

# SECOND PARTY OPINION

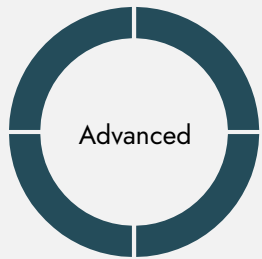
## on the sustainability of Desjardins' Sustainable Bond Framework

V.E is of the opinion that Desjardins' Bond Framework is aligned with the four core components the Green Bond Principles 2018 ("GBP") and the Social Bond Principles (2020).

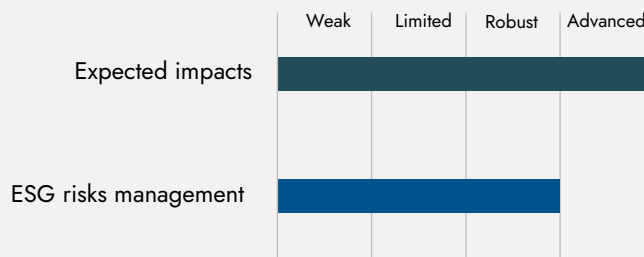


### Framework

Contribution to Sustainability:



- Advanced
- Limited
- Robust
- Weak



SDG Mapping

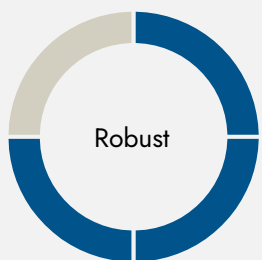


Characteristics of the Framework

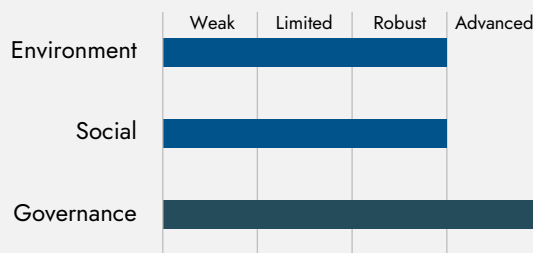
Green and Social Asset Categories	⇒ Eight Environmental Categories ⇒ Three Social Categories
Asset locations	Canada and Emerging Countries
Existence of framework	Yes
Share of refinancing	To be disclosed to investors prior to each issuance.
Look back period	36 months

### Issuer

ESG Performance as of April 2021



- Advanced
- Limited
- Robust
- Weak



Controversies

Number of controversies	2
Frequency	Occasional
Severity	High
Responsiveness	Reactive

Controversial Activities

The Issuer appears to not be involved in any of the 17 controversial activities screened under our methodology:

- |   |  |   |   |
|---|--|---|---|
| <input type="checkbox"/> Alcohol              | <input type="checkbox"/> Fossil fuels industry | <input type="checkbox"/> High interest rate lending | <input type="checkbox"/> Pornography                |
| <input type="checkbox"/> Animal welfare       | <input type="checkbox"/> Coal                  | <input type="checkbox"/> Human embryonic stem cells | <input type="checkbox"/> Reproductive medicine      |
| <input type="checkbox"/> Cannabis             | <input type="checkbox"/> Gambling              | <input type="checkbox"/> Military                   | <input type="checkbox"/> Unconventional oil and gas |
| <input type="checkbox"/> Chemicals of concern | <input type="checkbox"/> Genetic engineering   | <input type="checkbox"/> Nuclear power              | <input type="checkbox"/> Tobacco                    |
| <input type="checkbox"/> Civilian firearms    |  |   |   |

### Coherence

Coherent
Partially coherent
Not coherent

We are of the opinion that the Framework are coherent with Desjardins' strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.



## Key findings

V.E is of the opinion that Desjardins' Bond Framework is aligned with the four core components of the GBP and SBP.

### Use of Proceeds - aligned with GBP and SBP

- Eligible Categories are clearly defined, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Assets, as well as the target populations for Social Categories.
- The Environmental and Social Objectives are clearly defined, these are relevant for all the Eligible Categories and set in coherence with Sustainability Objectives defined in International standards.
- The Expected Environmental and Social Benefits are clear and precise, these are considered relevant, measurable, and will be quantified for all the Eligible Categories in the reporting.
- The Issuer has committed to transparently communicate the estimated share of refinancing prior to each bond issuance to investors. The look-back period for refinanced Eligible Categories will be equal or less than 36 months from the issuance date, in line with market practices.

### Evaluation and Selection - aligned with GBP and SBP

- The Process for Project Evaluation and Selection has been clearly defined by the Issuer, it is considered structured. The roles and responsibilities are clear and include relevant internal expertise. The Process will be publicly disclosed in the Framework and the herewith SPO.
- Eligibility criteria (selection and exclusion) for asset selection have been clearly defined and detailed by the Issuer for all of the Eligible Categories.
- The process applied to identify and manage potentially material E&S risks associated with the assets is publicly disclosed (in the herewith SPO). The Process is considered robust: it combines identification and monitoring measures of potential risks for a majority of Eligible Categories.

### Management of Proceeds - aligned with GBP and SBP

- The Process for the Management and Allocation of Proceeds is clearly defined and is publicly available in the Framework and in the herewith SPO.
- The allocation period will be 24 months or less.
- The net proceeds of the Bonds will be tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that as long as the Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to Eligible Categories made during that period.
- The Issuer has provided information on the procedure that will be applied in case of asset ineligibility, divestment, postponement or in case an Eligible Asset (loan) has matured and it has committed to reallocate divested proceeds to assets that are compliant with the bond framework within 24 months.

### Reporting - aligned with GBP and SBP

- The Issuer has committed to report on the Use of Proceeds annually, until Bond maturity. The report will be publicly available until bond maturity. If the report is externally verified, this verification will also be made publicly available.
- The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the categories.



- The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible Categories will be publicly disclosed.
- An external auditor will verify the tracking and allocation of funds to Eligible Categories until full allocation and in case of material changes. Indicators used to report on environmental and social benefits of the Eligible Categories will be verified internally by the Issuer.

## Contact

Sustainable Finance Team | [VEsustainablefinance@vigeo-eiris.com](mailto:VEsustainablefinance@vigeo-eiris.com)

# SCOPE

---

V.E was commissioned to provide an independent opinion (thereafter “Second Party Opinion” or “SPO”) on the sustainability credentials and management of the Sustainable Bonds<sup>1</sup> (“Bonds”) to be issued by Desjardins (the “Issuer”) in compliance with the Sustainable Bond Framework (the “Framework”) created to govern their issuance.

Our opinion is established according to V.E’s Environmental, Social and Governance (“ESG”) exclusive assessment methodology and to the latest version of the ICMA’s Green Bond Principles (“GBP”) - edited in June 2018 - and Social Bond Principles (“SBP”) - edited in June 2020 - voluntary guidelines (referred together as the “GBP & SBP”).

