

A woman with her hair in a ponytail, wearing a bright yellow jacket, is sitting on a wooden bench. She is looking out over a scenic landscape featuring a river flowing through a valley. The surrounding area is lush with green and yellow foliage, and a large, forested mountain peak is visible in the background under a cloudy sky. Two green diagonal bars are overlaid on the right side of the image.

# Principles for Responsible Banking

2020 ANNUAL DISCLOSURE

# Principle 1 Alignment

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

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.

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

## About Desjardins

Our purpose is to enrich the lives of people and communities. To do this, we focus on always doing what's best for our members and clients in all the services we provide across Canada and around the world<sup>1</sup>.

Sustainable development is part of who we are as a cooperative and plays an integral part in our corporate strategy. Sustainable development has been a stated part of our strategic framework since 2016. In 2020, we celebrated 120 years of solidarity<sup>2</sup> and commitment to communities. Being there for the communities<sup>3</sup> we serve is important to us, as are the environmental efforts we've been making over the past several decades, which are supported by sound governance practices<sup>4</sup>.

1. See Our purpose: Enriching the lives of people and communities section in our 2020 Social and Cooperative Responsibility Report (SCRR), on page 9

2. See Together for 120 years section in our 2020 SCRR, on page 18.

3. See Support for local communities section of our 2020 SCRR, on page 21.

4. See Environment section of 2020 SCRR, in page 42.



## We're committed

We align our activities to be consistent with our cooperative values and the United Nations Sustainable Development Goals<sup>1</sup> (SDGs). We're guided by both external frameworks and our own frameworks, like our sustainable development policy, which we first adopted in 2005 and updated and expanded in 2020. We also draw on a number of other national and international frameworks:

- Tobacco-Free Finance Pledge – 2020
- Women's Empowerment Principles – 2020
- Powering Past Coal Alliance – 2020
- BlackNorth Initiative Pledge – 2020
- Canadian Investor Statement on Diversity & Inclusion – 2020
- Partnership for Carbon Accounting Financials – 2020
- Principles for Responsible Banking (PRB) – 2019
- Principles for Sustainable Insurance (PSI) – 2019
- Principles for Responsible Investment (PRI) – 2009

In 2017, we made a commitment to support the Paris Agreement's goals and set a number of targets for our organization. Having achieved these targets in 2020, we began considering our next steps to combat the climate crisis. These reflections will provide a starting point for our new long-term climate ambition, which we plan to launch in 2021.

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1. See Sustainable Development Goals section in our 2020 SCRR, on page 10.



## Principle 2 Impact & target setting

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

### 2.1 Impact Analysis:

Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:

- a) Scope: The bank's core business areas, products/services across the main geographies that the bank operates in as described under Principle 1 have been considered in the scope of the analysis.
- b) Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.
- c) Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.
- d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services.

(Your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))

Show that building on this analysis, the bank has

- identified and disclosed its areas of most significant (potential) positive and negative impact
- Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts

Target Setting – Not applicable for 2020 disclosure

Plans for Target Implementation and Monitoring – Not applicable for 2020 disclosure

# Impact analysis of our lending activities















For our impact analysis, we used the tools developed by the United Nations Environment Programme Finance Initiative's (UNEP FI) Positive Impact Initiative. This framework takes a holistic approach to identifying the positive and negative impacts of our banking activities. We used the Portfolio Impact Analysis Tool to assess our loan portfolio. The tool looks at national and international data to identify the potential positive and negative impacts of different sectors based on the International Standard Industrial Classification. Impacts are then grouped by category.

