



# Principles for Responsible Banking

2022 annual disclosure



# Principle 1 – Alignment

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

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services. Please also quantify the information by disclosing, e.g., the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e., by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

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

## **Self-assessment summary:**

**Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?**

Yes  No

**Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?**

- UN Guiding Principles on Business and Human Rights (see [Desjardins and its people](#))
- International Labour Organization fundamental conventions (see [Desjardins and its people](#))
- UN Global Compact
- UN Declaration on the Rights of Indigenous Peoples
- None of the above

## About Desjardins

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

Because we're a cooperative financial group, sustainable development is part of who we are and plays an integral part in our corporate strategy. Sustainable development has been a stated part of our strategic framework since 2016. We also have a long and rich history of solidarity and commitment to communities, dating back more than 120 years.

<sup>1</sup> See the **Our purpose: To enrich the lives of people and communities** section in the Social and Cooperative Responsibility Report ([page 5](#)).

Being there for the communities<sup>1</sup> we serve is important to us, as are the environmental efforts<sup>2</sup> we've been making over the past several decades, which are supported by sound governance practices.<sup>3</sup>

## A committed cooperative financial group

We align our activities to be consistent with our cooperative values and the United Nations Sustainable Development Goals.<sup>4</sup> We're guided by both external frameworks and our own frameworks, like our sustainable development policy, which we first adopted in 2005 and updated and expanded in 2020. In addition to this policy, which helps us consistently apply environmental, social and governance (ESG) criteria to our activities, we also draw on a number of other national and international frameworks:

- Finance for Biodiversity Pledge – 2022
- Advance, a PRI-led stewardship initiative for human rights and social issues – 2022
- Business Ambition for 1.5°C – 2021
- Statement by the Quebec Financial Centre for a Sustainable Finance – 2021
- Canadian Investor Statement on Climate Change – 2021
- Net Zero Asset Managers initiative – 2021
- Climate Engagement Canada – 2021
- Global Investor Statement to Governments on the Climate Crisis – 2021
- Tobacco-Free Finance Pledge – 2020
- Women's Empowerment Principles – 2020
- Powering Past Coal Alliance – 2020
- BlackNorth Initiative Pledge – 2020
- Canadian Investor Statement on Diversity & Inclusion – 2020
- Partnership for Carbon Accounting Financials – 2020
- Principles for Responsible Banking (PRB or the Principles) – 2019
- Principles for Sustainable Insurance (PSI) – 2019
- Principles for Responsible Investment (PRI) – 2010

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

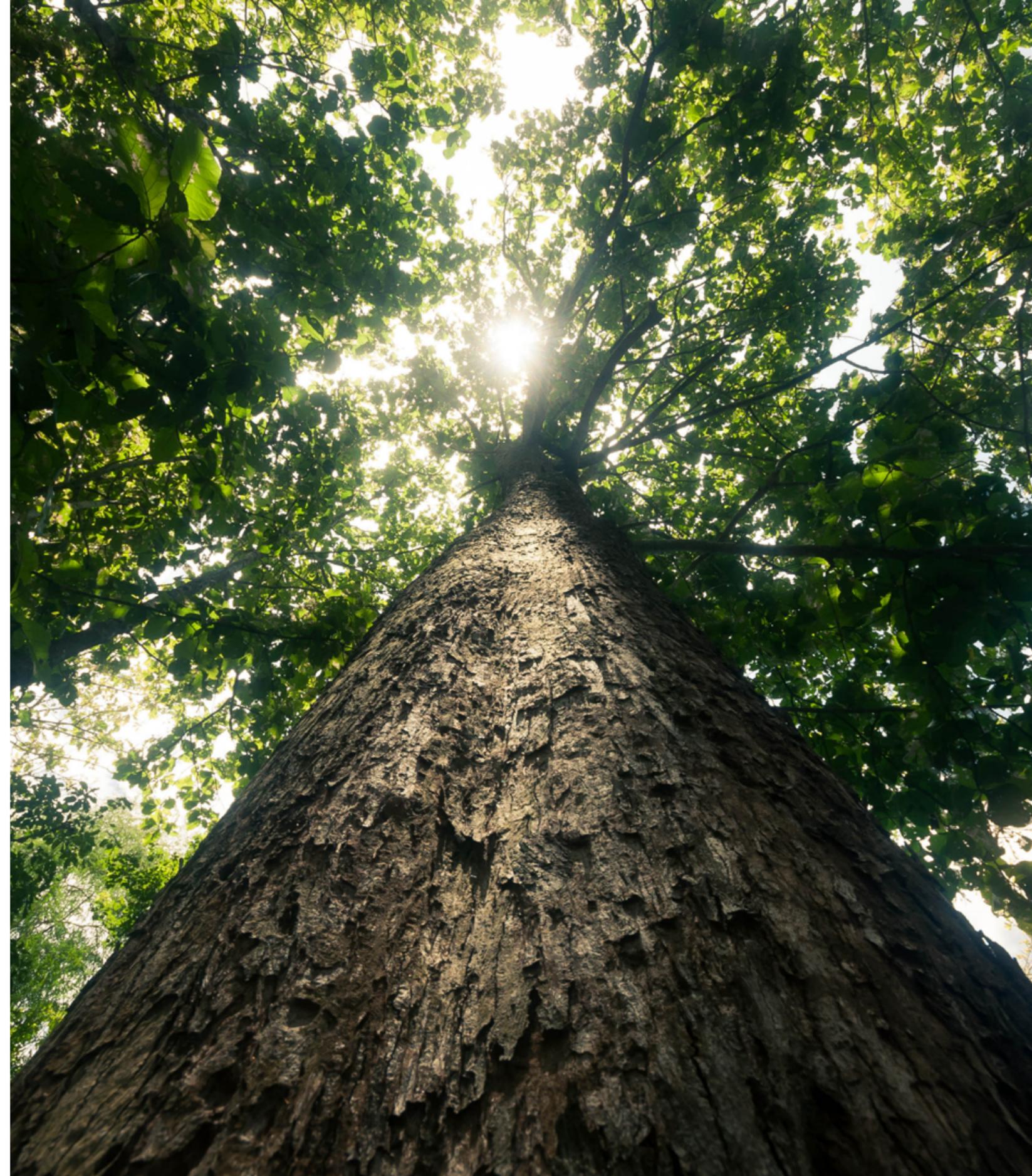
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<sup>1</sup> See the **Social** section in the Social and Cooperative Responsibility Report ([page 28](#)).

