



2021

Sustainable Bond Report

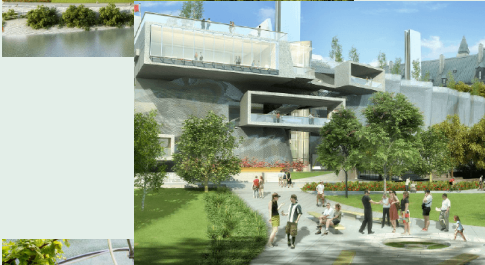


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Desjardins and Sustainable Development

Sustainability is part of Desjardins' mission and cooperative values. It's an integral part of our strategic plan that contributes to local vitality and drives overall performance for the benefit of our members and clients. For more than 120 years, Desjardins Group's focus has always been to enrich the lives of people and their communities.

As a strong advocate for a just energy transition, Desjardins champions green, eco-responsible products and services with a view to positively influencing our members and clients.

Desjardins Group is backed by the strength of a collective group moving toward a more human economy and the sustainable development of our communities. To learn more, visit desjardins.com/socialresponsibility.

Message from the Chief Treasury Officer



Yassir Berbiche
Desjardins Group
Chief Treasury Officer

I am proud to share with you the impact of our sustainable bond program following the inaugural issue of September 2021.

Desjardins was the first Canadian financial institution to sign the Principles for Responsible Banking (2019), following the signing of the Principles for Sustainable Insurance (2019) and the Principles for Responsible Investment (2010). Desjardins was also the first Canadian financial institution to join the Business Ambition for 1.5°C (2021), a global coalition led by UN agencies bringing together nearly 1,000 leading companies committed to limiting global warming through science-based decarbonization targets.

Our sustainable bond program enables us to fulfill our commitment by helping our members and clients build the way forward. Together, more than ever, we're taking action to support a just energy transition and contribute to the economic and social well-being of communities.

Sustainable Bonds Issued

Type of debt	Issue date	Currency	Term	Amount	ISIN
Senior ESG notes	September 10, 2021	CAD	5 years	\$500 million	CA31430WHX52

About the Program

Sustainable Bond Framework Summary

To finance initiatives with environmental and social impacts, Desjardins Group created the [Sustainable Bond Framework](#) in April 2021, allowing it to issue green bonds, social bonds or sustainability bonds that align with its strategy and business vision.

For each green, social or sustainable bond issued, Desjardins will apply the following practices, as set out in the framework.

Use of Proceeds	Process for Project Evaluation and Selection	Management of Proceeds	Reporting
<p>Financing or refinancing in the following categories:</p> <ul style="list-style-type: none"> ♦ Renewable energy ♦ Energy efficiency ♦ Green buildings ♦ Clean transportation ♦ Sustainable food production ♦ Environmentally sustainable management of living natural resources and land use ♦ Sustainable water and wastewater management ♦ Pollution prevention and control ♦ Affordable housing ♦ Employment generation through SME financing ♦ Access to essential services 	<p>Eligible assets will be subject to additional due diligence by the Sustainable Finance Working Group, which is made up senior representatives of the following teams:</p> <ul style="list-style-type: none"> ♦ Desjardins Group Treasury ♦ Sustainable Development and Responsible Finance ♦ Capital Markets ♦ Personal & Commercial Banking ♦ Desjardins Group Risk Management ♦ Legal Affairs 	<p>Desjardins intends to maintain an aggregate amount of eligible assets that is at least equal to the aggregate net proceeds of all Desjardins sustainable bond issuances concurrently outstanding.</p> <p>In the event that the aggregate value of eligible assets in the Desjardins sustainable bond portfolio is less than the total amount of Desjardins sustainable bonds outstanding, the surplus will be held in line with Desjardins' general liquidity guidelines until it is allocated to eligible assets.</p>	<p>As long as there are outstanding Desjardins sustainable bonds, Desjardins will publish every year a Sustainable Bond Report detailing the allocation of the proceeds and the impact of the assets.</p> <p>These reports will be submitted to an external auditor for review.</p>

Second-Party Opinion

Desjardins had Moody's ESG (formerly Vigeo Eiris) conduct an external review of the Desjardins Sustainable Bond Framework. Moody's ESG considers that the program is in line with the 4 key principles of the Green Bond Principles (2018) and Social Bond Principles (2020), and is consistent with Desjardins' strategic priorities. The expected impact is considered of the highest level, "advanced." The framework is based on a "robust" risk management and ESG performance.