Our opinion is built on the review of the following components:

- Framework: we assessed the Framework, including the coherence between the Framework and the Issuer’s environmental commitments, the Bonds’ potential contribution to sustainability and its alignment with the four core components of the GBP (2018) & SBP (2020).
- Issuer: we assessed the Issuer’s ESG performance, its management of potential stakeholder-related ESG controversies and its involvement in controversial activities<sup>2</sup>.

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from V.E’s exclusive ESG rating database, and (iii) information provided from the Issuer, through documents and interviews conducted with the Issuer’s managers and stakeholders involved in the Bonds issuance, held via a telecommunications system.

We carried out our due diligence assessment from February 11<sup>th</sup> to May 5<sup>th</sup>, 2021. We consider that we were provided with access to all the appropriate documents and interviewees we solicited. Reasonable efforts have been made to verify data accuracy.

## Type of External Reviews supporting this Framework

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input type="checkbox"/>	Independent verification of impact reporting
<input checked="" type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bond Initiative Certification

<sup>1</sup> The “Green Bonds” are to be considered as the bonds to be potentially issued, subject to the discretion of the Issuer. The name “Green Bond” has been decided by the Issuer: it does not imply any opinion from V.E.

<sup>2</sup> The 17 controversial activities screened by V.E are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.



# COHERENCE

---

Coherent
Partially coherent
Not coherent

We are of the opinion that the contemplated Framework is coherent with Desjardins' strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

Financial institutions have a great potential to support social and economic development as well as the transition to a low carbon and sustainable economy. Their action is key in the promotion of effective solutions for the development of sustainable finance products and services, and the minimization of the negative impact of their investments and activities on the environment, people and society. The banking sector can play a significant role in dealing with these challenges by integrating ESG factors in their financing operations.

By integrating environmental and social risks into the assessment of loans and project financing, as well as into their investment products, banks can influence customer behaviour towards more environmentally friendly activities and support projects with a high social outcome. The banking sector can also effectively contribute to financial inclusion and to the reduction of inequalities by ensuring the accessibility of its products and services to a larger number of customers, including the most vulnerable.

Desjardins appears to acknowledge the role of the banking sector to support projects with social and environmental benefits and decarbonising its activities.

Desjardins is signatory to the Principles for Responsible Investment, Principles for Responsible Banking and the Principles for Sustainable Insurance. Desjardins has committed to fast-tracking the inclusion of environmental, social and governance (ESG) factors in its internal and business decisions:

- The Issuer has target for reducing its carbon footprint. The goal is to reduce GHG emissions in its operations (Scope 1, 2, and partial 3) to 20% below 2018 levels by December 31<sup>st</sup>, 2024. Ultimately, Desjardins aims to achieve net zero emissions by 2040 in its extended operations and in its lending activities and its own investments in three key carbon-intensive sectors: energy, transportation and real estate. Previously the target (reached in 2020) was for their own assets invested in the markets to be 25% less than the average greenhouse gas emissions of the companies that make up the stock and bond market indices.
- The Issuer is investing in Canadian low-carbon energy infrastructure: at the end of 2020, CAD \$1.2 billion, or 46.3% of their infrastructure portfolio, in the sector.

In addition, Desjardins has set in place extensive measures that include support to micro-finance providers, SMEs, community development and cooperation with NGOs:

- The company has allocated CAD 1.4 billion to 529 businesses, cooperatives and funds, helping to create or keep some 80,000 jobs.
  - o 399 of these businesses are based somewhere other than Montreal or Quebec City and have received support totalling CAD 903 million.
- The company has also provided CAD 209 million in support to 26 cooperatives and has launched the GoodSpark Fund, to invest CAS 250 million by 2024 to support initiatives aligned with its social mission.

By creating a Framework to finance or refinance new or existing eligible green or social activities and assets related to 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



and Access to Essential Services, the Issuer coherently aligns with its sustainability strategy and commitments and addresses important sustainability issues of the sector.



# FRAMEWORK

---

The Issuer has described the main characteristics of the Bonds within a formalised Sustainable Bond Framework which covers the four core components of the GBP 2018 and SBP 2020 (the last updated version was provided to V.E on April 16<sup>th</sup>, 2021). The Issuer has committed to make this document publicly accessible on Desjardins’ website, in line with good market practices.

## Alignment with the Green Bond Principles

### Use of Proceeds



The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, assets (loans, investments and internal or external projects) falling under Eight Environmental Categories and Three Social Categories (“Eligible Categories”), as indicated in Table 1.

- Eligible Categories are clearly defined, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Assets, as well as the target populations for Social Categories.
- The Environmental and Social Objectives are clearly defined, these are relevant for all the Eligible Categories and set in coherence with Sustainability Objectives defined in International standards.
- The Expected Environmental and Social Benefits are clear and precise, these are considered relevant, measurable, and will be quantified for all the Eligible Categories in the reporting.
- The Issuer has committed to transparently communicate the estimated share of refinancing prior to each bond issuance to investors. The look-back period for refinanced Eligible Categories will be equal or less than 36 months from the issuance date, in line with market practices.

BEST PRACTICES
⇒ Relevant environmental and social benefits are identified and measurable for all Eligible Categories.
⇒ The Issuer has committed to transparently communicate the estimated share of refinancing prior to each bond issuance into investors.



Table 1. V.E’ analysis of Eligible Categories, Sustainability Objectives and Expected Benefits as presented in the Issuer’s Framework

- Nature of expenditures: loans, investments and internal or external projects.
- Location of Eligible Assets: Canada for most categories, some in Emerging Countries

ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E’S ANALYSIS
Renewable Energy	Lending or investments dedicated to generation of energy from renewable sources including: <ul style="list-style-type: none"> <li>(i) Wind</li> <li>(ii) Solar</li> <li>(iii) Hydropower<sup>3</sup> with power density &gt; 5W/m<sup>2</sup></li> <li>(iv) Waste biomass<sup>4</sup></li> </ul>	<u>Climate Change Mitigation</u> GHG emissions avoidance	The Eligible Category is clearly defined, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and location at national level.  An area for improvement consists in setting a maximum carbon intensity threshold for waste biomass projects.  The Environmental Objective is clearly defined, it is relevant and set in coherence with sustainability objectives defined in international standards.  The expected Environmental Benefit is clear, it is considered relevant, measurable, and will be quantified in the reporting.
Energy Efficiency	Lending or investments that reduce energy consumption, including: <ul style="list-style-type: none"> <li>(i) Energy efficient heating, ventilation, air conditioning, refrigeration, lighting, and electrical equipment that result in at least 30% energy savings;</li> <li>(ii) Projects that reduce losses in the delivery of bulk energy services by at least 30% or enhance integration of intermittent renewables such as energy storage (batteries only), smart grids, demand response;</li> <li>(iii) Projects that enable monitoring and optimization of the amount and timing of energy consumption such as smart meters, load control systems, sensors or building information systems.</li> </ul>	<u>Climate Change Mitigation</u> GHG emissions avoidance	The Eligible Category is clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and location at national level.  The Environmental Objective is clearly defined, it is relevant and set in coherence with sustainability objectives defined in international standards.  The expected Environmental Benefit is clear, it is considered relevant, measurable, and will be quantified in the reporting.

