDUCED INEQUALITIES

- Ambitious policy, practices and targets for company-wide diversity representation
- Encouragement of various suppliers from diverse backgrounds

11 SUSTAINABLE CITIES AND COMMUNITIES

- Community inclusion in decision making
- Affordable housing
- Access to telecommunications in remote areas

CASE STUDY

Advancing economic reconciliation with Indigenous peoples

With a view to integrating Indigenous considerations into investment decisions, we collaborated with the Ashukan Institute to enrich the expertise of our RI team and portfolio managers, and to explore the best approaches to integrating these issues. The training covered subjects such as Indigenous culture, rights and titles, the history of Canada's peoples, unconscious biases and the Truth and Reconciliation Commission (including Call to Action #92 for businesses). Understanding free, prior and informed consent (FPIC) and partnerships with communities were priorities in this project.

We then initiated a dialogue with a mining company about its human rights and Indigenous relations practices, including FPIC. After extensive discussions, the company decided to formalize its approach, signed memoranda of understanding with the affected Indigenous communities to develop FPIC frameworks and shared its communication strategy. Subsequent surveys revealed a change in the communities' perception of its activities.

DGAM's collaborative initiatives related to building a just, equitable and inclusive economy are discussed in the section on our levers of influence.

Ensuring strong, honest and resilient governance

Fiduciary duty, of which governance is the core, obliges an organization to act in the interests of beneficiaries by ensuring transparency and social responsibility. These essential foundations enable it to deploy its business model, cultivate an inclusive environment and generate concrete economic benefits.

Support for shareholder proposals on governance issues rebounded in 2024. This shift illustrates the increased emphasis on shareholder rights and corporate governance, which is a key pillar for the adoption of good practices. Investors have made significant progress in engaging with companies and exercising voting rights. However, regulators also have a role to play. The new standards aim to increase transparency and accountability, while transforming the way companies approach ESG performance. Despite the progress made, there is a need to further improve governance, processes and controls for sustainability reporting within organizations. Therefore, this work is crucial in today's global geopolitical environment, which is characterized by regional conflicts and trade tensions, and requires boards and management teams to have the expertise to navigate increasingly complex issues.

From issues to action

ISSUES

According to Transparency International, more than two-thirds of countries score below 50 out of 100 on the Corruption Perceptions Index. Weak governance structures and lack of transparency are major risks for investors, undermining market confidence and economic stability over the long term. Beyond the fight against corruption, the adoption of sound, ethical practices for the conduct of business – including the integrity of decision-making processes, respect for stakeholders and environmental responsibility – is a determining factor in the resilience and sustainable performance of organizations.

"Strong corporate governance is far more than just a compliance framework; it's the very architecture for creating sustainable long-term financial value. But beyond its structure and rules, it is the culture it instills that determines its true scope. A culture based on ethics, innovation and responsibility cannot be decreed; it must be lived and transmitted."

Kim Desmarais

Senior Advisor,
Responsible Investment.

OUR APPROACH

Our corporate assessment process, detailed below, includes three areas of governance, with a focus on transparency, anti-corruption measures and audit practices.

Board structure

Effective boards have processes that ensure their independence and credibility. We favour directors with an understanding of the organization's inner workings (founder, CEO or other senior executive) and independent members, in a structure that ensures the independence of the board and of its subcommittees.

To assess board independence, we apply a set of criteria that define how we exercise our voting rights when directors are elected:

- The proportion of non-independent members cannot exceed one-third of the board (after 12 years, a member is no longer considered independent).
- The nomination, compensation and audit committees must be made up of independent directors only.
- The positions of board chair, president and CEO must be separate.
- The board must be diverse, with a minimum of 30% female representation as well as diversity in age, expertise and cultural background.

Executive compensation

Sufficient compensation is a key factor enabling a company to attract, motivate and retain senior executives. However, compensation is not always aligned with the company's financial performance and sometimes fails to consider the extra-financial interests of shareholders and various stakeholders.

We review governance documents for the following:

- Alignment between financial performance and executive compensation.
- Transparency of the evaluation criteria used, their triggering thresholds, the targets set and individual objectives.
- Justification for awarding discretionary amounts, including severance payments.
- Use of performance criteria tied to the company's ESG objectives in the executive incentive compensation program.

Directors' ESG expertise

Over the years, the number of issues considered material for an assessment of the quality of business management has increased. Today, risk management integrates ESG issues, and investors require that company executives and board members demonstrate their ability to manage such risks. DGAM has defined a series of criteria to assess a company's ability to integrate ESG risk management under various governance pillars:

- Board members have a range of ESG skills (climate change, EDI, cybersecurity, etc.).
- Directors receive training on the ESG issues they are least familiar with.
- Management of ESG risks is incorporated into the responsibilities of the board and its subcommittees.
- Progress on ESG objectives is subject to transparent annual reporting (aligned with industry standards).
- ESG data is published by the company and its processes are audited.

Examples of areas of investment or intervention

16 PEACE AND JUSTICE STRONG INSTITUTIONS	• Disclosure of the amounts and jurisdiction in which the company pays taxes under the GRI 207 standard • Existence of an anti-corruption plan • Composition of the board of directors that is representative of the population
17 PARTNERSHIPS FOR THE GOALS	• Executive compensation that is linked to environmental and social objectives • Participation to coalitions that strive to advance our environmental and social priorities • ESG data system that makes it possible to establish performance indicators and set targets

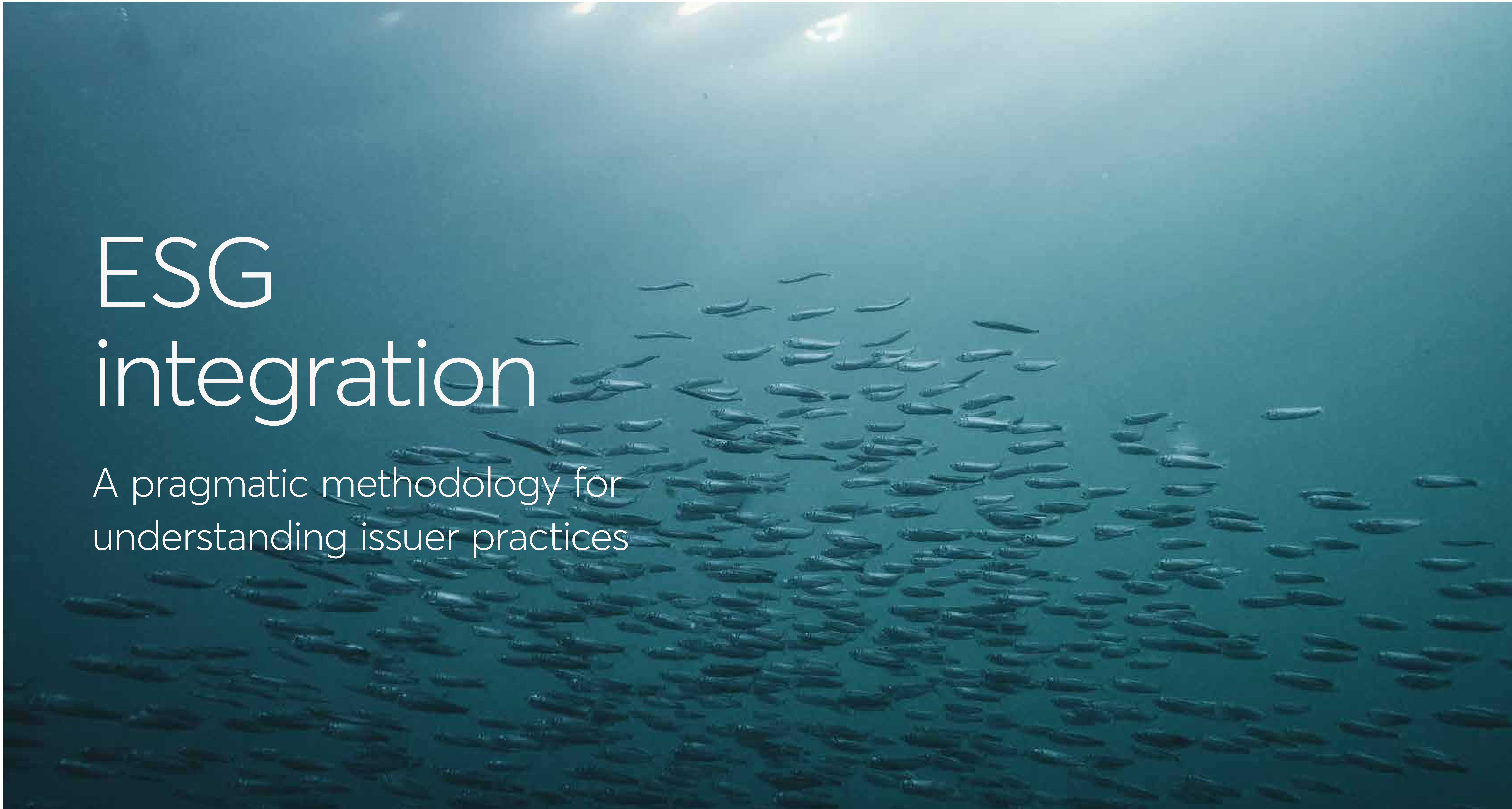
CASE STUDY

Financial ethics: beyond compliance

In 2024, we discussed business ethics with companies in the financial sector to assess their ability to manage the challenges of this issue. Our approach was proactive, rather than reactive. To gain a better understanding of how organizations manage in this regard, we analyzed strategic factors such as:

- Regulation and ethical standards, by assessing regulatory sanctions and internal and external audits.
- Risk management: training and recruitment of experts on ethical issues and the roles of the board and of senior management.
- Technologies adopted to improve risk detection and management, such as analysis of investments vis-à-vis peers.
- Companies' commitment to ethical and responsible practices, through their understanding of the role they play in financial market integrity.
- Governance, including board transparency and organizational culture.

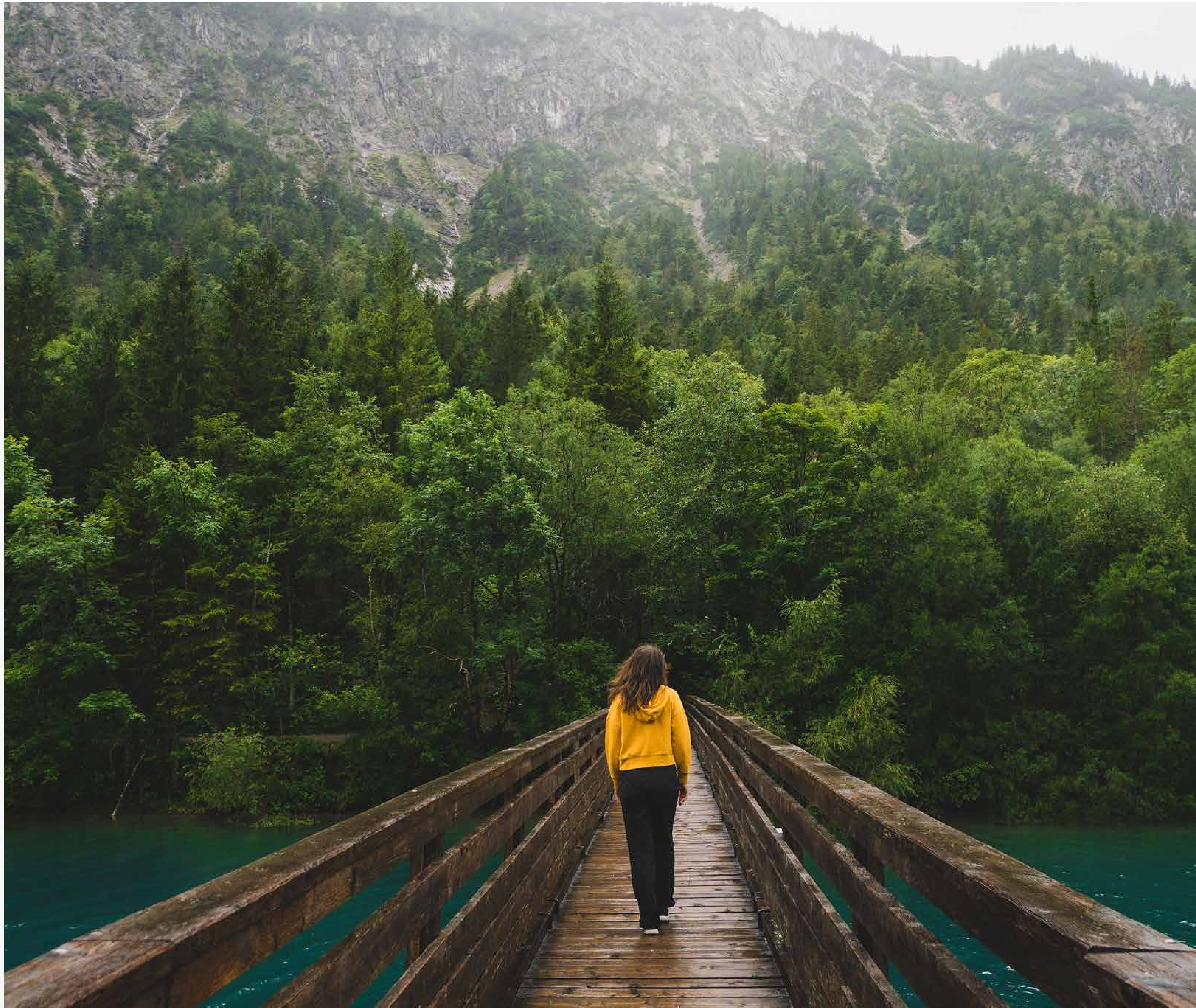
DGAM's collaborative initiatives related to ensuring strong, honest and resilient governance are discussed in the section on our levers of influence.



ESG integration

A pragmatic methodology for understanding issuer practices

DGAM has developed an ESG integration model applicable to all asset classes, management approaches and markets. The different means we use are adapted according to our clients' mandates, objectives and priorities. Our methodology identifies risk factors specific to each sector and company, drawing in particular on the SASB Standards. Our RI specialists, who provide sector coverage, and our portfolio management teams work together to analyze the ESG practices of issuers and asset managers. They pay special attention to major controversies involving some of them and, more importantly, they focus on how to manage the associated risks and opportunities.



DGAM'S ESG INTEGRATION MODEL

Our ESG approach is based on a structured integration model that guides our investment decisions:

- We define our investment universe by including indexes relevant to our mandates, such as the S&P/TSX, the FTSE Universe and the MSCI World.
- As a complement to financial analysis, we integrate ESG criteria into our research by assessing companies' ESG practices with a methodology based on the financial materiality of the issues and our four broad sustainability themes. The methodology also takes into account relevant SDG subtargets. Our internal ESG rating is used for portfolio construction.
- We exclude controversial industries, using the UNGC as our initial normative exclusion filter, and we then apply additional exclusions according to our clients' objectives and preferences.
- For mandates with a more stringent RI approach, we establish the required ESG criteria (such as carbon intensity or ESG rating) without sacrificing long-term financial objectives.
- We aim to engage actively with issuers, partners and decision makers, using an approach that includes the exercise of voting rights, dialogues with companies and interventions with public decision makers.

DGAM'S ESG ASSESSMENT METHODOLOGY

ESG analyses of issuers

1. **Defining** material issues using recognized initiatives
2. **Evaluating** long-term risks and impacts of ESG issues
   - Controversial activities
   - ESG performance
   - Exclusions
3. **Classifying** issuers in each sector using proprietary evaluation methodology

ESG rating of issuers

Issuers accepted
- Issuers that stand out for their ESG practices
- Accepted issuers that have adequate ESG practices but also some shortcomings

Issuers on watch list
- Issuers accepted on condition of positive ESG outlook

Issuers screened out
- Issuers that violate international standards or principles or carry out controversial activities and perform poorly in terms of ESG

Sources of information
- Dialogues with issuers
- Public information and RI community
- ESG data and research providers
- Materiality frameworks and initiatives

International standards that DGAM aligns with

SASB STANDARDS
Now part of IFRS Foundation

PRI Principles for Responsible Investment

SUSTAINABLE DEVELOPMENT GOALS

IFRS Sustainability Alliance

UN GLOBAL COMPACT

"Asset management has the power to be a vector of positive transformation while serving the financial interests of institutional investors. Tomorrow's leaders will be those who incorporate this double materiality into their decision-making DNA."

Christian Duceppe
Managing Director and Chief Investment Officer, Public Markets

Quantitative strategies: creating sustainability-focused ESG universes

In 2024, DGAM began transitioning one of its quantitative mandates toward sustainability. This change clarifies the intent of the strategy, which is to invest in companies that concretely align their operations and product offerings with our broad sustainability themes, while minimizing their negative impacts on the environment and communities.