<sup>2</sup> See the **Environment** section in the Social and Cooperative Responsibility Report ([page 20](#)).

<sup>3</sup> See the **Governance** section in the Social and Cooperative Responsibility Report ([page 60](#)).

<sup>4</sup> See the **Our contribution to the United Nations Sustainable Development Goals** section in the Social and Cooperative Responsibility Report ([page 6](#)).





## Principle 2 – Impact & target setting

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

### 2.1 Impact analysis:

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements (a–d) :

- a) Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.
- b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope. If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.
  - i. By sectors and industries for business, corporate and investment banking portfolios (i.e., sector exposure or industry breakdown in %), and/or
  - ii. By products and services and by types of customers for consumer and retail banking portfolios.
- c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis. Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least 2) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2) ? Please disclose.
- d) For these (min. 2 prioritized impact areas): Performance measurement: Has your bank identified which sectors and industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context. In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e., qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services.

### Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

- Scope:  Yes  In progress  No  
 Portfolio composition:  Yes  In progress  No  
 Context:  Yes  In progress  No  
 Performance measurement:  Yes  In progress  No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

*Climate stability and waste*

How recent is the data used for and disclosed in the impact analysis?

- Up to 6 months prior to publication  
 Up to 12 months prior to publication  
 Up to 18 months prior to publication  
 Longer than 18 months prior to publication

### 2.2 Target setting

Show that your bank has set and published a minimum of 2 targets which address at least 2 different areas of most significant impact that you identified in your impact analysis.

The targets have to be specific, measurable (qualitative or quantitative), achievable, relevant and time-bound (SMART). Please disclose the following elements of target setting (a–d), for each target separately:

- Alignment:** which international, regional or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.
- Baseline:** Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.
- SMART targets** (incl. key performance indicators (KPIs) ): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.
- Action plan:** Which actions including milestones have you defined to meet the set targets? Please describe. Please also show that your bank has analyzed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

### Self-assessment summary:

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your ...

	... first area of most significant impact: <b>climate stability</b>	... second area of most significant impact: <b>waste</b>
<b>Alignment</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> Non	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
<b>Baseline</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> Non	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
<b>SMART targets</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> Non	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
<b>Action plan</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> Non	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No