<sup>3</sup> Large hydro assets >25 MW will be subject to an assessment, based on recognized best practice guidelines, of environmental and social risks and measures to address such risks.

<sup>4</sup> Biomass projects will produce energy or renewable natural gas from waste biomass. This category excludes non-waste biomass and incineration of solid municipal waste.





ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Green Buildings	<p>Lending or investments in new or existing commercial or residential buildings that have received, or expect to receive based on its design, construction and operational plans, certification according to third party verified green building standards, such as:</p> <ul style="list-style-type: none"> <li>(i) LEED Gold or Platinum standard;</li> <li>(ii) BOMA 360, Best Gold or Best Platinum certification;</li> <li>(iii) BREEAM performance rating of 5 or 6 stars (Excellent and Outstanding, respectively);</li> <li>(iv) other equivalent certification schemes for residential buildings, such as BOMA Best/360, BREEAM, Energy Star or Novoclimat.</li> </ul>	<p><u>Climate Change Mitigation</u> GHG emissions avoidance</p>	<p>The Eligible Category is clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and location at national level.</p> <p>The Environmental Objective is clearly defined, it is relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Environmental Benefit is clear, it is considered relevant, measurable, and will be quantified in the reporting.</p>
Clean Transportation	<p>Lending or investments in low-carbon transport assets including:</p> <ul style="list-style-type: none"> <li>(i) Private Transport: Zero direct emission vehicles and associated infrastructure (incl. hydrogen, fuel cell, electric);</li> <li>(ii) Public Transport: Rolling stock and vehicles for electrified public transport, such as electrified rail, including associated infrastructure.</li> </ul>	<p><u>Climate Change Mitigation</u> GHG emissions avoidance</p> <p><u>Air Pollution Prevention</u> Reduction of air pollutants emissions</p>	<p>The Eligible Category is clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and location at national level.</p> <p>The Environmental Objectives are clearly defined, these are relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Environmental Benefit is clear, these are considered relevant, measurable, and will be quantified in the reporting.</p>
Sustainable Food Production	<p>Lending or investments that enhance ecosystem protection or restoration, including:</p> <ul style="list-style-type: none"> <li>(i) Agriculture and maple production with recognized third-party sustainability certifications such as EU Organic, USDA Organic, Canada Organic, Rainforest Alliance, Ecocert, Pro-Cert, or Quebec Vrai ;</li> <li>(ii) Aquaculture and fisheries with recognized third-party sustainability certifications such as Aquaculture Stewardship Counsel (ASC), Best Aquaculture Practices (BAP) or Marine Stewardship Council (MSC).</li> </ul>	<p><u>Biodiversity and land protection</u> Increase the development of sustainable and organic agriculture</p>	<p>The Eligible Category is clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and location at national level.</p> <p>The Environmental Objective is clearly defined, it is relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Environmental Benefit is clear, it is considered relevant, measurable, and will be quantified in the reporting.</p>



ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
<p>Environmentally Sustainable management of Living Natural Resources and Land Use</p>	<p>Lending or investments that enhance ecosystem protection or restoration, including:</p> <ul style="list-style-type: none"> <li>(i) Forestry or forestry products with recognized third-party sustainability certifications such as Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC), and the Sustainable Forestry Initiative (SFI) which is affiliated with PEFC;</li> <li>(ii) Forest landscape restoration projects that regain ecological functionality and enhance human well-being across deforested or degraded forest landscapes.</li> </ul>	<p><u>Climate Change Mitigation</u> GHG emissions avoidance</p>	<p>The Eligible Category is clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and location at national level.</p> <p>The Environmental Objective is clearly defined, it is relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Environmental Benefit is clear, it is considered relevant, measurable, and will be quantified in the reporting.</p>
<p>Sustainable Water and Wastewater Management</p>	<p>Lending or investments that improve water quality, water efficiency, or climate change resilience, including:</p> <ul style="list-style-type: none"> <li>(i) Technologies, projects and infrastructure for the collection, distribution, treatment, recycling or reuse of water, rainwater or wastewater;</li> <li>(ii) Infrastructure for flood prevention, flood defence or storm-water management.</li> </ul>	<p><u>Water protection</u> Development of efficient water systems</p> <p><u>Climate Change Adaption</u> Development of adaptation and warning infrastructures</p>	<p>The Eligible Category is clearly defined, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and location at national level. An area for improvement consists in setting minimum energy efficiency thresholds for water collection and distribution assets.</p> <p>The Environmental Objectives are clearly defined, these are relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Environmental Benefits are clear, these are considered relevant, measurable, and will be quantified in the reporting.</p>



ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Pollution Prevention and Control <sup>5</sup>	<p>Lending or investments that reduce and manage emissions and waste generated, including:</p> <ul style="list-style-type: none"> <li>(i) Technologies and projects for collection, sorting, treatment, recycling or re-use of emissions, waste, hazardous waste or contaminated soil;</li> <li>(ii) Technologies and projects to salvage, use, reuse, and recycle post-consumer waste products and divert waste from landfills, including circular economy systems.</li> </ul> <p>To this date, a number of recycling facilities that divert 70 000 tonnes of waste from landfills in total have been identified by the Issuer.</p>	<p><u>Pollution Prevention and Control</u></p> <p>Improved waste recovery</p>	<p>The Eligible Category is partially defined, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and location at national level. An area for improvement consists in providing further details on the types of projects and technologies to be financed.</p> <p>The Environmental Objective is clearly defined, it is relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected Environmental Benefit is clear, it is considered relevant, measurable, and will be quantified in the reporting.</p>
Affordable Housing	<p>Lending or investments in the development or refurbishment of housing that meets accredited or registered affordable housing definitions in the applicable jurisdiction<sup>6</sup>, or that contributes access for Indigenous communities</p>	<p><u>Access to social housing</u></p> <p>Increased social housing offer</p>	<p>The Eligible Category is clearly defined and detailed, the Issuer has communicated the nature of the expenditures, eligibility criteria and location at national level.</p> <p>The target populations have been clearly identified.</p> <p>The intended social objective is relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected benefit is clear, relevant, measurable, and will be quantified in the reporting.</p>

<sup>5</sup> This category excludes waste-to-energy projects (ie. incineration of solid municipal waste).

<sup>6</sup> Meets applicable definitions within the jurisdiction in which it is built, such as through the Canadian Mortgage and Housing Corporation's Investment in Affordable Housing program, the Société d'habitation du Québec or other regional equivalents.

ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Employment Generation through SME Financing	<p>Lending or financing for micro-, small- and medium- sized businesses<sup>7</sup> or their projects in the following categories:</p> <p>(i) Indigenous Peoples' Business and Community Lending:</p> <ul style="list-style-type: none"> <li>- Indigenous Peoples' bands, councils, governments and/or businesses that are at least 51% owned and operated by such an organization or individual</li> </ul> <p>(ii) Women-Owned Business Lending:</p> <ul style="list-style-type: none"> <li>- At least 51% of the business is owned and operated by women</li> </ul> <p>(iii) Developing and Emerging Countries Lending:</p> <ul style="list-style-type: none"> <li>- Micro-finance in Low- middle-income economies as defined by the World Bank<sup>8</sup></li> </ul>	<p><u>Economic and financial transition</u></p> <p>Financing of MSMEs</p>	<p>The Eligible Category is clearly defined and detailed the Issuer has communicated the nature of the expenditures, eligibility criteria and location at national level. The target populations have been clearly identified.</p> <p>The intended social objective is relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected benefit is clear, relevant, measurable, and will be quantified in the reporting.</p>
Access to Essential Services	<p>Lending or investments that enhance access to public, not-for-profit, free or subsidized essential services, including:</p> <p>(i) Infrastructure for hospitals, laboratories, clinics, healthcare, childcare and elder care centres</p> <p>(ii) Infrastructure for the provision of child, youth or adult education and vocational training services.</p>	<p><u>Access to essential services</u></p> <p>–</p> <p>Increase access to healthcare services</p> <p>Increase access to education</p> <p>Increase access to financial services</p> <p>Increase access to other essential services</p>	<p>The Eligible Category is clearly defined and detailed, the Issuer has communicated the nature of the expenditures and eligibility criteria. The target populations have been clearly identified.</p> <p>The intended social objective is relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected benefits is clear, relevant, measurable, and will be quantified in the reporting</p>

<sup>7</sup> An enterprise qualifies as a micro, small or medium enterprise if its annual revenue is less than €50 million (as defined by the [Office of The Superintendent of Financial Institutions](#)), or if the loan to it falls within the relevant MSME loan size proxy according to the [IFC MSME Definition](#).




<sup>8</sup> <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>

SDG Contribution

The Eligible Categories are likely to contribute to eleven of the United Nations' Sustainable Development Goals ("SDGs"), namely:

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Access to Essential Services		3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.
Access to Essential Services		4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes. 4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.
Employment Generation through SME Financing		5.a Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.
Sustainable Water and Wastewater Management		6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.
Renewable Energy		7.2 By 2030, increase substantially the share of renewable energy in the global energy.
Energy Efficiency Green Buildings		7.3 By 2030, double the global rate of improvement in energy efficiency.
Employment Generation through SME Financing		8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
Employment Generation through SME Financing		10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.
Affordable Housing		11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.
Clean Transportation		11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.



ELIGIBLE CATEGORY	SDG	SDG TARGETS
Green Buildings		11.3. By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.
Pollution Prevention and Control		12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
Renewable Energy Energy Efficiency Green Buildings Clean Transportation		The Eligible Assets are likely to contribute to SDG 13 which consists in adopting urgent measures to combat climate change and its effects.
Sustainable Water and Wastewater Management		13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Sustainable Food Production		15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.
Environmentally Sustainable management of Living Natural Resources and Land Use		15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.



## Evaluation and Selection of Eligible Projects



- The Process for Project Evaluation and Selection has been clearly defined by the Issuer, it is considered structured. The roles and responsibilities are clear and include relevant internal expertise. The Process will be publicly disclosed in the Framework and the herewith SPO.
- Eligibility criteria (selection and exclusion) for asset selection have been clearly defined and detailed by the Issuer for most of the Eligible Categories.
- The process applied to identify and manage potentially material E&S risks associated with the assets is publicly disclosed (in the herewith SPO). The Process is considered robust: it combines identification and monitoring measures of potential risks for a majority of Eligible Categories.

### Process for Project Evaluation and Selection

- For the purpose of the Bonds, a Sustainable Financing Working Group (“the SFWG”) has been created. This Committee is composed of representatives of the following departments:
  - Corporate Treasury
  - Sustainable Development and Responsible Finance
  - Capital Markets
  - Personal and Commercial Bank
  - Group Risk Management
- The SFWG is responsible for:
  - Regularly reviewing the Framework
  - Reviewing, validating, and documenting the pool of Eligible Assets
  - Reporting annually to investors through the Sustainable Bond Report
  - Reviewing the post issuance external verification report
  - Monitoring and resolving any issues that may arise
- The traceability and verification of the selection and evaluation of the assets is ensured throughout the process:
  - The Issuer has detailed that each Eligible Asset is subject to an annual audit to confirm if the asset still meets the Eligibility criteria. If not, it will be removed and replaced with another Eligible Asset and be reported to investors in the Issuer’s annual Sustainable Bond Report.
  - The Issuer has set a process to identify E&S controversies, which would then be reviewed by the SFWG to determine if the asset is maintained in the pool of Eligible Assets or replaced.
  - The Sustainable Finance Working Group (SFWG) will produce minutes of its meetings that include identification or selection of Eligible Assets according to the Eligibility criteria as defined by this Framework. These minutes shall be maintained in a private archive as long as there are outstanding Desjardins Sustainable Bonds.



### Eligibility Criteria

The process relies on explicit eligibility criteria (selection and exclusion), relevant to the environmental and social objectives defined for the Eligible Categories.

- The selection criteria are based on definitions in Eligible Categories defined Table 1 in the Use of Proceeds section.
- The Issuer has set restriction criteria for clients identified as “total ban” clients. Additionally, the Issuer will exclude business which principal activity<sup>9</sup> is:
  - Tobacco
  - Thermal Coal
  - Unconventional or nuclear weapons
  - Predatory lending
  - Gambling
  - Adult entertainment

#### BEST PRACTICES

⇒ The Issuer reports that it will monitor compliance of selected assets with eligibility and exclusion criteria specified in the Framework throughout the life of the Bond and has provided details on content, frequency, duration and on procedure adopted in case of non-compliance.

---

<sup>9</sup> Defined by the Issuer as an activity representing at least 90% of a company's revenues.





## Management of Proceeds



- The Process for the Management and Allocation of Proceeds is clearly defined and is publicly available in the Framework and in the herewith SPO.
- The allocation period will be 24 months or less.
- The net proceeds of the Bonds will be tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that as long as the Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to Eligible Categories made during that period.
- The Issuer has provided information on the procedure that will be applied in case of asset ineligibility, divestment, postponement or in case an Eligible Asset (loan) has matured and it has committed to reallocate divested proceeds to assets that are compliant with the bond framework within 24 months.

## Management Process

- The net proceeds of the Bonds will be credited to Desjardins treasury and will be managed in cash in line with Desjardins' general liquidity guidelines.
- The net proceeds of each Bond will be earmarked towards Eligible Assets as stated in the Framework and tracked by the SFWG through a Sustainable Bond Portfolio. The Sustainable Bond Portfolio will contain relevant information to identify each Bond and the Eligible Assets relating to them and will form the basis of Desjardins' Sustainability Bond Report.
- Desjardins will maintain an aggregate amount of Eligible Assets at least equal to the aggregate net proceeds of all Bond issuances outstanding under the Framework.
- The unallocated funds would be held within Desjardin's treasury in accordance with its usual treasury investment strategy.