Our approach is characterized by an innovative investment process that combines financial analysis with an analysis of sustainability factors. We combine fundamental quantitative research with ESG research, using state-of-the-art models and tools that integrate numerous data to ensure optimal portfolio construction. Our expertise in data science, a key area of innovation for our RI team, enhances ESG integration across our asset classes and offers a sophisticated proprietary methodology that combines positive and negative filters.

"In the context of the anti-ESG movement and promises to roll back some environmental policies, vigilance on ESG data is crucial. The greenhushing phenomenon whereby companies disclose less information for fear of reprisals, represents an additional challenge for our data-driven approach. In this context, we rely on dialogue to encourage companies to maintain transparent disclosure."

Véronique Marchetti

Senior Advisor,
Responsible Investment

RIGOROUS, EVOLVING ESG METHODOLOGY

Our quantitative portfolio construction process comprises three steps:

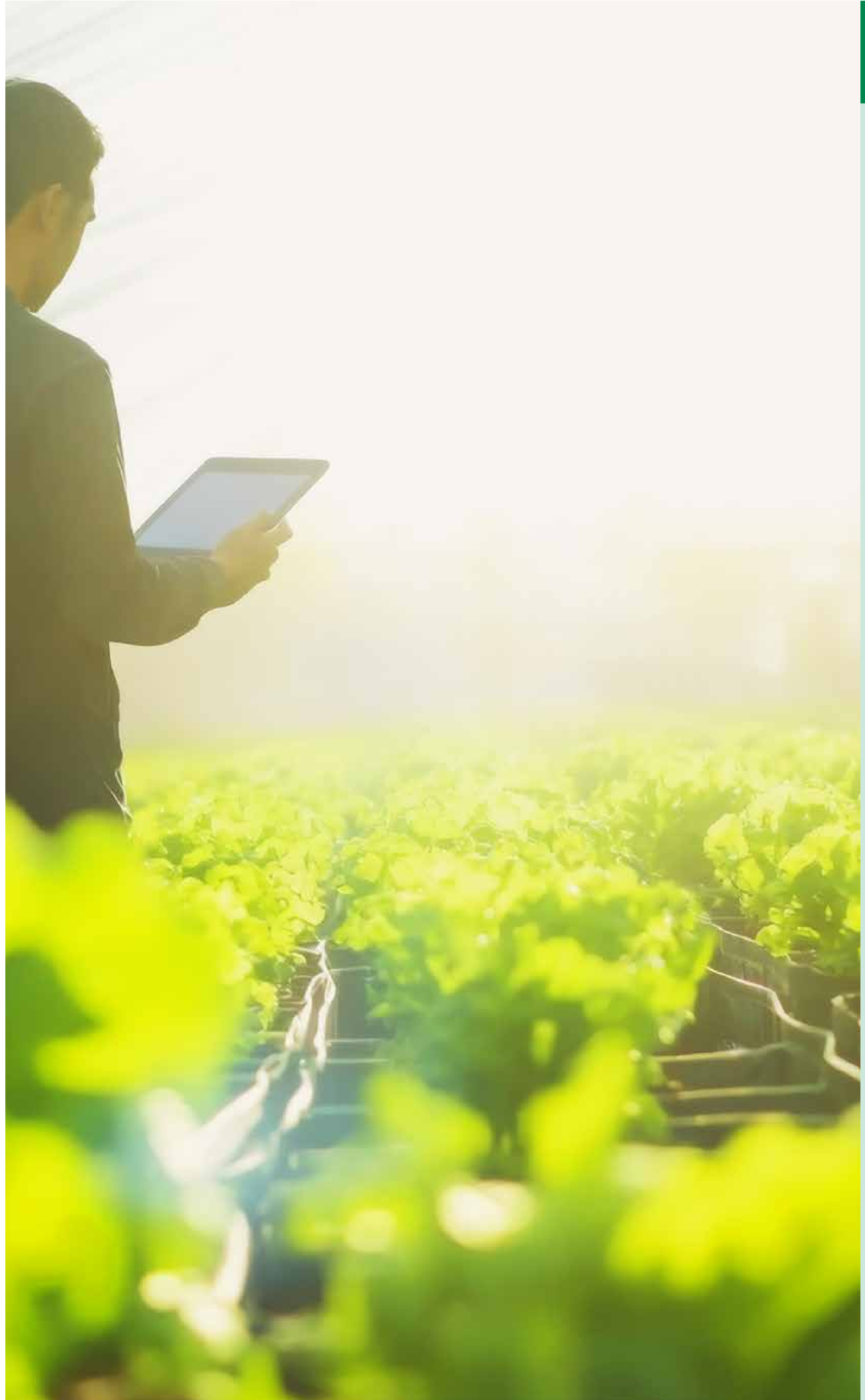
1. **Identification of sustainable companies:** We filter the investment universe positively and negatively to select only those companies that meet strict ESG criteria, excluding those in controversial sectors, such as fossil fuels, and those with harmful practices.
2. **Performance modelling:** We use our multifactor quantitative model, which includes more than 30 indicators on fundamentals, investor sentiment and market data, to establish a score for each security.
3. **Portfolio construction:** We optimize the portfolio on a monthly basis to maximize the expected added value, while respecting specific constraints on active risk, beta and individual security weightings.

As at December 31, 2024, of the companies in the MSCI World Index, 653 qualified as eligible for investment. In the case of DGAM's systematic ESG global equity strategy, for example, the result is a portfolio of companies that contribute to the SDGs, and whose carbon footprint and water use are significantly lower than those of its benchmark.

ESG performance of DGAM's systematic ESG global equity strategy

	Statistic	DGAM	MSCI World
E	Carbon emissions (t CO_2 eq./$B)	4	53
E	Carbon intensity (t CO_2 eq./sales)	7	104
E	Water use (m^3/$M revenue)	73	7,846
E	Waste-recycling ratio	68%	64%
E	Use of renewable energy	47%	44%
E	Reported emissions	92%	96%
S	Fatalities per 100,000 employees	0.5	0.7
S	Access to low-cost products	17%	21%
S	Women managers	38%	33%
S	Salary gap (CEO/average salary)	84	172
G	Sustainability-linked compensation	71%	69%
G	Board members independence	80%	81%
G	CEO and chair separation	67%	48%
G	Board gender diversity	36%	34%

Calculations are based on the invested portion of the portfolio only. Sources: Sustainalytics and LSEG as at December 31, 2024.



CASE STUDY

Digital innovation serving the climate transition

Our stock-selection process has identified one issuer as a shining example of a company aligned with our sustainability criteria. This issuer is a U.S. company that offers cloud-based solutions to digitize, optimize, and unify workflows through artificial intelligence and machine learning.

The company's positive environmental impact is evident in its product offering, with about 24% of its revenue coming from solutions that directly help reduce energy consumption and optimize its customers' IT infrastructure.

Its ambitious climate commitment is based on SBTi-approved targets, including:

- A 70% reduction in scope 1 and 2 GHG emissions by 2026 in relation to 2019.
- A 40% decrease in scope 3 GHG emissions intensity for business and employee travel per unit of value-added by 2026 in relation to 2019.
- Commitments by 65% of its suppliers to adopt SBTi targets by 2026.

According to MSCI's implied temperature rise, these concrete commitments put the company on a warming trajectory limited to 1.3°C and well below the critical thresholds identified by climate science.

Fixed income: disciplined integration tailored to each category of issuer

Bond markets are vital for the financing of a sustainable economy. Our approach to ESG integration into fixed income is based on a structured methodology adapted to the specificities of this asset class. By combining traditional fundamental analysis with ESG assessment, we enhance our understanding of issuers' risk-return profiles, whether they are companies or governments. In this way, we can accurately identify ESG risks and opportunities that are likely to affect the long-term performance of our fixed income investments.

CORPORATE BOND ANALYSIS FRAMEWORK

One of the key steps in our internal bond analysis process includes a fundamental analysis of issuers, with a focus on credit quality and business risk, including ESG criteria that could have significant impacts on the issuer or its industry. Thus, ESG issues and opportunities are factored into our fundamental analysis and are an integral part of our investment decisions.

Each year, our RI specialists review the engagement priorities in their dialogue program. Analysts from DGAM's fixed income and RI teams usually prepare for and conduct the dialogues jointly.

Corporate bond analysis process

OUR ANALYTICAL FRAMEWORK FOR SUSTAINABLE BONDS

DGAM is a major player in Canada's sustainable bond market, with $3.0 billion invested in this type of security as at December 31, 2024. Our teams have recognized expertise and are frequently consulted by Canadian capital market stakeholders. Our internal framework for assessing sustainable bonds identifies the key elements of analysis, the basis for our dialogues with issuers and the essential steps for monitoring this type of bond. A bond may be considered sustainable by the market, but not necessarily by DGAM. This analytical framework, therefore, allows us to define the eligibility of sustainable bonds by taking into account various criteria, such as the issuer's credit quality, its ESG rating and the projects it finances that are not related to controversial activities.

