Climate Action at Desjardins

2022 report on climate-related risks and opportunities

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

Desjardins

TABLE OF CONTENTS

WORKING TOGETHER FOR OUR TARGET OF NET ZERO EMISSIONS BY 2040

We're proud to present this fifth report on climate-related risks and opportunities. Here we take stock of the progress we've made in the 4 key areas for rigorous action: governance, strategy, risk management, and metrics and targets.

This report speaks to our deep commitment to implementing concerted actions to accelerate the fight against climate change and biodiversity loss in alignment with the ambitions shared with our members and clients and their communities.

2022 was marked by its share of unusual climate events with disastrous impacts. There were the floods in Pakistan, which affected 33 million people, and the winter storm that rocked North America. In Canada, the average temperature for the first 10 months of 2022 was nearly a whole degree above the typical seasonal average. It was the 18th year in a row with higher than normal average temperatures.

With this situation in mind, the progress coming out of COP27 on climate change in Egypt and COP15 on biodiversity in Montreal is all the more important. Desjardins will always be there to support cooperation among all players, including businesses, associations, regulators, governments and individual citizens. In this spirit, we took a leadership role in promoting the International Sustainability Standards Board that was set up in Montreal in 2021, and in 2022 we took part in consultations to define International Financial Reporting Standards S1 and S2 that target the quality of sustainable development and climate change data.

In 2022, we picked up the pace of our climate action. That included integrating an ESG indicator into our general incentive plan for employees. We rolled out several different trainings, including a mandatory training on responsible finance for our nearly 59,000 employees, and launched our Climate School, a platform with videos that make the fundamentals of climate change and biodiversity easy to understand. We also bolstered our risk management governance by creating a committee dedicated to climate-related risk and defining a risk appetite framework to align with our 2040 climate ambition. On top of the work we're doing on the risks and opportunities related to our financial activities, we continued reducing greenhouse gas (GHG) emissions from our own operations by rolling out the cross-sector Cooperating for the Climate Challenge with the support of 60 ambassadors from all across our organization.

As Jérôme Dupras, a professor in the natural sciences department at the Université du Québec en Outaouais, explained during a lecture for Desjardins employees, the climate change and biodiversity loss crises are very closely connected in terms of both their origins and the actions required to resolve them. That's why during COP15, we committed to strengthening how we account for biodiversity in our lending and investment activities by signing the COP15 Statement from the Private Financial Sector and the Finance for Biodiversity Pledge through our subsidiaries Desjardins Investments and Desjardins Global Asset Management. We were an active participant in the discussions on the role of the financial sector in protecting biodiversity.

In 2023, we'll be ramping up our efforts by publishing our science-based decarbonization targets for our lending and investments; clarifying our position for the energy sector within the climate ambition framework that also includes transportation and real estate; adding to our specialized trainings for specific professions; and, finally, continuing our work with partners (suppliers, industry associations and clusters, youth organizations, etc.) who are, like us, committed to climate action.

Enjoy the report!

Pauline D'Amboise
Secretary General and Vice-President, Governance and Sustainable Development

[1] Government of Canada. *Canada's Changing Climate Report*, 2019. https://changingclimate.ca/CCCR2019

Overview of our climate-related accomplishments

	Prior years' accomplishments	2022 highlights	Upcoming activities and projects
Governance	• Implemented a governance structure that includes supervision by the board of directors and 2 of its commissions (the Corporate Governance and Responsible Finance Commission and the Risk Management Commission); management by the Desjardins Group Management Committee, supported by the ESG Steering Committee and Desjardins Group Finance and Risk Management Committee; and support from dedicated ESG and climate action working groups • Integrated climate change into our sustainable development policy • Increased our decision-making bodies' understanding of climate change • Submitted a report on international trends in governance and sustainability to the board and its Corporate Governance and Responsible Finance Commission	• Set up a Climate Change Risk Committee that reports to the Desjardins Group Finance and Risk Management Committee and includes 3 working groups: first line of defence, second line of defence and climate change data • Developed a risk appetite statement and monitoring indicator connected to our climate ambition • Updated the general incentive plan for all Desjardins employees to include an indicator linked to our ESG performance as evaluated by 4 extra-financial rating agencies • Completed an internal audit on how ESG factors are integrated into our business model and operations • Stengthened climate and ESG teams in our first and second line of defence and rolled out specific trainings (Climate School program)	• Review the target operating model for managing climate-related risks and opportunities, including the roles and responsibilities of the 3 lines of defence • Increase climate-related details in projects submitted to governing bodies so they can participate fully in directing and monitoring climate action • Implement the climate change-related recommendations from the internal audit on how ESG factors are integrated into our business model and operations
Strategy	• Published our updated climate ambition: net zero emissions by 2040 (extended operations, lending activities and our own investments in 3 key sectors: energy, transportation and real estate) • Committed to the Business Ambition for 1.5°C campaign and the Science Based Targets initiative (SBTi) • Participated in pilot projects with the United Nations Environment Programme Finance Initiative (UNEP FI) • Signed the Net Zero Asset Managers initiative (Desjardins Global Asset Management) • Committed to divesting from coal and became the first financial institution in North America to join the Powering Past Coal Alliance	• Continued defining our science-based targets • Participated in several modules of UNEP FI's TCFD and Climate Risk Programme • Analyzed new climate-related risk factors (property and casualty insurance and life and health insurance) • Published exposure to carbon-intensive sectors based on the TCFD's new definition • Signed the Finance for Biodiversity Pledge (Desjardins Global Asset Management and Desjardins Investments)	• Validate and publish science-based targets (for operations, investments and lending) • Finalize a dashboard for identifying concentrations of catastrophic risks • Implement our ESG data strategy

	Prior years' accomplishments	2022 highlights	Upcoming activities and projects
Risk management	• Revised and implemented the foundational elements for managing climate-related risk • Fine-tuned the methodology for analyzing climate-related risk	• Strengthened our climate-related risk management approach (appetite statement and indicator, ESG risk management policy and climate-related risk management directive, climate-related risk taxonomy) • Enhanced the roadmap and target operating model for managing climate-related risk • Grew our climate-related risk management team	• Further integrate climate scenarios into risk analysis • Further develop ways of reporting to senior management • Deploy our target operating model for managing climate-related risk and strengthen processes and controls • Roll out risk monitoring and critical review programs more broadly
Metrics and targets	• Introduced transition indicators (Green Program, renewable energy) • Published a GHG statement (operations and real estate investments) and became carbon neutral in 2017 • Set decarbonization targets for our own investments and our operations • Measured and published our first public disclosure on our financed emissions (investments and lending) using the Partnership for Carbon Accounting Financials (PCAF) methodology • Updated our GHG emissions target for operations (-41% from 2019 levels by 2025) • Published exposure to fossil fuels (credit risk)	• Structured climate indicators in our strategic plan performance review • Improved methodology for monitoring exposure to carbon-intensive sectors and renewable energy • Continued work to set medium-term intermediate science-based targets • Started measuring our procurement-related GHG emissions • Developed a risk appetite indicator	• Increase the accuracy, quality and scope of data for measuring our financed emissions • Disclose our procurement-related GHG emissions • Validate and implement new medium-term science-based targets • Customize the risk appetite indicator and integrate it into the Desjardins-wide risk report