### BEST PRACTICES

- ⇒ The allocation period is 24 months or less.
- ⇒ The Issuer has provided information on the procedure that will be applied in case of asset ineligibility, divestment, postponement or in case an Eligible Asset (loan) has matured and it has committed to reallocate divested proceeds to assets that are compliant with the bond framework within 24 months.



Monitoring & Reporting



- The Issuer has committed to report on the Use of Proceeds annually, until Bond maturity. The report and its external verification be made publicly available.
- The reporting will cover relevant information related to the allocation of Bonds proceeds and to the expected sustainable benefits of the categories.
- The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible Categories will be publicly disclosed.
- An external auditor will verify the tracking and allocation of funds to Eligible Categories until full allocation and in case of material changes. Indicators used to report on environmental and social benefits of the Eligible Categories will be verified internally by the Issuer.

Indicators

The Issuer has committed to transparently communicate at Eligible Category level, on:

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds are clear and relevant.

REPORTING INDICATORS
⇒ Net proceeds raised form each Desjardins Sustainable Bond
⇒ Aggregate amount of proceeds allocated to each eligible project category
⇒ Allocation by geographic location
⇒ Refinancing versus new financing
⇒ Balance of unallocated proceeds
⇒ Types of temporary unallocated funds placements and uses



- Environmental and social benefits: The indicators selected by the Issuer to report on the environmental and social benefits are clear, relevant and exhaustive.

ELIGIBLE CATEGORIES	ENVIRONMENTAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Renewable Energy	<p>Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)</p> <p>Capacity of renewable energy plant(s) constructed or rehabilitated in MW</p> <p>Capacity of renewable energy plant(s) to be served by transmission systems in MW</p>	Annual GHG emissions reduced/avoided in tonnes of CO <sub>2</sub> eq.
Energy Efficiency	Annual energy savings in MWh/GWh or percentage	Annual GHG emissions reduced/avoided in tonnes of CO <sub>2</sub> eq.
Green Buildings	<p>Number of green buildings of each certification</p> <p>Area of certified green buildings in square feet and by certification level</p> <p>Annual amount of waste that is prevented, minimised, reused or recycled before and after the project in % of total waste and/or in absolute amount in tonnes p.a</p> <p>Annual absolute (gross) water use before and after the project in m<sup>3</sup>/a, reduction in water use in %</p> <p>Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m<sup>3</sup>/a and p.e./a and as %</p> <p>Annual Absolute (gross) GHG emissions from the project in tonnes of CO<sub>2</sub> eq.</p>	Annual GHG emissions reduced/avoided in tonnes of CO <sub>2</sub> eq.
Clean Transportation	<p>Passenger-kilometres (i.e. the transport of one passenger over one kilometre) and/or passengers</p> <p>Reduction of air pollutants: particulate matter (PM), sulphur oxides (SO<sub>x</sub>), nitrogen oxides (NO<sub>x</sub>), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs)</p> <p>Length of railways built</p>	Annual GHG emissions reduced/avoided in tonnes of CO <sub>2</sub> eq. p.a.

ELIGIBLE CATEGORIES	ENVIRONMENTAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Sustainable Food Production	<p>Total surface financed (hectares), with reference to specific certification schemes where relevant</p> <p>Number of maple trees tapped</p> <p>Amount of organic products produced (metric tons or litres)</p> <p>Number of organic products offered</p>	
Environmentally Sustainable management of Living Natural Resources and Land Use	<p>Total surface financed (hectares), with reference to specific certification schemes where relevant</p> <p>Environmentally sensitive areas protected (acres)</p> <p>Number of trees saved by certified forestry products</p>	Annual CO <sub>2</sub> sequestered in tonnes of CO <sub>2</sub> eq. year
Sustainable Water and Wastewater Management	<p>Annual absolute (gross) water use before and after the project in m<sup>3</sup>/a, reduction in water use in %</p> <p>Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m<sup>3</sup>/a and p.e./a or as %</p>	
Pollution Prevention and Control <sup>10</sup>	<p>Tons of waste reused/recycled</p> <p>Tons of secondary raw materials or compost produced</p> <p>Absolute or % reduction in air/water pollutants</p> <p>Number of people or % of population provided with improved municipal waste treatment or disposal services</p> <p>Number of people or % of population with access to waste collection under the project</p> <p>The absolute amount or % of residual non-separated waste before and after the project</p> <p>Added monetary value created using waste</p>	
Affordable Housing	<p>Number of beneficiaries</p> <p>Number of affordable housing units built or refurbished</p>	

<sup>10</sup> This category excludes waste-to-energy projects (i.e. incineration of solid municipal waste).



ELIGIBLE CATEGORIES	ENVIRONMENTAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Employment Generation through SME Financing	Number and value of loans to MSMEs Number of beneficiaries in the case of Indigenous Peoples' bands, councils, or governments Number of jobs supported/created/retained	
Access to Essential Services	Number of beneficiaries Additional number of beds in hospitals Number of hospital and other healthcare facilities built/upgraded Number of health checks provided Number of residents benefitting from healthcare which is otherwise not accessible Number of educational institutions funded, location and type Number of students supported, or spots made available in schools	

BEST PRACTICES
<ul style="list-style-type: none"> <li>⇒ The Issuer will report on the Use of Proceeds until bond maturity.</li> <li>⇒ The Issuer report will be publicly available.</li> <li>⇒ The indicators selected by the Issuer are exhaustive with regards to allocation reporting.</li> <li>⇒ The indicators selected by the Issuer are clear and relevant and cover all expected benefits associated with the Eligible Categories.</li> <li>⇒ The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible Categories will be disclosed publicly.</li> </ul>

## Contribution to sustainability

### Expected Impacts

The potential positive Impacts of the Eligible Assets on environmental and social objectives are considered to be advanced.

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Renewable Energy	ROBUST	<p>According to the International Energy Agency<sup>11</sup>, Canada electricity mix reaches more than 80% of low-carbon energy, with an historical high penetration of hydropower and nuclear power. Coal plant capacities remains to be phased out. Although being still relevant, the decarbonation of the electricity mix is not the most crucial lever to reduce the country environmental footprint. Solar panels are the most land requiring mean of producing electricity and can therefore compete with other land usages. Information on the sourcing of panels and if the majority will be installed on roof or on ground could be valuable for minimising negative impacts. No lock-in effect is expected for solar and wind assets.</p> <p>For hydropower, carbon intensity thresholds have been set. For biomass, the feedstock type/sourcing has been detailed, although a carbon intensity threshold has not been set. Except for biomass-related projects the category follows the best alternative available (technology or nature based) in the sector to contribute to the claimed objective.</p>
Energy Efficiency	ADVANCED	<p>Energy efficiency measures are key to decarbonise the economy. The development of transmission assets and monitoring tools are crucial to support the implementation of intermittent, grid-following, renewable energy to the grid and to reduce the consequences of local variations<sup>12</sup>. The category follows the best alternative available in the sector to contribute to the claimed objective in the context and the location.</p>
Green Buildings	ADVANCED	<p>According to the Government of Canada's National Energy Use Database in 2018, the real estate sector accounts for around 22%<sup>13</sup> of Canada's GHG emissions. Decarbonising this sector is therefore one important issue in Canada. Construction however has an absolute effect on energy consumption and on land use and therefore has a less positive impact compared with renovation. The category is in line with best international standards for the sector.</p>
Clean Transportation	ADVANCED	<p>According to the Government of Canada's National Energy Use Database in 2018<sup>14</sup>, with 196 Mtonnes of CO<sub>2</sub> eq. the transport sector accounts for around 37% of Canada's GHG emissions. Decarbonising this sector, a key issue in Canada. The category should entail positive impact for locally and globally. There is no lock-in effect for zero tail pipe vehicles. Due to the long-term perspective of this type of project and the current low carbon content of electricity in the country, electric rail transport for freight and passenger is relevant. The category follows the best alternative available in the sector to contribute to the claimed objective of climate mitigation.</p>