Examples of criteria used to analyze sustainable bonds

Pillar	Criterion
Issuer commitment	Sustainable bonds must be linked to robust climate commitments.
Selection and use of funds	Green bonds must be aligned with the Climate Bonds Standard taxonomy.
Management of funds raised	We strongly recommend an external audit for the allocation and monitoring of funds.
Rapport de suivi	We give preference to quantitative impact indicators backed by science and linked to the UN SDGs.

FRAMEWORK FOR MUNICIPAL BOND ANALYSIS

In 2024, DGAM updated its ESG analysis framework for Canadian municipal bonds. This exercise is in line with our commitment to integrate ESG risks and opportunities across our asset classes, recognizing the crucial role of municipalities in achieving the goals of the Paris Agreement and in managing local challenges, such as the housing crisis and infrastructure renewal. Our approach combines quantitative and qualitative analysis to provide a holistic assessment of municipal issuers.

Our quantitative assessment is based on recent, comparable data, although data availability is still a major challenge. Owing to the heterogeneity of the information disclosed by Canadian municipalities, we have developed a rigorous methodology that relies on external public and governmental sources.

Our qualitative analysis complements the quantitative assessment by reviewing municipal plans, strategies and publications in a structured way.

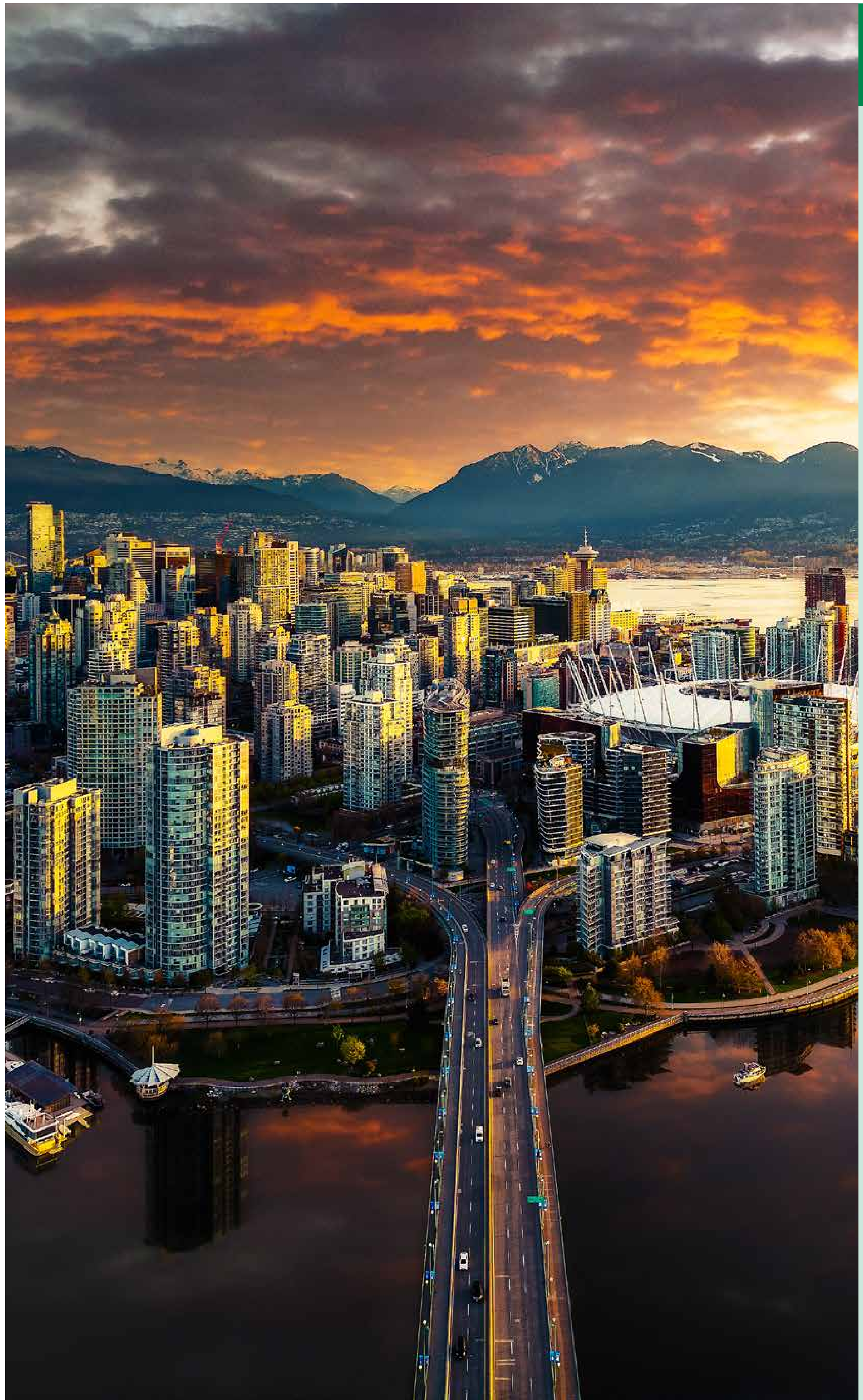
We classify issuers according to four ESG ratings (green, yellow, orange or red) and three trends (positive, stable or negative).

ESG assessment criteria for municipal issuers

Pillar	Quantitative analysis	Qualitative analysis
Environment	GHG emissions, water consumption, waste management	Climate risks, resilience, biodiversity
Social	Demographic statistics, housing affordability, education level	Social cohesion initiatives, relations with Indigenous peoples
Governance	Voter turnout, diversity of the municipal council	Cybersecurity policies, ESG governance, transparency

In our latest analysis of Canadian municipalities, they all fell into one of three combinations:

- **Green rating (stable):** Superior level of ESG disclosure, involvement in innovative environmental initiatives and superior quantitative performance with plans to improve less satisfactory indicators
- **Yellow rating (positive):** Satisfactory ESG performance, adequate level of disclosure and well-defined ESG plans and strategies indicative of future improvement
- **Yellow rating (stable):** Acceptable ESG performance but without a positive distinguishing element (for example, no 2050 net-zero commitment) and average level of ESG disclosure



CASE STUDY

Vancouver: An environmental leader facing complex social challenges

The application of our methodology to the City of Vancouver (population 662,248 in 2021) illustrates the relevance of our approach. The municipality obtained a green rating (stable) owing to its distinctive strengths:

- Active involvement in climate initiatives (C40 Cities, CNCA, 100 Resilient Cities)
- TCFD reporting and issuance of green bonds
- Carbon Pricing Policy and Zero Waste 2040

