

Climate Action at Desjardins

2023 report on climate-related risks and opportunities

Aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)



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Taking action together

We're proud to present this sixth report on climate-related risks and opportunities.

This report speaks to our deep commitment to taking action to accelerate the fight against climate change and biodiversity loss, and to investing in the adaptation and resilience required to reach the ambitions we share with our members and clients and their communities.

Unfortunately, like previous years, 2023 was marked by a number of extreme weather events with disastrous impacts. That included forest fires that scorched over 18 million hectares across Canada and forced over 220,000 people to evacuate their homes, plus record-setting heat waves all around the world. 2023 was also the hottest year on record since the preindustrial era, confirming the upward trend of global average temperatures. And that means we can expect even more extreme weather events. It's time for concerted, rapid and decisive action to limit climate change and its effects.

With this situation in mind, the progress that came out of COP28 on climate change—held in the United Arab Emirates in 2023—is all the more important. Desjardins will always be there to support cooperation among all players, including businesses, associations, regulators, governments and individual citizens.

That's why we picked up the pace of our climate action in 2023, including:

- Getting approval for our science-based decarbonization targets for part of our own investments and lending activities
- Adopting a position on the energy sector that's aligned with our climate ambition, the qualitative analysis of our climate-related risks, our risk appetite and our desire to promote a fair transition in this key industry for Canada
- Bolstering our range of climate change training sessions for our core business areas
- Continuing our collaboration with partners who are similarly committed to climate action (suppliers, industry associations, sector clusters, associations that work with youth, etc.)
- Continuing to enhance our climate risk management practices and mobilizing our organization to pursue our goal of increasingly integrating these risks into our business model
- Bringing the Climate Fresk to 562 employees (for a total of 634 since 2022), training 44 as facilitators, and conducting a workshop on this theme with our management committee
- Continuing our work on reducing GHG emissions from our operations through the Cooperating for the Climate Challenge, with the support of over 60 ambassadors and employees across Desjardins

2023 was also a year of regulatory developments, including the launch of new International Financial Reporting Standards (IFRS) S1 and S2 from the International Sustainability Standards Board (ISSB) and guideline B-15 on climate risk management from Canada's Office of the Superintendent of Financial Institutions (OSFI). We're also actively participating in many consultations, including OSFI consultations on climate-related risk returns and the Standardized Climate Scenario Exercise. We're also consulting on the Autorité des marchés financiers's guideline on managing climate-related risks.

This new regulation will provide a rigorous framework for climate-related risks, both physical and transition-related. We're taking action to respond to this new regulatory environment. We're also working to develop and improve our reporting processes, strengthen our risk management and deploy our climate strategy in collaboration with our partners and stakeholders.

Enjoy the report!



Gildas Poissonnier
Chief Sustainability Officer
Desjardins Group

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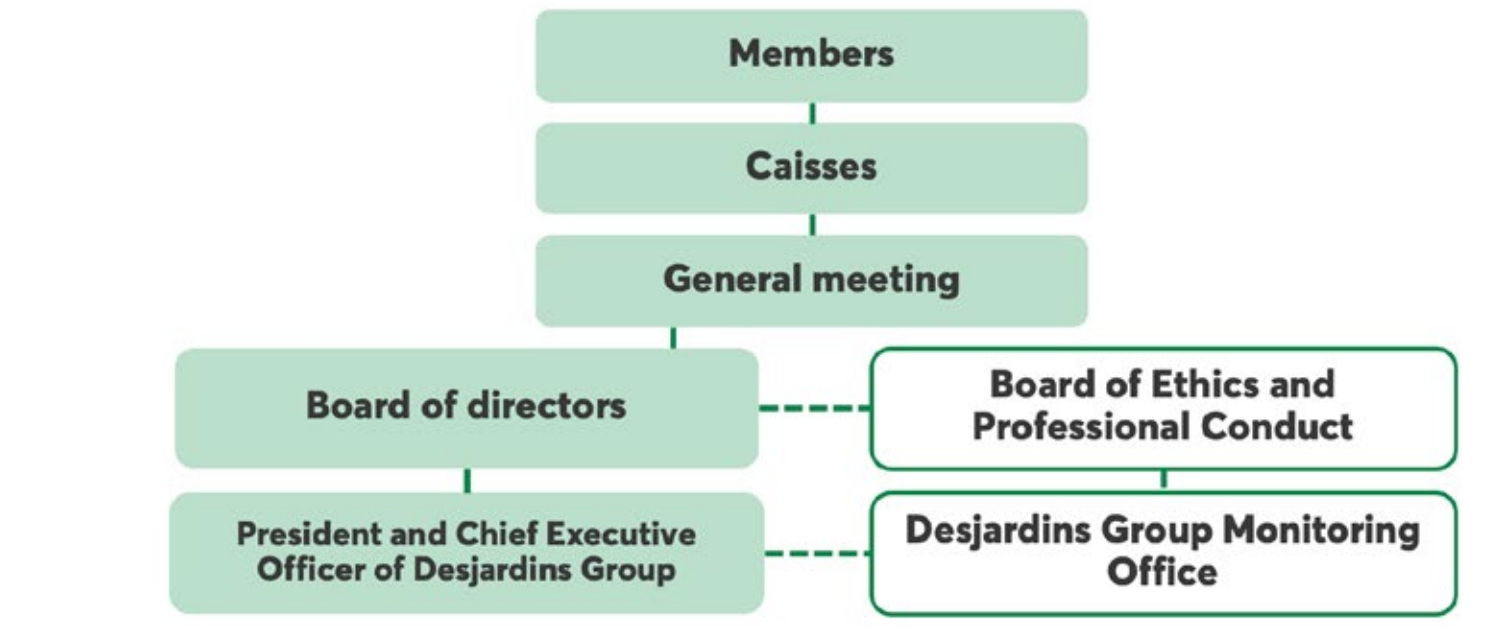
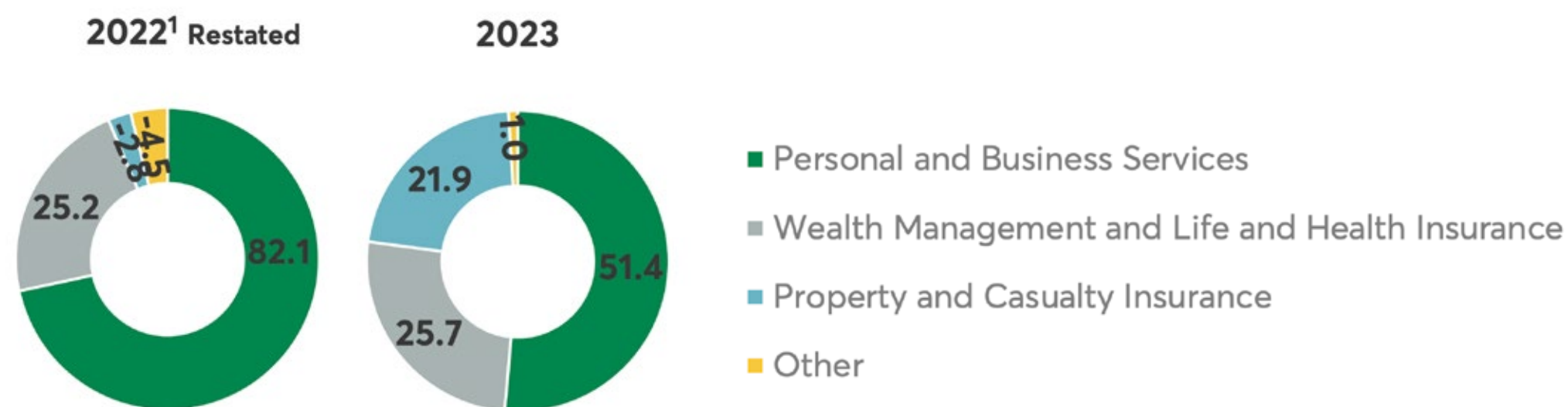
Desjardins Group is the largest cooperative financial group in North America, with \$422.9 billion in assets. As at December 31, 2023, our group included 209 caisses in Quebec and Ontario, the Fédération des caisses Desjardins du Québec and its subsidiaries, as well as the Desjardins Security Fund. A number of our subsidiaries and components are active across Canada, and we maintain a presence in the US through Desjardins Bank, National Association and Desjardins Florida Branch.

Through our Personal and Business Services, Wealth Management and Life and Health Insurance, and Property and Casualty Insurance business segments, we offer our 7.7 million members and clients a full range of financial services designed to meet their needs. And as one of the largest employers in the country, we have 56,165 skilled employees and 2,379 dedicated caisse directors.

We're continuing to make progress on implementing our commitments and concrete measures to integrate environmental, social and governance (ESG) factors into our business model and operations management, to combat climate change and biodiversity loss, and to adapt to these new conditions. We do this through financial education and solidarity-based finance initiatives. We also do this through our lineup of products and services that cover the full range of our members' and clients' needs.

This report shows how we're progressing toward our climate ambition, including what we're doing to reduce greenhouse gas emissions from our operations and our financed emissions. It follows the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD) in terms of governance, strategy and risk management reporting and in terms of measuring our climate targets.

Segment contributions to surplus earnings before member dividends (as a percentage)



Desjardins Group Corporate Executive Division

Support functions	Business segments		
Finance (including Treasury)	Personal and Business Services	Wealth Management and Life and Health Insurance	Property and Casualty Insurance
Operations	Financial management	Insurance for individuals	Automobile insurance
Risk Management (including Compliance)	Savings and investment	Group insurance	Property insurance
Technology and Projects	Integrated business offer	Group retirement savings	Business insurance
Human Resources	Financing	Specialized wealth management networks	
Marketing, Communications, Cooperation and President's Office	Payment	Investments	
Desjardins Group Security Office	Capital markets	Institutional services	
Legal Affairs (including Governance)	Risk and development capital		
Sustainable Development Office	Specialized services		

1. The data have been adjusted to conform to the current year's presentation, notwithstanding IFRS 17, which was adopted on January 1, 2023.

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Our climate action at a glance

	Our strategy	Our operations	Our lending and investment activities			
	<p>2040</p> <p>Target year for achieving our new climate ambition of net zero emissions for our extended operations and financial activities¹</p>	<p>95%</p> <p>Share of the electricity our organization consumes that comes from renewable energy sources</p>	<p>-14.4%</p> <p>Decrease in absolute financed emissions for the listed equity and corporate bond portfolio (insurers' own investments) compared to our reference year (2020)</p>	<p>\$1.9B</p> <p>Investments in renewable energy infrastructure³</p>	<p>\$3.8B</p> <p>New lending portfolio commitments made since 2020 to support renewable energy and energy transition projects</p>	<p>59%</p> <p>Share of renewable energy in our energy sector banking portfolio</p>
<p>We've signed the following initiatives:</p>  <p>SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION</p>  <p>The Net Zero Asset Managers initiative</p>  <p>Finance for Biodiversity Foundation</p>	<p>88%</p> <p>Share of renewable energy in our total energy consumption</p>	<p>0.6%</p> <p>Credit risk exposure at default to the fossil fuel sector²</p>	<p>\$1,000M</p> <p>Sustainable bonds issued in the Canadian market since 2021</p>	<p>24.7</p> <p>Ratio of financing allocated to renewable energy versus fossil fuels in 2023</p>	<p>94%</p> <p>Share of renewable energy in our lending for the electricity production sector</p>	
	<p>-50%</p> <p>Science-based target for 2030 for reducing our operational GHG emissions (compared to 2020 levels)</p>	<p>22%</p> <p>Credit risk exposure at default to carbon-related sectors (energy, transportation, materials and buildings, agriculture, food and forest products)²</p>	<p>-2%</p> <p>Reduction in intensity of financed GHG emissions from companies in the oil and gas sector (credit portfolio)⁴</p>	<p>-36%</p> <p>Reduction in absolute terms of financed GHG emissions from the use of products sold by companies in the oil and gas sector (credit portfolio)⁴</p>		
	<p>4.3</p> <p>Emissions intensity (Scopes 1 and 2, kgCO₂e/m²)</p>					

¹ Lending activities and our own investments in 3 carbon-intensive sectors: energy, transportation and real estate.
² Exposure at default in carbon-related sectors, based on the 2017 TCFD definition, which focused on the energy sector.
³ As at September, 30 2023, including the Desjardins Group Pension Plan.
⁴ From upstream companies, pipelines, refineries and integrated companies (tCO₂e calculated on a commitment basis).