Potential impact areas are taken from the Impact Radar developed by the UNEP FI. The radar identifies 22 impact areas across the 3 pillars of sustainable development. The impact areas are defined based on internationally recognized standards, including the United Nations Sustainable Development Goals (SDGs). While the impact areas cover all the SDGs, they do not all overlap one-to-one. Here is how the impact areas map to the SDGs:

## OVERLAP OF UNEP FI IMPACT RADAR IMPACT AREAS AND UN SUSTAINABLE DEVELOPMENT GOALS

Impact area	Description	SDG
<b>SOCIAL IMPACTS</b> Availability and accessibility of ...	<b>Water</b> Access to sufficient, safe and affordable water.	
	<b>Food</b> Access to sufficient, safe and nutritious food to meet dietary needs.	
	<b>Housing</b> Access to adequate, safe and affordable housing to live in peace and dignity.	
	<b>Health and sanitation</b> Access to effective and affordable healthcare services to be able to live in a state of physical and mental well-being in a clean and healthy living environment.	 
	<b>Education</b> Access to quality education and lifelong learning opportunities in an inclusive and equitable way.	
	<b>Employment</b> Access to safe, decent work which delivers a fair income and prospects for personal development.	

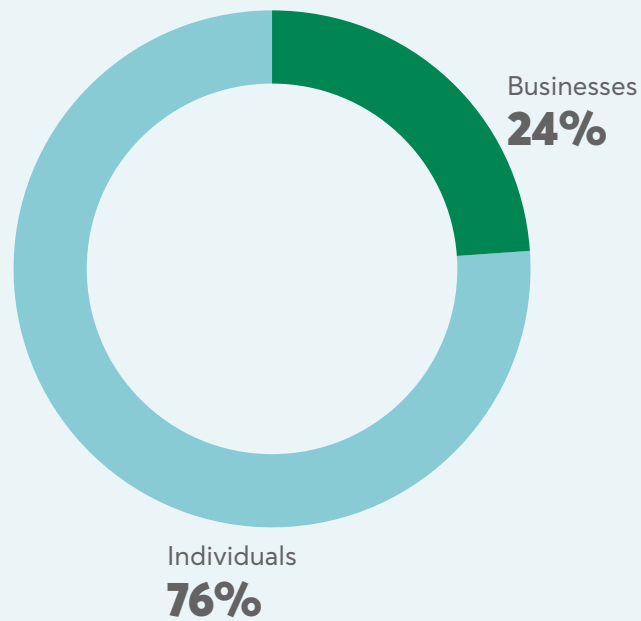
Impact area	Description	SDG
<b>SOCIAL IMPACTS</b> Availability and accessibility of ...	<b>Energy</b> Access to safe, reliable energy.	
	<b>Mobility</b> Access to affordable, efficient, sustainable transport systems and infrastructure.	 
	<b>Information</b> Access to information, ideas and communications technology.	    
	<b>Culture and heritage</b> Ability to access and participate in cultural life.	 
	<b>Integrity and security of person</b> Freedom from cruel, inhuman or degrading treatment. Includes data privacy and protection.	 
	<b>Justice</b> Access to justice in an equal and inclusive way.	  
	<b>Strong institutions, peace and stability</b> Presence of stable, effective, accountable institutions. Protection from corruption and crime.	 

Impact area	Description	SDG
<b>ENVIRONMENTAL IMPACTS</b> Quality and/or efficient use of ...	<b>Water</b> Quality of water (cleanliness and other physical and chemical properties).	
	<b>Air</b> Quality of ambient (outdoor) and household (indoor) air.	 
	<b>Soil</b> Composition of soil and absence of pollutants.	
	<b>Biodiversity and ecosystems</b> Variety of living organisms.	 
	<b>Resource efficiency/security</b> Efficient use of renewable and non-renewable natural resources.	
	<b>Climate</b> Greenhouse gas emissions and contribution to climate change.	
	<b>Waste</b> Waste reduction and management. Includes the circular economy.	
<b>ECONOMIC IMPACTS</b> Value creation	<b>Economic convergence</b> Ability to reduce economic inequality.	  
	<b>Inclusive, healthy economies</b> Development of sustainable, diverse markets. Includes access to economic opportunities for traditionally underserved groups.	 