<sup>11</sup> <https://www.iea.org/countries/canada>

<sup>12</sup> International Energy Agency, RTE, Conditions and Requirements for the Technical Feasibility of a Power System with a High Share of Renewables in France Towards 2050.

<sup>13</sup> <https://oee.nrcan.gc.ca/corporate/statistics/neud/dpa/showTable.cfm?type=HB&sector=aaa&juris=ca&rn=3&page=0>

<sup>14</sup> *ibid*

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Sustainable Food Production	ADVANCED	According to the Government of Canada's National Energy Use Database in 2018 <sup>15</sup> , agriculture accounts for around 4% of Canada's total GHG emissions. The government has published a report <sup>16</sup> in 2001 reported that 73.2% of responding farms used pesticides of some kind. Herbicides are expected to have an important impact on biodiversity in Canada <sup>17</sup> . The category should entail positive impact for both GHG emissions and biodiversity. The category follows the best alternative available in the sector to contribute to the claimed objective of climate change mitigation and preservation of biodiversity.
Environmentally Sustainable management of Living Natural Resources and Land Use	ADVANCED	According to the 2020 State of Canada's Forests Annual Report <sup>18</sup> , 9% of the world's forests are located in Canada, with more than 200,000 working in forest exploiting-related activities resulting in net emissions of 243 Mt CO <sub>2</sub> in 2018, sustainable management is key in Canada. The category follows the best alternative available in the sector to contribute to the claimed objective of climate mitigation and preservation of biodiversity.
Sustainable Water and Wastewater Management	ROBUST	The population in Canada has attained a high level of access to water. Water withdrawal is not considered an important issue in Canada. Floods are considered the most important weather-related hazard in Canada <sup>19</sup> . Coastal armouring protection measures, address issues of sea-level rise, coastal erosion and flooding are deemed necessary. However, the Issuer has not provided energy efficiency thresholds for water collection and distribution assets.
Pollution Prevention and Control <sup>20</sup>	ROBUST	According to Conference Board of Canada, Canada ranks among the lowest OECD's members in terms of waste management <sup>21</sup> . Implementing recycling and diverting waste from landfill is a key stake in the country <sup>22</sup> . Waste-to-energy projects have been excluded. Although, V.E lacks precise information on the intended eligible technologies.
Affordable Housing	ADVANCED	Access to affordable housing remains a significant challenge in Canada. The target population has been clearly identified: it follows local Canadian regulations and rely on the definitions that vary between provinces. The category is likely to provide long term social benefits for the intended beneficiaries.
Employment Generation through SME Financing	ROBUST	Economic development remains a significant challenge in Canada and is a crucial issue in Emerging Countries. The target populations have been identified: SME's owned by women or indigenous people in Canada, or SMEs located in Low- or Middle-income economies as defined by the World Bank. The category is likely to provide long term social improvement for the intended beneficiaries.
Access to Essential Services	ROBUST	Access to Essential services remains a significant challenge in Canada. The target populations are set at national level. The category is likely to be empowering the intended beneficiaries.
OVERALL ASSESSMENT	ADVANCED	

<sup>15</sup> ibid

<sup>16</sup> [https://www.researchgate.net/profile/Nguya-Maniania/publication/297758802\\_Microbial\\_Regulation-Goettel\\_et\\_al\\_2010-Todd-Goettel/links/56e2e9da08ae387a2483a704/Microbial-Regulation-Goettel-et-al-2010-Todd-Goettel.pdf](https://www.researchgate.net/profile/Nguya-Maniania/publication/297758802_Microbial_Regulation-Goettel_et_al_2010-Todd-Goettel/links/56e2e9da08ae387a2483a704/Microbial-Regulation-Goettel-et-al-2010-Todd-Goettel.pdf)

<sup>17</sup> <https://onlinelibrary.wiley.com/doi/full/10.1111/j.1472-4642.2008.00543.x>

<sup>18</sup> [The State of Canada's Forests - Annual Report 2020](#)

<sup>19</sup> [Canada's Marine Coasts in a Changing Climate](#)

<sup>20</sup> This category excludes waste-to-energy projects (ie. incineration of solid municipal waste).

<sup>21</sup> Conference Board of Canada Municipal Waste Generation 2013

<sup>22</sup> [Canadian Council of Ministers of Environment - State of Waste Management in Canada](#)



## ESG Risks Identification and Management systems in place at asset level

The identification and management of the environmental and social risks associated with the Eligible Assets are considered robust.

### Integration of Environmental and Social factors in project selection and evaluation

All loans financed through the Bonds must respect Desjardins' Group approach and must undergo an analysis ensured by the Issuer's internal KYC authorities. The KYC procedure also includes social and societal commitments, which include restrictions that are identified as a result of anti-money laundering and anti-terrorist financing regulation. Additionally, Desjardins has excluded the following sectors from financing: gambling (except for Canadian Crown corporations), pawnbrokers, in-person adult entertainment, money services businesses, shell banks, nuclear or unconventional weapons, and tobacco and vaping products, other sectors such as cannabis and fossil fuels are not excluded although subject to eligibility criteria.

Most of the Eligible Assets will be located in Designated Countries of the Equator Principles, deemed to have robust environmental and social governance, as well as legislation systems and institutional capacity designed to protect their people and the natural environment, the Issuer relies on national legislation for specific risks and on relevant documentation (e.g. construction and exploitation permits, technical and legal reviews) to demonstrate the respect of this legislation. For assets developed internationally, Desjardins (*Politique de Développement international Desjardins*) has formalised additional tools and procedures to address social and governance risks including human and labour rights risks.

All loans financed under this Framework (with the exception of loans to MSMEs) are subject to an ESG evaluation covering the following topics: environmental management, climate impact, labour practices, community rights, responsible procurement, corporate strategy, ethics & professional conduct. It allows the Issuer to identify potential extra-financial risks and take actions if the requirements are not met by the customers. Desjardins' account managers are responsible for ensuring compliance of their projects with the eligibility criteria set out in the Table 1, however the Issuer has indicated that there are not ESG clauses included in the loan contracts.