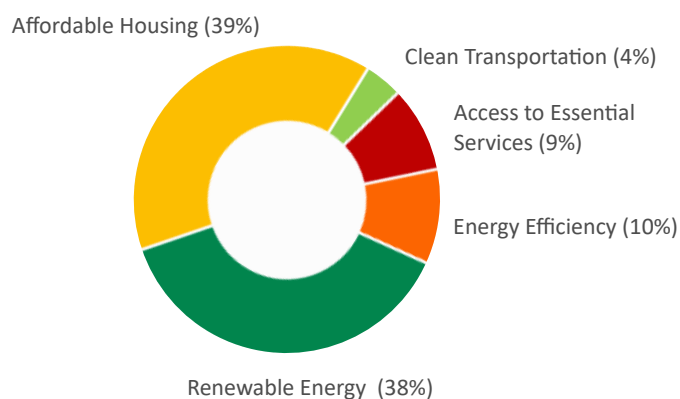
The second opinion report is available on the Desjardins and Moody's ESG websites.

Use of Proceeds

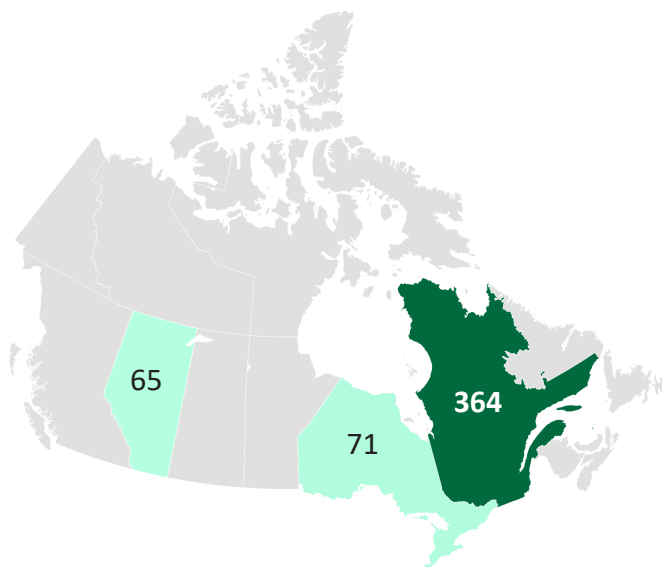
Asset Allocation

As at December 31, 2021

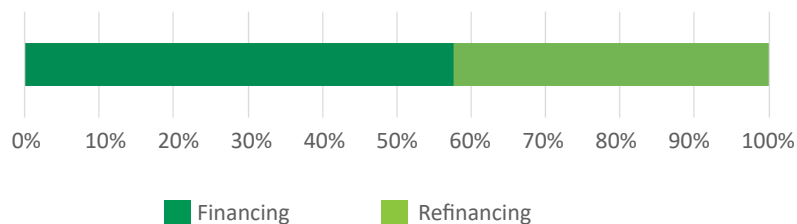
Allocation by asset class



Geographic Allocation (\$ millions)



Financing Allocation








"Financing" refers to assets with initial financing taken during the 36 months preceding the issuance of a bond, or between the issue date and December 31, 2021

"Refinancing" refers to assets for which financing was renewed or renegotiated with the client during the same period.

As at December 31, 2021, 100% of funds were allocated in accordance with the Framework.

Positive Impact

Impact Reporting

Eligible Categories	Selected Impact Reporting Metrics	Types of Eligible Assets	% of Eligible Assets
Affordable Housing ¹	 2,037 units built	<ul style="list-style-type: none"> Construction or renovation of housing that meets accredited affordable housing definitions 	39% \$195.3M
Renewable Energy	 108.4 MW total installed capacity	<ul style="list-style-type: none"> Wind energy Solar energy Hydropower with power density > 5 W/m² 	38% \$190.9M
Energy Efficiency	 63% reduction in GHG emissions compared to 2005	<ul style="list-style-type: none"> Heating/air conditioning systems, resulting in at least 30% energy savings 	10% \$51.7M
Access to Essential Services	 75 rooms built	<ul style="list-style-type: none"> Long-term care infrastructure 	9% \$42.6M
Clean Transportation	 27.5 km of rail built ²	<ul style="list-style-type: none"> Building an electrified rail network 	4% \$19.5M

Impact assessment methodology

The impact assessment for the various categories is based on the most recent funded project data from publicly available sources as at December 31, 2021.