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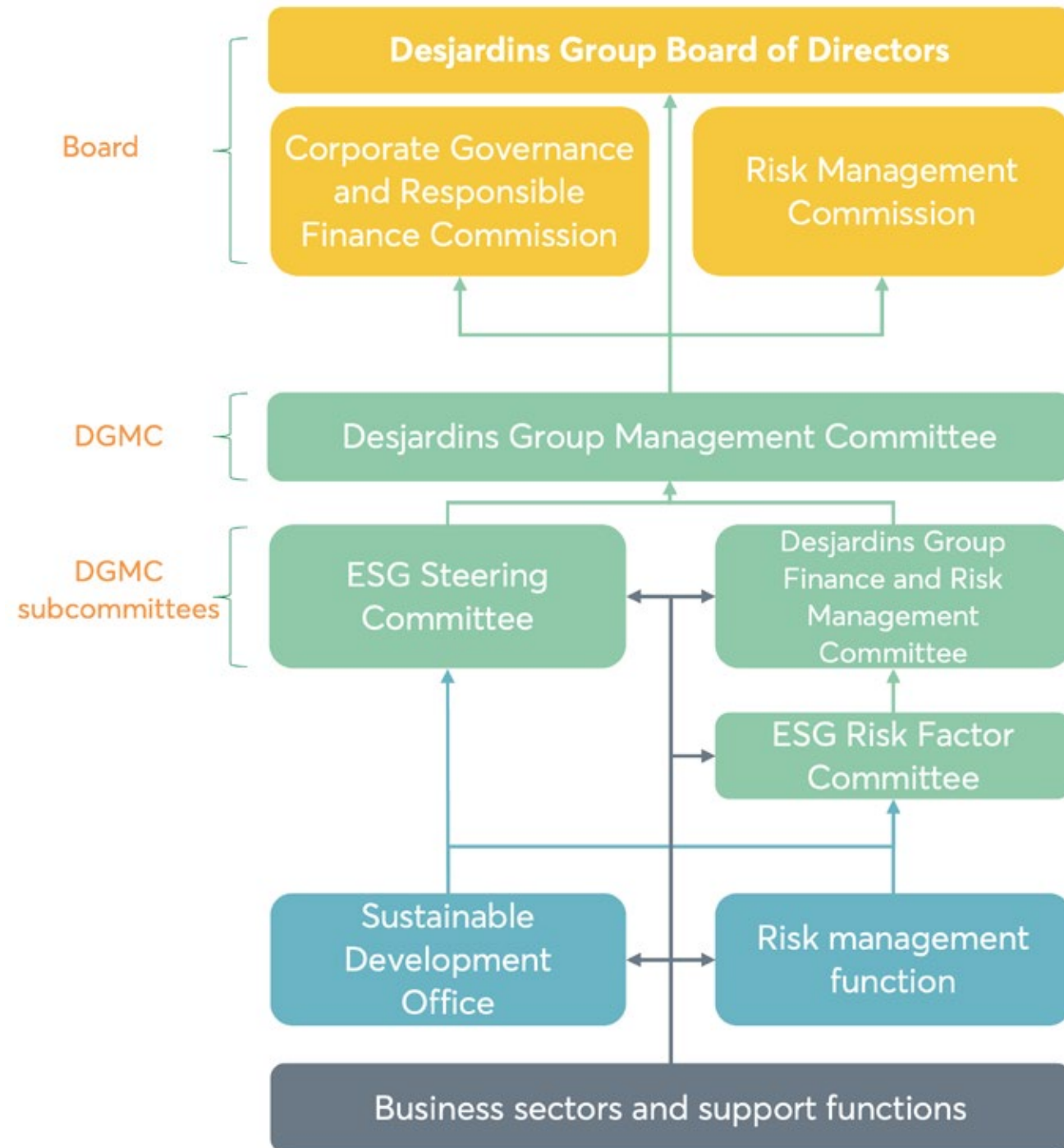
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Governance

Figure 1. Our ESG and climate governance



Climate change is addressed at many levels of Desjardins Group governance.

Supervision by the board of directors

Climate-related issues are supervised by the board of directors, with support from the Corporate Governance and Responsible Finance Commission and the Risk Management Commission. In 2023, these bodies regularly discussed climate change at their meetings. The board of directors and its commissions receive a quarterly report on Desjardins Group's performance, which includes climate change-related indicators (see the next section), as well as a report on risks, including climate change, and the emerging risk of biodiversity loss. Members of the board of Desjardins Group also attended presentations on sustainable development and climate change in 2023. Over 50% of board members have skills and knowledge that are considered advanced in responsible finance, including climate change.

The Corporate Governance and Responsible Finance Commission ensures that climate-related risks and opportunities are included in our climate strategy, which is implemented and monitored by the Desjardins Group Management Committee. The Risk Management Commission provides support to the Federation's board on risk management directions, governance documents and strategies, including climate-related risk.

Management's role

The Desjardins Group Management Committee, supported by the ESG Steering Committee and the Finance and Risk Management Committee, is responsible for implementing our cross-sector climate strategy. This includes identifying, assessing and managing climate-related risks and opportunities.

The ESG Steering Committee is chaired by the chief sustainability officer and is composed of 9 vice-presidents (see [page 9](#) of the Social and Cooperative Responsibility Report) who represent our core business areas and some key support functions related to the committee's mandate. The steering committee is supported by a cross-sector ESG working group that represents our business sectors and support functions.

The Desjardins Group Finance and Risk Management Committee is tasked with conducting regular reviews of the risks we're exposed to and supporting the ESG Steering Committee in establishing ESG positions. The ESG Risk Factor Committee, made up of 9 vice-presidents and directors from all 3 lines of defence, provides cross-sector visibility on climate-related risk trends and management. Working groups help operationalize the work that comes out of this committee's monthly meetings.

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The Desjardins Group Sustainable Development Office reports directly to the senior executive vice-president and chief operating officer. It's responsible for developing our ESG strategy and positions, supporting their implementation, and following up in collaboration with our business sectors and support functions. It coordinates and makes sure climate action plans are coherent all across our organization and provides internal advisory services on climate change and climate-related risk management.

There are currently 2 major projects underway addressing ESG and climate change issues. They each have their own governance and monitoring structures. The first of these is the [Cooperating for the Climate Challenge](#), which launched in 2021. Its aim is to reduce our carbon emissions in 4 priority areas: paper consumption, business travel, energy use in our buildings, and our supply chain. This project relies on ambassadors in our business sectors and support functions. These ambassadors are responsible for targeting initiatives that are most likely to cut GHG emissions, getting employees from every Desjardins entity motivated and giving them the tools to succeed. The Desjardins Group Management Committee receives quarterly reports on how the project is progressing. The second project is the ESG Program, which we set up in 2023. Its purpose is to define and implement a cross-sector approach to ESG data collection and valorization so that we can monitor our ESG performance, manage risk and meet the expectations of stakeholders and regulators, including in terms of reporting. This program, which is based on project governance, is sponsored by vice-presidents within our business sectors and support functions and reports directly to senior management.

In addition to the governance structure at the Desjardins Group level, our main business sectors have developed their own management structures for integrating ESG criteria and responsible finance into their operations and for taking climate change management into consideration. More specifically, that includes an ESG steering committee and a working group on climate change within the Property and Casualty Insurance sector, a steering committee supported by a community of practice in the Wealth Management and Life and Health Insurance sector, and an ESG working group for business financing activities. Over 50 professionals serve on these teams, which are dedicated to considering ESG issues and climate change. They continued to develop and strengthen in 2023.

We also enhanced training for our employees in 2023. We continued to roll out our mandatory training on key sustainable development concepts to all Desjardins employees. As at December 31, 2023, a total of 95% of our 56,165 employees had taken this training. We also made Climate School, a complete program about climate change, available to all employees. Over 550 people registered for the program in 2022 and 2023. Climate Fresk activities are also gaining momentum at Desjardins. In 2022, 70 people participated. And in 2023 we saw over 500 employees take part in these collaborative 3-hour workshops delivered by 44 in-house facilitators, among others. Finally, we created specialized trainings for specific roles and interests, particularly in responsible investment and insurance, including one that discusses the link between climate change and human health.

Accounting for climate change is part of our strategic plan. One of the plan's foundations, socioeconomic leadership, includes several ESG integration and climate change indicators (such as product performance and targets related to our climate ambition). These indicators are reported to the ESG Steering Committee, and some of them are also reported to the Desjardins Group Management Committee and the board of directors. Given the organization's growing maturity in managing climate-related risks, in 2022, we added an indicator to our risk appetite framework to monitor these risks.

ESG practices are also overseen by the Desjardins Group Monitoring Office. This office conducted 2 internal audits in recent years. The first, in 2019, examined how the business sectors were implementing our sustainable development policy. Action plans from this audit were deployed through 2021. The second audit, done in 2022, covered the integration of ESG factors into our business model and operations, with action plans developed for implementation in 2023 and 2024.



Desjardins Group Management Committee members during a Climate Fresk presentation

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Identifying climate-related risks and opportunities

We understand how important it is to identify and evaluate the risks and opportunities related to the physical impacts of climate change and the transition to a low-carbon economy. The long-term repercussions of climate change are complex and unpredictable. They vary depending on the climate scenario being considered and our business sectors. That's why we at Desjardins are investing more and more in growing our understanding and developing our analysis of climate-related risks. In 2023, we made significant updates to the way we factor climate change into our risk assessment and management approach. We refined our methodology and increased the granularity of our results.

Climate-related risk approach

In the Desjardins Group risk register, environmental and social risk is defined as the "risk related to a social or environmental event or issue, in the course of Desjardins Group's operations or its financing, investment and insurance activities, that could result in financial losses or damage to its reputation."

As part of the update to our qualitative risk analysis in 2023, we mapped out the climate-related risk factors that could have significant impacts on our business sectors, operations, members and clients (see tables opposite and on the next page). These risk factors may result in financial consequences for our organization and our members and clients. Certain assets may experience a loss in value, or a loss of income or profitability could cause the value of an investment or a company's risk rating to drop.

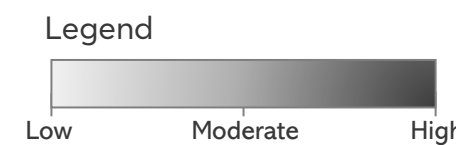
In 2023, our teams continued to expand their work quantifying our exposure to transition risks (see the section on lending for carbon-related sectors on page 13 and the calculation of our financed GHG emissions on page 28) and certain physical risk factors. Our teams also monitor the development of standards and regulatory frameworks on climate change that could affect the organization's activities.

In 2023, we conducted a reporting gap analysis to progressively incorporate the requirements of IFRS S1 and S2 from the International Sustainability Standards Board (ISSB) and guideline B-15 from Canada's Office of the Superintendent of Financial Institutions (OSFI). We submitted responses as part of the following consultations:

- ISSB: Agenda priorities for the next 2 years
- OSFI: Climate-related risk return (collection of data on emissions and climate-related exposure)
- OSFI: Standardized Climate Scenario Exercise
- AMF: Ligne directrice sur la gestion des risques liés aux changements climatiques (work started in 2023, submission in early 2024)

Qualitative evaluation of climate-related risks – Insurance activities

		Physical risk factors						Transition risk factors								
		Acute			Chronic			Policy and regulations		Developments in technology		Member and client behaviour				
Desjardins activities most likely to be affected	Desjardins economic subsectors most likely to be affected	Increase in the number and severity of heat waves	Increase in the number and severity of floods	Increase in the number and severity of storms	Increase in the number and severity of forest fires	Increase in average temperature	Increase in the number and severity of droughts	Change/variability of precipitation patterns	Changes to energy policy	Changes to economic and other incentives	Disclosure and greenwashing	Changes in energy production, storage and distribution	Improvements to energy performance and energy savings	Accessibility and efficiency of low GHG-emitting modes of transportation	Focus on climate finance	Stigmatization of high-carbon activities
Property and casualty insurance	Auto															
	Commercial buildings															
	Housing															
Life and health insurance	Business insurance – vulnerable populations															
	Individual insurance – vulnerable populations															



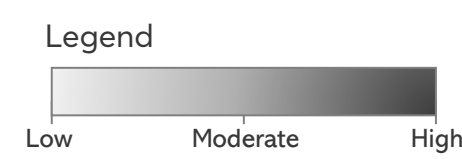
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Qualitative evaluation of climate-related risks – Investment and lending activities

Desjardins activities most likely to be affected	Desjardins economic subsectors most likely to be affected	Assets under management (\$M, Q4 2023)	% of assets under management (\$M, Q4 2023)	Physical risk factors						Transition risk factors																										
				Acute			Chronic			Policy and regulations		Developments in technology		Member and client behaviour																						
				Increase in the number and severity of heat waves	Increase in the number and severity of floods	Increase in the number and severity of storms	Increase in the number and severity of forest fires	Increase in average temperature	Increase in the number and severity of droughts	Change/variability of precipitation patterns	Changes to energy policy	Changes to economic and other incentives	Disclosure and greenwashing	Changes in energy production, storage and distribution	Improvements to energy performance and energy savings	Accessibility and efficiency of low GHG-emitting modes of transportation	Focus on climate finance	Stigmatization of high-carbon activities																		
Desjardins Global Asset Management investments	Energy	1,199	3.1%																																	
	Finance and insurance	6,643	17%																																	
	Industrials	643	1.6%																																	
	Infrastructure	1,429	3.7%																																	
	Real estate	296	0.8%																																	
	Utilities	1,043	2.7%																																	
Desjardins activities most likely to be affected	Desjardins economic subsectors most likely to be affected	Exposure at default (EAD) (\$M, Q4 2023)	% EAD (\$M, Q4 2023)	Increase in the number and severity of heat waves	Increase in the number and severity of floods	Increase in the number and severity of storms	Increase in the number and severity of forest fires	Increase in average temperature	Increase in the number and severity of droughts	Change/variability of precipitation patterns	Changes to energy policy	Changes to economic and other incentives	Disclosure and greenwashing	Changes in energy production, storage and distribution	Improvements to energy performance and energy savings	Accessibility and efficiency of low GHG-emitting modes of transportation	Focus on climate finance	Stigmatization of high-carbon activities																		
																			Agriculture, forestry, fishing and hunting	10,050	2.4%															
																			Retail trade, perishable goods	4,612	1.1%															
																			Construction	4,605	1.1%															
																			Manufacturing	5,722	1.4%															
																			Automobile and durable goods financing	7,788	1.9%															
																			Commercial and residential real estate	222,231	54.1%															
																			Accommodation and food services	423	0.10%															
Health care and social assistance	739	0.20%																																		



Methodological considerations: This heatmap came out of the qualitative analysis of climate-related risks updated in 2023. We enhanced our qualitative analysis methodology in 2023 by integrating a more granular climate-related risk taxonomy. This analysis is based on interviews with 22 representatives from our main business sectors. The interviews covered climate-related risks (probability and impact) within the portfolios in consideration, in the relatively short term (about 5 years). The evaluation was conducted on the basis of inherent risk and based on the knowledge of the specialists we met with. The occurrence of a physical or transition risk factor can vary widely from one event to the next, for example as a result of variations in the severity of the event, the affected region or the industry in question. The impacts we evaluated in the analysis relate to our direct operations and direct procurement processes with our members and clients.