## Scope of analysis

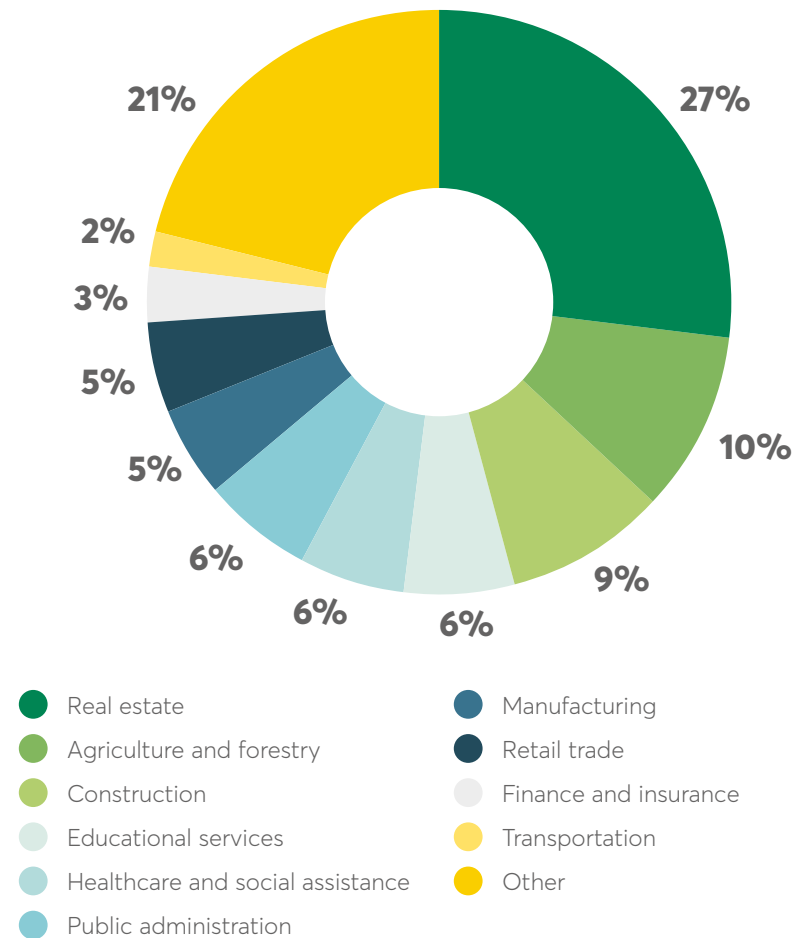
For our first PRB progress report, we've limited the scope of our analysis to our business lending activities. This includes all loans to businesses in Canada, regardless of their size or industry, as of September 30, 2020. These loans make up about a quarter of our total loan portfolio. Our loans to individuals, which we are not including in our analysis at this time, are mainly home, auto and consumer financing.

**LOAN COMMITMENTS**  
AS AT SEPTEMBER 30, 2020



We assessed the potential impact areas for the 15 largest North American Industry Classification System (NAICS) groups in terms of volume. These groups represent over 60% of our business loan portfolio.<sup>1</sup> Here's a breakdown of the portfolio by group.

**BUSINESS LOAN COMMITMENTS**  
AS AT SEPTEMBER 30, 2020



1. The "Other" category represents the NAICS groups that make up a smaller percentage of our loan portfolio. It includes lending to the fossil fuels sector, which makes up about 0.7% of our portfolio (see our 2020 SCRR, on page 44).



## Main potential impact areas identified

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

### MAIN POSITIVE IMPACTS

#### Employment

We provide financing for sectors that are major employers in Quebec and other parts of Canada, notably the industrial, agriculture and service sectors. In addition, a large portion of our lending is to SMEs, which provide more than 85% of jobs across Canada ([Statistics Canada](#)). Our lending and support to these businesses enable them to provide employees with productive employment and decent work with a fair income.

#### Housing

We provide financing to companies that design, build and renovate housing. These companies increase the number and quality of residential units available. Our lending activities therefore contribute to the accessibility of adequate, safe housing where people can live in dignity.