These impacts are evaluated to the extent possible based on the proportion financed by the Desjardins sustainable bond program (balance as at December 31, 2021) compared to the total financing provided by all lenders, including debt and equity. When Desjardins co-finances an asset, the reported impacts relate only to the Desjardins-financed portion.

No impact is measured when the financing balance is zero, even if the credit facilities remain in place.

¹ The "Affordable Housing" impact measures are based on the average financing per unit granted by Desjardins for AccèsLogis Québec projects between 2015 and 2020.

² The impacts of the "Clean Transportation" category are assessed for the entire project, not only the portion financed by Desjardins' sustainable bond program.

Real-Life Stories: Our Members and Clients

Since its launch in September 2021, our sustainable bond program has supported many member and client projects. In addition to the positive impacts presented above, here is an overview of some especially inspiring projects.

Renewable Energy: Solar Spirit



© Andres Siimon via Unsplash

The Solar Spirit Facility is located northeast of Belleville, Ontario, on privately owned land currently used for agriculture. It has a total installed capacity of 10 MW. This facility, owned and operated by BluEarth Renewables, is classified as a Class 3 Solar Facility and received Renewable Energy Approval from the Ontario Ministry of the Environment in accordance with Ontario regulation.

In 2021, Solar Spirit produced 19,195 MWh of solar energy, enough to power 2,135 homes.

Energy Efficiency: Energy Services Acquisition Program



© National Capital District Energy

This project by the Canadian federal government modernizes the district energy system in the Ottawa region. It aims to improve the overall efficiency and cost-effectiveness of the heating and cooling infrastructure that supplies 80 federal buildings, including mission-critical sites within the Parliamentary Precinct. It targets five central heating and cooling plants designed and built between 1916 and 1971.

This initiative will reduce the federal government's operating costs during the 35 year life of the operations and maintenance contract, while also halving greenhouse gas emissions.

Access to Essential Services: **Maisons des aînés in Saguenay–Lac-Saint-Jean**



© Ministère de la Santé et des Services sociaux

The construction of three seniors' and alternative homes is underway in Alma, Saguenay and Roberval in the Saguenay–Lac-Saint-Jean region. They will provide housing for 360 people.

A total of 300 spaces are reserved for seniors and 60 for adults with special needs. The project is being led by the Société québécoise d'infrastructure and carried out by Pomerleau. The architectural design by the Lemay-Ardoises Architectures consortium provides a human-scale living environment consisting of air-conditioned units featuring individual bedrooms each with a private adapted bathroom and shower. The goal is for all three buildings to become LEED certified. One-third of the footprint will be dedicated to green spaces.

Affordable Housing: **Projects in Partnership with the Société d'habitation du Québec**



© Beaudet Faille Normand architectes

Société d'habitation du Québec's mission is to meet the housing needs of Quebec citizens through an integrated and sustainable approach. It promotes access to proper housing by providing low-income and affordable housing options, as well as a range of programs that support homeownership and residential construction, renovation, and adaptation.

Our sustainable bond program supports 96 affordable housing projects in collaboration with the Société d'habitation du Québec. Most of these projects are part of the AccèsLogis Québec program, which promotes the development of community and affordable housing for low- and modest-income households and people with special housing needs. This program allows housing authorities, housing cooperatives, not-for-profit organizations and non-profit purchasing corporations to create and offer quality, affordable housing for rent.

Disclaimer

This report is provided for informational purposes only and is subject to change without notice. After the date of this document, Desjardins Group does not assume any responsibility or obligation to update or revise any statements in this document, regardless of whether those statements are affected by the results of new information, future events or otherwise. No representation or warranty, express or implied, is or will be made in relation to the accuracy, reliability or completeness of the information contained herein. No liability whatsoever is or will be accepted by Desjardins Group for any loss or damage howsoever arising out of or in connection with the use of, or reliance upon, the information contained in this document.

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This report may contain forward-looking statements regarding, among other things, Desjardins Group's business objectives and priorities, financial targets and maturity profile. Such statements are typically identified by words or phrases such as "target", "objective", "believe", "expect", "foresee", "anticipate", "intend", "estimate", "plan", "forecast", "aim", "purpose", "should" and "may", words and expressions of similar import, and future and conditional verbs.

