

Responsible Investment Policy

RESPONSIBLE STRUCTURED
PRODUCTS



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Scope of the Responsible Investment Policy

The Responsible Investment Policy (the "Policy") for Desjardins structured products describes our approach to selecting securities for responsible structured products, meaning structured products with names that refer to responsible investing (such as "Responsible" or "ESG" for "Environmental, Social and Governance").

There are many kinds of structured products, such as:

- Market-linked guaranteed investments
- Market-linked term investments and
- Desjardins Structured Notes, including Desjardins Principal Protected Notes and Desjardins Non-Principal Protected Notes.

This Policy applies to all of these products (as long as they are labelled as responsible). Some responsible investment practices apply to all our structured products, not just products with a responsible label. We use a green box to indicate these practices.

When a Desjardins member or client buys a structured product, part of the amount invested is used to guarantee the principal at maturity. This money is managed in a way that respects Desjardins Group's ESG positions, –described in the dedicated section of the Policy.

The rest of the amount invested in a structured product is invested on the markets. The team responsible for developing Desjardins structured products invests this amount in a number of companies (a "basket of securities"¹) and financial instruments to produce a variable return that can only be known at maturity. Since the baskets of securities in structured products are not designed to be modified once securities have been selected², it is possible that a company in the basket may no longer meet the selection criteria described in this Policy during the lifetime of the product. Consequently, to minimize this risk, we follow a rigorous process for selecting securities before the product is issued. The section "Overview of the security selection process" of this Policy explains this process.

1. A publicly traded stock index or exchange-traded fund replicating a stock index can also be used as a basket of securities.

2. Except in exceptional circumstances- for further information please refer to the product documentation.

Desjardins's responsible investment practices

More than 30 years of experience in responsible investment

Responsible investment (RI) is about incorporating environmental, social and governance (ESG) factors into investment management and selection. Responsible investment is also known as "sustainable investment" or "socially responsible investment."

Desjardins is a pioneer in responsible investment. In 1990, we launched the Desjardins Environment Fund, one of the first in Canada.

Back then, investment management practices usually didn't take extra-financial criteria into account. But this innovative approach was in complete alignment with Desjardins Group's values and mission, which is to contribute to the economic and social well-being of people and communities.

Although almost no one had heard of ESG-based investment management in the early '90s, today it is growing rapidly across the globe. For example, 47% of assets in Canada are managed using this approach.³

True to its mission, Desjardins has remained at the forefront of responsible investment. In 2012, we expanded our range of structured products by launching our first responsible structured product, the Priority Terra Guaranteed Investment. We've consistently launched similar options ever since.

We're also committed to upholding exemplary practices. That's why Desjardins entities, including Desjardins Investments, are signatories of the Principles for Responsible Investment (PRI). In fact, Desjardins Investments was the first of our entities to sign in 2010. The PRI is an initiative launched by investors in partnership with the United Nations Environment Programme Finance Initiative and the United Nations Global Compact. It now has more than 3,800 signatories from all regions across the globe. All told, they manage more than US\$120 trillion.⁴



Our investment management beliefs

Desjardins promotes economic development that respects people and the environment, putting money at the service of human development.

We believe that economic stakeholders have responsibilities toward the communities and regions in which they operate. That's why Desjardins promotes business practices and corporate governance that are more respectful of communities and the environment.

Furthermore, many studies show that companies that value ESG criteria are better equipped to manage risk, potentially increasing returns. Acting responsibly doesn't bring down profits. Just the opposite, in fact!

Our commitments

Desjardins intends to remain a leader in responsible investment. To do so, we're making the following commitments:

- Maintaining exemplary practices and keeping abreast of changes in ESG issues
- Helping train dealer representatives
- Informing the public, including Desjardins structured product holders, and raising their awareness of what responsible investment is

3. 2022-Canadian-RI-Trends-Report-English-Final.pdf (riacanada.ca)

4. <https://www.unpri.org/pri/about-the-pri>

Implementing responsible investment approaches

This section explains how responsible investment approaches are integrated into the investment process for Desjardins responsible structured products and describes how these approaches are implemented.

Overview of the security selection process

The image below outlines the security selection process for responsible structured products. As this image shows, we combine rigorous financial analysis with the use of responsible investment approaches to choose the securities held by our responsible structured products. Steps 2 (exclusionary screening), 3 (ESG assessment) and 4 (final security selection) take ESG criteria into account. The next few pages explain how we implement them.