Our qualitative analysis of physical climate-related risks and responses to mitigate GHG emissions (transition risks) found the following:

Physical risks:

- The physical risks determined to be highest (flooding, storms, drought, and variability of precipitation) could most strongly impact agriculture, forestry, fishing and hunting. To a lesser extent, they could affect the construction industry, industrial manufacturing, and lodging and food services. The commercial property and casualty insurance and home insurance industries are exposed to moderate to high risks related to flooding and storms.

Transition risks:

- The energy sector came out as the most likely to be affected by transition risks, particularly as a result of changes to energy policy, the trend toward climate finance, and the stigmatization of high-carbon activities.
- Lesser impacts are likely to be felt by agriculture, retail trade, construction and manufacturing. Those impacts are related to costs caused by carbon prices and, in some cases, the stigmatization of activities with higher emissions. Real estate and infrastructure will also need to be monitored in the near future.

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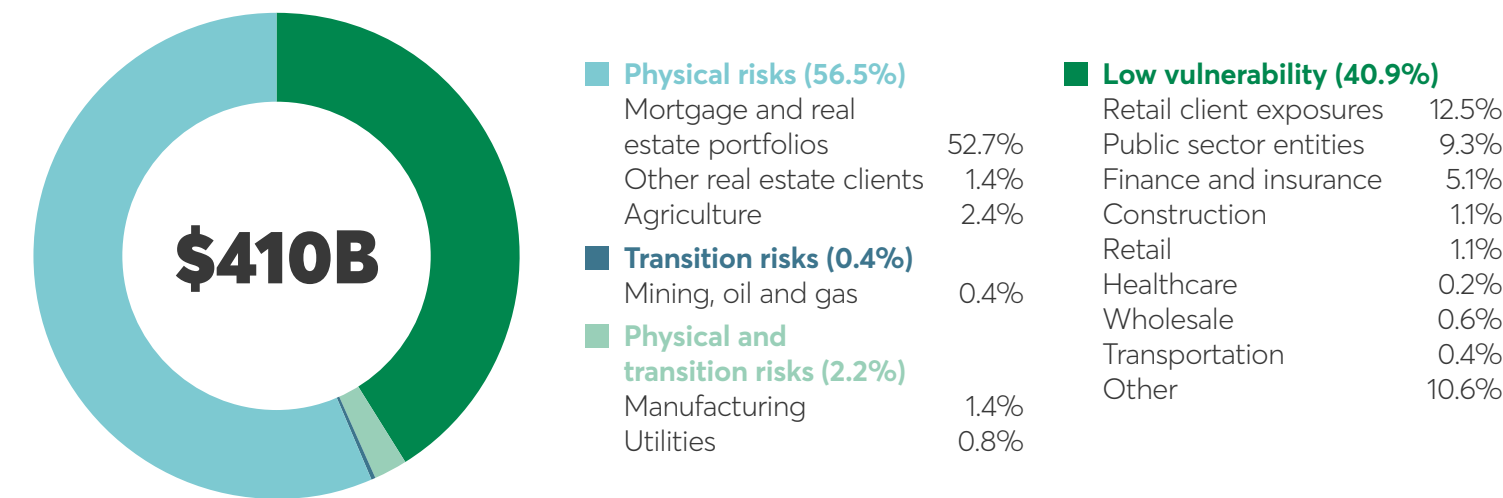
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As the qualitative analysis process revealed, our lending and own investment portfolios are exposed to climate-related risks in different ways, illustrated in the graphs below. The real estate (mortgage financing and commercial real estate) and agriculture sectors are more exposed to physical risks, while sectors connected to extractive industries, particularly oil and gas, are more exposed to transition risks. Some sectors, such as utilities, are exposed to both risk categories. These risk exposures represent potential vulnerabilities for these sectors.

Lending and own investment portfolios – Vulnerability to climate-related risks

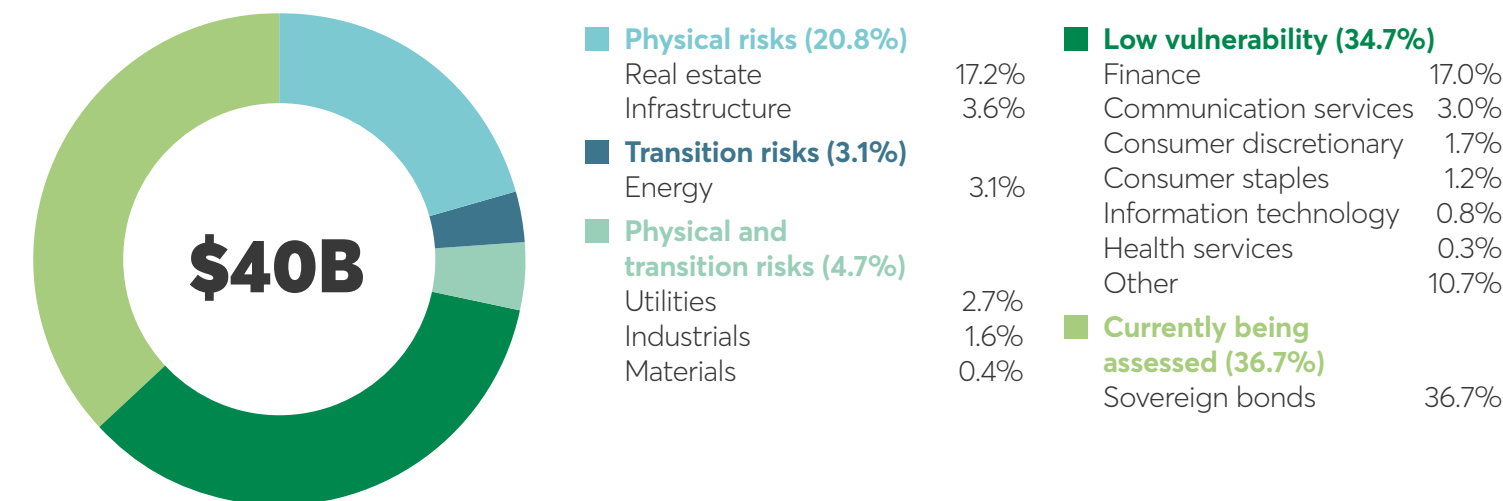
Exposure at default to climate related risks

(as at December 31, 2023)



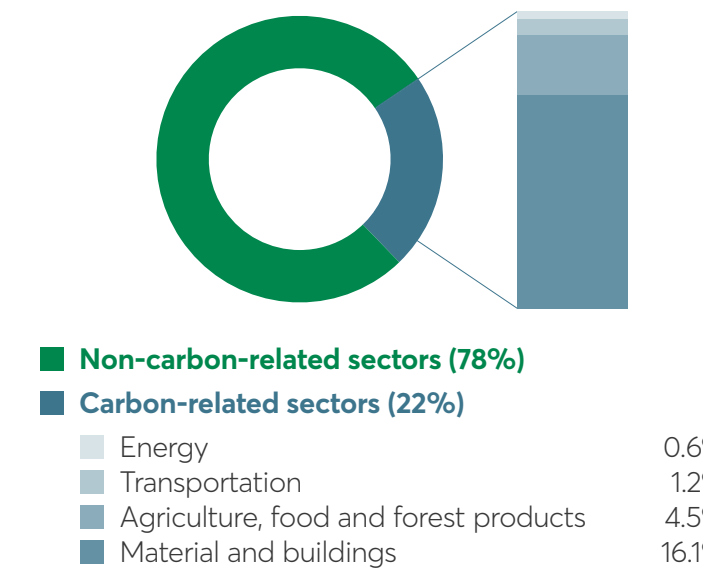
Exposure to climate related risks

(Assets under management of our own investments as at December 31, 2023)

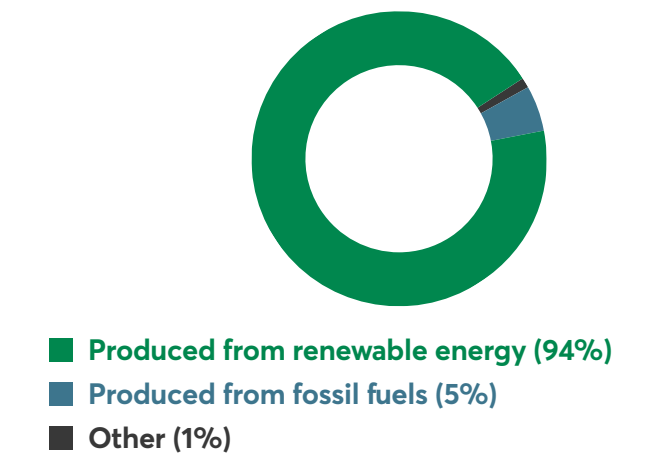


Since 2022, the indicator for exposure to carbon-related sectors has used the methodology recommended by the TCFD in 2021. Carbon-related sectors include the energy, utilities, transportation, materials and buildings, agriculture, food and forest products sectors. These sectors represent a total potential exposure of 22.3% of our credit risk exposure at default (EAD) (excluding repo-style transactions, over the counter derivatives and insurance portfolios). This concentration in the portfolio includes businesses in the materials and buildings sectors (16.1%) and the agriculture, food and forest products sectors (4.5%). We have little exposure to the transportation (1.2%) and energy sectors, with less than 1% of our EAD concentrated in fossil fuel production or electricity produced from fossil fuels.¹ A more detailed analysis of our lending to the electricity production sector² shows that only 5% of that portfolio is related to production from fossil fuels. It's important to note that exposure or vulnerability to a given sector will not necessarily translate into a materialization of risk for all members and clients of that sector. It depends on the location of the assets and their specific situations such as risk mitigation measures.

Our exposure at default to carbon-related sectors¹ represents 22% (\$85 billion) of our credit risk exposure at default as at December 31, 2023



Our exposure at default to electricity production² was \$3.2 billion as at December 31, 2023



1. This percentage is calculated by dividing the exposure at default (EAD) to carbon-related sectors by the total credit risk EAD (see page 75, Pillar 3 Report). Carbon-related sectors include the transportation, materials and buildings, agriculture, food and forest products, energy and utilities sectors, but exclude water utilities, independent power producers and renewable energy producers, as defined by the TCFD (2021). Repo-style transactions and over-the-counter derivatives are not included in the calculation.

2. This percentage is calculated based on the exposure at default of companies in the electricity production sector. Each company is weighted based on the amount of electricity produced (in GWh).

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At Desjardins, we believe that climate change also provides opportunities for certain sectors of the economy and the institutions that work with them.

We want to be a part of a just energy transition for our society, and we're doing that several ways: developing responsible finance products, being active shareholders, investing in and financing renewable energy projects, financing university programs that train skilled workers (especially in responsible finance and the circular economy), and bolstering electric transportation infrastructure by adding charging stations in the communities we serve in Quebec and Ontario.

We're a leader in responsible investment (RI) in Canada with 74 RI solutions and nearly \$13.8 billion in RI assets under management as at December 31, 2023. SocieTerra Funds and Portfolios are some of our main products. They aim to offer attractive return potential while benefiting communities and the planet. All 28 of our SocieTerra Funds and Portfolios have been oil- and pipeline-free since June 2020.