### 2.3 Target setting

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

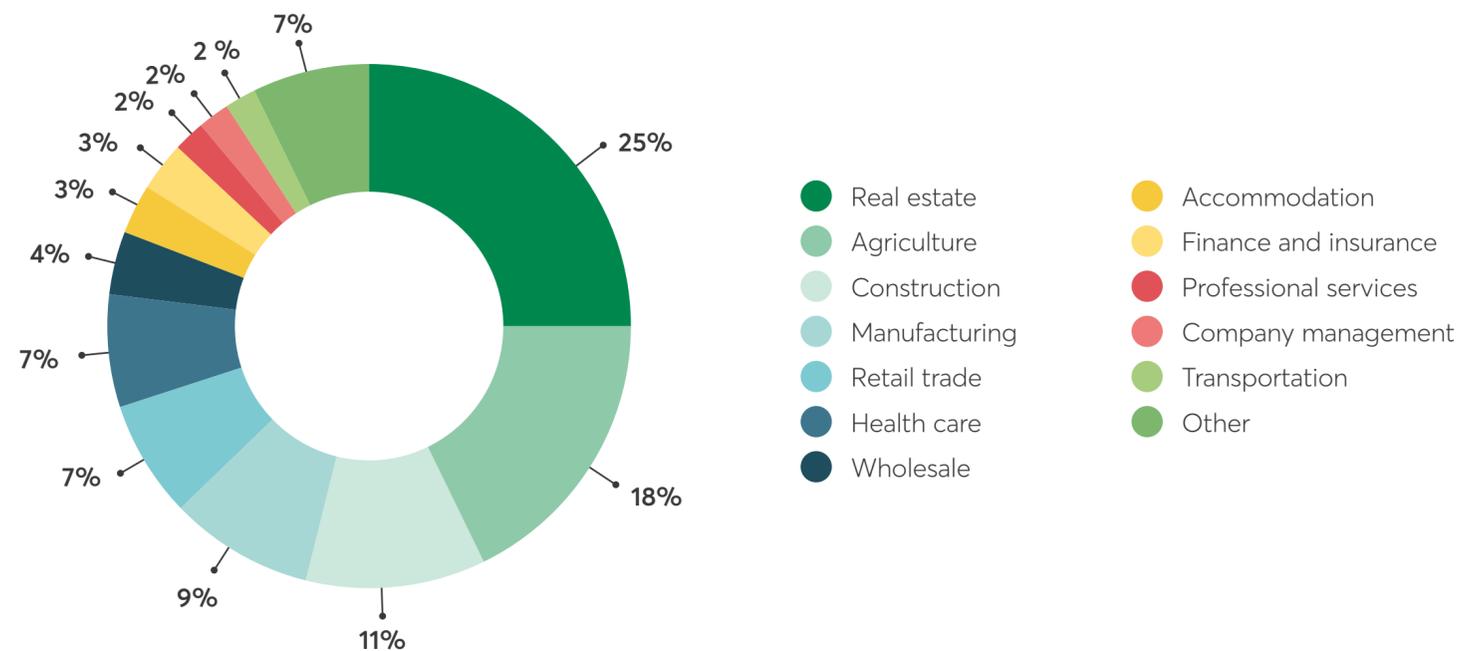
# Impact analysis of our lending activities

The impact analysis we did of our lending activities in 2020 was updated for 2022. We've provided a summary below. The full analysis, which remains relevant, can be found in the [Impact & target-setting](#) section of our 2020 Principles for Responsible Banking Report.

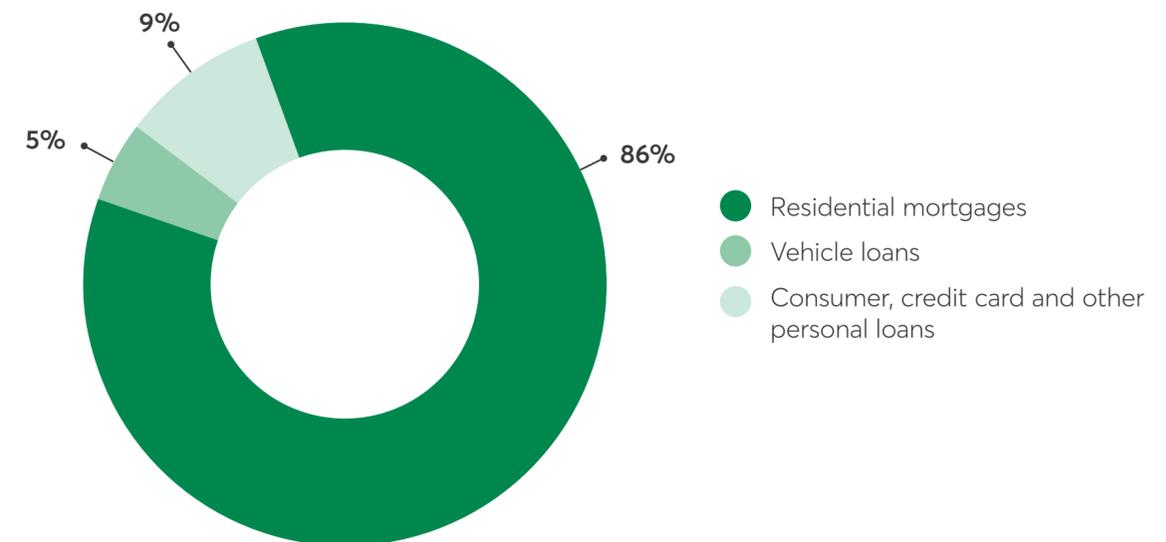
For our impact analysis, we used the tools developed by the United Nations Environment Programme Finance Initiative's (UNEP FI) Positive Impact Initiative. We've included our lending activities to business members and clients in the scope of our analysis. This includes all loans to businesses, regardless of their size or industry. These loans make up about a quarter of our total loan portfolio. In 2022, we also carried out a partial analysis of our personal lending, which is concentrated in residential mortgages, consumer loans and vehicle loans. For our analysis, we focused on residential mortgages and vehicle loans, which together make up 91% of our personal lending. We chose these products because their use is clear (housing, transportation), because they make up a large part of our loan portfolio and because we have a significant share of Quebec's residential mortgage market, estimated at 38% last year.