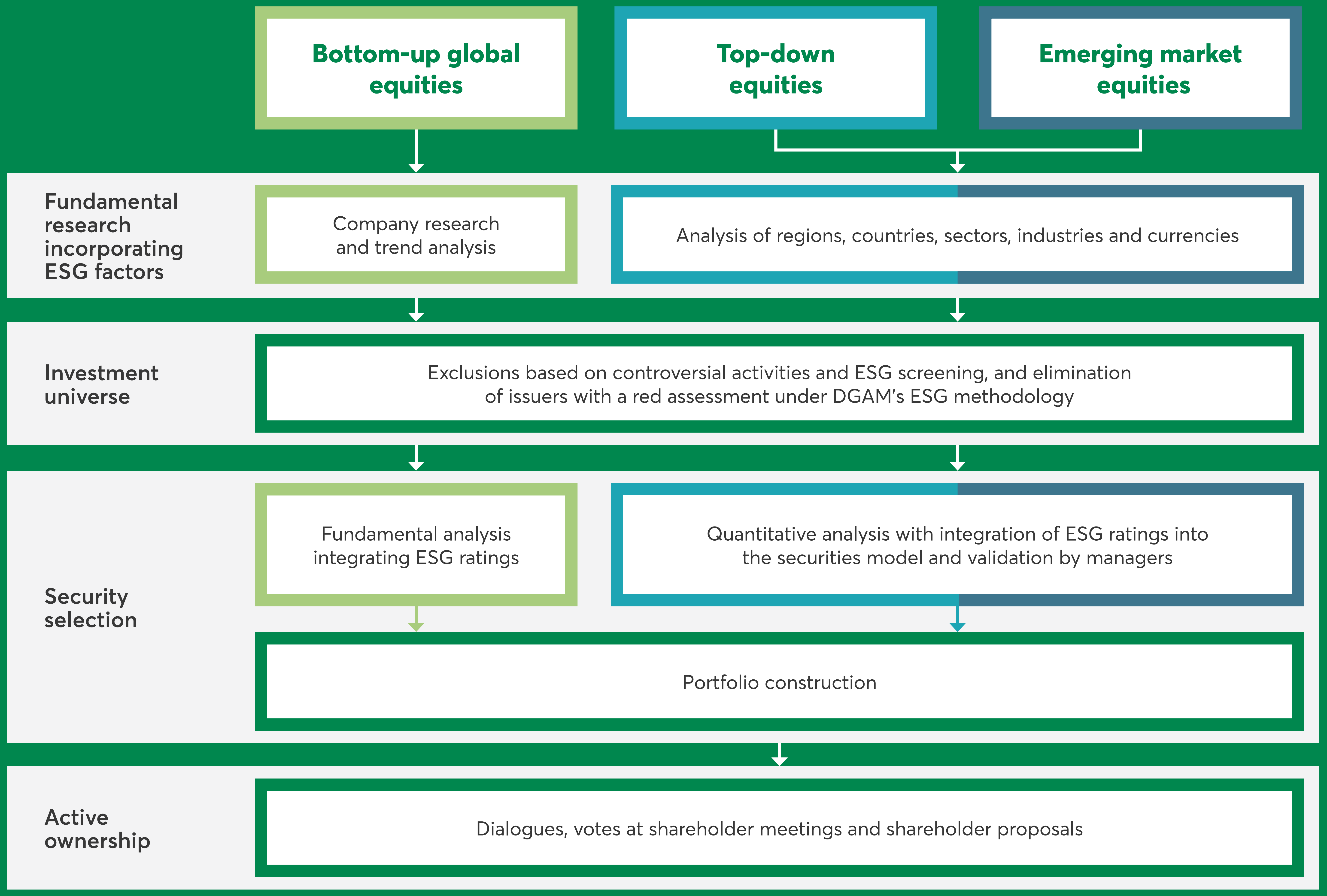
Despite these strengths, Vancouver faces significant challenges: high water consumption, prohibitive housing costs and a concerning rate of homelessness. Even so, its exceptional level of disclosure and its development of resilience strategies have allowed it to maintain its green (stable) rating.

This assessment demonstrates how our analytical framework accurately identifies the ESG strengths and vulnerabilities of municipal issuers, providing a more comprehensive view of the risk-return profile of municipal bonds.

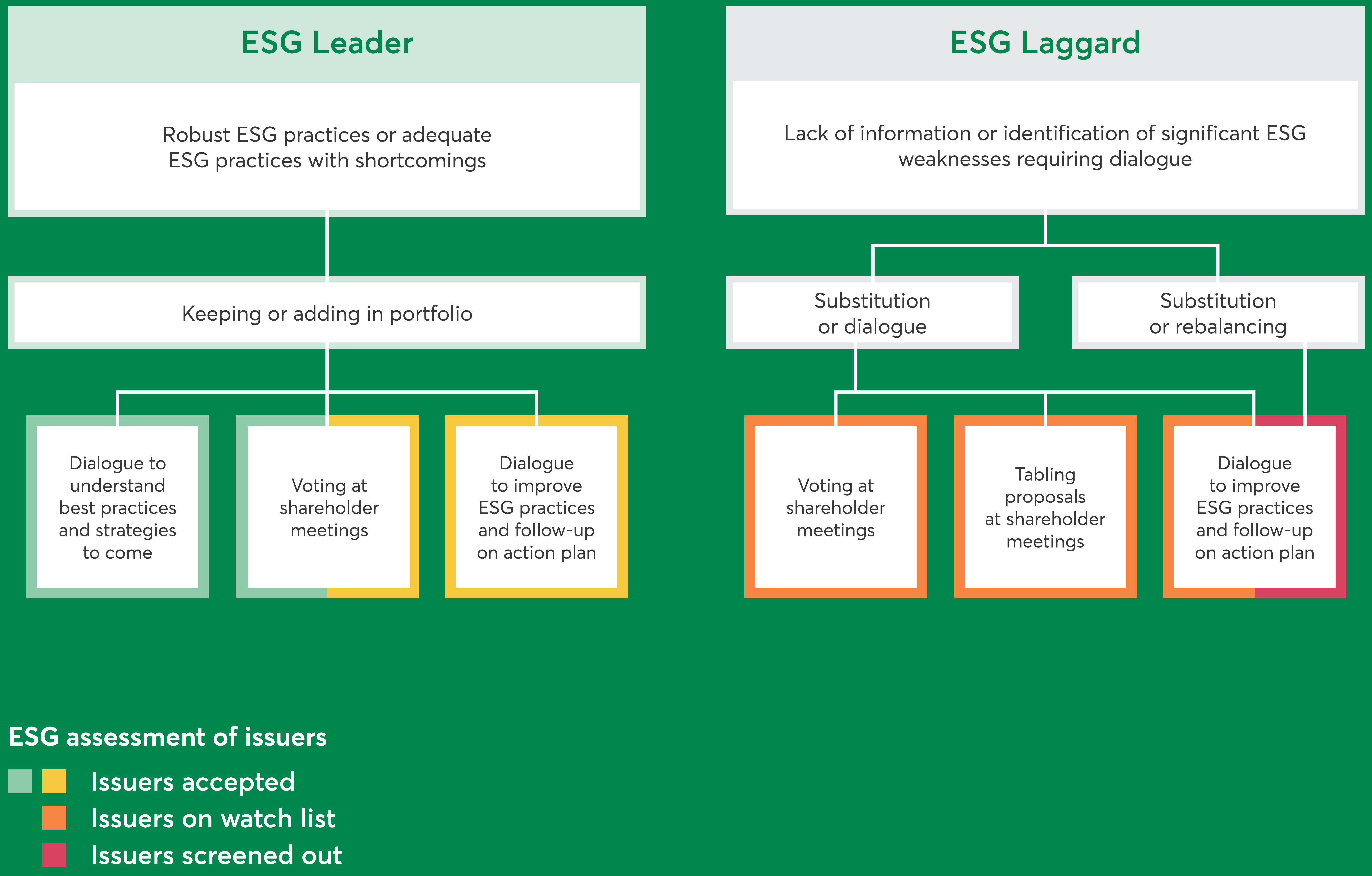
Public equities: consistent, adapted ESG integration

DGAM has three investment teams with in-depth expertise in global stock markets: bottom-up global equities, top-down global equities and emerging market equities. The teams share the conviction that integrating ESG considerations into fundamental analysis enhances their understanding of the risks and opportunities specific to their regions and industries. This integration is reinforced by a collaborative approach between the investment teams and the RI team, including structured dialogue with companies and rigorous exercise of voting rights. In this way, they further their understanding of extra-financial materiality and also influence companies' practices positively.

ESG integration process in DGAM's equity strategies



Paths to inclusion in DGAM's bottom-up equity portfolio



Bottom-up global equity approach: ESG factors at the core of stock selection

The global equities team puts fundamental analysis at the centre of its process, seeking quality companies that combine competitive advantages, financial strength and transparent governance. ESG criteria are fully integrated into this analysis: The managers and the RI team collaborate closely to assess each potential security, taking into account not only the company's sustainability practices, but also its positive or negative sustainability momentum. The RI team identifies momentum according to the ambitions and targets that companies set for themselves in order to improve the integration of material extra-financial factors into their business models.

ESG integration into bottom-up equity portfolios is based on DGAM's sophisticated internal valuation methodology, which carefully examines the material factors specific to each sector. ESG issuer ratings based on four categories are integrated into the managers' analysis tools.

Our research focuses on companies that demonstrate resilience in the face of current challenges and are determined to constantly improve their environmental and social practices. This approach helps identify companies whose long-term potential is likely to be undervalued by the market.

CASE STUDY

Environmental risk management in the industrial sector

A key position in our bottom-up equity portfolio is a leader in the waste-collection, disposal and recycling industry in North America. Beyond its traditional operations, the company has embarked on an ambitious project to treat leachate, the contaminated liquid produced when water percolates through landfills.

In 2024, it deployed advanced treatment systems at three sites using innovative technology to filter out PFAS, synthetic substances sometimes referred to as "forever chemicals", and microplastics. The process begins by agitating water to create bubbles. PFAS molecules attach themselves to the bubbles and are then collected and disposed of. This proactive initiative, launched even before the imposition of strict regulations, allows the company to develop valuable expertise while reducing its transportation costs and environmental footprint.