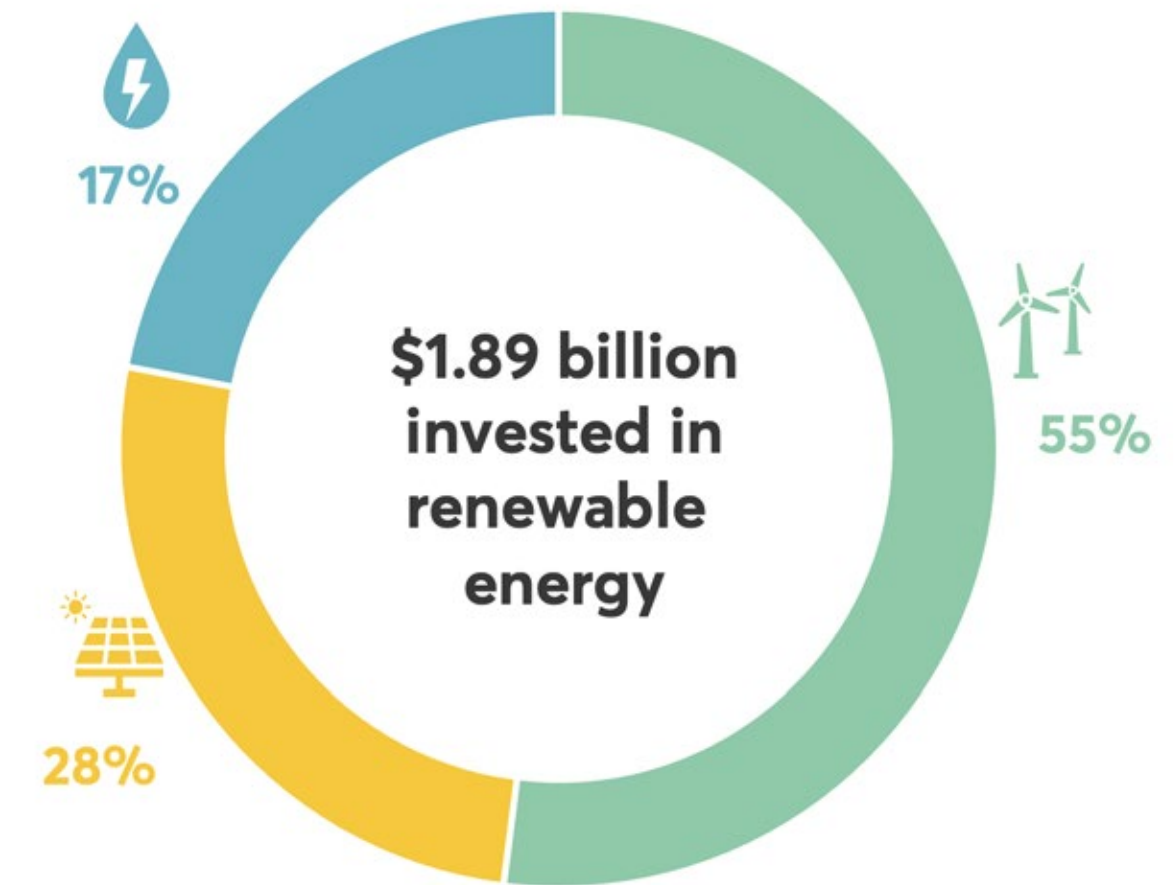
Estimated carbon intensity of organizations in which Desjardins Funds invest compared to comparable organizations*

Desjardins SocieTerra Positive Change Fund → -74%	Desjardins SocieTerra Emerging Markets Equity Fund → -73%
Desjardins SocieTerra Diversity Fund → -84%	Desjardins SocieTerra Canadian Equity Income Fund → -63%
Desjardins SocieTerra Global Opportunities Fund → -42%	Desjardins SocieTerra American Small Cap Equity Fund → -22%
Desjardins SocieTerra International Equity Fund → -7%	Desjardins SocieTerra International Small Cap Equity Fund → -90%
Desjardins SocieTerra American Equity Fund → -76%	Desjardins SocieTerra Low Volatility Global Equity Fund → -68%
Desjardins SocieTerra Canadian Equity Fund → -59%	Desjardins SocieTerra Global Dividend Fund → -36%
Desjardins SocieTerra Cleantech Fund → -11%	

* Results as at December 31, 2023, calculated using data from MSCI ESG. © 2023 MSCI ESG Research LLC. Reproduced with permission. Further distribution prohibited. To learn more, see the 2023 Annual Report on Responsible Investment.

Together with the Desjardins Group Pension Plan, we have a sizable infrastructure portfolio. Our infrastructure investments are concentrated in the renewable energy sector, which accounts for 41% of this portfolio. Renewable energy investments continue to grow and totalled \$1.89 billion* as at September 30, 2023, up 56% from the end of 2020 (see image below).

Breakdown of renewable energy investments by source (wind, solar and hydroelectric energy)



\$1 billion of sustainable bonds

After our first issue of \$500 million in sustainable bonds in September 2021, we issued another \$500 million in August 2023. The net proceeds will be used to fund loans for social (40%) and environmental (60%) projects. Moody's Investors Service, an independent firm, gave our framework their highest rating, "Advanced." The extremely positive market response to these bond issues creates value for our members and clients and speaks to our approach's high standards and relevance. For more information, see the [2023 Sustainable Bond Report](#).

* As at September 30, 2023, including the Desjardins Group Pension Plan.

Introduction

For 20 years, we've been implementing initiatives in our business sectors to put our climate strategy into practice. These initiatives help us reduce our GHG emissions, support our members' and clients' resilience, and help them learn about the transition to carbon neutrality. Here's what was new in 2023.

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Desjardins Group activities	Initiatives
Personal banking	<ul style="list-style-type: none"> • The Green Homes program offers loans to purchase a new home that meets Novoclimat, ENERGY STAR® or LEED® Canada conditions, and for eco-friendly renovations that meet the criteria of the Rénoclimat program. The offer includes cash back (up to \$2,000), discounts on home insurance and free access to our Home Assistance service. In 2023, close to 300 clients took advantage of this offer, for a total of \$98 million. • Our Green Program for financing electric and hybrid vehicles provided loans for over 2,300 vehicles in 2023, for a total of \$107 million. The offer also features better rates and a slightly higher commission for dealerships. We're currently looking at options to promote these offers more widely.
Commercial banking	<ul style="list-style-type: none"> • The new ESG swap for large businesses is a derivative financing product linked to key performance indicators related to sustainable development goals. It uses cash back as a reward for achieving ESG goals and encourages the implementation of sustainable initiatives like building wind farms. This year, we acted as the sole arranger for the Apuiat project. For the Paintearth Wind Project, we entered into a \$125 million swap covering the financed portion. • We created a mandatory responsible finance program to train all the professionals who serve our business members and clients, to support them in the transition toward a sustainable future. • Workshops with Québec Net Positive helped raise awareness among members, clients and frontline teams, to suggest concrete ways of taking action, for example to reduce GHG emissions.
Desjardins Securities	<ul style="list-style-type: none"> • Desjardins Securities offered advisory services for implementing and distributing 17 green, social and sustainable financial products. • In 2023, Desjardins Securities helped distribute over \$10.5 billion of green, social and sustainable bonds, including a \$500 million Fédération des caisses Desjardins du Québec issue, in keeping with the Desjardins Sustainable Bond Framework (see previous page).
Desjardins Insurance (Desjardins General Insurance Group and Desjardins Financial Security)	<ul style="list-style-type: none"> • In 2022, Desjardins Insurance implemented weather maps for hail and wind. In 2023, the maps were upgraded with sewer backup and water seepage data to better quantify the risk of water-related losses. Insurance contracts now include 2 resilient reconstruction measures following a loss: \$1,000 for devices to mitigate damage following a loss caused by sewer backup across Canada and \$2,500 for replacing damaged standard shingles with Class 4 impact resistant shingles following an insured hail-related loss in the high-risk area in Alberta. • The dashboard set up in 2022 for monitoring catastrophe-related risks and market concentration in at-risk areas now includes wind-related dangers (convective and winter storms and hurricanes) and flood risks. • Desjardins Insurance collaborated on the publication of a UN reference framework and rollout activities to raise awareness in the Canadian insurance industry about the link between social equity and climate change adaptation measures. • In life and health insurance, a great deal of work has been done to better understand the impacts of various physical risks (heatwaves, poor air quality, and vector-borne diseases). This work makes Desjardins Financial Security (DFS) more resilient to climate change and will help it better support members and clients. In addition, a training on the Principles for Sustainable Insurance was rolled out to DFS employees. The training included a module specifically about the impact of climate change on the health of Canadians. This module was presented at Adaptation Futures, an international event in Montreal (at the Desjardins kiosk).
Savings and investment management	<ul style="list-style-type: none"> • Desjardins Investments has expanded access to its fixed-income security funds. It now offers 5 share classes for individual investors for Desjardins Funds and Desjardins SocieTerra Funds. • 9 net zero emissions pathway ETFs, with the goal of net zero emissions by 2050, are available. • Desjardins Investments is part of the Net Zero Asset Managers Initiative. This initiative involves defining intermediate targets for 2030 and achieving the ambition of net zero emissions for Desjardins funds and portfolios by 2050. A first calculation of the SocieTerra lineup's financed emissions (listed equity and corporate bonds) was carried out using the PCAF standards. • The first training video on climate change made for caisse advisors was rolled out. In 2023, a total of 255 advisors from across Canada went to presentations about the net zero emissions target, climate change, and strategies to implement in portfolio models. • Desjardins Funds completed a first qualitative analysis of physical and transition risks. • Desjardins Global Asset Management (DGAM) completed an ESG analysis for all of its investment activities. This analysis integrated climate impacts, biodiversity preservation and human rights, and included a consultation framework. • DGAM also carried out an energy audit for its real estate portfolio to establish its decarbonization strategy and reduce its financed emissions.

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How climate-related risks and opportunities impact business, strategy and financial planning

At Desjardins, we understand that climate change can impact our organization's financial planning process and strategy.

We're currently working on analyzing and quantifying climate-related risk to help us better understand the impact of climate change on our costs and operating income, investments, capital distribution, acquisitions, transfers, access to capital and more.

In April 2021, we announced our renewed climate ambition and our action plan to achieve net zero emissions by 2040 in our extended operations (buildings, business travel and supply chain) and in our lending activities and own investments in 3 carbon-intensive sectors: energy, transportation and real estate. This climate ambition was announced with a first 5-year milestone, with several targets we've committed to reaching by 2025.

Our climate ambition is backed by existing projects and strategies, such as setting decarbonization targets for our own investments and investments held by the Desjardins Group Pension Plan, making major investments in and offering financing to the renewable energy sector, integrating ESG criteria and committing to shareholder engagement (see pages 23, 24, and 61 of our [Social and Cooperative Responsibility Report](#)).

Expanding the scope of our climate strategy to include emissions we don't directly control requires transforming our practices extensively. That means setting up short- and medium-term targets and initiatives for our financial activities, as laid out in the figure opposite: supporting renewable energy, guiding carbon-intensive sectors and drafting a position on the energy sector. These targets and initiatives also involve decarbonizing our operations (science-based targets and quantification of our supply chain's GHG emissions). We're also continuing to work on training our employees on sustainable development concepts.