Our climate action at a glance

Our strategy

2040

Target year for achieving our new climate ambition of **net zero emissions** for our operations and financial activities*

We've

signed on to the Business Ambition for 1.5°C campaign and are committed to the Science Based Targets initiative (SBTi)

Desjardins Global Asset Management has

signed the NZAMI

(Net Zero Asset Managers initiative), committing to support worldwide efforts to keep global warming below **1.5°C** above pre-industrial levels

Our operations

95%

Share of the electricity our organization consumes that comes from **renewable energy sources**

89%

Share of renewable energy in our total energy consumption

41%

Our new science-based target for 2025 for reducing our **operational GHG emissions** (compared to 2019 levels)

4.5

Emission intensity (Scopes 1 & 2, in $kgCO_2e/m^2$)

Our lending and investment activities

$1.7B

Investments in **renewable energy** infrastructure

83%

Share of **renewable energy** in our lending for the electricity production sector

-40%

Difference in **carbon intensity** of our own investments versus benchmark indexes

$500M

Our issue of **sustainable bonds** in the Canadian market

19%

Our credit risk **exposure** at default to **carbon-intensive sectors**

(energy, transportation, materials and buildings, agriculture, food and forest products)

0.6%

Our credit risk **exposure** at default to the **fossil fuel sector****

* Lending activities and our own investments in 3 key sectors: energy, transportation and real estate.
** Exposure at default to carbon-intensive sectors, based on the 2017 TCFD definition, which focused on the energy sector

GOVERNANCE

Supervision by the board of directors

Climate-related issues are supervised by the board of directors, with the support of its Corporate Governance and Responsible Finance Commission and the Risk Management Commission. In 2022, 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 boards of Desjardins Group and Desjardins Financial Security also attended several presentations on sustainable development and climate change in 2022. Over 40% of Desjardins's board members have advanced knowledge in sustainable development or responsible investment, 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.

Management's role

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

The ESG Steering Committee is made up of 14 vice-presidents (see page 9 of the Social and Cooperative Responsibility Report) who represent our core business areas and support functions. The steering committee is supported by cross-sector ESG working groups (representing our business sectors and support functions). The Sustainable Development and Responsible Finance team coordinates and makes sure everything is coherent all across our organization and provides internal advisory services on climate change.

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 Climate Change Risk Committee, made up of vice-presidents from all 3 lines of defence, was formalized in 2022 to provide cross-sector visibility on climate-related risk trends and management. Three working groups were created to operationalize the work that comes out of this committee's monthly meetings: first line of defence, second line of defence and climate change data.

Accounting for climate change is part of our strategic plan for 2021–2024. 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 most 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 change-related risks, we adopted a risk appetite framework monitoring indicator in 2022 to monitor compliance with our risk appetite in achieving climate ambition targets.

In late 2019, the Desjardins Group Monitoring Office conducted an internal audit on how the business sectors were implementing our sustainable development policy. Its action plans were deployed through 2021. In 2022, we completed an internal audit on how ESG factors are integrated into our business model and operations. Action plans that come out of the audit's findings and recommendations will be developed and implemented in 2023 and 2024.

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 into consideration. For the investment, lending and insurance sectors, this has meant growing their teams by adding ESG and climate change specialists and creating communities of practice for responsible investment and responsible insurance that help coordinate the approaches from sector to sector.

We also enhanced training for our employees in 2022. That included rolling out mandatory training on key sustainable development concepts to all employees of Desjardins and our components. As of December 31, 2022, 93% of our almost 59,000 employees had taken this training. We also made Climate School, a complete program about climate change, available to all employees. 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.

Training and mobilizing our employees on climate change

Climate School

Climate School is a brand new, fun training path that we started offering to employees in 2022. It helps learners better understand climate change, biodiversity collapse and their impacts on human societies and the economy, and shows them how they can take action now.