Its commitment to treat 50% of the leachate generated at its sites in the coming years, up from 33% at present, is a fine example of how proactive environmental risk management can create a competitive advantage and long-term value.

**Top-down global equity approach:
ESG factors at all levels of analysis**

This team of managers rises to the challenge of integrating ESG factors into an approach focused on regions, countries, sectors and industries rather than individual companies. The integration takes place on two levels:

- **Top-down decisions:** Material ESG factors are systematically considered in fundamental analysis (macroeconomics, valuation and sentiment). This integration helps identify how factors, such as new environmental regulations or improved governance in a country, can affect the outlook for a sector or region.
- **Stock selection:** Quantitative tools incorporate ESG risk ratings as one of the main families of indicators in the selection model. Thus, a company's ESG rating systematically affects its relative weighting and can determine its eligibility for the portfolio.

CASE STUDY

Sector ESG assessment: environmental risks in the telecommunications sector

Sector ESG analysis by our top-down global equities team has been highly relevant to an assessment of the controversy over lead-sheathed cables in the U.S. telecom industry, owing to environmental and public health risks. In contrast to the market's initial reaction, our analysis of the material risks suggests that the potential financial impact is probably overstated.

A governmental study has shown that exposure to lead at the sites concerned is not material, and that the problematic cables represent only a small proportion of the companies' networks. Despite a loss of market capitalization of US$15 billion to US$18 billion for AT&T and Verizon at the time of writing, the estimated cost of removing the cables is US$7.1 billion.

This analysis illustrates how our top-down approach integrates ESG factors into sector assessment, allowing us to identify cases where the market's reaction to matters such as environmental controversies can create investment opportunities when a company's fundamentals remain strong despite deteriorating investor sentiment.

Emerging market equity approach: navigating the extreme ESG risks of developing economies

ESG issues can reach extreme levels in emerging markets. Our investment team's top-down approach integrates ESG factors from the outset of its analysis. The managers have developed their own ESG country rankings that allow them to adjust their geographical allocation. The team is also committed to maintaining a carbon intensity that is at least 25% lower than that of the benchmark index, while exploiting the market inefficiencies that ESG considerations can identify.

DGAM's approach to emerging market equities takes into account critical factors, such as:

- The vulnerability of fossil-fuel-based economies in the energy transition.
- Sector ESG risks that may affect the macroeconomic outlook.
- Quality of governance, seen as a prerequisite for sound environmental and social policies.

CASE STUDY

Analytical rigour applied to the Saudi oil giant

Saudi Aramco, the world's largest producer of hydrocarbons, has been responsible for about 4% of global GHG emissions since the turn of the 20th century. Despite its growing weight in the MSCI Emerging Markets Index, we have chosen not to hold this company owing to its significant ESG deficiencies.

Our assessment identified major transparency issues, including underestimation of its carbon emissions before its IPO. Saudi Aramco ranks last among the top 25 fossil-fuel producers for its energy transition plan, with a 2050 net-zero emissions target that is based mainly on carbon capture and excludes scope 3 emissions.

The close ties between the company and the Saudi government also raise governance concerns, with a board lacking diversity and independence. These factors, combined with the lack of collaboration during engagement efforts by our partner Sustainalytics, justify our decision to exclude Saudi Aramco despite its low cost structure.

"Assets with a solid ESG performance are more resilient, more attractive and ultimately more profitable. This conviction guides each of our investments in real assets and every partnership we develop."

Frédéric Angers
Managing Director and Chief Investment Officer, Private Markets

Real estate: ongoing collaboration to improve ESG performance

DGAM has long been integrating ESG considerations into its real estate investments. This integration takes place at all stages of the asset management process and for all types of properties in the portfolio. It requires our real estate investment management team, RI specialists and property managers to collaborate closely.

Our ESG integration approach is distinguished by our commitment to ambitious objectives and our proactive, rigorous and consistent management strategy, which systematically integrates ESG factors. As the demand for ESG integration has intensified in recent years, the real estate industry continues to meet this challenge with determination, and DGAM works to position itself at the forefront of this transformation.

INTEGRATING CARBON-REDUCTION TARGETS INTO OUR REAL ESTATE PORTFOLIO

In January 2024, Desjardins Group's climate targets were approved by the SBTi. The targets concern DGAM's direct real estate investment portfolio, with an ambitious target of reducing financed emissions intensity per square metre by 54% by 2030, in relation to 2020 levels.

The integration of carbon reduction into our real estate management strategy accelerated in 2024, with the finalization of an in-depth study assessing the potential and the decarbonization trajectory of our assets under management. This analysis allowed us to identify measures that can potentially be implemented to reach our objectives.

In close collaboration with our partners and property managers, we are validating the technical and financial feasibility of the identified initiatives. At the same time, we are drawing on industry expertise to determine the best solutions for our portfolio and utilizing the specialized skills available to succeed in the transition to decarbonization.

ESG integration framework for real estate assets

Ongoing engagement with property managers

The real estate asset managers, with support from the RI team, work closely with property managers to manage the buildings and integrate ESG considerations.

LEED and BOMA BEST certifications

96% of our real estate portfolio's properties are certified sustainable. Certifications include performance improvements in energy efficiency, health and safety management, and other criteria that improve the overall sustainability of buildings.

Integration of green leases

The green leases in our 2024 portfolio included industrial, commercial and office buildings. They covered more than 3,727,000 square feet, or 39% of the portfolio when accounting for ownership, an increase from 2023. As leases expire, they are replaced by green leases, whenever possible.

Participation in the Global Real Estate Sustainability Benchmark (GRESB) survey

We improved our performance in 2024 with a score of 82, which raised our rating to four stars.

Integration of due diligence procedures

A due diligence questionnaire has been created to integrate ESG considerations into the pre-investment phase. The questionnaire includes multiple criteria that integrate ESG risks and opportunities, and makes the conclusions available to the real estate investment committee.

Promoting ESG best practices to property managers

We have adopted ESG guidelines for real estate assets, identifying opportunities and best practices for each type of property. Our team works closely with property managers to implement changes consistent with the guidelines and to enhance their business practices.

CASE STUDY

Canada's first certified zero-carbon seniors' residence

A Cogir residence co-owned by Desjardins Financial Security is emblematic of our ESG approach to real estate.

The 405-unit residence in a Montreal suburb combines accessibility and environmental sustainability. The property stands out with its 100% LED lighting, 13 electric charging stations and shared vehicles (one electric car and five bicycles). It also offers an extensive and inclusive social program to promote the well-being of its residents.

In 2024, this seniors' residence became the first in Canada to obtain Zero Carbon Building – Performance Standard certification from the Canada Green Building Council, thanks to its rigorous decarbonization plan and energy-efficiency measures. The property also holds BOMA BEST certification, demonstrating how ESG integration can create value for residents and investors alike.

Infrastructure: 360° ESG integration for constant progress

DGAM's RI approach to infrastructure is based on the firm conviction that integrating ESG factors into our management practices enhances our understanding of assets and their impact on the world.

Our infrastructure team is noted for the speed and determination with which it integrates RI into its practices. It strives to incorporate new facets of ESG into its processes, while also monitoring many sectors, including renewable energy, energy and utilities, transportation, telecommunications and social infrastructure. The international business network developed by our managers allows them to act on the best investment opportunities.

These strengths gave rise to tangible results in 2024: The target of investing at least $2 billion in renewable energy infrastructure was surpassed and, as of December 31, these assets totalled almost $2.2 billion.

Framework for ESG integration into the infrastructure portfolio

The integration process is based on the conviction that ESG factors need to be integrated throughout the investment process. Here are the main steps:

1. **Selection:** Identifying ESG risks and opportunities and integrating ESG issues into investment due diligence and selection of assets, managers and partners.
2. **Acquisition:** Including ESG criteria in contracts and side letters, where applicable.
3. **Asset management:** Monitoring ESG key performance indicators, practices, commitments and action plans.
4. **Reporting:** Annual disclosure of our alternative responsible investment activities.

The team also uses a comprehensive due diligence questionnaire to support its ESG assessment of potential assets and fund managers. The information collected is then used to complete a proprietary assessment grid. The team's discipline and effective assessment process ensure we get an accurate picture of where our assets and partners are in their ESG journey.