Desjardins Group climate ambition



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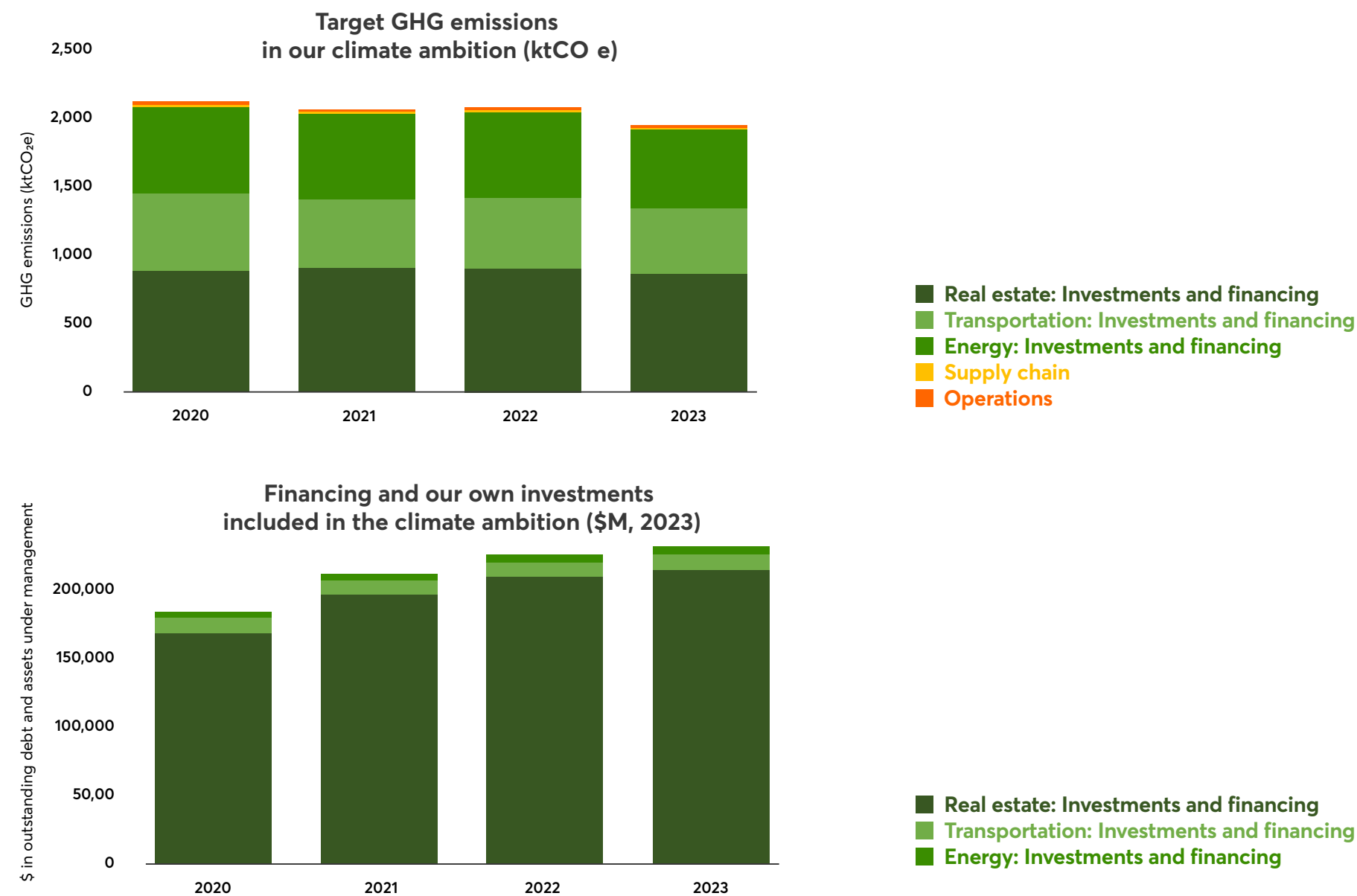
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The graphs below show how the activities within the scope of our climate ambition for absolute emissions have changed since 2020 in millions of dollars financed or invested in transportation, real estate and energy. For details on operational and financed emissions, see the **Metrics and targets** section.



At the end of 2023, operational and financed GHG emissions were calculated at about 2 million tCO₂e. Our total absolute emissions have gradually decreased since 2020 (-8%). During this time, our total assets in this scope have increased from \$162 billion to \$205 billion (26%). That means the carbon intensity of our portfolios has gone down significantly from year to year.

It's also worth mentioning that monitoring our climate ambition is currently very complex due to a lack of real data, particularly in the transportation and real estate sectors. We're constantly working to improve the data used for these calculations. Some calculations will be redone over time starting with basic data to measure real performance. The ESG Program we implemented in 2023 is intended to significantly enhance the quality of data in our calculations.

Since 2022, we've been able to measure our appetite for climate-related risk thanks to an indicator developed by our risk management teams. This indicator is favourable for fiscal year 2023.



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Our positions on the energy sector

Over the past 3 years we've adopted several positions to support the transition to a low-carbon energy sector, aligned with the objectives of the Paris Agreement.

These positions reflect our detailed analysis work and continuous efforts to measure our exposure, identify investment and financing opportunities, and support our members and clients as well as the companies we invest in as part of the transition.

Sector	Year implemented	Key aspects
Coal	2020	<p>We will not invest our own funds in, or provide financial products (including corporate financing, financial intermediation, loans and insurance) to companies that meet one or more of the following criteria:</p> <ul style="list-style-type: none"> • Operate or develop coal mines • Have greater than 10% or 5 GW installed coal power generation capacity • Are building, extending or renovating coal mines, power plants or infrastructure
Oil and gas	2023	<p>Targets for lending activities:</p> <ul style="list-style-type: none"> • Between 2020 and 2030, a 35% to 45% reduction of financed direct (Scope 1) and indirect GHG emissions related to the use of electricity, steam and heating and cooling (Scope 2) from integrated and upstream companies, in physical intensity (tCO₂e/TJ, calculated on a commitment basis). • Between 2020 and 2030, a 25% reduction in absolute terms of financed indirect GHG emissions related to the use of products sold (Scope 3, category 11) by upstream companies, pipelines, refineries and integrated companies (tCO₂e, calculated on a commitment basis). • We will not finance fossil energy projects in the Arctic or in ultra-deep waters, or new infrastructure development projects (extraction sites, pipelines, refineries). • We will not finance large companies in the global oil and gas sector unless they're committed to the energy transition or to finance their transition projects. <p>Target for own investments:</p> <ul style="list-style-type: none"> • Between 2020 and 2030, a 50% reduction in absolute terms of financed direct (Scope 1) and indirect GHG emissions related to the use of electricity, steam and heating and cooling (Scope 2) of companies in the oil and gas sector as a whole (tCO₂e, based on assets under management).
Renewable energies	2023	<p>Lending activities:</p> <ul style="list-style-type: none"> • Between 2023 and 2030, at least 3 times more new financing allocated to renewable energies than to fossil fuels. • Between 2020 and 2030, at least \$5 billion in financing committed to renewable energies and the energy transition. • By 2030, we'll achieve at least 60% of financing for the renewable energy sector in our energy sector portfolio. <p>Investments:</p> <ul style="list-style-type: none"> • By 2025, we'll have a \$2 billion renewable energy infrastructure investment portfolio of our own funds and of the Desjardins Group Pension Plan's investments.

A full list of our positions is available on page [27](#) of the Social and Cooperative Responsibility Report.

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Climate scenarios and pilot projects

Many factors make it difficult to integrate climate change into the strategy of a financial institution like ours, including long time horizons, the multitude of physical and transition risks, complex causality links between climate and socioeconomic variables and the financial impact on our members, clients and business sectors, and the broad range of models and scenarios for what the future may hold.

In order to coordinate the latest industry developments into a worldwide approach, we've participated in a number of pilot projects with the United Nations Environment Programme Finance Initiative (UNEP FI). In 2018–2019, we took part in developing a scenario analysis tool for investments (transition scenarios for 1.5°C and 2°C), and in 2020 we helped develop a tool to assess the repercussions of flood risk on Ontario's property and casualty insurance industry based on 2 climate scenarios (Representative Concentration Pathways [RCPs] 4.5 and 8.5). Since 2021, several members of Desjardins teams have been part of the UNEP FI TCFD and Climate Risk Programme's various modules, working groups and specialized trainings. In 2023, our teams participated in modules including: Climate Stress Testing; Transition and Physical Risk Tools; Physical Risk Data; and Climate-Related Legal and Regulatory Risks.

In 2023, Desjardins General Insurance Group (DGIG) took part in the Bank of Canada's pilot project on the [analysis](#) of potential financial risks in the residential real estate sector posed by current and projected flooding caused by extreme weather events in Canada.

With the help of an external firm, in 2020 we defined 4 climate scenarios that will serve as the basis of our ongoing and future analyses of the potential repercussions of climate change. These scenarios, listed below, represent a range of plausible future situations based on possible climate trajectories. They're consistent with the reference scenarios defined by the Intergovernmental Panel on Climate Change and the Network for Greening the Financial System (see table below).

Several Desjardins teams conducted initial stress tests to assess the impact of climate change on our insurance operations (physical risks) and on our investments (transition risks). These analyses inform our property and casualty and life and health insurers' own risk and solvency assessments (ORSA). They were made on portfolios that were limited (investments in listed equity and corporate bonds, insured real estate), and were based essentially on status quo scenarios (RCP 8.5) for physical risks and orderly or disorderly transition scenarios, aligned with an average temperature increase of 1.5°C or less than 2°C by the end of the century. They're currently subject to a number of uncertainties, including the lack of data, the assumptions used and the available methodologies.

Considering these limits, the findings indicate generally low impacts for physical risks on the time horizons considered. The transition risks are potentially higher based on the model we used on our own investments (Climate Value at Risk, developed by MSCI). That said, these risks show impacts on a distant time horizon and don't account for potential mitigation measures that could be implemented before then, such as sectoral reallocation and selection of lower risk emitters.

By participating in various initiatives such as UNEP FI and the Bank of Canada pilot project, and through our internal expertise and experience, we're advancing the way we quantify the impacts of physical and transition risk factors.

Scenario	Deep decarbonization, delayed action	Deep decarbonization, immediate action	Partial decarbonization	Business as usual
Trajectory	Countries act to limit global warming to 2°C or less by 2100, but worldwide action is delayed, resulting in a disorderly transition.	Countries act to limit global warming to 2°C or less by 2100. As of 2020, the worldwide transition is orderly and consistent with the climate targets of the Paris Agreement	Countries act according to their pledges under the Paris Agreement. These actions are not enough to limit warming to an additional 2°C by 2100	No further action is taken to limit global warming. Emissions continue to rise.
Increase in global temperature by 2100	≤ 2	≤ 2	~ 3	≥ 4

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How we're protecting biodiversity

Biodiversity refers to all living beings and the ecosystems they inhabit. It's our planet's wealth. We now know that climate change and the increasing loss of biodiversity endanger our quality of life and the economic development of our societies. The World Economic Forum ranks biodiversity loss and ecosystem collapse as the fourth highest risk in the world over the next decade. And according to the organization, nearly 50% of GDP is moderately or strongly dependent on nature, while the rest is somewhat dependent.

Desjardins Global Asset Management (DGAM) and Desjardins Investments participated in several presentations at conferences, including those of the Responsible Investment Association and the Investment Industry Association of Canada. In 2022, DGAM and Desjardins Investments both signed the Finance for Biodiversity Pledge. The goal of this commitment is for the signatory organizations to factor biodiversity restoration and protection into their investment products and to adhere to the following 5 principles by 2024:

- Collaborating and sharing knowledge on biodiversity
- Engaging with companies on biodiversity
- Assessing the impact of their investments on biodiversity
- Setting biodiversity targets
- Including progress on biodiversity goals in annual reports

Since signing the Finance for Biodiversity Pledge, DGAM has begun to study the dependencies and impacts on nature, as well as biodiversity-related risks and opportunities in its portfolios. It has also participated in multiple working groups with the goal of learning more about integrating biodiversity. In addition, DGAM has worked on a report on the link between biodiversity and climate. More information is available in the annual Responsible Investment Activity Report, published [here](#).

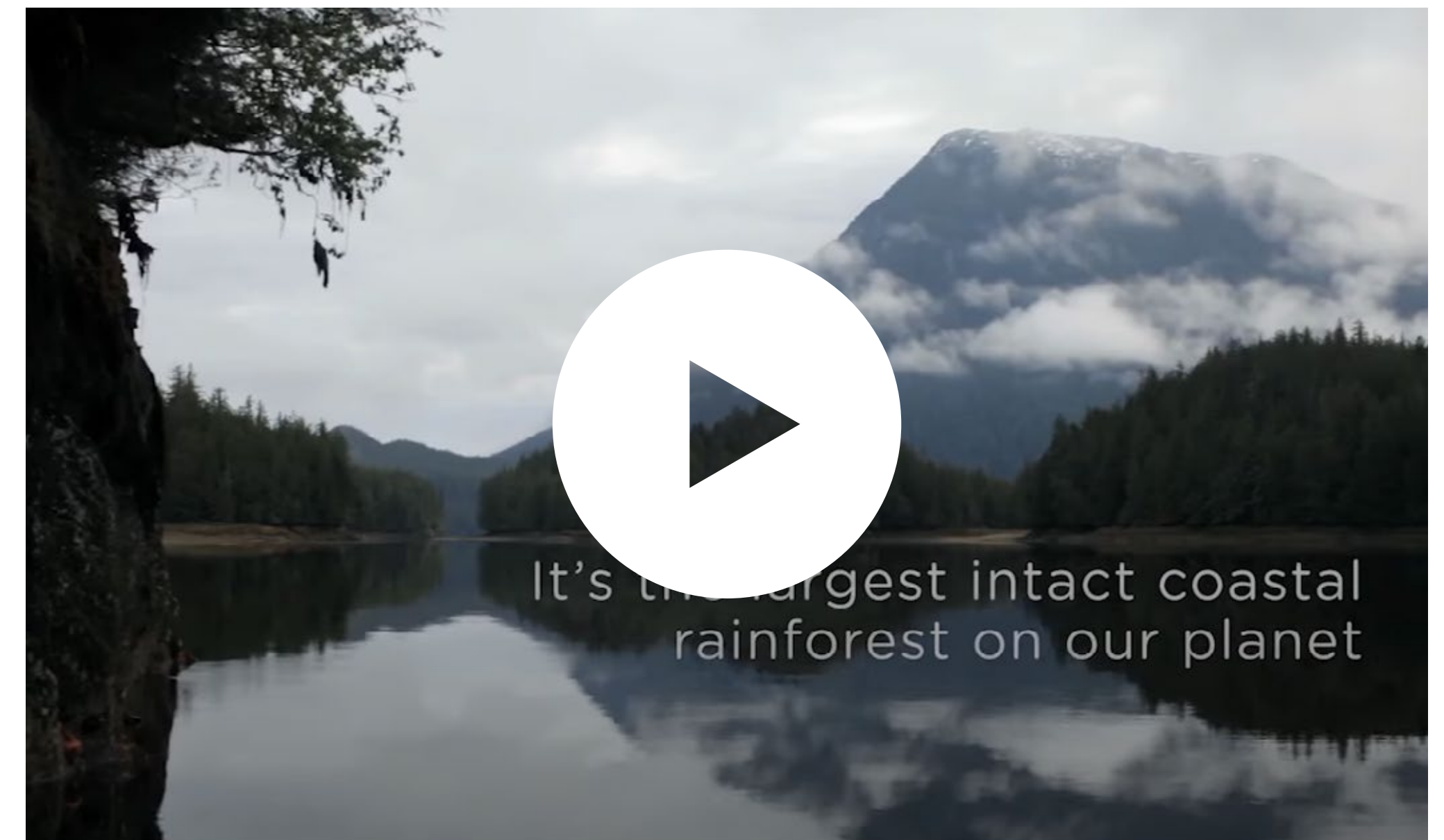
DGAM has been a member of the FAIRR (Farm Animal Investment Risk and Return) Initiative since 2021. FAIRR is a network that facilitates investor collaboration on material agricultural issues, especially ESG risks in the global food industry. Working with FAIRR, DGAM continues to engage with food producers about protein diversification, waste management and pollution.