### Environmental risks

The Issuer has indicated that environmental risks are evaluated when granting loans. The credit framework provides for additional procedures and information on environmental risk, particularly on: impacts resulting from contamination or violation of environmental legislation, main legislation to be considered in order to assess the environmental risk and tools to determine the elements of risk to which the borrower is exposed. In addition, the sector-specific ESG evaluation used by certain business lines includes questions regarding past legal action, which allow to the Issuer to verify that the borrower has not previously had legal issues or fines related to environmental regulation.

### Social and Governance risks

The Issuer has set a human rights policy which specifies the commitments of the organization and the projects with regard to equity, equality and non-discrimination, participation and inclusion as well as accountability and transparency. Every quarter, a whistle-blower report is submitted to the Audit and Ethics Committee of the Board of Directors. A field management manual containing best practices in employee management is made available to projects and provides for uniform and fair practices towards employees. Rigorous support and analysis tools are made available to project teams for a rational recruitment process free from discriminating factors, which is also included in the Charter of Human Rights and Freedoms. At the start of projects, the legal framework of obligations in relation to working conditions are framed by local legal support.

The Issuer's has put in place a grievance mechanism for any stakeholder to share their comments or dissatisfactions, culminating in the Desjardins' Ombudsman.

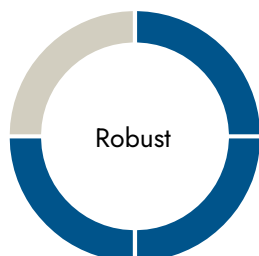




In terms of business ethics, particularities are documented in Desjardins' credit practices regarding the authorization of financing to related persons. A confidential reporting service is in place to encourage reporting of situations such as: manipulation or falsification of accounting records, reports, contracts or other documents; voluntary omissions or inaccurate reporting of financial data or information in the financial statements and annual reports or any other document; misappropriation of funds, fraud, theft, collusion or bribery; failure to comply with oversight procedures and; conflicts of interest, breaches of confidentiality or favouritism.



# ISSUER



Desjardins Group is the leading cooperative financial institution in North America. Desjardins is active in three main business sectors: personal and business services; wealth management and life and health insurance and property and casualty insurance. Desjardins is the financial institution with the largest regional presence in Quebec and is well established in Ontario.

## Level of ESG performance

The Issuer’s ESG performance was assessed through a complete process of rating and benchmark.

As of April 2021, Desjardins Group displays an overall robust ESG performance, ranking 1<sup>st</sup> in our “Diversified Banks North America” sector which covers 13 companies. The company demonstrates a robust performance in the Environmental and Social pillar, and an advanced performance in the Governance pillar.

DOMAIN	COMMENTS	OPINION
Environment	<p><u>Desjardins Group’s performance in the Environmental pillar is considered robust.</u></p> <p>Desjardins has issued a formalised commitment to environmental protection in its Responsible Investment Policy, Sustainable Development Policy, Position on Coal, Supplier Code of Conduct, and has made further references in its Social and Cooperative Responsibility Report, Principles for Responsible Banking Disclosure Report, Report on Responsible Investment, and in the corporate website. Desjardins has strengthened its environmental and climate change policies and further disclosed information as regards to its risks assessments. Desjardins has committed to a decarbonisation goal designed to reduce the carbon intensity of its own investments to 25% below the benchmark indexes. It has established restrictive thermal coal policies for all its financing and has adopted a real estate industry policy. In addition, Desjardins integrates environmental consideration in its credit policies and strongly supports a responsible investment strategy, engaging with companies.</p>	Advanced
		Robust
		Limited
		Weak
Social	<p><u>Desjardins Group’s performance in the Social pillar is considered robust.</u></p> <p>Desjardins has formalised internal policies covering most of the topics analysed and a public Human Resources policy is planned to be published by summer 2021. Career management and training and Health &amp; Safety are the areas where the Group is better positioned. The lost-time injury frequency rate and the absenteeism rate display a positive trend. On the opposite side, the Group records limited scores in terms of social dialogue and responsible management of reorganizations. The lack of formalised and publicly available commitments together with the adoption of rather basic implementation measures accounted for the limited performance achieved in these drivers.</p> <p>Desjardins formalised its commitment to social and economic development and appointed an anti-tax evasion officer. Moreover, Desjardins also reports on extensive measures to promote development at local level, for instance through microcredit, and in developing</p>	Advanced
		Robust



	<p>countries thanks to its Développement International Desjardins programme. In addition, Desjardins discloses some measure to prevent tax avoidance and also reports on significant efforts to promote access to financial services to all and also some initiative to support customers in financial distress.</p> <p>Desjardins shows several measures to direct relations with clients towards transparency, including tools to improve clients' understanding of products and training on responsible commercial practices for staff.</p> <p>Finally, Desjardins shows an advanced strategy to non-discrimination and diversity: its commitment is reinforced by challenging targets on senior management positions held by Black leaders and extensive measures. Diversity indicators show a stable or improving trend.</p>	Limited
		Weak
Governance	<p><u>Desjardin Group's performance in the Governance pillar is considered advanced.</u></p> <p>The roles of Chairman and CEO are combined but a lead non-executive director considered as independent has been designated. The board of directors is 78% independent and its diversity appears to be robust: 35% of directors are women. With regard to board commissions, the ones in charge of audit and risk issues are fully independent whereas CEO is part of the commission in charge of remuneration. The Group adopted most of the recommended measures for a sound risk management and measures are in place to supervise the material risk takers. The Group's transparency over executive remuneration has improved. In addition, CSR issues are clearly integrated at governance level, in terms of board oversight and internal controls framework.</p> <p>Concerning business ethics, Desjardins Group has set up significant internal controls to manage the risk of corruption and money laundering. The Company also partially reports on its lobbying activity.</p>	Advanced
		Robust
		Limited
		Weak

## Management of ESG Controversies

As of today, Desjardins Group is facing two stakeholders related ESG controversies, linked to four of the six domains we analyse:

- Business Behaviour, in the criterion "Customer Relations".
- Human Rights, in the criterion "Fundamental Human Rights".
- Environment, in the criteria "SRI products and strategies" and "Climate Change"
- Corporate Governance, in the criterion of "Audit & Internal Controls".

Frequency: Controversies are considered occasional, better than the sector average.

Severity: The severity of the impact on both the company and its stakeholders for both controversies is considered high, in line with the sector average.

Responsiveness: Desjardins Group is reactive, in line with the sector average.



## Involvement in Controversial Activities

The Issuer appears to be not involved in any of the 17 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from V.E.