#### Inclusive, healthy economies

Financial services products that meet the needs of SMEs and business owners—especially underbanked and low-income groups—are essential to improve financial inclusion and create inclusive, healthy economies. Small businesses and startups in particular face seemingly insurmountable financial barriers. Access to financing for these businesses is associated with increased innovation, job creation and economic growth ([World Bank](#)). Learn more about the broad range of solidarity-based finance products we offer to business owners<sup>1</sup>.

In addition to lending mostly to SMEs, we support a wide range of companies in sectors essential to healthy, inclusive economies: educational services, healthcare and social assistance, public administration, technology and telecommunications.

1. See Solidarity-based Finance Programmes section in our 2020 SCRR, on page 85.

2. [www.etsmtl.ca/en/research/chairs-and-labs/ceriec](http://www.etsmtl.ca/en/research/chairs-and-labs/ceriec)

3. See Considering our next steps to combat climate change section in our 2020 SCRR, on page 35.

### MAIN NEGATIVE IMPACTS

#### Waste

We lend to sectors that are likely some of the main sources of waste in Canada: manufacturing and industrial activities, agriculture (including crops and livestock), construction and building demolition ([OECD](#)). Companies in these sectors need to not only improve their waste management through control and treatment of waste, but also prevent waste production through in-process modifications, reuse and recycling. With this in mind, we're teaming up with the École de technologie supérieure to fast-track innovation and research on the circular economy<sup>2</sup>.

#### Resource efficiency/security

A significant portion of our loan portfolio funds activities that make intensive use of natural resources, namely the real estate, agriculture (crops and livestock) and transportation sectors. Companies in these sectors need to make efficient use of natural resources, especially non-renewable natural resources. We believe the circular economy can offer solutions and create business opportunities in this respect. For example, we support the production of renewable energy from organic waste, like the agricultural biomethanization plant in Warwick.

#### Climate


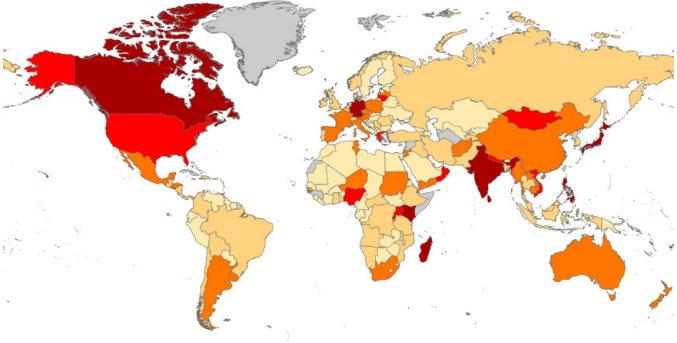

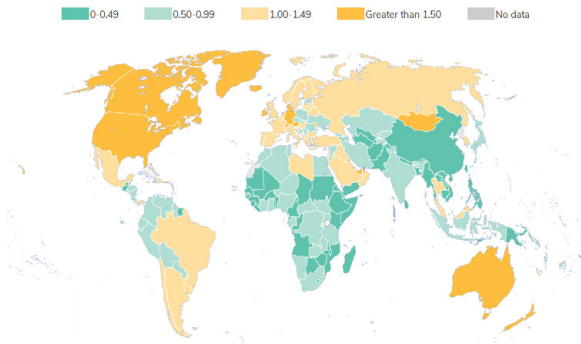

All human activity creates greenhouse gas (GHG) emissions, and the companies we lend to are no exception. Certain sectors, however, are bigger emitters. Our carbon footprint is higher due to our lending to the construction, agriculture and livestock farming (especially cattle) industries.

Emissions in the construction sector come mainly from extracting and manufacturing materials, whereas in agriculture, they mainly come from fertilizers, land use and methane produced by ruminants. Transportation—an essential part of the value chain for most businesses—is also a major source of emissions in our portfolio, as is the case for all of Canada, but especially Quebec.

We recently joined the Partnership for Carbon Accounting Financials to help us accurately measure the carbon footprint of our lending activities. This information will be a key element in our new climate ambition, which will be announced in 2021<sup>3</sup>.