Here's a breakdown of the portfolio by group.

**BUSINESS LOANS PER INDUSTRY**  
Gross loans as at December 31, 2022



**PERSONAL LOANS BY TYPE**  
Loans outstanding as at December 31, 2022



## Main potential impact areas identified

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

In 2022, we chose to consider gross loans rather than loan commitments in the impact analysis of our business lending, which reflects their use with greater accuracy. This analysis resulted in the same conclusions as 2020. (For full details, see our [2020 Principles for Responsible Banking Report](#).) Our first-time analysis of our residential mortgages and vehicle loans identified similar impacts: there's a positive impact on access to housing and negative impacts on the climate due to greenhouse gas emissions from homes and vehicles. A combined summary of the impact of our business and personal lending is provided in the table below.

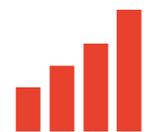
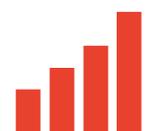
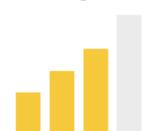
Main positive impacts	Main negative impacts
<ul style="list-style-type: none"> <li>• Employment</li> <li>• Housing</li> <li>• Inclusive, healthy economies</li> </ul>	<ul style="list-style-type: none"> <li>• Waste</li> <li>• Resource efficiency/security</li> <li>• Climate</li> </ul>

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

## Context for potential impacts identified

The potential impact areas identified in our analysis must be assessed according to Canada's impact needs, and more specifically the needs of Quebec and Ontario, where most of the members and clients we lend to are located. Using a series of indicators, these national and regional needs are assessed on a 4-level scale from low to extremely high. We also took into account a series of national frameworks, including Canada's climate plan ([A Healthy Environment and a Healthy Economy](#)), [Canada's 2030 Emissions Reduction Plan](#), and the Canada-wide Action Plan on Zero Plastic Waste ([Phase 1](#) and [Phase 2](#)).

The main impact needs for our context are set out in the table below.

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

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

# Prioritized impact areas

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

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

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

Main impact needs	Major sectors in our business lending portfolio					Personal lending	
	Real estate	Agriculture	Manufacturing	Construction	Transportation	Residential mortgages	Auto loans
Climate stability	• GHG emissions (mainly outside Quebec)	• Land use • GHG emissions (including methane)	• GHG emissions	• GHG emissions	• GHG emissions	• GHG emissions (mainly outside Quebec)	• GHG emissions
Waste		• Major source of waste (livestock and crops)	• Major source of waste (especially food and plastic production)	• Major source of waste production (construction and demolition)			
Housing	• Quality and availability of housing			• Increase in available housing		• Access to housing	

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

# Targets to improve our impact

## First impact area: Climate stability

**Goal:** Achieve net zero emissions by 2040

**Target:** Boost the share allocated to renewables in our lending to energy corporations to 35% by 2025 (2022 result: 40%)

Our chosen indicators are compliant with action indicator A.1.2 (described below) and output indicator A.2.2 (described in our [Climate Action at Desjardins Report](#)).