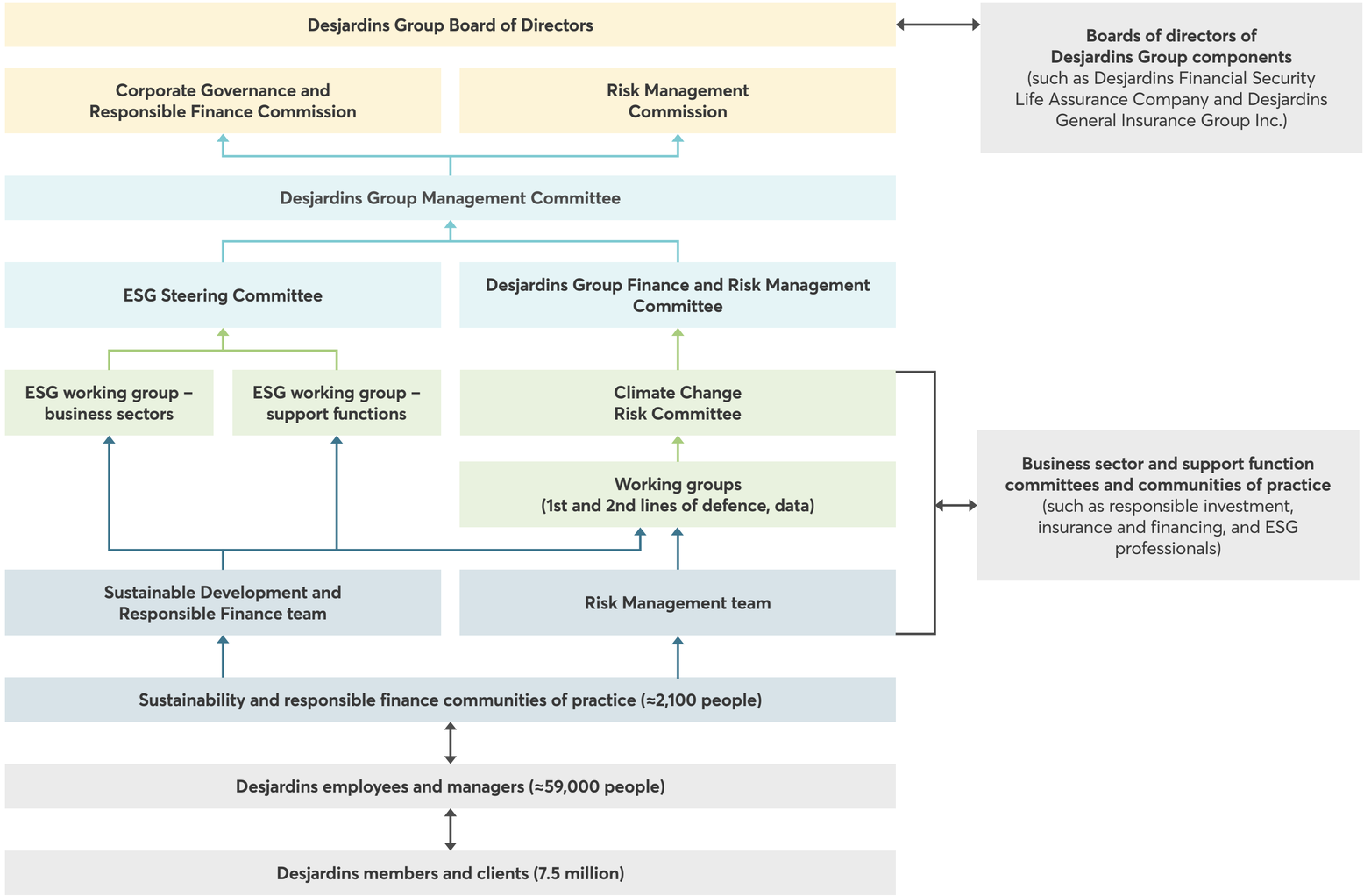
Climate Fresk

Over 70 employees from all sectors took part in collaborative Climate Fresk workshops in 2022 to understand the fundamentals of climate issues and take action more easily.

Cooperating for the Climate Challenge

To reduce our GHG emissions, we went into project mode. The Cooperating for the Climate Challenge includes a governance structure, an implementation and monitoring program, and 4 priority areas: paper consumption, business travel, energy use in our buildings and our supply chain. Each business sector and support function has an ambassador whose role is to target initiatives that are most likely to cut GHG emissions, to get employees from every Desjardins entity motivated and to give them the tools to succeed. The Desjardins Group Management Committee receives quarterly reports on how the project is progressing.

Desjardins Group climate change governance



STRATEGY

Factoring in 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 extremely hard to predict. That's why we at Desjardins are investing more and more in growing our understanding and developing our analysis of climate-related risks. In 2019 and 2020, we made significant updates to the way we factor climate change into our risk assessment and management approach. We refined that approach further in 2021 and 2022 and increased the granularity of our results.

Climate-related risk approach

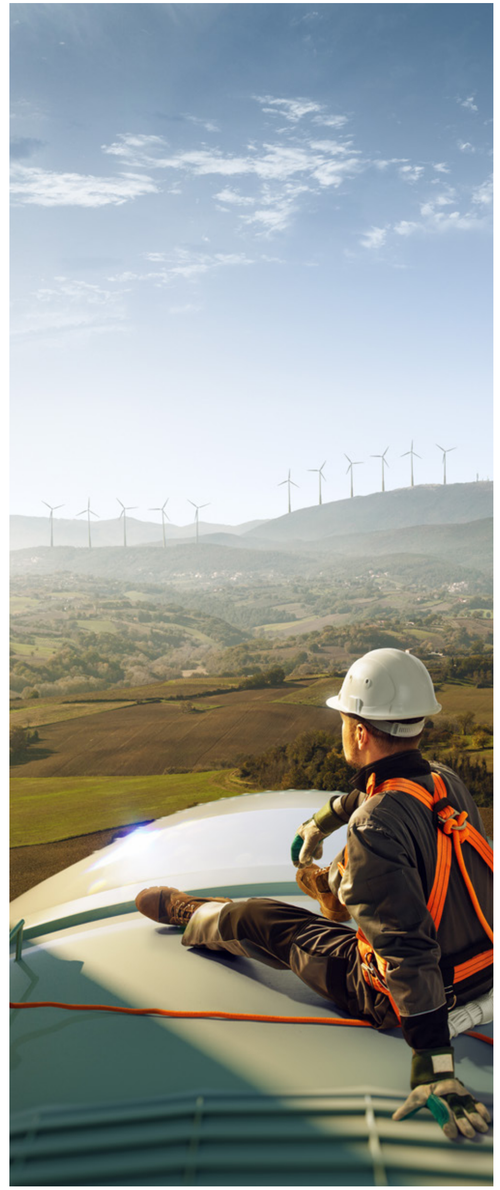
As part of the update to our risk analysis in 2021, we mapped out the Climate-related risk factors that could have significant impacts on our business sectors, operations, members and clients over the short term (1 year), medium term (5 years) and long term (20 years) (see table on the next page). In 2022, we improved our methodology for this qualitative analysis, including by integrating a more precise risk taxonomy that will be applied during the 2023 update.

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 2022, our teams continued to expand their work quantifying our exposure to transition risks (see the section on lending for carbon-intensive sectors on page 12, and the calculation of our financed GHG emissions on page 28) and physical risks such as flood risk and the impact of air quality (see page 21).

In addition, our teams monitor the development of standards and regulatory frameworks on climate change that could affect the organization's activities. In 2022, we submitted responses as part of the following consultations:

- Proposed National Instrument 51-107 Disclosure of Climate-related Matters (Canadian Securities Administrators)
- IFRS S1 General Sustainability-related Disclosures and IFRS S2 Climate-related Disclosures (International Sustainability Standards Board, IFRS Foundation)
- Guideline B-15: Climate Risk Management (Office of the Superintendent of Financial Institutions)

By taking part in these consultations, we at Desjardins can prepare for future regulatory requirements for managing and disclosing climate-related risks.



Simplified map: Qualitative evaluation of climate-related risks for Desjardins members, clients and operations

Climate-related risk factors			Examples of affected sectors and populations (members and clients)	Desjardins sectors most likely to be affected				
				Investments	Lending	Property and casualty insurance	Life and health insurance	Operations
Physical risk	**Chronic**	Increase in average temperature	Real estate, vulnerable populations					
		Changes in precipitation patterns	Extractive industries, agriculture					
		Rise in sea level	Infrastructure and buildings (coastal areas)					
		Drought	Agriculture and livestock farming, forest products					
		Deforestation	Forest products					
	Acute	Flooding, extreme precipitation and storms	Vulnerable populations, real estate, infrastructure					
		Forest fires	Forest products, extractive industries					
		Heatwaves	Vulnerable populations, construction, real estate, agriculture					
Transition risk	**Political and legal**	Price of carbon	Extractive industries, energy, transportation, manufacturing					
		Increased regulatory requirements	Transportation, extractive industries, energy, financial disclosure					
		Liability exposure	Extractive industries, energy, transportation, automobile, financial disclosure					
	Reputation	Stigmatization of certain industries	Extractive industries, energy, transportation, agriculture and livestock farming					
	Market	Changes in consumer habits	Automobile, energy, agriculture and livestock farming					
		Access to capital	Energy, transportation, real estate					

Legend

Low — High

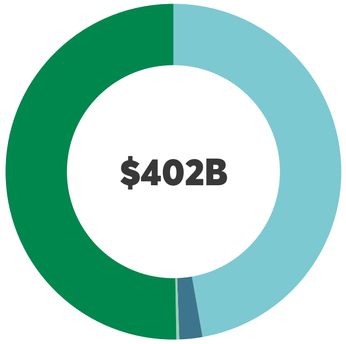
Source: 2021 risk analysis; non-exhaustive list of affected sectors; work underway to determine the repercussions on Desjardins Group's sectors. We'll update this analysis in 2023.