By their very nature, such statements involve assumptions, uncertainties and inherent risks, both general and specific. We caution readers against placing undue reliance on these forward-looking statements as various factors, many of which are beyond Desjardins Group's control and the impact of which it is difficult for Desjardins Group to predict (including difficulty identifying assets that meet the eligibility criteria, and the risk that eligible projects may not be completed within any specified period, or at all, or with the results or outcome originally anticipated by Desjardins Group), may affect, in isolation or collectively, the accuracy of the assumptions made, predictions, forecasts or other forward-looking statements referred to in this report. It is also possible that such assumptions, predictions, projections or other statements, as well as Desjardins Group's objectives and priorities may not materialize or may prove to be inaccurate and that actual results differ.

Factors that may influence the accuracy of the forward-looking statements in this report are discussed in Desjardins Group's most recently published annual and any subsequent quarterly MD&As. It is important to note that the list of factors that could influence future results discussed in Desjardins Group's most recently published annual and any subsequent quarterly MD&As is not exhaustive. Other factors could have an adverse effect on Desjardins Group's results. Readers who rely on these forward-looking statements must carefully consider these risk factors and other uncertainties and potential events, including the uncertainty inherent in forward-looking statements.

None of Desjardins Group, FCDQ or their affiliates undertakes to update any oral or written forward-looking statements that could be made from time to time by or on behalf of Desjardins, FCDQ or their affiliates, except as required under applicable securities legislation.



Independent Limited Assurance Report in relation to the Desjardins Group Sustainability Bond Report 2021

To the Board of Directors and Management of the Desjardins Group (“Desjardins”)

We have undertaken a limited assurance engagement in respect of the select key performance indicators detailed below (“the selected information”) contained in the Desjardins Sustainability Bond Report 2021 (“the Report”) for the year ended December 31, 2021. The reporting criteria against which the selected information was assessed is in the Desjardins Sustainability Bond Framework (“the criteria”) available at <https://www.desjardins.com/ressources/pdf/doo-cadre-obligations-durables-e.pdf?resVer=1628860693000>

Selected information

Our limited assurance engagement was performed on the following selected key performance indicators:

<i>Key Performance Indicators</i>	<i>Value</i>	<i>Report page(s)</i>
Total amount of Sustainability Bond outstanding in Canadian Dollar	\$ 500M	3
Proceeds allocated to the eligible categories, value in Canadian Dollar	\$ 500M or 100% of funds have been allocated	5
Total amount of unallocated proceeds at the year-end date, value in Canadian Dollar and as a percentage	\$ 0 or 100% of funds have been allocated	5

Management’s responsibility

Management is responsible for preparation of the selected information in accordance with the criteria. Management is also responsible for such internal control as management determines necessary to enable the preparation of the selected information that is free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the selected information based on the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standards on Assurance Engagements (ISAE) 3000, *Attestation Engagements Other Than Audits or Reviews of Historical Financial Information*. This standard requires that we plan and perform this engagement to obtain limited assurance about whether the selected information is free from material misstatement.

A limited assurance engagement involves performing procedures (primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures) and evaluating the evidence obtained. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of our report. The procedures are selected based on our professional judgment, which includes identifying areas where the risks

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502, www.pwc.com/ca



of material misstatement, whether due to fraud or error, in preparing the selected information in accordance with the criteria are likely to arise.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. Given the circumstances of the engagement, our procedures included but were not limited to:

- making enquiries of Desjardins’s management, including those with responsibility for sustainability bonds governance, management and reporting;
- evaluating the design of key structures, systems, processes, and controls for managing, recording and reporting the selected information;
- obtaining the internal listing of assets allocated into the sustainability bonds and confirming this was consistent with the proposed disclosure of the bonds; and
- considering the disclosure and presentation of the selected information in the Report.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement and, consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control

We have complied with the relevant rules of professional conduct/code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Canadian Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Desjardins’s selected information prepared in accordance with the criteria for the year ended December 31, 2021, is not prepared, in all material respects, in accordance with the applicable criteria.

Purpose of statement and restriction on distribution and use of our report

The selected information has been prepared to assist Desjardins’s management to report to the Board of Directors (“the Board”) the selected information in accordance with the criteria. As a result, the selected information may not be suitable for another purpose. Our report is intended solely for the use of Desjardins. We neither assume nor accept any responsibility or liability to any third party in respect of this report.



We acknowledge the disclosure of our report, in full only, by Desjardins at its discretion, into the Desjardins Sustainability Bond Report 2021. We make no representations or warranties of any kind to the Board and Management or any other third party in respect of this report.

PricewaterhouseCoopers ¹ *LLP*

Partnership of Chartered Professional Accountants

Montreal, Quebec
March 16, 2022

¹ CPA auditor, CA, public accountancy permit No. A113424