In 2023, Desjardins Investments adopted a stewardship approach based on 3 priority themes: climate, nature and human rights. As Desjardins's fund manager, Desjardins Investments shares in the responsibility to consider these 3 issues that could have negative effects on the long-term value of security holdings and a systemic impact on communities and the planet. A brochure explaining the stewardship policy is available [here](#).

Our carbon offsets support the conservation of forests and their ecosystems.

Here's an example of one of the biodiversity-focused projects in our offset portfolio:

Great Bear Forest Carbon Project (British Columbia): Conserving and managing the world's largest temperate rainforest (14 million acres). The abundant resources in this forest are invaluable to First Nations, environmental groups, logging companies and governments, who have adopted a collaborative ecosystem-based management approach that values the forest as a balanced system that supports biodiversity and communities.



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Integrating climate-related risks into our risk management

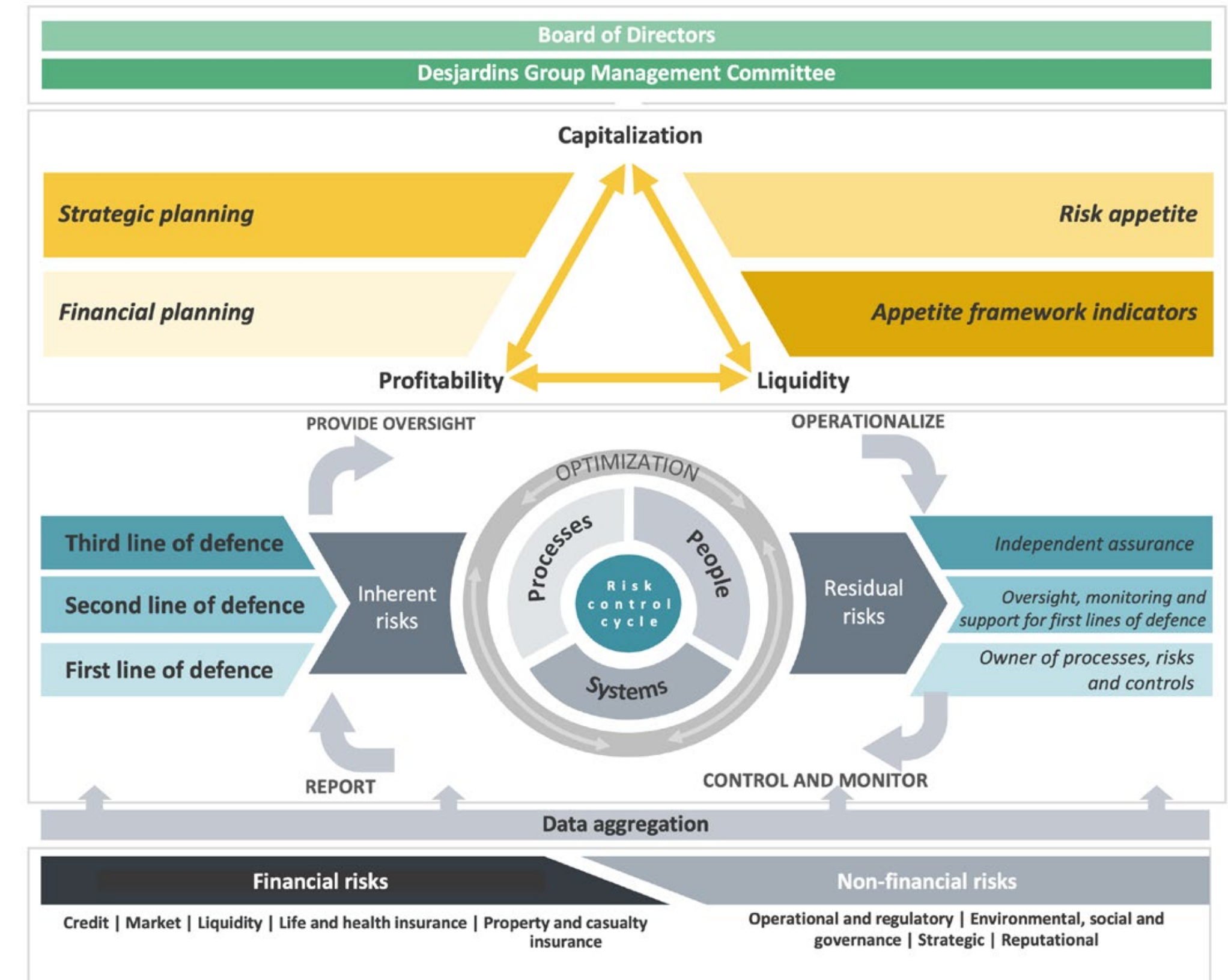
In keeping with our integrated risk management framework (see figure opposite), our business sectors are the first line of defence for their specific risks. That means that they're responsible for identifying and assessing climate-related risks in their specific activities, mitigating those that surpass their risk appetite, and taking advantage of opportunities they may present. As a result, the business sectors need to implement appropriate processes for managing these risks and making sure that any related controls are effective. A specialized team from the Sustainable Development Office supports them in managing these risks, and also compiles and coordinates cross-sector initiatives for all of Desjardins.

The risk management function oversees and monitors climate-related risks through monitoring programs and critical reviews. A team specialized in risk measurement coordinates the scenario analysis exercise, ensures consistency and compiles results. This team supports the business sectors (which are responsible for leading the exercise in their own units) in their quantification work, facilitates cooperation and helps identify synergies.

And, as the second line of defence, the risk management function collaborates with the Sustainable Development Office and business sectors to produce a quarterly risk monitoring report for senior management and the board of directors. A more detailed risk management report is produced annually for the Desjardins Group Finance and Risk Management Committee (DGFRMC). The ESG Risk Factor Committee (formerly called the Climate Change Risk Committee), which reports to the DGFRMC and which now also oversees environmental, social and governance risks, generates a monthly report on the risks included in its mandate. It is supported by the ESG Steering Committee, which helps ensure that business sectors are appropriately managing ESG risks in their activities. The ESG Risk Factor Committee also ensures that ongoing and upcoming initiatives and action plans are progressing according to plan.

Finally, as the third line of defence, the Desjardins Group Monitoring Office makes sure that everything required for proper climate-related risk management is or will be implemented in the planned and appropriate time frame and is proven to be effective. After an initial audit on the implementation of the *Desjardins Group Sustainable Development Policy* by our business sectors in 2019, we did a second audit in 2022 that covered the integration of ESG factors (including risks) into our business model and operations. We're currently carrying out the action plans that came out of the Desjardins Group Monitoring Office's observations. This work will continue into 2025.

Integrated risk management framework



Integrating climate-related risk into our risk management

► Process for managing climate-related risks

► Process for identifying and evaluating climate-related risks

Process for managing climate-related risks

Building on our efforts in 2022, we rolled out a number of key initiatives in 2023 to strengthen our processes for managing climate-related risks. Our board of directors adopted an ESG risk management policy and the Desjardins Group Management Committee adopted a climate-related risk management directive in 2022. After that, these documents were adopted for operationalization by Desjardins components.

We continue to use, develop and expand the scope of current tools and practices. These include shareholder engagement with companies in our own investments, ESG assessment grids used when granting and reviewing business financing, portfolio decarbonization targets, critical reviews of projects and positions, and the identification and qualitative assessment of climate-related risks. This guarantees that climate-related risks are addressed in decision-making processes and given increasing levels of importance, and contributes to the growing maturity of risk management.

We're also improving our climate-related risk management processes as part of the ESG Program (see page 9) in order to enhance current practices, reach the goals we've set for ourselves and align with ever-growing regulatory obligations. The Desjardins-wide ESG Program includes 3 distinct but closely interconnected projects: data, risk management, and reporting. It was launched to get the entire organization moving toward the same goal, which is to develop improved reporting practices that meet regulatory requirements and to accelerate and coordinate implementation of climate-related risk management throughout Desjardins. And it helps us optimize our efforts to satisfy the expectations of our members and clients and the general public.

Process for identifying and evaluating climate-related risks

In 2023, we once again went through the identification and qualitative analysis process for our climate-related risks. The results were presented to the Desjardins Group Finance and Risk Management Committee as part of the annual reporting to the committee. We strive for continuous improvement, so we enhanced the qualitative analysis approach. To go deeper in our work and get richer results, we used the more precise climate-related risk taxonomy developed in 2022, and we also prepared common scenarios for use in the interviews. Starting with this taxonomy, the Sustainable Development Office conducted interviews with specialists from each business sector and from several support functions to assess the importance of each of the risks listed in the taxonomy for their activities. Beyond revealing the main risks we're exposed to (identified in the summary table on page 13) and helping foster a common understanding, this multidisciplinary approach enables us to direct the work to analyze and develop sector-specific strategies and positions. In an environment where climate change in all its forms comes with numerous challenges and opportunities, enhancing our shared understanding is essential to properly determine how we and our members and clients will be affected, and to be able to support our members and clients in the transition and in adapting to climate change.

Beyond the annual Desjardins exercise presented here, each business sector identifies and assesses climate-related risks to its activities. This work happens when major projects kick off, as part of large transactions, when developing new products, and as part of developing strategic positions. That means that we consider and analyze climate-related risks upstream of decision-making, including through critical reviews conducted by the risk management function.

Finally, there are several targeted quantitative and qualitative analyses (for example, on the risk of greenwashing) that now inform and support our identification and assessment of climate-related risks. We currently have a great deal of energy deployed behind the ESG Program to deepen, diversify and expand the scope of risk quantification across Desjardins with an eye to continually improving this key step of the climate-related risk management process.

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Summary of our climate-related metrics and targets

We base the way we manage our climate-related performance, risks and opportunities on measuring and monitoring indicators in our main activities and support functions. The primary ones are summarized below:

Activity	Metric	Target	2023	2022	2021	2020	
Investments	Change in absolute financed emissions for the listed equity and corporate bond portfolio (insurers' own investments) compared to our reference year (2020)		-14.4%	-15.1%	2%	reference year	
	Amount invested in renewable energy (our own investments and the Desjardins Group Pension Plan's investments)		\$2B in 2025	\$1.9B (Q3 2023)	\$1.7B (Q3 2022)	\$1.5B	\$1.2B
	Change in absolute financed direct (Scope 1) and indirect GHG emissions related to the use of electricity, steam and heating and cooling (Scope 2) of companies in the oil and gas sector as a whole (tCO ₂ e, based on assets under management)		'-50% in 2030 compared to 2020	26%	34%	28%	reference year
Lending	Exposure at default to carbon-related sectors (% and \$)		22% (\$85B)	19% (\$71B)	N/A	N/A	
	Exposure at default to carbon-related sectors (% and \$, fossil fuels only)		0.6% (\$2.3B)	0.6% (\$2.1B)	0.6% (\$2.1B)	0.7% (\$2.2B)	
	Total exposure at default to electricity production (\$, % renewables/fossil/other)		\$3.2B 94% / 5% / 1%	\$1.6B 83% / 16% / 1%	\$1.2B 82% / 16% / 2%	\$1.0B 85% / 10% / 5%	
	Share of renewables in our lending to energy corporations		35% in 2025 60% in 2030	59%	40%	31%	28%
	Cumulative biomethanization projects financed		6 projects in 2025	2	2	1	1
	Total sustainable bonds issued			\$1,000M	\$500M	\$500M	\$0M
	Oil and gas: Financed direct (Scope 1) and indirect GHG emissions related to the use of electricity, steam and heating and cooling (Scope 2) from integrated and upstream companies, in physical intensity (tCO ₂ e/TJ, calculated on a commitment basis)		-35% to -45% in 2030 compared to 2020	-2%			reference year
Oil and gas: Financed indirect GHG emissions related to the use of products sold (Scope 3, category 11) by upstream companies, pipelines, refineries and integrated companies (tCO ₂ e, calculated on a commitment basis)		-25% in 2030 compared to 2020	-36%*			reference year	
GHG emissions (financial activities)	Residential mortgages (ktCO ₂ e and tCO ₂ e/\$ outstanding, PCAF data quality score 5) ¹		328 ktCO ₂ e 2.7 tCO ₂ e/\$M	394 ktCO ₂ e 3.2 tCO ₂ e/\$M	350 ktCO ₂ e 3.1 tCO ₂ e/\$M	349 ktCO ₂ e 3.4 tCO ₂ e/\$M	
	Consumer loans for motor vehicles (ktCO ₂ e and tCO ₂ e/\$ outstanding, PCAF data quality score 3 to 5) ²		325 ktCO ₂ e 71 tCO ₂ e/\$M	351 ktCO ₂ e 78 tCO ₂ e/\$M	374 ktCO ₂ e 89 tCO ₂ e/\$M	437 ktCO ₂ e 100 tCO ₂ e/\$M	
	Commercial real estate (loans and investments, ktCO ₂ e and tCO ₂ e/\$ outstanding or invested, PCAF data quality score 1 to 5) ³		541 ktCO ₂ e 10.6 tCO ₂ e/\$M	559 ktCO ₂ e 11.2 tCO ₂ e/\$M	562 ktCO ₂ e 12.1 tCO ₂ e/\$M	528 ktCO ₂ e 12.1 tCO ₂ e/\$M	
	Listed equity and corporate bonds (insurers' own investments, ktCO ₂ e and tCO ₂ e/\$ outstanding or invested, PCAF data quality score 1 to 5) ⁴		316 ktCO ₂ e 23.9 tCO ₂ e/\$M	314 ktCO ₂ e 29.6 tCO ₂ e/\$M	375 ktCO ₂ e 35.2 tCO ₂ e/\$M	369 ktCO ₂ e 41.0 tCO ₂ e/\$M	