## Context for potential impacts identified

The potential impact areas identified in our analysis must be assessed according to Canada's impact needs, and more specifically the needs of Quebec and Ontario, where most of the businesses we lend to are located. Using a series of indicators, these national and regional needs are assessed on a 4-level scale from low to extremely high. The main impact needs for our context are set out in the table below.

Impact need	Level of need	Indicators
<b>Climate change</b>	<b>EXTREMELY HIGH</b> 	 <ul style="list-style-type: none"> <li>• High rating on Climate Risk Index (<a href="#">Germanwatch</a> – see map above)</li> <li>• High annual CO<sub>2</sub> emissions per capita (15th in the world, <a href="#">World Bank</a>)</li> </ul>
<b>Waste</b>	<b>EXTREMELY HIGH</b> 	 <ul style="list-style-type: none"> <li>• Solid waste generated over 1.5 kg/capita/day (<a href="#">World Bank</a> – see map above)</li> <li>• Low solid waste diversion rate of 27% (<a href="#">Statistics Canada</a>)</li> </ul>
<b>Housing</b>	<b>HIGH</b> 	<ul style="list-style-type: none"> <li>• Canada performs well in terms of the slum dwelling and overcrowding indicators, but affordability challenges remain, especially in major urban centres.</li> <li>• 35% of tenants and 39% of low-income owners spend more than 40% of their disposable income on housing (<a href="#">OECD</a>), which is more than recommended by the <a href="#">Financial Consumer Agency of Canada</a>.</li> </ul>

# Prioritized impact areas

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

## OVERLAP BETWEEN MAIN NEEDS FOR OUR CONTEXT AND CONTRIBUTING SECTORS IN OUR PORTFOLIO

The yellow and green squares indicate a more significant overlap between the sector and need.

MAIN IMPACT NEEDS	MAJOR SECTORS IN OUR BUSINESS LOAN PORTFOLIO				
	Real estate	Agriculture	Manufacturing	Construction	Transportation
<b>Climate change</b>	<ul style="list-style-type: none"> <li>GHG emissions (notably outside Quebec)</li> </ul>	<ul style="list-style-type: none"> <li>Land use</li> <li>GHG emissions (including methane)</li> </ul>	<ul style="list-style-type: none"> <li>GHG emissions</li> </ul>	<ul style="list-style-type: none"> <li>GHG emissions</li> </ul>	<ul style="list-style-type: none"> <li>GHG emissions</li> </ul>
<b>Waste</b>		<ul style="list-style-type: none"> <li>Major source of waste (livestock and crops)</li> </ul>	<ul style="list-style-type: none"> <li>Major source of waste (especially food and plastic production)</li> </ul>	<ul style="list-style-type: none"> <li>Major source of waste production (construction and demolition)</li> </ul>	
<b>Housing</b>	<ul style="list-style-type: none"> <li>Quality and availability of housing</li> </ul>			<ul style="list-style-type: none"> <li>Increase in available housing</li> </ul>	

We’ll use this grid to determine our priorities based on our most significant impact areas. As part of our commitment to the Principles for Responsible Banking, we’ll take coordinated action on these areas and set specific targets. **According to our preliminary analysis, waste and climate change are our most significant impact areas.**



# Principle 3

## Clients & customers

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

Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.

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

Our business practices are guided by this target and by a sound democratic governance<sup>1</sup>. We have internal policies on:

- Sustainable development
- Financial education
- Regional decentralization
- Communications
- Compliance
- Complaint handling and dispute resolution
- Privacy
- Sound commercial practices
- Professional conduct

In addition to these frameworks, we've adopted an integrated socioeconomic leadership strategy that reflects our commitment to our members and clients. For example, to support our members who are doing their part for the planet, we offer a Green Program that includes discounts and other advantages on loans, insurance and investment products. With \$7.4 billion in assets under management and more than 40 responsible investment product options, we're also a responsible investment leader<sup>2</sup> in Canada. To support our members in a just energy transition, as of 2020, our 17 SocieTerra funds and portfolios are 100% oil production- and pipeline-free.