Our lending and own investment portfolios are exposed to climate-related risks in different ways. 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. In 2023, we'll improve our approaches to better evaluate and quantify the way these risks spread.

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

Exposure at default to climate-related risks

(as at December 31, 2022)



Physical risks (50.4%)

Mortgage loans	34.5%
Real estate	13.3%
Agriculture	2.6%

Transition risks (0.3%)

Mining, oil and gas	0.3%

Physical and transition risks (2.3%)

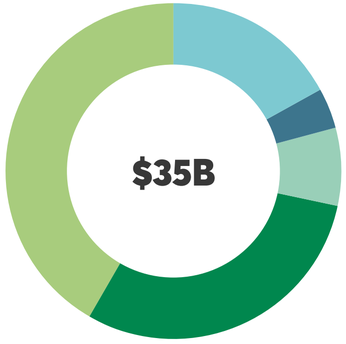
Manufacturing	1.8%
Utilities	0.5%

Low vulnerability (47.1%)

Public organizations	12.5%
Retail client exposures	13.0%
Finance and insurance	5.8%
Construction	2.2%
Healthcare	1.2%
Retail	1.2%
Transportation	0.5%
Wholesale	0.8%
All others	9.9%

Exposure to climate-related risks

(assets under management of our own funds as at December 31, 2022)



Physical risks (17.2%)

Real estate	13.4%
Infrastructure	3.8%

Transition risks (3.9%)

Energy	3.9%

Physical and transition risks (7.3%)

Utilities	3.9%
Industrials	2.9%
Materials	0.5%

Low vulnerability (30.2%)

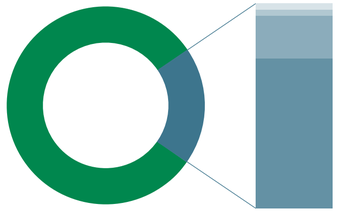
Finance	13.5 %
Communication services	2.8%
Consumer staples	1.5%
Consumer discretionary	1.8%
Information technology	1.0%
Healthcare	0.5%
All others	9.1%

Currently being assessed (41.5%)

Sovereign bonds	41.5%

We updated the exposure indicator for carbon-intensive sectors in 2022 to reflect changes to methodology recommended by the TCFD in 2021, particularly the expanded definition of carbon-intensive sectors to include energy, transportation, materials and buildings, and agriculture, food and forest products. Including these sectors generates a higher potential total exposure. This exposure stands at 19% of our credit risk exposure at default (EAD), which excludes repo-style transactions, over-the-counter derivatives and insurance portfolios). This change makes for a concentration in the portfolio of businesses in the materials and buildings sector (14%) and the agriculture, food and forest products sector (4%). We have little exposure to the transportation (<1%) and energy sectors, with less than 1% of our EAD concentrated in fossil fuel production or energy produced from fossil fuels.[1] A more detailed analysis of our lending to the electricity production sector[2] shows that only 16% of the portfolio is related to fossil fuel production. 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-intensive sectors[1] represents 19% ($71 billion) of our credit risk exposure at default as at December 31, 2022

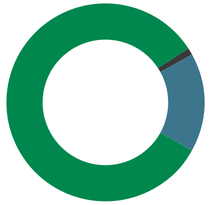


Non-carbon-intensive sectors (81%)

Carbon-intensive sectors (19%)

Energy	0.6%
Transportation	0.6%
Agriculture, food and forest products	4.1%
Materials and buildings	13.9%

Our exposure at default to electricity production[2] was $1.6 billion as at December 31, 2022



Produced from renewable energy (83%)

Produced from fossil fuels (16%)

Other (1%)

[1] This percentage is calculated by dividing the exposure at default (EAD) to carbon-intensive sectors by the total credit risk EAD (see page 54, Pillar 3 Report.) Carbon-intensive sectors include the energy, utilities, transportation, materials and buildings, agriculture, food and forest products 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).

Climate-related opportunities

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 more than 70 RI savings products and nearly $12.4 billion in RI assets under management as at December 31, 2022. 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.

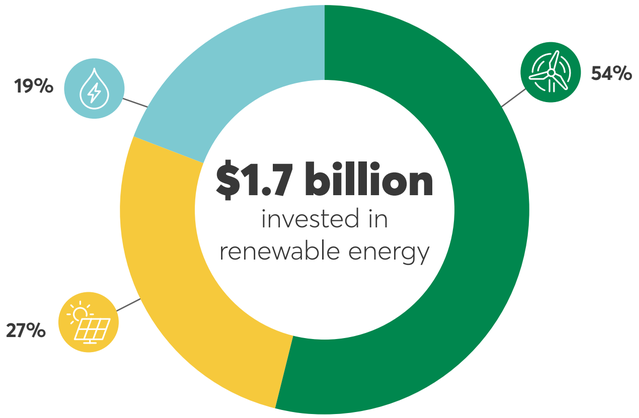
Estimated carbon intensity of organizations in which Desjardins Funds invest compared to comparable organizations

Desjardins SocieTerra Positive Change Fund	→	-75%	
Desjardins SocieTerra Diversity Fund	→	-84%	
Desjardins SocieTerra Global Opportunities Fund	→	-46%	
Desjardins SocieTerra International Equity Fund	→	+1%	
Desjardins SocieTerra American Equity Fund	→	-77%	
Desjardins SocieTerra Canadian Equity Fund	→	-52%	
Desjardins SocieTerra Cleantech Fund	→	-13%	
Desjardins SocieTerra Emerging Markets Equity Fund	→	-84%	
Desjardins SocieTerra Canadian Equity Income Fund	→	-67%	
Desjardins SocieTerra American Small Cap Equity Fund	→	+4%	
Desjardins SocieTerra International Small Cap Equity Fund	→	-88%	
Desjardins SocieTerra Low Volatility Global Equity Fund	→	-70%	
Desjardins SocieTerra Global Dividend Fund	→	-52%	

* Results as of December 31, 2022, calculated using data from MSCI ESG. © 2023 MSCI ESG Research LLC. Reproduced with permission. Further distribution prohibited. To learn more, see the 2022 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 42% of this portfolio (see image below). Renewable energy investments continue to grow and totalled $1.7 billion as at September 30, 2022, up 40% from the end of 2020.