* The sharp drop in financed GHG emissions for the energy sector in 2023 resulted from several factors: real GHG emissions, our exposure and the value of companies (based on the enterprise value including cash, or EVIC). The value of companies in the energy sector fluctuates significantly. Therefore, we're keeping a close eye on PCAF analyses and recommendations regarding the impact of EVIC fluctuations on the calculation of financed emissions.

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Activity	Metric	Target	2023	2022	2021	2020
Operations	Direct GHG emissions (Scope 1, tCO ₂ e) ^{5, 8}	-50% from 2020 to 2030	4,963	5,033 ⁹	5,868 ⁹	5,968
	Indirect GHG emissions (Scope 2, tCO ₂ e) ^{6, 8}		1,083	1,163 ⁹	1,208 ⁹	1,680
	Indirect GHG emissions (Scope 3, tCO ₂ e) ^{7, 8}		13,348	12,816	9,625	15,030
	• Paper (Scope 3, Categories 1 and 5)		7,039	8,298	7,989	11,553
	• Business travel (Scope 3, Category 6)		6,309	4,518	1,636	3,477
	Total GHG emissions (tCO ₂ e) ⁸		19,394	19,012	16,701	22,678
	Emissions intensity (Scopes 1 and 2, kgCO ₂ e/m ²) ¹⁰		4.3	4.2	4.8	6.2
	Energy intensity (Scopes 1 and 2, GJ/m ²)		0.72	0.76	0.78	0.83
	Renewable energy purchased (GWh and %)		279 (95%)	277 (95%)	280 (95%)	294 (95%)
	Share of energy mix from renewable energy (%)		88%	89%	86%	84%
	Internal carbon price (\$/tCO ₂ e)		\$20/tCO ₂ e	\$16/tCO ₂ e	\$14/tCO ₂ e	\$14/tCO ₂ e
	Residual waste sent to landfills		784 t	728 t	708 t	945 t
	Residual waste recycled or repurposed		1,251 t	2,208 t	1,996 t	1,985 t



Indicators monitored by the ESG Steering Committee
: PwC conducted a [limited assurance](#) engagement on these indicators.

N/A: Data not available

- The mortgages asset class includes Desjardins Group's portfolio of mortgage loans to individuals. With a coverage of 96%, the calculation excludes mortgage loans used for construction and renovation, among other categories that do not meet PCAF's definition for the asset class.
- The motor vehicle loans asset class includes Desjardins Group's vehicle loans to individuals. With a coverage of 59%, the calculation includes automobiles and motorcycles and excludes recreational vehicles and boats.
- The commercial real estate (investments) asset class includes Desjardins Group's own investments in commercial real estate. Buildings occupied by Desjardins employees are excluded as these emissions are already accounted for in Desjardins Group's operational emissions.
- The listed equity and corporate bonds (insurers' own investments) asset class includes only the assets of Desjardins Group's insurance entities (Desjardins Financial Security and Desjardins General Insurance Group) which account for 66% of total equity and corporate bonds in Desjardins Group's balance sheet. Our calculation covers 86% of this portfolio because it excludes investments in companies for which the attribution factor could not be calculated.
- Direct emissions (Scope 1) include those related to fuel consumption in the buildings that we occupy (as an owner or tenant), our vehicle fleet, and any refrigerant leakage in our buildings.
- Indirect emissions (Scope 2) include electricity and steam consumed in the buildings that we occupy (as an owner or tenant). Gases included in the calculations are carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O). All emissions are calculated using the location-based method.
- Other emissions (Scope 3) include business trips made with rental and personal vehicles, as well as business trips made by plane, bus and train. GHG emissions from paper consumption are calculated using the Environmental Paper Network's Paper Calculator.
- The 2023 data covers all of Desjardins Group's components and subsidiaries, with the exception of refrigerant leakage, which is only calculated for the head offices (Complexe Desjardins in Montreal and Cité Desjardins de la coopération in Lévis). The operational GHG emissions report also includes data for Desjardins International Development, the Desjardins Foundation and the Desjardins Group Pension Plan. Gases included in carbon dioxide equivalent (CO₂e) calculations are carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O).
- The corrections we made in 2021 and in 2022 only involved recalculating the energy consumption of corporate sites leased by Desjardins. More accurate data was made available to estimate the total energy consumption and the breakdown of energy sources consumed for this category of buildings (for Scope 1, from 5,013 to 4,737 for 2021 and from 4,403 to 3,981 for 2022; for Scope 2, from 1,267 to 1,208 for 2021 and from 1,218 to 1,163 for 2022). These adjustments were not part of the PwC limited assurance engagement.
- GHG emission intensity is measured by dividing total emissions (Scopes 1 and 2; CO₂, CH₄ and N₂O) by the total area of buildings in the operational scope.

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Climate-related risk and opportunity indicators

In 2021 we began integrating a set of new ESG and climate-related indicators into our performance review structure. These indicators are reported to the ESG Steering Committee every quarter, and most of them are also reported to the Desjardins Group Management Committee.

These indicators include:

- Advanced indicators, such as sustainable development training given to our employees, ESG indicators integrated into our activities, and the percentage of our activities whose financed emissions we measure
- Performance indicators, which measure things like our ESG ratings, how our positions are being followed, how our ESG and climate-related products and sustainable bonds perform, and how close we are to reaching our targets for energy transition opportunities and reducing GHG emissions for our operations, supply chain and financial activities
- Perception indicators (internal and external), which let us know how well the general public, our members and clients and our employees think Desjardins Group is doing as an ESG leader

These indicators and targets also include our 2025 objectives related to our climate ambition of net zero emissions by 2040. They will also include our science-based targets, which were verified by the Science Based Targets initiative (SBTi) in late 2023.

Where relevant, the indicators and associated targets are included in the annual objectives of managers and employees. In 2022, the general incentive plan for all employees was updated to include an indicator linked to our ESG performance as evaluated by extra-financial rating agencies. This indicator is still in effect and will remain so for future years.

We use internal carbon pricing for certain projects. The price is based on the amount spent on certified carbon credits, which we've been purchasing to offset our GHG emissions since 2017. In 2023, the average price was \$20.00/tCO₂e (for offset emissions generated in 2022).

We also track other indicators related to climate action and a just energy transition, like the percentage of our investments and lending in carbon-related sectors and renewable energy, the amount of paper we use for our operations, and the amount of residual waste we generate.

Operational GHG emissions and carbon neutrality

We measure and offset the carbon footprint of our operations including emissions from our buildings, business travel and paper consumption.

As shown in the previous table, our total operational emissions went up 2% from 2022 to 2023. This increase was mainly due to resuming business travel that had been put on hold during the COVID-19 pandemic.

TRANSPORTATION: All business travel was suspended in 2021 and work-from-home was mandatory for 90% of employees. The resumption of shuttle service between our Montreal and Lévis headquarters also increased emissions. We will keep a vigilant eye on the increases we've observed and have identified measures to reverse the trend in the coming years.

ENERGY: Hybrid work arrangements have had a positive impact on the total energy footprint of our buildings. They have reduced our space requirements and also, to a lesser extent, lowered the energy consumption of our buildings.

PAPER: Total paper consumption decreased slightly in 2023 compared to 2022. The ongoing efforts of our procurement teams and business sectors to reduce printing and the availability of 100% recycled paper led to lower emissions.



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In 2020, we joined the Partnership for Carbon Accounting Financials (PCAF) to adopt and promote an international standard for measuring the GHG emissions of our lending and investments.

Since 2021, our teams have been active participants in PCAF working groups. They have applied *Global GHG Accounting and Reporting Standard for the Financial Industry* (second edition, 2022) methodology to the 7 asset classes covered by the guide.

This type of calculation comes with certain challenges, foremost of which is obtaining precise, granular and exhaustive data about our members' and clients' businesses, projects, buildings and vehicles. Most of the results we have are therefore based on averages, which translates to medium to low data quality scores (scores of 3 to 5) according to the PCAF quality scale, for the asset classes disclosed in the following table.



Financed emissions – PCAF disclosure (December 31, 2023)

Asset class (December 31, 2023)	Emissions (Scopes 1 and 2, ktCO ₂ e)	Assets under management/ outstanding (\$ billions)	% coverage	Intensity (tCO ₂ e/\$M)	PCAF score
Mortgages	328 <input checked="" type="checkbox"/>	128.7	96%	2.7	5
Motor vehicle loans	325 <input checked="" type="checkbox"/>	7.8	59%	71.0	3 (92%) 5 (8%)
Commercial real estate (financing)	527	58.4	84%	10.8	5
Business financing					
Transportation	133	1.4	100%	92.7	1 (3%) 4 (35%) 5 (62%)
Energy	356	3.2	83%	119.8	1 (5%) 2 (28%) 3 (49%) 4 (4%) 5 (14%)
Total – Financing	1,669	200	91%	9.2	
Commercial real estate (investments)	13 <input checked="" type="checkbox"/>	2	100%	6.7	1 (52%) 4 (48%)
Listed equity and corporate bonds (insurers' own investments)*	316 <input checked="" type="checkbox"/>	15.4*	86%*	23.9	1 (64%) 2 (23%) 4 (6%) 5 (7%)
Total – Investments	329	17.5	87%	21.6	

: PwC conducted a [limited assurance](#) engagement on these indicators

* The listed equity and corporate bonds (insurers' own investments) asset class includes only the assets of Desjardins Group's insurance entities (Desjardins Financial Security and Desjardins General Insurance Group) which account for 66% of total equity and corporate bonds in Desjardins Group's balance sheet. Our calculation covers 86% of this portfolio because it excludes investments in companies for which the attribution factor could not be calculated.

As mentioned in the **Disclaimer** section on page 32, these results are based on the best available data and the methodology deemed most appropriate for our portfolio. Any calculation error or update resulting from a change in methodology or addition of new data that produces significantly different results from what has been published will be addressed and corrected in future publications.