Exclusionary screening

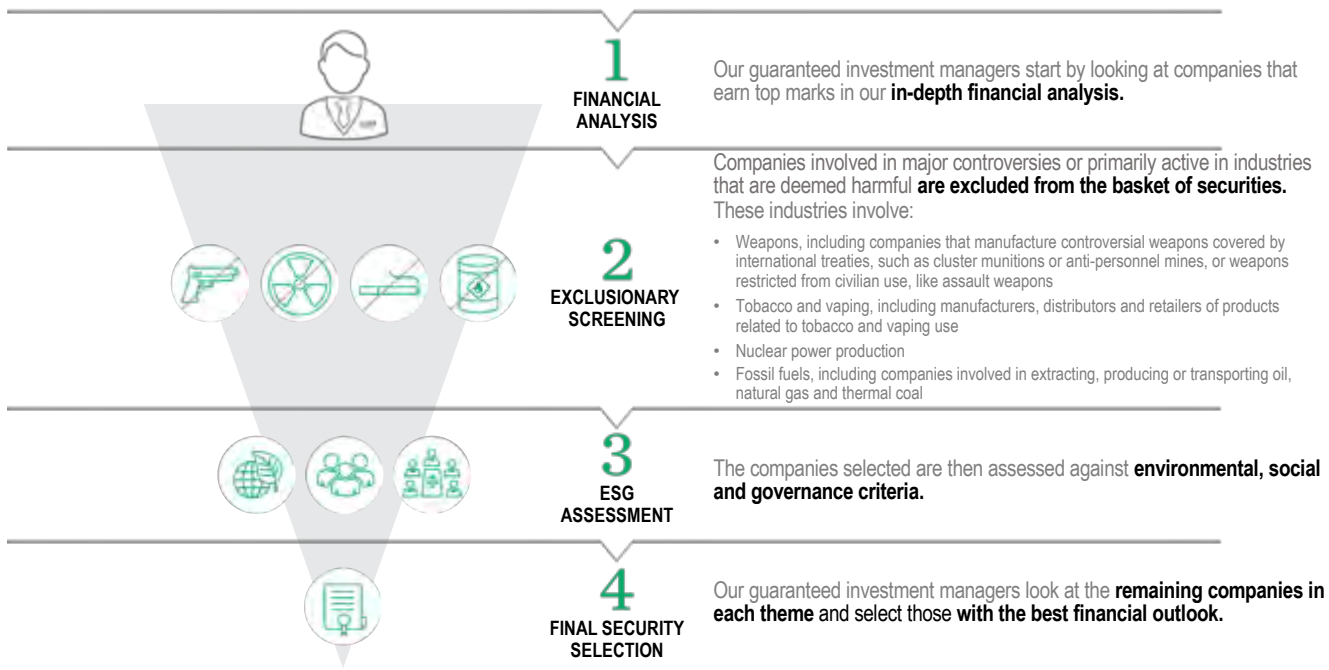
This section provides detailed information on the exclusionary screens used for responsible structured products. But multiple exclusionary screens are used for all Desjardins structured products, not just those under the responsible label. The exclusionary screens applied to all Desjardins structured products are in green.

Exclusions based on the nature of the activities carried out

Companies in certain sectors are immediately excluded from the baskets of securities due to the activities they carry out.

Weapons: Desjardins structured products don't invest in companies whose activities are connected with the production of weapons or military equipment prohibited by international humanitarian law (IHL). Weapons explicitly prohibited by IHL include cluster munitions, anti-personnel mines, non-detectable fragment weapons, incendiary weapons, blinding lasers, chemical weapons and biological weapons. For nuclear weapons, the exclusion is based on the 1968 Nuclear Non-Proliferation Treaty.

The security selection process for responsible structured products



Also, Desjardins structured products do not invest in companies whose activities are connected with the manufacture of automatic or semi-automatic weapons intended for civilian use, nor in companies that earn a major share of their revenue from selling or distributing such weapons.

Tobacco and vaping: Desjardins structured products do not invest in companies whose activities are connected with the processing or production of tobacco or vaping products, or companies that earn a major share⁵ of their revenue from selling tobacco or vaping products.

Nuclear: Desjardins structured products do not invest in companies that earn a major share⁵ of their revenue from extracting uranium or producing nuclear energy.

However, there are two exceptions to this rule. We may consider investing in companies if their activities are deemed beneficial to people, such as in the case of manufacturing medical equipment. Our baskets of securities may also include companies involved in producing nuclear energy with the goal of helping them invest in renewable energy to promote the energy transition.

Fossil fuels: Desjardins responsible structured products do not invest in companies that earn a major share⁵ of their revenue from extracting or producing oil, natural gas or thermal coal, operating infrastructure to transport or store oil and gas, refining oil or producing coal-based energy.

However, we may consider investing in companies that produce coal-based energy if they publicly show a commitment to reducing the percentage of coal in their energy mix within a reasonable timeframe as part of the energy transition.