# METHODOLOGY

---

In V.E's view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company; then the Executive Director in charge of Methods, Innovation & Quality; and finally, V.E's Scientific Council. All employees are signatories of V.E's Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

## COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

## ISSUANCE

### Alignment with the Green and/or Social Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

*The Framework has been evaluated by V.E according to the ICMA's Green Bond Principles - June 2018 ("GBP") and the Social Bond Principles - June 2020 ("SBP") and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.*

#### Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds and Loans standards. V.E evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

#### Process for evaluation and selection

The evaluation and selection process is assessed by V.E on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

#### Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by V.E on their transparency, traceability and verification.

#### Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by V.E on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).



## Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

V.E's assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental and/or social objectives, as well the management of the associated potential negative impacts and externalities.

### Expected positive impact of the activities on environmental and/or social objectives

The expected positive impact of activities on environmental and/or social objectives to be financed by the Issuer or Borrower is assessed on the basis of:

- i) the relevance of the activity to respond to an important environmental objective for the sector of the activity; or to respond to an important social need at country level;<sup>23</sup>
- ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the Issuer, its value chain, local and global stakeholders); or targeting those populations most in need;
- iii) the magnitude and durability of the potential impact of the proposed activity on the environmental and/or social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);
- iv) only for environmental objectives, the extent to which the activity is adopting the best available option.

### Activities' ESG risk management

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of V.E's ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

## ISSUER

### Issuer's ESG performance

Scale of assessment of ESG performance: Weak, Limited, Robust, Advanced

*NB: The Issuer's level of ESG performance (i.e. commitments, processes, results of the Issuer related to ESG issues), has been assessed through a complete process of rating and benchmarking developed by V.E.*

The Issuers ESG performance has been assessed by V.E on the basis of its:

- Leadership: relevance of the commitments (content, visibility and ownership).
- Implementation: coherence of the implementation (process, means, control/reporting).
- Results: indicators, stakeholders' feedbacks and controversies.

### Management of stakeholder-related ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation based on unproven facts.

V.E reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

V.E provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- Frequency: reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).

<sup>23</sup> The importance of a specific social need at country level is assessed on the basis of the country performance on the priority SDG that the project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.



- **Severity:** the more a controversy is related to stakeholders’ fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the company, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- **Responsiveness:** ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company’s reputation reduces with time, depending on the severity of the event and the company’s responsiveness to this event. Conventionally, V.E’s controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

### Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to screen the company’s involvement in any of them. The company’s level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the company.

## V.E’S ASSESSMENT SCALES

Scale of assessment of Issuer’s ESG performance or strategy and financial instrument’s Contribution to sustainability		Scale of assessment of financial instrument’s alignment with Green and/or Social Bond and Loan Principles	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective. An advanced expected impact combined with an advanced to robust level of E&S risk management & using innovative methods to anticipate new risks.	Best Practices	The Instrument’s practices go beyond the core practices of the ICMA’s Green and/or Social Bond Principles and/or of the Loan Market Association’s Green Loan Principles by adopting recommended and best practices.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. A robust expected impact combined with an advance to robust level of assurance of E&S risk management or an advanced expected impact combined with a limited level of assurance of E&S risk management.	Aligned	The Instrument has adopted all the core practices of the ICMA’s Green and/or Social Bond Principles and/or of the Loan Market Association’s Green Loan Principles.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues. A limited expected impact combined with an advanced to limited level of assurance of E&S risk management; or a robust expected impact combined with a limited to weak level of assurance of E&S risk management; or an advanced expected impact combined with a weak level of assurance of E&S risk management.	Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA’s Green and/or Social Bond Principles and/or of the Loan Market Association’s Green Loan Principles, but not all of them.
Weak	Commitment to social/environmental responsibility is non-tangible; no evidence of command over the issues. A weak expected impact combined with an advanced to weak level of assurance of E&S risk management or a limited expected impact with a weak level of assurance of E&S risk management.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA’s Green and/or Social Bond Principles and/or of the Loan Market Association’s Green Loan Principles.



# DISCLAIMER

---

Transparency on the relation between V.E and the Issuer/Borrower: V.E has not carried out any audit mission or consultancy activity for Desjardins. V.E's conflict of interest policy is covered by its Code of Conduct, which can be found at <http://vigeo-eiris.com/wp-content/uploads/2018/07/Code-of-Conduct-Vigeo-Eiris-EN.pdf>.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bonds, based on the information which has been made available to V.E. V.E has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by V.E neither focuses on the financial performance of the Bonds, nor on the effective allocation of its proceeds. V.E is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

Restriction on distribution and use of this opinion: The deliverables remain the property of V.E. The draft version of the Second Party Opinion by V.E is for information purpose only and shall not be disclosed by the client. V.E grants the Issuer all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer shall determine in a worldwide perimeter. The Issuer has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned bond(s) issuance. The Issuer acknowledges and agrees that V.E reserves the right to publish the final version of the Second Party Opinion on V.E's website and on V.E's internal and external communication supporting documents.

© 2021 Vigeo SAS and/or its licensors and subsidiaries (collectively, "V.E"). All rights reserved.

V.E provides its customers with data, information, research, analyses, reports, quantitative model-based scores, assessments and/or other opinions (collectively, "Research") with respect to the environmental, social and/or governance ("ESG") attributes and/or performance of individual issuers or with respect to sectors, activities, regions, stakeholders, states or specific themes.

V.E'S RESEARCH DOES NOT ADDRESS NON-ESG FACTORS AND/OR RISKS, INCLUDING BUT NOT LIMITED TO: CREDIT RISK, LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. V.E'S RESEARCH DOES NOT CONSTITUTE STATEMENTS OF CURRENT OR HISTORICAL FACT. V.E'S RESEARCH: (i) DOES NOT CONSTITUTE OR PROVIDE CREDIT RATINGS OR INVESTMENT OR FINANCIAL ADVICE; (ii) IS NOT AND DOES NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES; AND (iii) DOES NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. V.E ISSUES ITS RESEARCH WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

V.E'S RESEARCH IS NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE V.E'S RESEARCH WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. V.E'S RESEARCH IS NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT V.E'S PRIOR WRITTEN CONSENT.

ALL INFORMATION CONTAINED HEREIN IS OBTAINED BY V.E FROM SOURCES BELIEVED BY IT TO BE ACCURATE AND RELIABLE. BECAUSE OF THE POSSIBILITY OF HUMAN OR MECHANICAL ERROR AS WELL AS OTHER FACTORS, HOWEVER, ALL INFORMATION CONTAINED HEREIN IS PROVIDED "AS IS" WITHOUT WARRANTY, EXPRESS OR IMPLIED, OF ANY KIND, INCLUDING AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE. V.E IS NOT AN AUDITOR AND CANNOT IN EVERY INSTANCE INDEPENDENTLY VERIFY OR VALIDATE INFORMATION IT RECEIVES.

To the extent permitted by law, V.E and its directors, officers, employees, agents, representatives, licensors and suppliers (together, "**V.E Parties**") disclaim liability to any person or entity for any (a) indirect, special, consequential, or incidental losses or damages, and (b) direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded); on the part of, or any contingency within or beyond the control of any **V.E Party**, arising from or in connection with the information contained herein or the use of or inability to use any such information.