1. See Governance section in our 2020 SCRR, on page 103.

2. See Responsible Finance section in our 2020 SCRR, on page 82.

## Principle 4 Stakeholders

For individuals and business owners who don't qualify for traditional financing, we offer solidarity-based financing products so they can contribute to the economic vitality of their community. We pay special attention to making our advisory services accessible to everyone<sup>1</sup>, and we promote financial literacy<sup>2</sup> to boost our members' financial empowerment.

The peace of mind and well-being of our members and clients is a priority for us. That's why we provide Desjardins Identity Protection, complimentary exclusive advantages, and assistance services that include free legal and psychological assistance<sup>3</sup> for our members ages 18 to 30.

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

Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.

### Stakeholder survey

In 2017, we conducted a materiality analysis on our sustainable development priorities according to the Global Reporting Initiative methodology, which is still topical in 2020. We surveyed 1,700 stakeholders to get a comprehensive look at their concerns regarding sustainable development.

The survey confirmed that our priorities are in line with stakeholders' overall expectations and that we're demonstrating leadership in the energy transition and the fight against climate change. In 2019, we also polled nearly 1,270 members, almost all of whom (93%) said they expect us to be a leader in sustainable development. We'd planned to repeat the stakeholder survey in 2020, but have pushed it back to 2021 and 2022 due to the pandemic and to support our long-term climate strategy.

Surveying our stakeholders helped us establish what's most important to our members and clients. We've addressed these priorities in our Social and Cooperative Responsibility Report<sup>4</sup>.

1. See Convenient services and expertises section in our 2020 SCRR, on page 61.

2. See Financial education section in our 2020 SCRR, on page 65.

3. See 2020 SCRR, on page 59.

4. See Stakeholders survey section in our 2020 SCRR, on page 8.



## Principle 5 Governance & culture

### A preferred partner

We work with all levels of government, regulators and other standard-setting organizations on a variety of issues, including implementing best practices (new legislation) on identity protection in the digital era, modernizing Ontario's financial market and protecting marginalized populations.

Through our many partnerships, we're committed to helping communities make the energy transition and take climate action. Our partnerships<sup>1</sup> support university research and training, foster the development of real solutions for economic players, and promote climate education.

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

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

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

Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.