New KPI questionnaire

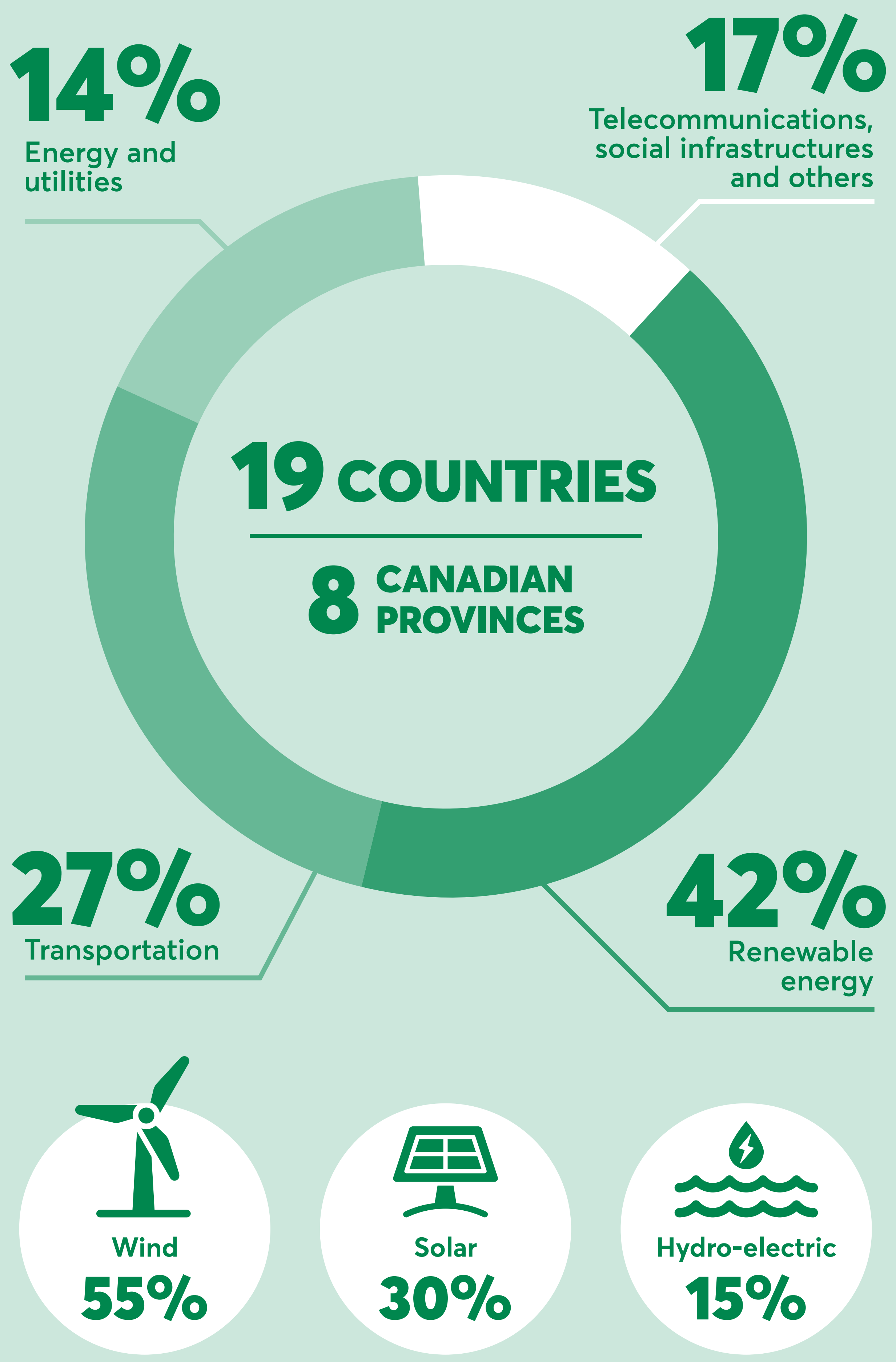
In the universe of real assets, data availability is still a significant challenge because disclosure is not mandatory and must come from a specific request from investors. To address this deficiency, our infrastructure team introduced an innovative questionnaire in 2024 to gather information on real assets. The questionnaire has two complementary components:

- The quantitative component covers essential metrics, such as water consumption, waste management, GHG emissions, energy consumption, health and safety, diversity (employees, management and board), cybersecurity and other critical indicators.
- The qualitative component provides detailed answers on strategy, commitments, training, community relations and other organizational aspects.

In 2024, of the 48 partners, managers and operators who responded to the questionnaire, 45 reported their scope 1 and 2 GHG emissions. For health and safety metrics, the response rates ranged from 52% to 65%.

Integrating these data into our analytics practices enhances our understanding of projects and the effectiveness of our ESG engagement efforts. This initiative demonstrates DGAM's commitment to deepening its ESG analysis, even for asset classes where data are often limited.

Our investments



As at December 31, 2024

CASE STUDY

When sustainable investment fuels local development

DGAM has invested in wind projects in Alberta through its Global Private Infrastructure Fund II and the Desjardins Group Pension Plan. This partnership with EDF Renewables Canada and a First Nation exemplifies our integrated ESG approach to infrastructure.

The wind farms, which became operational in 2022 and 2023, have 48 turbines with a total capacity of 247 megawatts and supplied 37,500 homes with clean energy in 2024. Beyond the energy aspect, the project supports local development with a $10,000 annual community fund that benefits several associations in the region.

The project's governance systematically integrates ESG factors, with post-construction environmental monitoring of impacts on the local ecosystem. This holistic approach allowed the project to obtain an excellent score of 4.5/5 in the assessment by our KPI questionnaire and confirmed the relevance of our RI strategy.

About Desjardins Global Asset Management

A committed institutional partner for sustainable growth that counts

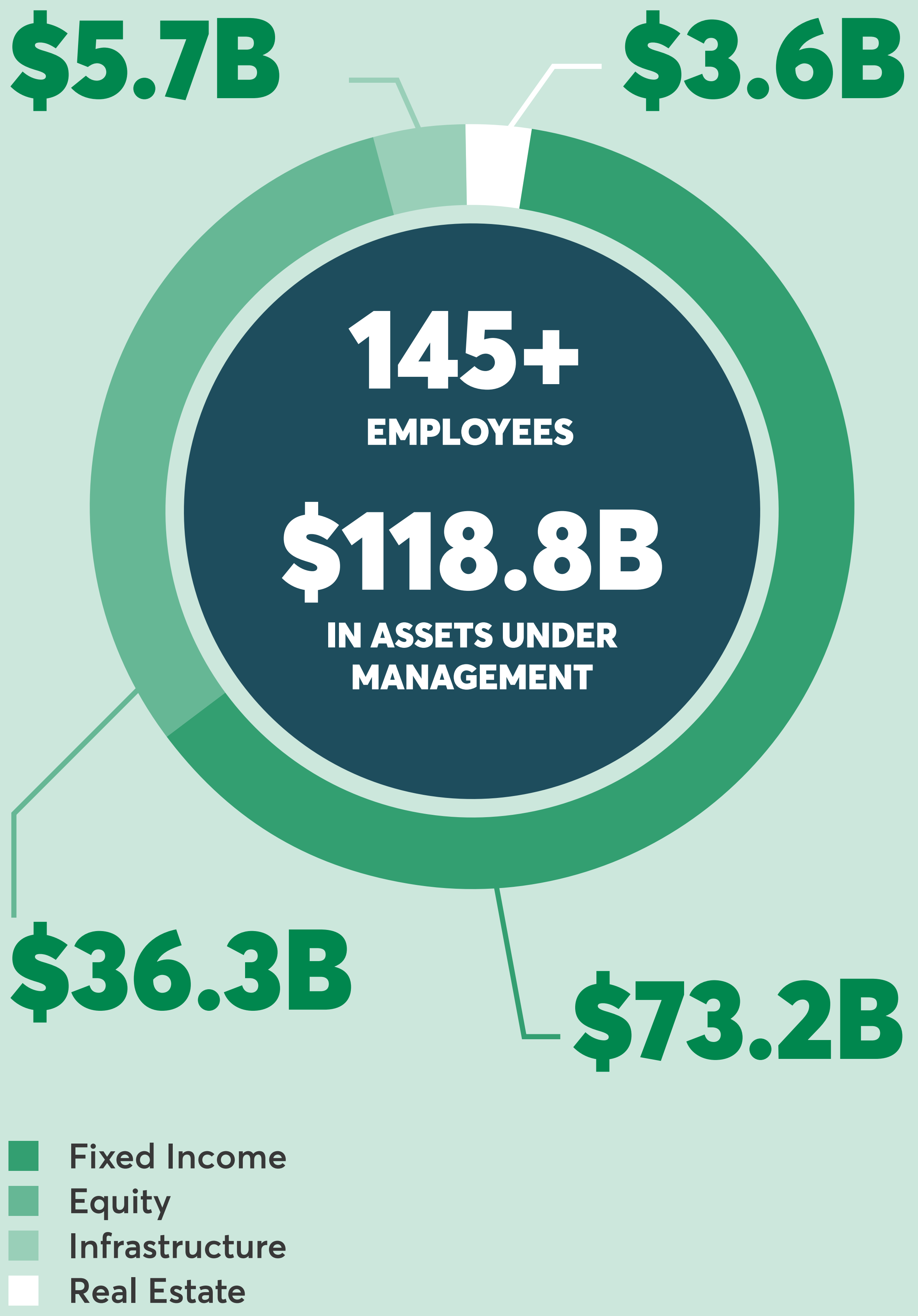
DGAM, founded in 1998, is the asset manager of Desjardins Group and one of the largest in Canada. Drawing on the expertise of more than 100 investment professionals and Desjardins' extensive business network, we oversee more than $118 billion in assets for various institutional mandates. Our team is recognized for its ability to design customized investment solutions and build portfolios across all asset classes.