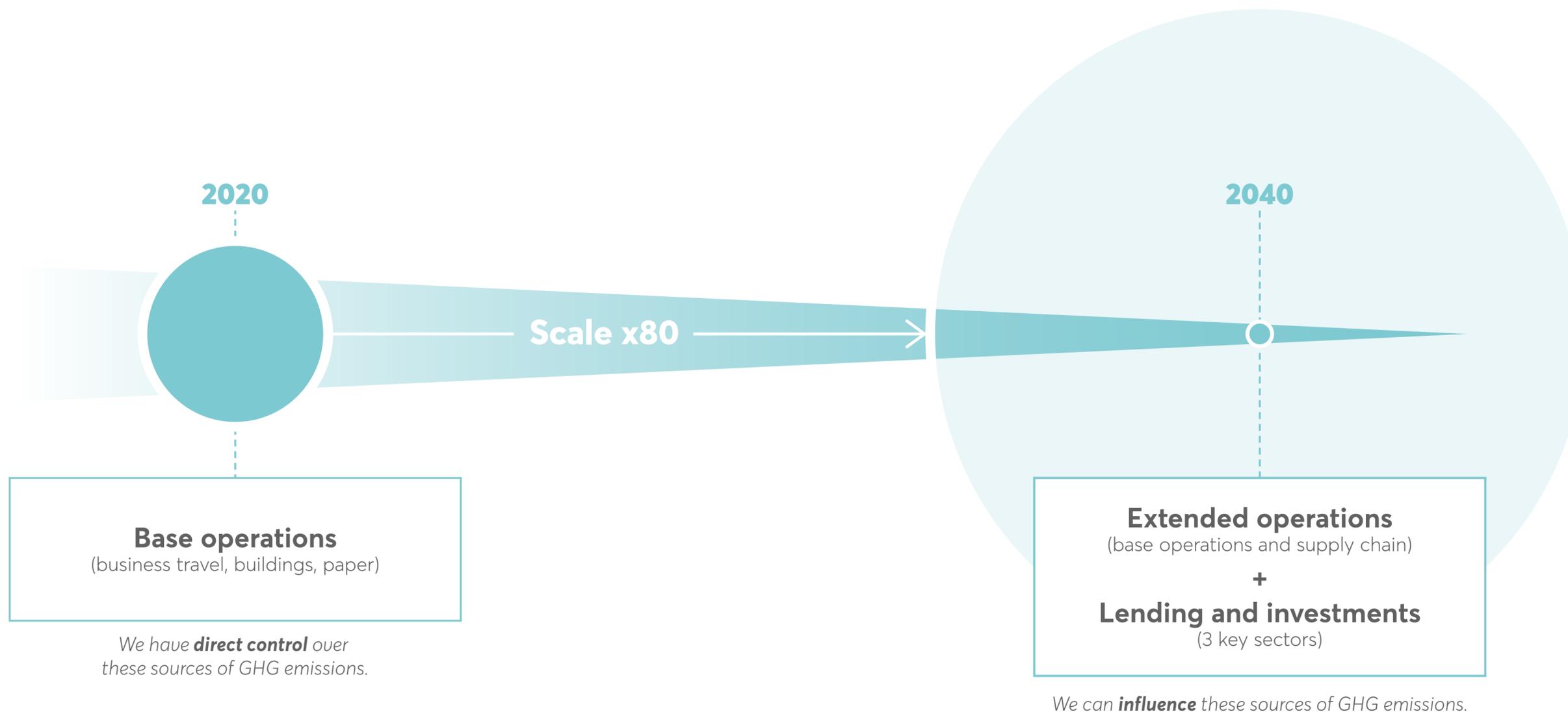
In April 2021, we announced that we'd be implementing an [ambitious action plan](#) to achieve net zero emissions by 2040 in our extended operations and in our lending activities and own investments in 3 carbon-intensive sectors: energy, transportation and real estate. We chose these sectors because they represent nearly three-quarters of all greenhouse gas emissions in Canada. By reducing emissions in these sectors, we can help decarbonize the economy by 2050, in line with Canada's commitment.

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

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

Our first target: Reduce our operational GHG emissions by 41% compared to 2019 levels by 2025. But our climate ambition doesn't stop there. We're also targeting emissions generated by our financial activities, increasing the scope about eightyfold. For this reason, we've also committed to boosting the share allocated to renewables in our lending to energy corporations from 24% in 2020 to 35% in 2025. We will publish additional science-based targets in 2023.

### AN AMBITIOUS PLAN



This approach, combined with our efforts to consider climate-related risk and opportunities, clearly demonstrates our support for meeting the Paris Agreement's climate targets. For more information, see our [2022 Climate Action at Desjardins Report](#), which is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures. The report includes a carbon footprint assessment for several components of our lending activities, based on the method established by the Partnership for Carbon Accounting Financials.