Companies that directly distribute oil or natural gas products to end consumers, or that distribute coal-based energy, are not excluded. Similarly, companies involved in renewable natural gas production (e.g., biogas and waste reclamation) are not excluded.

Exclusions based on ESG factors

The baskets of securities in Desjardins responsible structured products have no exposure to companies that don't meet the minimum ESG requirements in the industry or geographic region where they operate. This approach aims to exclude late adopters that aren't open to improving their practices.

Also, in keeping with the 10 principles of the United Nations Global Compact⁶, Desjardins structured products will not consider including any securities issued by companies involved in major controversies over their fundamental responsibilities in the areas of human rights, labour, the environment or anti-corruption.

5. We generally consider anything more than 10% of a company's total revenue to be a major share.

6. <https://www.unglobalcompact.org/what-is-gc/mission/principles>




ESG assessment

Once exclusionary screening is completed, the ESG factors of eligible securities are assessed. These factors are based on concepts related to sustainable development⁷ and corporate social responsibility.

The nature and importance of ESG issues vary a great deal from one company to the next. These issues are mostly influenced by each company's industry and geographic location. The developers of responsible structured products focus on the factors most likely to have a big impact on the results of the companies they are analyzing. They count on reputable ESG data providers to quickly get a sense of each company's ESG performance.



Examples of possible considerations for each criterion

 <p>Environmental</p>	<p>Climate change</p> <ul style="list-style-type: none"> • Greenhouse gas emissions • Resilience to climate change 	<p>Natural resource use</p> <ul style="list-style-type: none"> • Protection of biodiversity • Water supply 	<p>Pollution and waste</p> <ul style="list-style-type: none"> • Pollutant emissions • Product sustainability • Reclaiming of residual materials 	<p>Environmental opportunities</p> <ul style="list-style-type: none"> • Renewable energy supply • Energy efficiency
 <p>Social</p>	<p>Human capital</p> <ul style="list-style-type: none"> • Subcontracting • Occupational health and safety • Competency development 	<p>Responsibility for products and services</p> <ul style="list-style-type: none"> • Privacy protection • Responsible purchasing • Product reliability 	<p>Social acceptability</p> <ul style="list-style-type: none"> • Management of impacts on communities 	<p>Social opportunities</p> <ul style="list-style-type: none"> • Access to high-quality food • Drugs for large-scale diseases • Access to basic financial services
 <p>Governance</p>	<p>Corporate governance</p> <ul style="list-style-type: none"> • Independence and expertise of boards of directors • Executive compensation • Shareholder rights 		<p>Governance practices</p> <ul style="list-style-type: none"> • Diversity • Financial and extra-financial disclosure • Aggressive tax strategy • Corruption • Lobbying 	

7. G. Brundtland. Report of the World Commission on Environment and Development: Our Common Future, United Nations General Assembly document A/42/427, 1987. <https://sustainabledevelopment.un.org/content/documents/5987our-common-future.pdf>

Choosing companies

The security selection process for responsible structured products ends with the final selection of the companies that will be included in the product's basket of securities. In addition to considering the traditional financial aspects, the team responsible for developing Desjardins structured products uses the approaches described below in the selection process.

"Best-in-class" approach

Under its best-in-class approach, the team in charge of developing structured products selects companies that stand out in terms of ESG management. Companies within the same sector are compared using market data and sequential analysis. This helps the developers of Desjardins structured products choose companies on the leading edge of each industry.

"Thematic investment" approach

Thematic investing focuses on companies whose activities help build a more sustainable economy. Renewable energy, biodiversity and workplace diversity are examples of themes that fall into this category.

Some Desjardins responsible structured products provide a thematic exposure to ESG themes. They select securities from companies that offer solutions and demonstrate solid ESG performance in relation to these issues.

Desjardins Group's ESG positions

Desjardins has adopted several strong positions for industries that pose higher ESG risks. The ESG Steering Committee, a subcommittee of the Desjardins Group Management Committee, adopted the rules for applying these positions to give our business sectors clear guidelines for implementing them.

Tobacco

Tobacco and vaping products are harmful to both consumer health and the environment. We decided to stop investing in these industries and became one of the first organizations in North America to sign the [Tobacco-Free Finance Pledge](#). The pledge was developed in collaboration with the United Nations Environment Programme Finance Initiative to support global anti-tobacco efforts.

Energy

In 2020, we upheld our [commitment to divest from the coal sector](#) and became the first financial institution in North America to join the [Powering Past Coal Alliance](#). We committed to divesting from coal, while providing support on an exceptional basis to companies in the industry with a clear and firm plan to transition from coal to renewable energy in line with the Intergovernmental Panel on Climate Change Guidelines (by 2030 for Organisation for Economic Co-operation and Development member countries) and our own position on coal.