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



We also encourage our individual and business members and clients to make energy-efficient choices. We do this by offering discounts on insurance premiums for energy-efficient buildings and reduced rates and other perks for financing hybrid and electric vehicles, energy-efficient homes and eco-friendly renovations (see the Desjardins Green Program). We're reviewing the offer to see how best to adapt it to meet the changing needs and expectations of our members and clients. For example, our property and casualty insurer is now focusing on the resilience of homes to generate financial benefits.

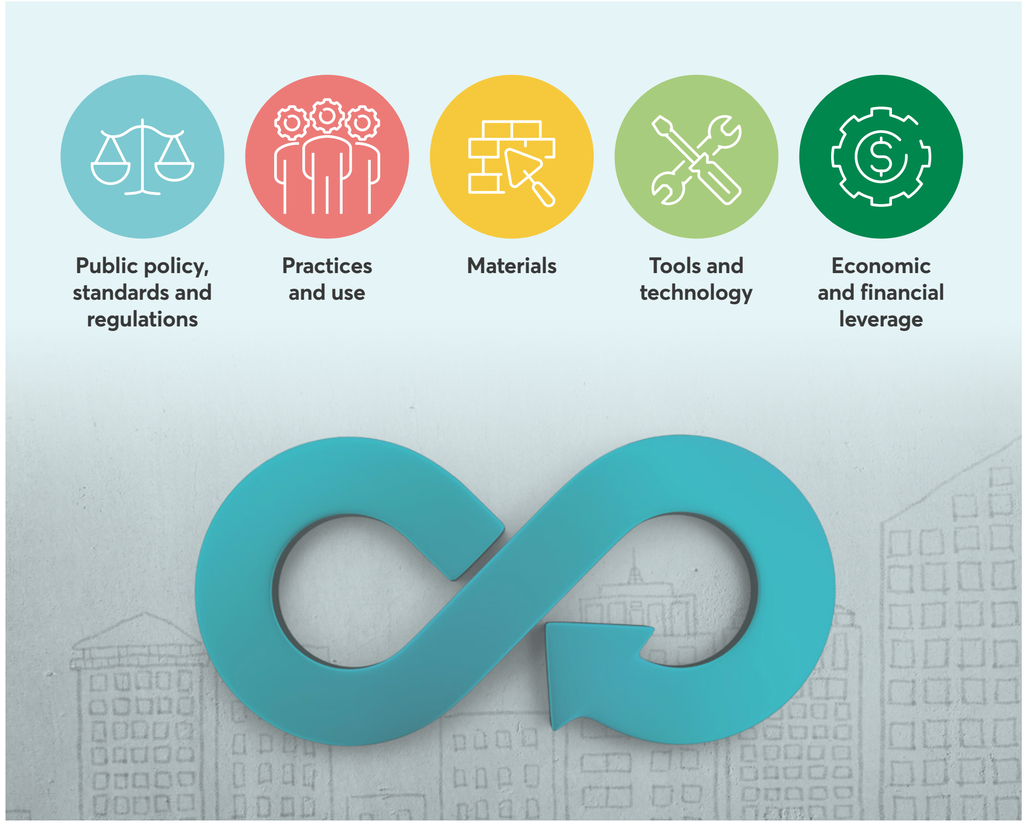
We're also helping our members and clients adapt to the serious consequences of climate change by doing things like expanding our range of property and casualty insurance. We've enhanced our commercial water and sewer backup insurance to provide more comprehensive and suitable coverage while lowering most business members' premiums. In Quebec, we also offer discounts for certain types of environmentally friendly buildings and commercial vehicles. And our members and clients have access to prevention tools like Alert™, Radar™ and Ajusto® through our Desjardins Insurance Home-Auto app (see pages 4 and 9 of our 2022 Principles for Sustainable Insurance report).

First issue of sustainable bonds

In September 2021, we made our debut issue of $500 million in sustainable bonds. Moody's ESG Solutions, an independent firm, gave our framework their highest rating, "Advanced." The extremely positive market response to this issuance created value for our members and clients and speaks to our approach's high standards and relevance. We plan to be a regular issuer of sustainable bonds, and we have an issue planned for 2023. For more information, see the 2022 Sustainable Bond Report.

The circular economy, a ripe opportunity for climate action

Our strategy for identifying and accelerating opportunities in the transition to a low-carbon economy includes partnerships with the École de technologie supérieure (to develop a circular economy and solutions for several key industries) and Québec Net Positive (whose mission is to educate, equip and activate Quebec businesses so they can benefit from the low-carbon economy).



Supporting the transition to a circular economy – Our partnership with the École de technologie supérieure

We pledged $2.1 million over 5 years to help the Center for Intersectoral Studies and Research on the Circular Economy at the École de technologie supérieure grow an ecosystem of innovation labs. These labs will help speed up the transition to a circular economy in key sectors like construction, agri-food, mining and plastics. The resulting projects, developed in collaboration with researchers and public and private sector players from the relevant value chains, will then develop and test solutions to be shared.

The first lab, which focuses on **construction, renovation and demolition, has propelled over 200 actors working on ways to bring the circular economy to the industry**. In 2022, there were 15 experimental projects on various links in the supply chain underway with the goal of giving work providers the tools and support they need to integrate circularity into their calls for tenders, use circular design principles to create more adaptable and demountable buildings, or better remove doors and windows for reuse. You can see all the projects online here (in French only).

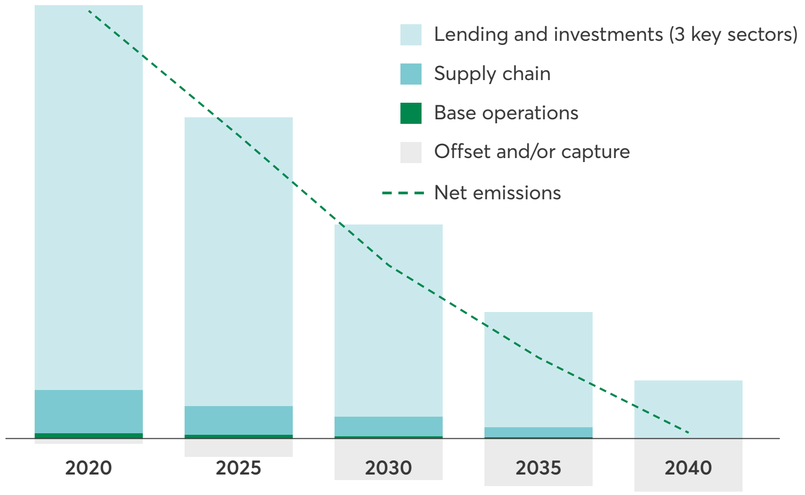
How climate-related risks and opportunities impact business, strategy and financial planning

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.