Sustainability principles have driven us since our founding. We are proud of our leadership within the RI ecosystem and the strong expertise our team has developed through a disciplined approach to ESG integration.

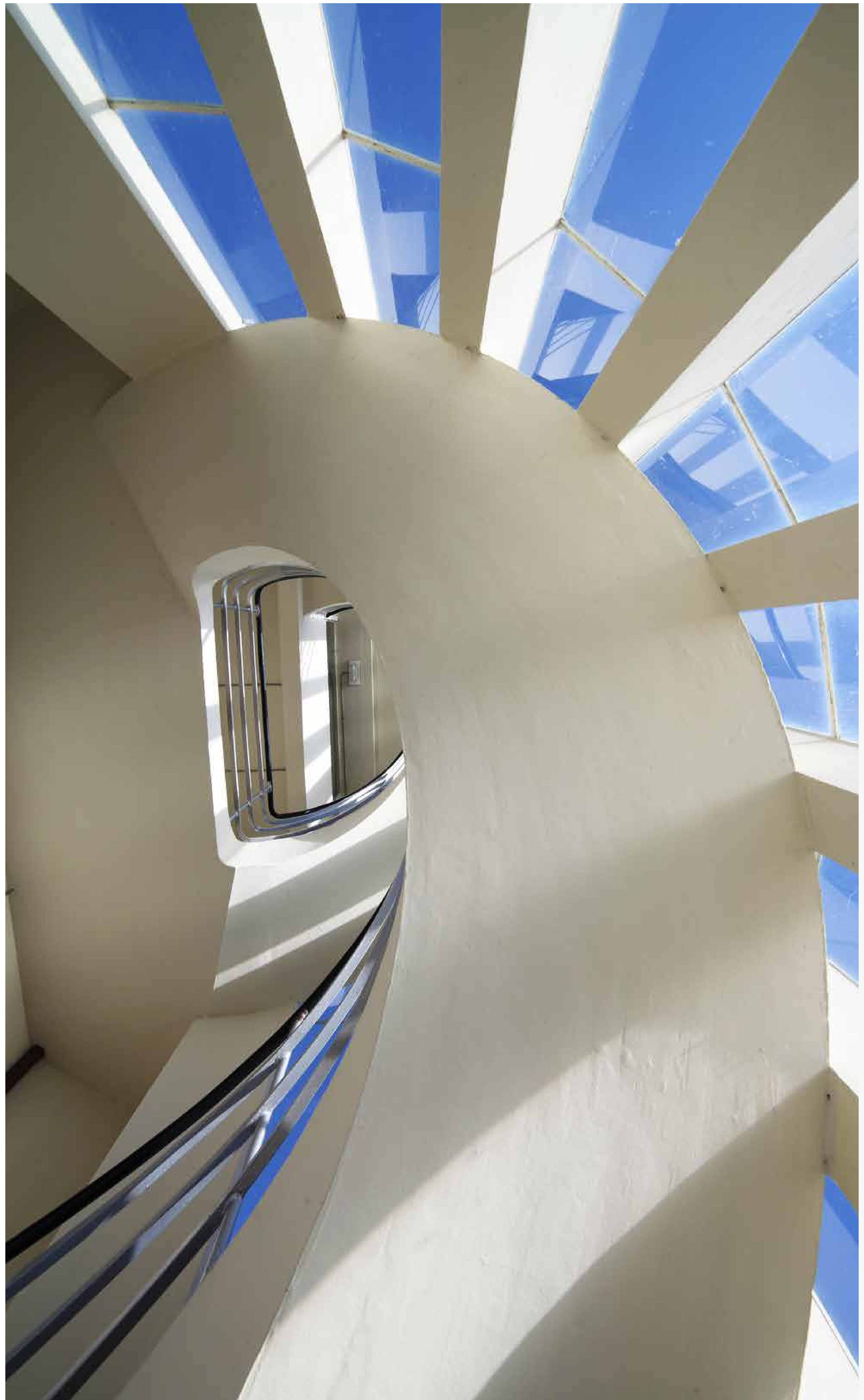
With this leadership, DGAM is positioning itself as a committed institutional partner, ready to deploy its expertise to support sustainable growth that counts, with performance and sustainability coexisting to create long-term value.

One of Canada's leading asset managers

Breakdown of DGAM assets



Source: DGAM, December 31, 2024



Three pillars of value creation

1. **Proximity: A partner committed to institutional investors**

   We develop and maintain close relationships whereby your institutional reality guides every decision. All our specialists are committed to achieving your fiduciary objectives by developing customized solutions that precisely meet the priorities of your investment committee and your beneficiaries.

2. **Performance: A leading manager for asset protection and growth**

   We build high-performance portfolios by leveraging disciplined investment processes and the diverse expertise of our team of investment professionals. By managing risks wisely and acting on opportunities, we aim for a risk-return profile that allows you to navigate all market phases with confidence.

3. **Sustainability: Creating value through an innovative approach to RI**

   We use our RI leadership and levers of influence to encourage issuers to adopt sustainable practices. With boldness and pragmatism, we put forward catalysts for change, convinced that this approach can translate into a better financial performance over the long term.

Glossary of acronyms

AMF:	Autorité des marchés financiers
ARASQ:	Association de la retraite et des avantages sociaux du Québec
BOMA BEST:	Building Owners and Managers Association Building Environmental Standards
CEC:	Climate Engagement Canada
CFA:	Chartered Financial Analyst
CNCA:	Carbon Neutral Cities Alliance
COP16:	16th meeting of the Conference of the Parties
CSDS:	Canadian Sustainability Disclosure Standards
DGAM:	Desjardins Global Asset Management
EDI:	Equity, diversity and inclusion
ENCORE:	Exploring Natural Capital Opportunities, Risks and Exposure
ESG:	Environmental, social and governance
ETF:	Exchange-traded fund
FAIRR:	Farm Animal Investment Risk and Return
FFB:	Finance for Biodiversity
FIEUS:	Université de Sherbrooke Student Investment Fund
FLAG:	Forest, Land and Agriculture
FPIC:	Free, prior and informed consent
FSA:	Fundamentals of Sustainability Accounting
GDP:	Gross domestic product
GHG:	Greenhouse gases
GRESB:	Global Real Estate Sustainability Benchmark
I4PC:	Investors for Paris Compliance
IFRS:	International Financial Reporting Standards
ILAP:	Industry Leaders Advisory Panel
ILO:	International Labour Organization
ISSB:	International Sustainability Standards Board
LED:	Light-emitting diode
LEED:	Leadership in Energy and Environmental Design
MÉDAC:	Mouvement d'éducation et de défense des actionnaires
NZAM:	Net Zero Asset Managers
NZBA:	Net-Zero Banking Alliance
OSFI:	Office of the Superintendent of Financial Institutions
PCAF:	Partnership for Carbon Accounting Financials
PFAS:	Perfluoroalkyl and polyfluoroalkyl substances
PRI:	Principles for Responsible Investment
RI:	Responsible investment
SASB:	Sustainability Accounting Standards Board
SBTi:	Science Based Targets initiative
SCSE:	Standardized Climate Scenario Exercise
SDGs:	Sustainable Development Goals
TCFD:	Task Force on Climate-related Financial Disclosures
TNFD:	Taskforce on Nature-related Financial Disclosures
UN:	United Nations
UNGC:	United Nations Global Compact

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