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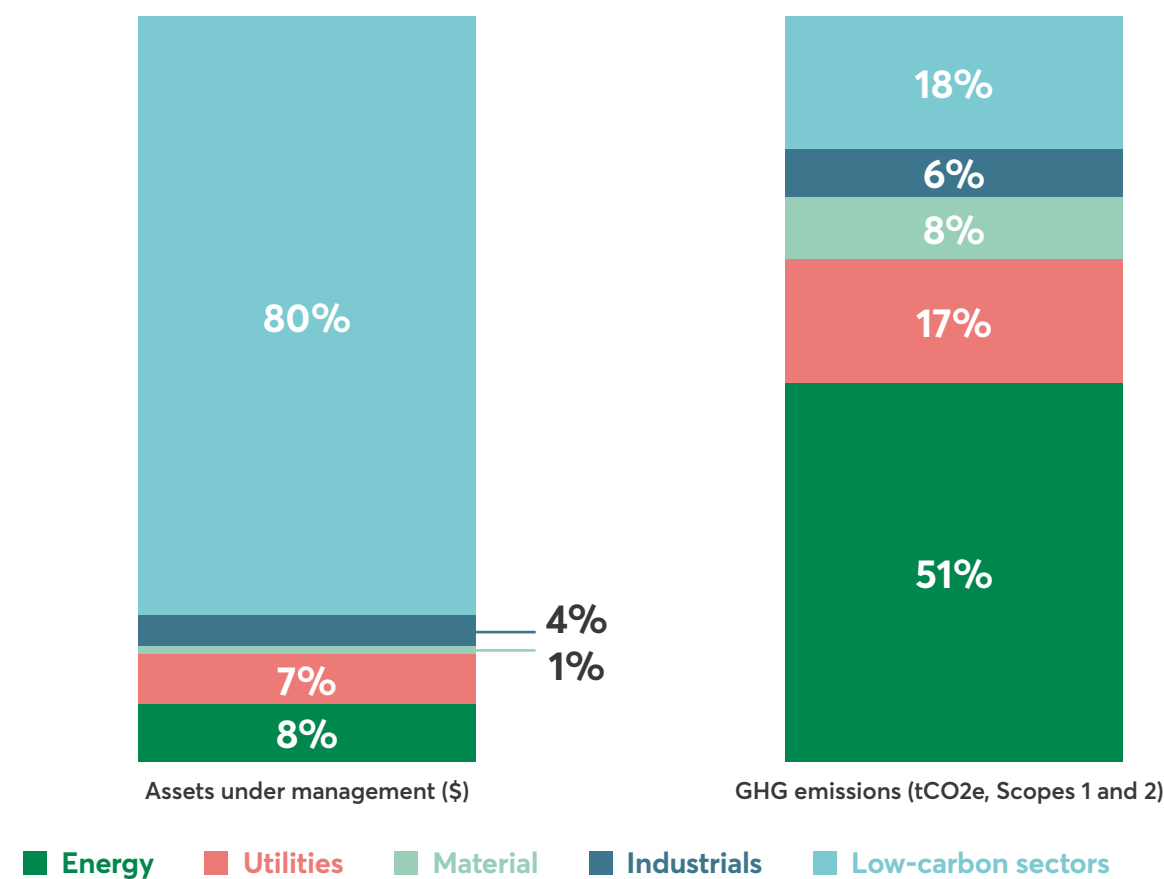
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Despite these issues, the estimates reveal the following:

- Listed equity and corporate bonds (insurers' own investments): Energy, utilities, materials and industrials account for 92% of this portfolio's emissions, although they comprise only 20% of assets under management. Scope 3 indirect emissions from the energy (oil and gas) and mining sectors are estimated, based on values provided by MSCI ESG Research, to be 569 ktCO₂e, or approximately 3.4 times the Scope 1 and Scope 2 emissions from these sectors.

Breakdown of insurers' own investments by economic sector as at December 31, 2023 (percentage of assets under management and Scope 1 and 2 GHG emissions)



- Commercial real estate and residential mortgages: These portfolios are concentrated in Quebec, where electricity is produced from renewable energy sources (in 2022: 95% hydroelectric, 4% other renewables)² and electric heating is found in most buildings. As a result, this asset class has a low carbon intensity. Most of the energy consumption data for these assets is currently estimated and therefore imprecise. We will bolster these estimates with real data as it becomes available.
- Motor vehicle loans: This portfolio has a high emission intensity. It includes very few electric vehicles, which is representative of the current state of vehicles in Canada. The part of this portfolio that isn't covered (41%) represents recreational vehicles (ATVs, boats, etc.), for which there is no recognized approach for estimating emissions. The gradual decrease in this portfolio's emissions reflects the changes in our vehicle fleet, which is being moved progressively to electric vehicles.

- Business loans and project financing: Only one portion of this portfolio is currently being measured and disclosed as part of the monitoring process for sectors covered by our climate ambition (energy, real estate and transportation). In the absence of actual emission data and high quality estimates, it's currently impossible for us to publish a satisfactory calculation of our financed emissions for these asset classes for other economic sectors. In fact, the vast majority of our business portfolio is made up of small and medium-sized businesses, whose emissions would be estimated based on emission factors by industry sector. Variance analyses of some sectors and some businesses have shown differences of over 85% between estimates based on real data (PCAF data quality score 1 or 2) and sectoral estimates based on outstanding debt (PCAF data quality score 5), which makes it difficult to use this kind of data right now.
- These results underscore the importance of obtaining real data (such as Scope 1, 2 and 3 GHG emissions and physical data: square footage, production volumes, etc.) rather than using sectoral estimates, which are generally inexact, as a basis. Work is underway to progressively increase the quality of the estimates of our financed emissions over the coming years, which will enable us to identify the economic players that have the best GHG performance as well as those that will need support in the energy transition.



² Hydro Québec, 2022: Residual electricity mix and GHG emissions rate

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Confirming our new climate ambition in 2021 helped us define or renew several quantitative targets for Desjardins Group as a whole and some for specific entities. These targets are part of how we're implementing our net zero emissions by 2040 climate strategy (focused on our operations and financial activities in energy, transportation and real estate). And on a higher level, they fit the 2050 objective we committed to through the Business Ambition for 1.5°C campaign. These targets were introduced in the **Strategy** and **Metrics and targets** sections.



One of the major elements of our climate ambition took shape in 2023 when we submitted and received validation of our science-based targets from the Science Based Targets initiative (SBTi). These targets cover our operational GHG emissions and emissions related to our lending and investment activities. Our approved targets consist of:

- Operational GHG emissions (Scopes 1 and 2): 50% reduction in absolute terms from 2020 to 2030.
- GHG emissions from our financial activities (Scope 3, category 15): Targets covering our portfolios of direct real estate investments, listed equity and corporate bonds held in our own investments, our lending to large businesses and our lending and project financing in the electricity production sector. These targets use the approaches set out by the SBTi for temperature alignment and sectoral decarbonization. They cover all asset classes required by the SBTi (4% of our total assets) and don't include the optional asset classes (52%) or those that fall outside the scope covered by the SBTi methodology.

Detailed targets by asset class and key elements of the implementation strategy are available online on the [SBTi's website](#).



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Appendix 1 – Disclaimer

Our public communications often include oral or written forward-looking statements, as defined by applicable securities legislation, particularly in Quebec, Canada and the United States. This document contains forward-looking statements that may be incorporated in other filings with Canadian regulators or in any other communications.

This document contains forward-looking statements. All such statements are made in accordance with applicable securities legislation in Canada and the United States and are subject to our caution concerning forward-looking statements as set out in the Risk management section of the 2023 Desjardins Group MD&A.

Forward-looking statements in this document may include, but are not limited to, statements with respect to our objectives, priorities, strategies, sustainability commitments and targets or actions that will be taken to achieve them, the regulatory environment in which we operate, the causes and potential impacts of climate change globally, our approach to identifying and managing climate-related risks and opportunities, and certain risks we face.

These forward-looking statements are typically identified by words or phrases such as "target," "objective," "believe," "expect," "count on," "anticipate," "intend," "estimate," "plan," "forecast," "aim," "propose," "should" and "may," words and expressions of similar meaning, and future and conditional verbs.

Such forward-looking statements are made to assist readers in understanding our vision, strategy and objectives related to sustainability and environmental, social and governance issues, and may not be suitable for other purposes. By their very nature, such statements involve assumptions, uncertainties and inherent risks, both general and specific. We caution readers against placing undue reliance on forward-looking statements since a number of factors, many of which are beyond our control and the effects of which can be difficult to predict, could influence, individually or collectively, the accuracy of the assumptions, predictions, forecasts or other forward-looking statements.

Our ability to achieve our sustainability and environmental, social and governance objectives, priorities, and targets (including with respect to reducing our greenhouse gas emissions and reaching net zero emissions by 2040) is based on a number of assumptions and is subject to a number of factors. Many of these factors are beyond our control and their effects can be difficult to predict—including, among others, the speed and scale of the transition to a low-carbon economy and our ability to satisfy stakeholder expectations on environmental and social issues; the need for active and continued participation of stakeholders (including our employees, our clients, our members, our suppliers, governments, the communities in which we are present, etc.); the availability of comprehensive and high-quality greenhouse gas emission and other third party data; our ability to develop indicators to effectively monitor our progress; the development and release of new technologies and sustainable products; our ability to identify climate-related opportunities as well as assess and manage climate-related risks; the general economic

environment and financial market conditions in Canada and the United States; changes made to regulations that affect our business; the development of environmental, social and governance regulatory requirements; geopolitical and sociopolitical uncertainty; our ability to achieve our long-term strategies and key short-term priorities; our ability to recruit and retain key personnel in a competitive labour market; and possible impacts of major events affecting the local and global economies, including international conflicts, natural disasters, and public health crises such as the COVID-19 pandemic.

In addition, the assumptions, data, metrics, measurements, methodologies, scenarios, and other standards used to develop our assumptions and estimates and to monitor our progress, believed to be reasonable at the time of preparing this document, may later turn out to be inaccurate. Many of these assumptions, data, metrics, measurements, methodologies, scenarios, and other standards continue to evolve and may differ significantly from those used by others, those we may use in the future or that government authorities or other standard setters may later mandate. Such evolution and changes could affect the assumptions and estimates we use and could affect the comparability of the information and data across industries or companies and from one reporting period to another, as well as our ability to achieve our objectives, priorities, strategies, sustainability commitments and targets.

In general, the quality of the data relied upon in climate-related planning and reporting is often not yet of the same standard as more traditional financial reporting. Climate-related reporting in our industry is not yet subject to the same globally accepted accounting principles and rules as traditional financial planning and reporting.

Nothing in this document shall constitute, or form part of, an offer to sell or solicitation of an offer to buy or subscribe for any security or other instrument of Desjardins Group, the Fédération des caisses Desjardins du Québec ("FCDQ") or any of their affiliates, or as an invitation, recommendation or inducement to enter into any investment activity. No part of this document shall form the basis of or be relied upon in connection with any contract, commitment, or investment decision whatsoever.

We do not undertake to update any oral or written forward-looking statements that could be made from time to time by or on our behalf, except as required under applicable securities legislation.

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Section	TCFD	IFRS S1 and S2	B-15	Page
Governance	<ul style="list-style-type: none"> Describe the board's oversight of climate-related risks and opportunities. Describe management's role in assessing and managing climate-related risks and opportunities. 	<ul style="list-style-type: none"> Identify the individual or committee responsible for oversight of climate-related risks and opportunities. Explain how responsibilities are reflected in role descriptions and board mandates and other related policies applicable to that committee or individual. Share information on how specific controls and procedures are applied. Disclose a qualitative and, if applicable, quantitative assessment of the resilience of the entity's strategy and business model in relation to its sustainability-related risks, including information about how the assessment was carried out and its time horizon. 	<ul style="list-style-type: none"> Describe the board of directors' oversight of climate-related risks and opportunities. Describe management's role in assessing and managing climate-related risks and opportunities. 	Pages 6 and 7
Strategy	<ul style="list-style-type: none"> Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. Describe the impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. 	<ul style="list-style-type: none"> Describe the processes the entity uses to identify and prioritize climate-related opportunities, not only the risks. Specify inputs and parameters (such as data sources) used to identify risks. Identify whether and how any processes that have changed compared with the previous reporting period. The risk management function will be closely involved. 	<ul style="list-style-type: none"> Describe the impact of climate-related risks and opportunities on the federally regulated financial institution's (FRFI) businesses, strategy, and financial planning. Describe the resilience of the FRFI's strategy, taken into consideration different climate-related scenarios, including a scenario which limits warming to the level aligned with the latest international agreement on climate change, or lower. 	Pages 9, 10, 11, 13, 14, 15, 16, 23 and 26
Risk management	<ul style="list-style-type: none"> Describe the organization's processes for identifying and assessing climate-related risks. Describe the organization's processes for managing climate-related risks. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process. 	<ul style="list-style-type: none"> Provide the indicators and objectives the company uses to manage its major climate-related risks and opportunities. 	<ul style="list-style-type: none"> Describe the FRFI's processes for identifying and assessing climate-related risks. Describe the FRFI's processes for managing climate-related risks. Describe how processes for identifying, assessing, and managing climate-related risks are integrated in the FRFI's overall risk management. 	Pages 18, 19 and 20
Metrics and targets	<ul style="list-style-type: none"> Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks. 	<ul style="list-style-type: none"> Provide information on interconnected indicator categories (GHG emissions, physical risks, transition risks). 	<ul style="list-style-type: none"> Disclose Scope 1 and Scope 2 GHG emissions and indicate which standard was used. The GHG Protocol is recommended. If another is chosen, explain why and how it compares to the recommended standard. Disclose Scope 3 GHG emissions and the related risks and indicate which standard was used. The Corporate Value Chain (Scope 3) Accounting and Reporting Standard and PCAF for financed, facilitated and insured emissions are recommended; if another is chosen, explain how it compares to the recommended standards. 	
Metrics and targets	<ul style="list-style-type: none"> Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets. 	<ul style="list-style-type: none"> Describe climate-related targets. For each target, provide the following information: indicators used and nature of the target. 	<ul style="list-style-type: none"> Describe the targets used by the FRFI to manage climate-related risks and opportunities and the FRFI's performance against these targets. Disclose any public climate-related commitments, if the FRFI has made one or more, whether through an industry-led net zero alliance (such as for banking services or insurance) or otherwise. 	Pages 21, 22, 23, 24 and 26