Illustration of projected GHG emissions under our 2040 climate strategy



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, 66, and 67 of our 2022 Social and Cooperative Responsibility Report.)

Expanding the scope of our climate strategy to include emissions we don't directly control will require transforming our practices extensively. It will have a variety of implications for our financial activities, as specified in the figure below: supporting renewable energy, guiding carbon-intensive sectors, defining science-based targets with the SBTi approach, and overhauling our sustainable finance products. At the same time, we'll continue to decarbonize our operations to reach our science-based target, including working with our supply chain to quantify its GHG emissions with the help of external experts. We'll also continue to provide our entire workforce with sustainable development training.

Climate strategy objectives and targets for 2025

Financial activities

- Support renewable energy
  - Allocate 35% of our energy sector lending to renewables
    - **40% already achieved**
  - Directly invest $2 billion in renewable energy infrastructure (+66% compared to 2020)
    - **$1.7B invested**
  - Participate in 5 additional biomethanization projects
    - **2 more projects financed**
- Guide and support businesses in carbon-intensive sectors that:
  - Demonstrate solid ESG performance
  - Factor in climate-related risk
  - Set credible targets for reducing GHG emissions
    - **Work underway to operationalize guiding principles for carbon-intensive sectors**
- Set science-based emissions targets for our own investments and lending activities
  - **Targets being defined**
- Expand our sustainable finance lineup for individuals and businesses
  - **Lineup being expanded; several products launched in 2022**

Operations

- Achieve our science-based target (1.5°C) of reducing our operational GHG emissions by 41% compared to 2019 levels
  - **49% reduction already reached**
- Work with our 100 largest suppliers to reduce the carbon footprint of our supply chain
  - **First estimates of GHG emissions from the supply chain conducted, beginning to engage with our main suppliers**

Employees

- Train 85% of our employees on the principles of sustainable development
  - **93% already achieved**
- Provide specific RI training for employees who design or sell RI products
  - **Training plan already rolled out to these employees**

Climate change commitments and positions

In 2021, we were the first Canadian financial institution to commit to the Business Ambition for 1.5°C campaign, an alliance led by the Science Based Targets initiative (SBTi) and the United Nations.

By joining the Business Ambition for 1.5°C campaign, we made several concrete commitments, including a commitment to publish intermediate science-based targets (short- or medium-term) for our operations and financial activities. These targets will be verified by the SBTi no later than 2023.

We've already made progress on this commitment by publishing our first reduction target on our operational emissions: by 2025, we'll reduce the carbon emissions of our base operations (business travel, paper use, energy consumption in buildings we lease or own) by 41% compared to our 2019 emissions, which aligns with the goal of limiting global temperature increase to less than 1.5°C by the end of this century.

While we believe in the importance of dialogue and engagement, we exclude companies in the coal industry from our lending, investment and insurance activities, as explained in our position on coal. We further affirmed our position by joining the Powering Past Coal Alliance. In addition, we've established decision-making guidelines for our dealings with corporations in carbon-intensive sectors and will support SMEs in their energy transition.

Desjardins Global Asset Management Inc. (DGAM) joined the Net Zero Asset Managers initiative (NZAMI) in October 2021. In doing so, DGAM joined an international group of asset managers working toward a goal of net zero GHG emissions by 2050, part of worldwide efforts to limit global warming to 1.5°C.

The chart to the right gives an overview of our climate action and responsible finance commitments.

PCAF Partnership for Carbon Accounting Financials

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

BUSINESS AMBITION FOR 1.5°C

Our climate and responsible finance commitments and initiatives

Banking	Investment	Insurance
Position on the Paris Agreement		
Climate ambition: Net zero emissions (3 key sectors)		
Powering Past Coal Alliance (coal phase-out)		
Tobacco-Free Finance Pledge		
Principles for Responsible Banking	Principles for Responsible Investment	Principles for Sustainable Insurance
Commitment to Financial Health and Inclusion	Climate Action 100+	Climate Proof Canada (Insurance Bureau of Canada)
	Climate Engagement Canada	
Business Ambition for 1.5°C (Science Based Targets initiative)		
Partnership for Carbon Accounting Financials		
Task Force on Climate-related Financial Disclosures and CDP (formerly the Carbon Disclosure Project)		
	Net Zero Asset Managers initiative	
	Global Investor Statement to Governments on the Climate Crisis	
	Canadian Investor Statement on Climate Change (Responsible Investment Association)	
	N PRI-led Advance initiative for human rights	
	N Finance for Biodiversity Pledge	

- Public commitment
- Commitment to an external initiative
- Target/quantification
- Reporting frameworks
- N New in 2022

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. In fact, $44,000 billion of annual economic value (over half the world's total GDP) is dependent on nature.[1]

COP15, held in Montreal from December 7 to 19, 2022, brought together over 20,000 participants from 190 different countries. This was the first biodiversity COP to feature an entire day dedicated to finance. A number of financial institutions participated, including Desjardins. We sponsored the welcome reception for the financial sector as well as the COP15 Public Action Zone, hosted by Réseau Environnement, which ran from December 9 to 14 at the Port of Montreal's Grand Quay.

During COP15, as part of our *Rendez-vous durables*, Desjardins employees took part in an exclusive lecture on major biodiversity-related issues given by biologist Jérôme Dupras, a professor in the department of natural sciences at the Université du Québec en Outaouais and Canada Research Chair in Ecological Economics.

Desjardins Global Asset Management (DGAM), Desjardins Investments and 124 other financial institutions signed the Finance for Biodiversity Pledge. The goal of this commitment is to factor biodiversity restoration and protection into our investment products.

In signing the COP15 Statement from the Private Financial Sector, we joined our voice to that of many large global businesses. This ambitious statement calls on executives worldwide to agree to a global framework for stopping and reversing biodiversity loss.

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.

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

Here are some biodiversity-focused projects in our offset portfolio:

1. Great Bear Forest Carbon Project (British Columbia): Conserving the world's largest temperate rainforest

2. Niagara Escarpment Forest Carbon Project (Ontario): Preserving the integrity of the region's rare species and unique geological features

Every year, Desjardins caisses and sectors pull out their trowels for several tree planting projects. In 2022 we hit 462,786 trees planted in Canada since 2006! As professor Dupras mentioned in his lecture, there's no better carbon sink than forests with a wide variety of tree species! Our teams are making a real difference.