## Second impact area: Waste

**Goal:** Support the development of the circular economy

**Target:** Provide financial support for 6 development projects to convert organic waste (largely from agriculture) into renewable energy (biomethanization) by 2025 (2022 result: 2 projects)

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

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

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

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

We're intensifying our efforts to support business owners as they make this necessary transition. In 2022, we joined Circular Economy Leadership Canada, a network working to connect Canada's circular economy community and serving as a bridge to similar networks around the world. Our goal as a member of this network and its new Circular Finance in Canada Work Stream is to collaborate with other leading Canadian financial institutions and UNEP FI to better define our role in supporting the transition to a circular economy, including for key sectors and supply chains of critical importance to Canada's economy.

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

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

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



# Principle 3 – Clients & customers

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

## 3.1 Client engagement

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

**Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?**

Yes    In progress    No

**Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?**

Yes    In progress    N

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

The primary goal of any cooperative is to meet the needs of its members and clients. With that in mind, we've developed a lineup of responsible products known as the [Desjardins Green Program](#). It includes loans, insurance and investment products to support our members and clients who are doing their part for the planet. With \$12.3 billion in assets under management and 74 responsible investment product options, we're a responsible investment leader in Canada.<sup>1</sup> To support our members in a just energy transition, our SocieTerra Funds and Portfolios are [100% oil production- and pipeline-free](#). We track the proportion of our members and clients who have chosen responsible products on a quarterly basis.

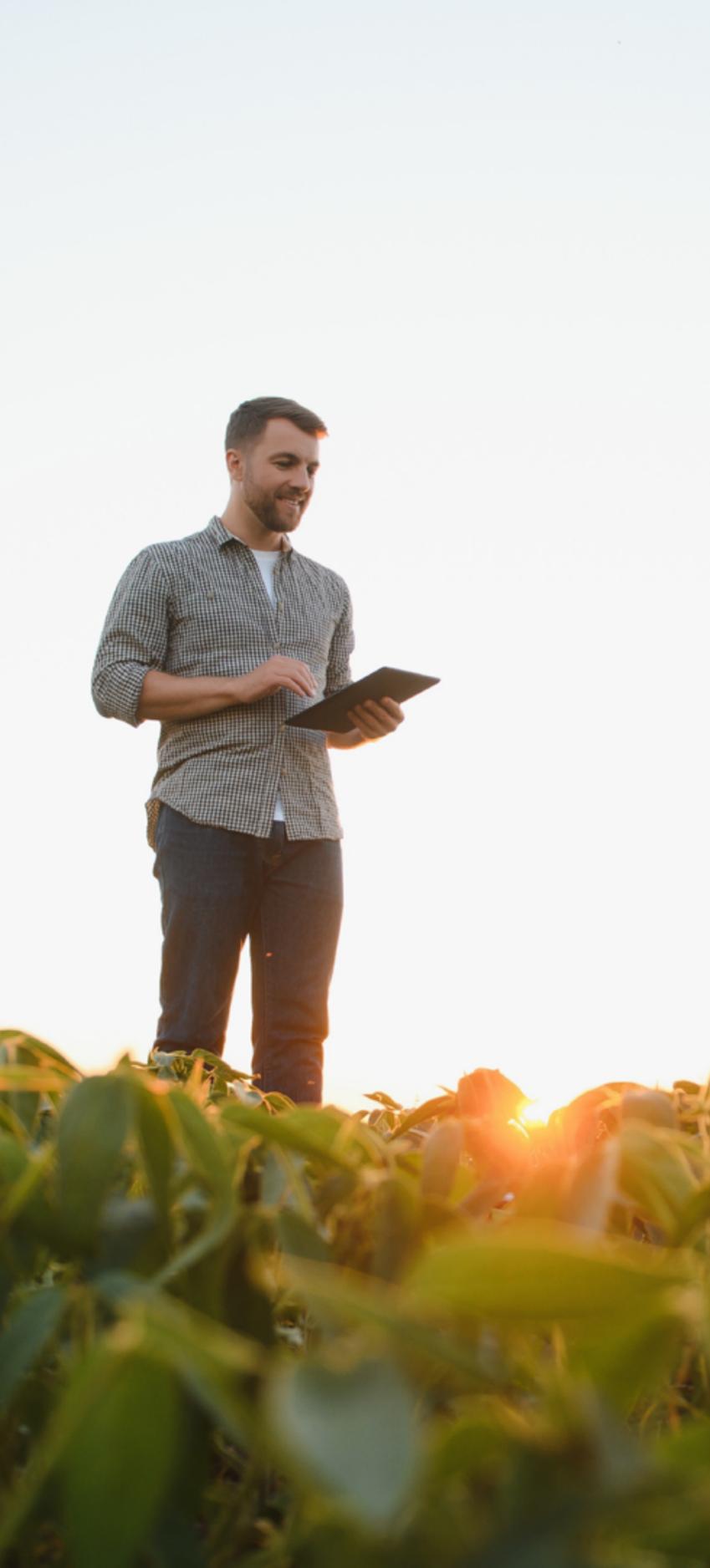
For individuals and business owners who don't qualify for traditional financing, we offer solidarity-based finance<sup>2</sup> and crowdfunding products so they can contribute to the economic vitality of their community. We pay special attention to making our advisory services<sup>3</sup> accessible to everyone, and we promote financial literacy<sup>4</sup> to boost our members' financial empowerment.