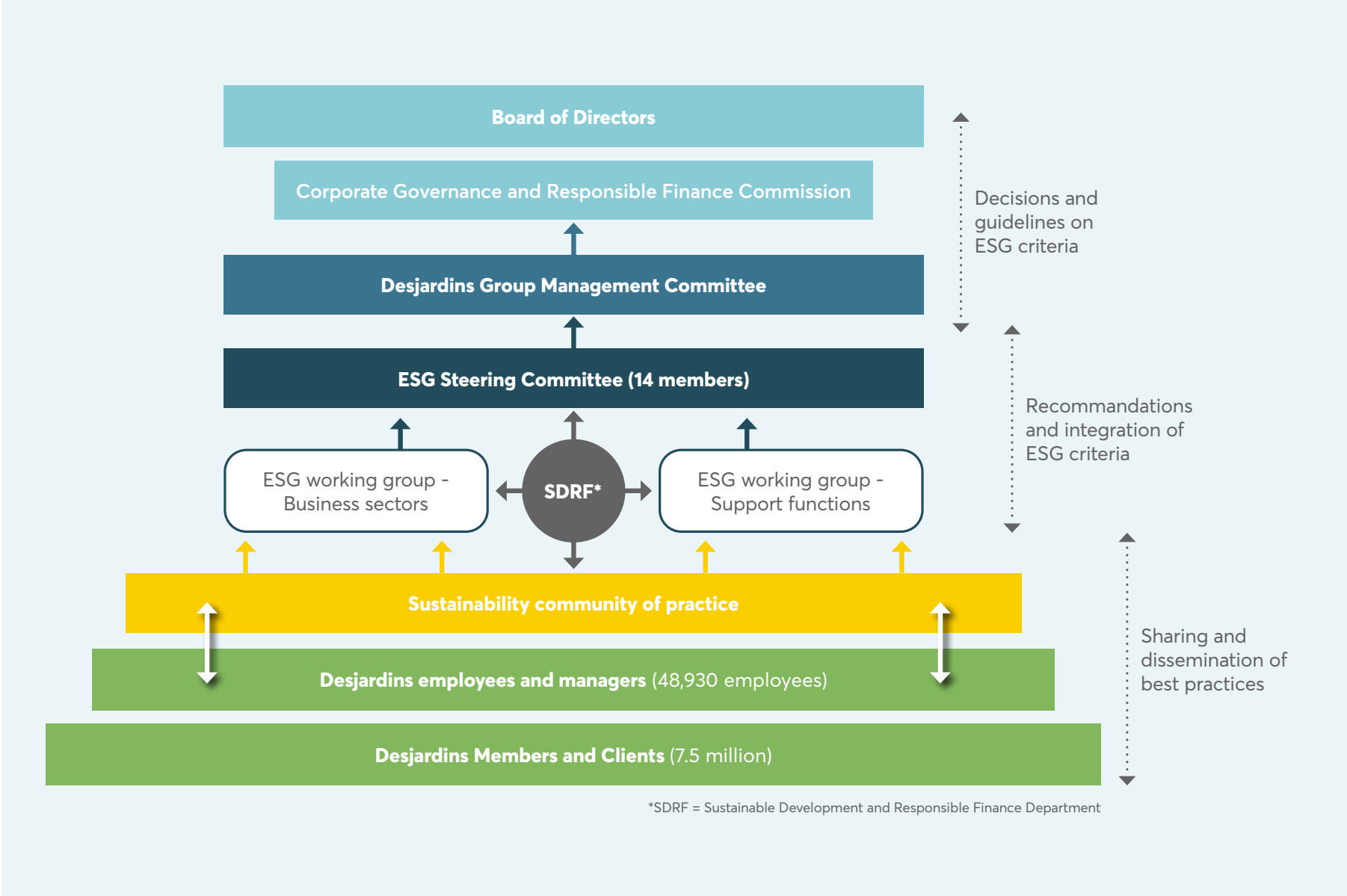
Show that your bank has a governance structure in place for the implementation of the PRB, including:

- a) target-setting and actions to achieve targets set
- b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.

<sup>1</sup> See Partnerships committed to climate action section in our 2020 SCRR, on page 35.

# Strong governance

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





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

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

To assess our performance, we've established "green shift" and "carbon footprint" performance indicators that are presented quarterly to the Desjardins Group Management Committee. Where relevant, the indicators and associated targets are included in executives' and employees' compensation structure.

## A responsible finance culture

At Desjardins, responsible finance is part of who we are as a cooperative and we've dedicated an entire section to it in our Social and Cooperative Responsibility Report. In addition to the information in this report, our president and CEO, Guy Cormier, is a champion of responsible finance. He often discusses the topic during employee meetings, speaking engagements and public appearances. To cite just a few examples from the past year, he participated in celebrations marking [the first anniversary of the PRB](#), was a panelist during a [Powering Past Coal Alliance online session](#), and advocated for a sustainable, resilient economy during the inaugural session at the [Toronto Global Forum](#).



# Principle 6

## Transparency & accountability

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

Show that your bank has progressed on implementing the six Principles.

Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.

Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.

### Monitoring best practices

In line with a significant impact area identified in our impact analysis, two international benchmarking exercises helped us determine the types of strategic initiatives necessary and pointed to the need to broaden the scope of our efforts to reduce our GHG emissions. While we know we need to be proactive about our own operations, we've also realized how important it is for us to do more about the emissions produced by our lending and investing activities. We can use our financial leverage to help people, businesses and communities address climate change.

### Continuous improvement

We are aware of the importance of transparency in disclosure reporting. This report summarizes the measures we're taking to apply the PRB and manage our impacts. The PRB build on our cooperative values and are helping us fast-track the inclusion of ESG factors in our business decisions.

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