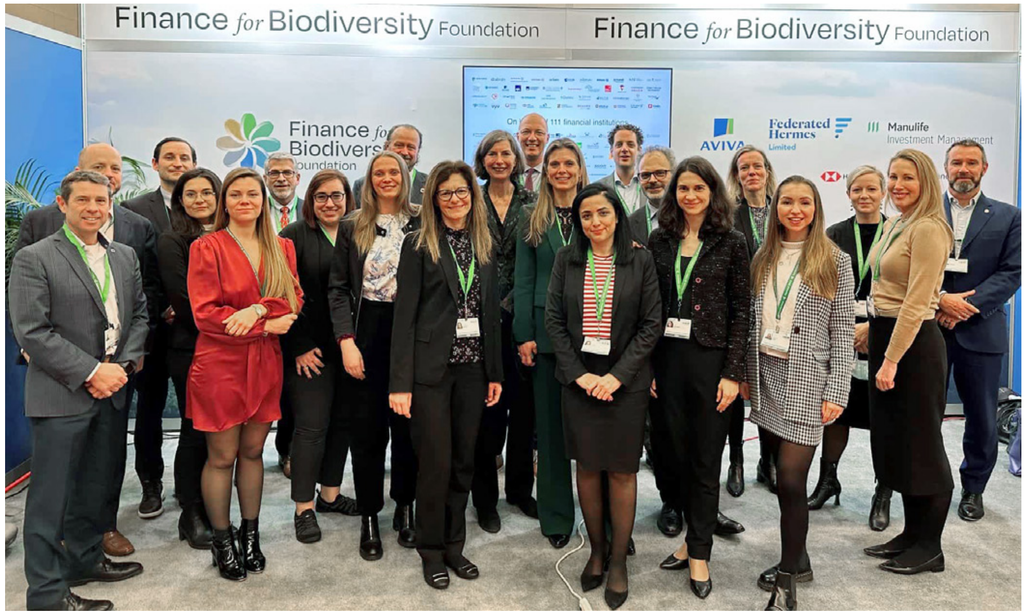
Our tree planting projects all share these goals:

1. Reforest and beautify landscapes and living environments

2. Support applied sciences

3. Slow down climate change

These initiatives and ongoing projects are just the beginning of our work. They speak to the growing consideration of biodiversity and nature in our financial operations and activities.



Signatories of the Finance for Biodiversity Pledge at COP15 in early December in Montreal. On the left, from Desjardins Investments, Senior Vice-President Éric Landry, and Analyst Louisa Campos; and from Desjardins Global Asset Management, Vice-President and COO Nicolas Richard and Analyst Geneviève Grenon.

[1] https://www.weforum.org/reports/new-nature-economy-report-series/

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 2022 our teams participated in modules including: Climate Stress Testing; Transition and Physical Risk Tools; Physical Risk Data; and Climate-Related Legal and Regulatory Risks.

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 own 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 shares 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.

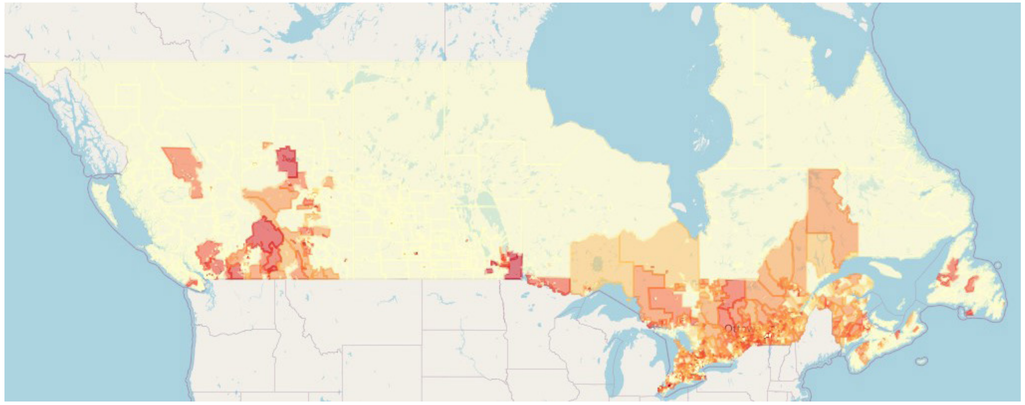
Considering these limits, the findings indicate generally low impacts for physical risks on the time horizons considered. The transition risks are potentially higher based on the model we used on our own investments (Climate Value at Risk, developed by MSCI). That said, these risks show impacts on a 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. The box on the next page describes some of the analyses we did in 2022.

By participating in various initiatives such as UNEP FI, and through our internal expertise and experience, we're advancing the way we quantify the impacts of physical and transition risk factors. See the next page for examples.

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 **disorganized transition.**	Countries act to limit global warming to 2°C or less by 2100. As of 2020, worldwide **action is organized** and consistent with the climate targets of the Paris Agreement.	Countries act according to their pledges under the Paris Agreement. Their **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°C	≤ 2°C	~ 3°C	≥ 4°C

Example of our 2022 quantitative assessment of climate-related physical risks

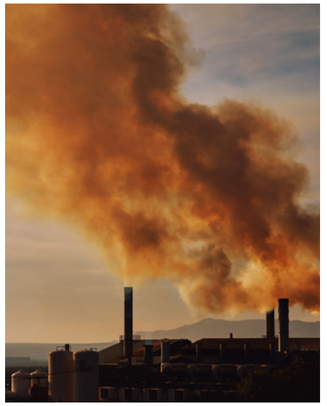
• New tool to identify the concentration of catastrophic flood risks by Desjardins General Insurance Group



In 2022, risk and modelling teams from Desjardins General Insurance Group (DGIG) developed and optimized a dashboard for monitoring catastrophe-related risks and market concentration in at-risk areas. This dashboard maps and evaluates the concentration of flood risk in DGIG's personal property insurance portfolio. Other risk factors are being integrated in 2023, including severe convective storms, winter storms and hurricanes. Ultimately, this tool could incorporate a wide range of climate change scenarios, which would help us evaluate their impacts on natural disaster-related insurance risk.

The analytical capabilities offered by this tool will enable DGIG to better manage risk exposure, assess its risk appetite, diversify its portfolio geographically and make it more resilient to climate-related risks. This tool is also aligned with our objectives of integrating ESG criteria into business decision-making.

• Air quality analysis by Desjardins Financial Security



Air pollution

Wildfires

Longer allergy season

These interrelated factors have a negative impact on humans and need to be monitored

In 2022, Desjardins Financial Security (DFS) actuarial and modelling teams conducted qualitative and quantitative analyses on the impacts of climate-induced air quality degradation on Canada's most at-risk populations, as well as its short- and long-term effects. Their quantitative analysis modelled wildfire, ozone and fine particulate matter (PM 2.5) impacts under an RCP 8.5 scenario (status quo). DFS also assessed the proportion of group insurance members with pre-existing health conditions that make them more vulnerable to air quality degradation. The results of this analysis indicate that, despite the real impact on the most vulnerable populations, the financial materiality of this risk remains low for DFS. DFS teams will continue to monitor the materiality of the impacts on the organization's capital and on the quality and standard of living of our clients and insureds, and will continue to examine potential solutions and support options.