Since adopting our position on coal, we've been supporting members and clients in the [energy sector](#) by setting specific goals to accelerate the transition to renewable energy by 2030.

Non-conventional weapons

Desjardins excludes certain weapons subject to international treaties, such as antipersonnel mines; cluster munitions; nuclear, biological and chemical weapons; and weapons of mass destruction. For other defence and security products, services and players, we conduct a case-by-case analysis mindful of the potential for military, security or police equipment to be misused, as well as the risk of corruption and diversion.

Position on countries that pose a higher risk of tax evasion and avoidance

Desjardins adopts the principle of "paying the right amount of tax, in the right place and at the right time", while respecting the spirit and not just the letter of the law by using legitimate reductions only and by not resorting to tax havens or tax avoidance schemes. In keeping with its cooperative nature and values, Desjardins will not undertake aggressive tax optimization techniques or tax avoidance mechanisms as an organization and will continue to be a responsible taxpayer.

Legal notice

The Desjardins Structured Products Responsible Investment Policy is subject to change without notice.

Market-linked guaranteed investments

The variable return of market-linked guaranteed investments may be nil at maturity. However, the initial investment and the annual guaranteed return are still guaranteed at maturity. Please read the investment agreement before investing.

Market-linked term investments

For more information on market-linked term investments, please refer to the Term Investments Contract and the Features Table of the current campaign for more information. In the event of a discrepancy between the information in this document and the information in the Term Investments Contract or the Features Table of the current campaign, the Contract and Features Table will prevail. Please read them carefully before investing.

Structured notes

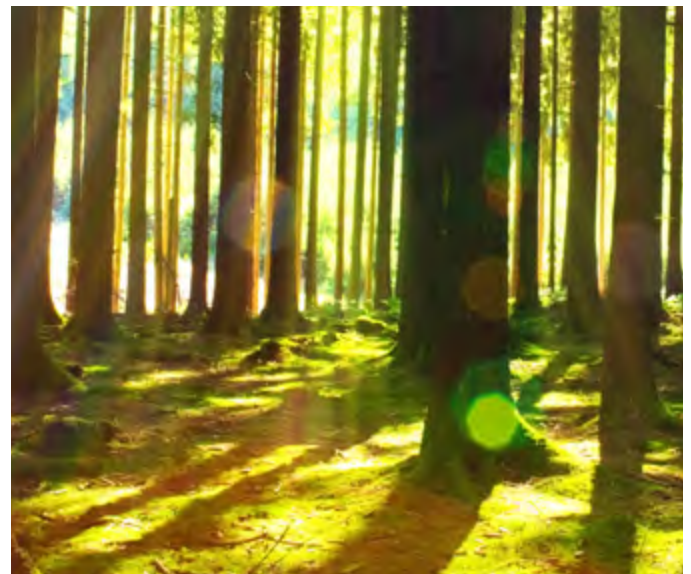
Principal protected notes

Principal protected notes may not be suitable for all investors. Important information is contained in the information statement and oral disclosure document for each principal protected note. Documents regarding note issues are provided on the summary page for each issue. Before purchasing investments, investors should read these documents carefully and discuss the investment's suitability with their investment advisor or dealer representative. The notes can only be purchased in the Canadian jurisdictions where they are legally distributed, and only from people who are registered and authorized to sell them. Investments in these notes carry certain risks. Returns on notes are determined by the change in value of the underlying assets over the course of the term. There may be no return payable to the investor. Returns cannot be determined before maturity and past performance is not indicative of future returns. Some notes may be subject to caps, participation rates or other limits affecting returns. For principal protected notes, the full principal amount is only repaid at maturity.

Non-principal protected notes

Non-principal protected notes may not be suitable for all investors. Important information is contained in the base shelf prospectus, prospectus supplement and pricing supplement for each non-principal protected note. Before purchasing investments, investors should read these documents carefully and discuss the investment's suitability with their investment advisor or dealer representative. The notes can only be purchased in the Canadian jurisdictions where they are legally distributed, and only from people who are registered and authorized to sell them. Investments in these notes carry certain risks. Repayment of the full principal amount is not guaranteed and depends on the performance of the reference portfolio. You could lose part or virtually all of your initial investment. Returns on notes are determined by the change in value of the underlying assets over the course of the term. There may be no return payable to the investor. Returns cannot be determined before maturity and past performance is not indicative of future returns. Some notes may be subject to caps, thresholds, participation rates or other features affecting returns.

Neither principal protected notes nor non-principal protected notes are considered insured deposits under Quebec's Deposit Institutions and Deposit Protection Act, the Canada Deposit Insurance Corporation Act, or any other deposit insurance plan.





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