<sup>1</sup> See the **A one-of-a-kind approach to responsible investment** section in the Social and Cooperative Responsibility Report ([page 37](#)).

<sup>2</sup> See the **Solidarity-based finance programs** section in the Social and Cooperative Responsibility Report ([page 47](#)).

<sup>3</sup> See the **Convenient services and expertise** section in the Social and Cooperative Responsibility Report ([page 35](#)).

<sup>4</sup> See the **Financial literacy** section in the Social and Cooperative Responsibility Report ([page 18](#)).



# Principle 4 – Stakeholders

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

## 4.1 Stakeholder identification and consultation

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed / results achieved and how they fed into the action planning process.

**Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?**

Yes     In progress     No

## Listening to our stakeholders

Further to the materiality analysis we conducted in 2017 on our sustainable development priorities, we polled our members in 2021, most of whom (79%) said they expect us to be a leader in sustainable development. This year, we conducted additional polls of our personal and business members and clients to better understand their priorities and concerns regarding sustainability and responsible finance.

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

## A preferred partner<sup>1</sup>

We work with all levels of government, regulators and other standard-setting organizations on a variety of issues, which are covered in the **Listening to our stakeholders** section of our Social and Cooperative Responsibility Report.

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

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

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



# Principle 5 – Governance & culture

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

## 5.1 Governance structure for implementation of the Principles

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

- Which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- Details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- Remuneration practices linked to sustainability targets.

## 5.2 Promoting a culture of responsible banking

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, among others).

## 5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

## Self-assessment summary

**Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?**

Yes  No

**Does the governance system entail structures to oversee PRB implementation (e.g., including impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected negative impacts are detected)?**

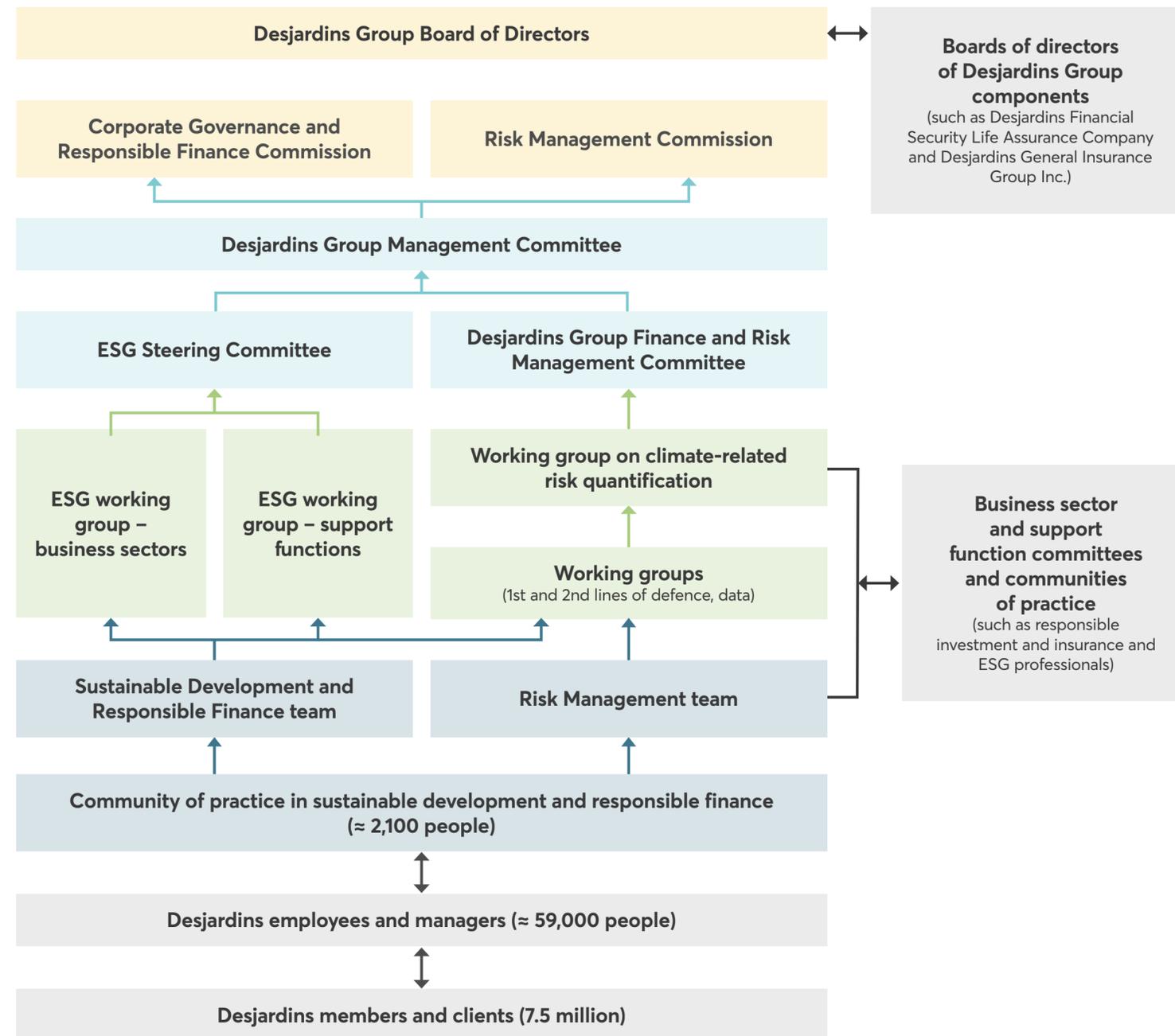
Yes  No

**Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?**

Yes  In progress  No

# Strong governance

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



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

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

To assess our progress, we've established 10 performance indicators that are presented quarterly to our management committee. A subset of these indicators is presented regularly to the board of directors. Where relevant, the indicators and associated targets are included in the compensation structure of senior managers and employees. We've built an ESG component into the structure of our general incentive plan (bonus) for employees and managers. It is based on an independent third-party evaluation of our ESG performance compared to our peers.

# Policies

Our business practices are guided by modern, dynamic democratic governance, which is reflected in our internal policies and code of conduct. We have internal policies on:

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

# Driven by responsible finance

At Desjardins, responsible finance is part of who we are as a cooperative. We've dedicated an entire section to it in our Social and Cooperative Responsibility Report. We share our commitment to responsible finance with our 58,000 employees through the Desjardins Fundamentals learning path, which is a series of independent and group activities designed to bring employees together over what it means to be a cooperative. In 2022, we introduced mandatory training on sustainability and responsible finance, along with complementary training on climate change and other more specific topics like responsible investment and sustainable insurance.

Our commitment is also reflected in our processes. For example, we have a process for assessing ESG factors for large business financing, which helps us identify and manage the environmental and social risks associated with our loan portfolio. For more details about our approach to responsible finance, see the [Responsible finance section of our Social and Cooperative Responsibility Report](#).

In addition, our president and CEO, Guy Cormier, is a champion of responsible finance. For example, in a recent interview with the *Financial Post*, he defended ESG considerations amid skepticism from major fund managers. Throughout 2022, he promoted sustainable finance and shared prosperity at International Sustainability Standards Board panels and events like the Sustainable Finance Summit in Montreal, where we were the lead sponsor.



# Principle 6 – Transparency & accountability

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

## 6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

- Yes    Partially    No

## 6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI    TCFD  
 SASB    Other: PSI  
 CDP    Other: PRI  
 IFRS Sustainability Disclosure Standards (to be published)

## 6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.

## Monitoring best practices

In line with one of the significant impact areas identified in our impact analysis, 2 international benchmarking exercises and 2 internal audits (the first in 2019 on our sustainable development policy and the second in 2022 on ESG integration) helped us determine the types of strategic initiatives necessary as part of our ESG efforts and climate action. In 2022, we put a lot of work into evaluating and considering the impact of our lending and investment activities. We can use our financial leverage to help people, businesses and communities adapt to the changing economy.

# Continuous improvement

We are aware of the importance of transparency in disclosure reporting. This report summarizes the measures we're taking to apply the Principles and manage our impacts. The PRB build on our cooperative values and are helping us fast-track the inclusion of ESG factors in our business decisions. In the next 12 months, we'll be focusing on enhancing our lineup of responsible finance products and services to better support our members' and clients' sustainability efforts. We'll also be publishing specific science-based targets to reduce our financed emissions.

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