• Desjardins Global Asset Management analysis of transition scenarios using the MSCI ESG Research Climate Value-at-Risk tool

Future climate transition policies could have an impact on our own investment portfolio. For example, the implementation of a higher carbon price (driven by stricter carbon tax requirements or a reduction in the GHG emissions limit on carbon markets) could influence the long-term financial performance of emitters and ultimately result in financial losses for Desjardins. That's why we closely monitor our exposure to carbon-intensive sectors (see the image "Lending and own investment portfolios – Vulnerability to climate-related risks" on page 12).

In 2022, the Desjardins Global Asset Management (DGAM) responsible investment team used MSCI ESG Research's Climate Value-at-Risk (CvaR) tool to study the impact of transition risk on the value of our own investment portfolio. The analysis covered the following asset classes: corporate bonds, preferred shares and common shares. The tool produces an estimate of the potential financial impact expressed as a percentage of the portfolio's market value if the selected scenario happens. We examined several different scenarios. First, we compared the impact of an orderly transition versus a disorderly transition. Then, we compared the impacts of different temperature increase scenarios (1.5, 2 and 3 degrees). Finally, we analyzed the transition risk impact on various mandates and asset classes.

Here are our main findings:

- Transition risk is significantly higher in a disorderly transition than in an orderly transition. This is because a disorderly transition is associated with a higher carbon price over the time horizon we studied, which more severely penalizes emitters in the portfolio.
- The more we limit the rise in temperature, the higher the transition risk. A 3-degree scenario requires less effort from emitters than a 1.5-degree scenario and is therefore less costly.
- Generally speaking, Canadian equities (preferred or common shares) have a higher transition risk than Canadian bonds and international equities. This reflects the structure of the Canadian economy and the composition of the portfolios. It is possible to reduce the risk, however, by introducing decarbonization objectives into portfolios.

To illustrate, we present two different 1.5-degree scenarios to show a minimum and maximum difference in the net present value of our assets resulting from the aggregate transition risk costs. The results are presented below.

Scenario	CVaR contribution (% of present value)	Monetary risk (based on assumed portfolio value of USD$100 million)
Orderly transition	**-9.96%**	**-USD$9.96M**
Disorderly transition	**-36.15%**	**-USD$36.15M**

The minimum difference is based on an orderly transition scenario (REMIND | 1.5°C | NGFS | ORDERLY), and the maximum difference is based on a disorderly transition scenario (REMIND | 1.5°C | NGFS | DISORDERLY). MSCI ESG Research uses an ascending and descending hybrid methodology to calculate climate-related risk and opportunity, such as future policies for reducing emissions or the potential of low-carbon technologies.

The results provided by these models indicate a medium to high transition risk, particularly in a disorderly transition, which is aligned with the economies in which these funds invest. They show the potential risks if the selected scenarios suddenly occur (assuming the associated assumptions are valid). However, it's important to note the limitations of this analysis, including in terms of asset coverage (shares and corporate bonds only), time horizon (adjustment of the current value based on the impacts between 2022 and 2100), and the fact that the analysis does not include mitigation measures that may be applied in coming years (analysis with a static portfolio, therefore not taking into account factors such as sectoral reallocations or the selection of less vulnerable companies within a sector).

RISK MANAGEMENT

Process for identifying and evaluating climate-related risks

We gather, identify and evaluate climate-related risks through an organization-wide multidisciplinary framework. In keeping with the 3 lines of defence model, our business sectors and support functions work with the Sustainable Development and Responsible Finance team to identify the main risks to their activities and related impacts. The risk management function owns the analysis methodology and performs critical reviews of the results and observations that come out of analyses. These results are shown in the table summarizing the qualitative analysis of climate-related risk on page 11.

We fine-tuned the methodology for climate-related risk analysis in 2020 and 2021. The goal was to reflect the specific situation of each business sector and the potential repercussions on our members and clients and to concentrate on vulnerable areas to evaluate the predominant physical or transition risk factors. Following an assessment of climate-related risk, we established action plans and an implementation schedule for measures to mitigate risk, where needed. Each year, the results of the climate-related risk analysis are presented to the Desjardins Group Finance and Risk Management Committee.

We enhanced our risk identification approach in 2022, which included implementing a more precise climate-related risk taxonomy that includes common scenarios for each risk factor.

We continued to quantify these risks in parallel, which gave us a better understanding of many of them, particularly how more frequent and likely climate events will influence insurance risk and credit risk.

We're also monitoring our exposure to transition risks using specific indicators in the fossil fuel and renewable energy sectors, in business lending, in our own investments, as well as in our property and casualty insurance, life and health insurance, and retirement savings portfolios.

Process for managing climate-related risk

We've expanded our management approach for climate-related risk since 2020 so that we can better integrate these risks—individually or as a part of other environmental, social and governance (ESG) risks—into our existing risk management practices and a growing number of decision-making processes. In 2020 and 2021, we started certain aspects of our approach and finalized others. For example, we worked on governance, risk analysis, selection of relevant climate scenarios and quantification of the impact of certain risk factors.

In 2022 we implemented several major elements that reinforce our climate-related risk management process. That included our board of directors adopting an ESG risk management policy and the Desjardins Group Management Committee adopting a climate-related risk management directive. Toward the end of the year, we also added a climate-related risk statement and risk appetite indicator to the organization's risk appetite framework. Finally, following a comprehensive analysis of climate-related risk management, we launched several action plans; others will be rolled out in the near future to close the gap between current practices and our climate-related risk objectives.

Several additional tools help us improve our grasp of climate-related risk in our activities. These include shareholder engagement with companies in our own investment portfolios and decarbonization of these portfolios. To that end, we had set a target for decarbonizing our own investments of -25%, measured by the carbon intensity of our portfolios compared to the relevant indexes. We exceeded this target as of December 31, 2022, with a 40% reduction. We also consider climate change in lending decisions and when files are reviewed annually by using an ESG evaluation grid customized by industry (used since 2020 for large businesses, with gradual integration for medium-sized businesses starting in 2021). And right now we're in the process of rolling out a climate analysis grid for carbon-intensive sectors.

Implementing our science-based targets by 2023 rounds out these tools and gives us a more detailed view of how our investment and lending portfolios align with the objectives of the Paris Agreement.

Integrating climate-related risk into our risk management

Climate-related risk is an integral part of other kinds of risk (insurance, credit, etc.). Some processes handle climate-related risk separately, all the while integrating it into our integrated risk management framework (see figure opposite).

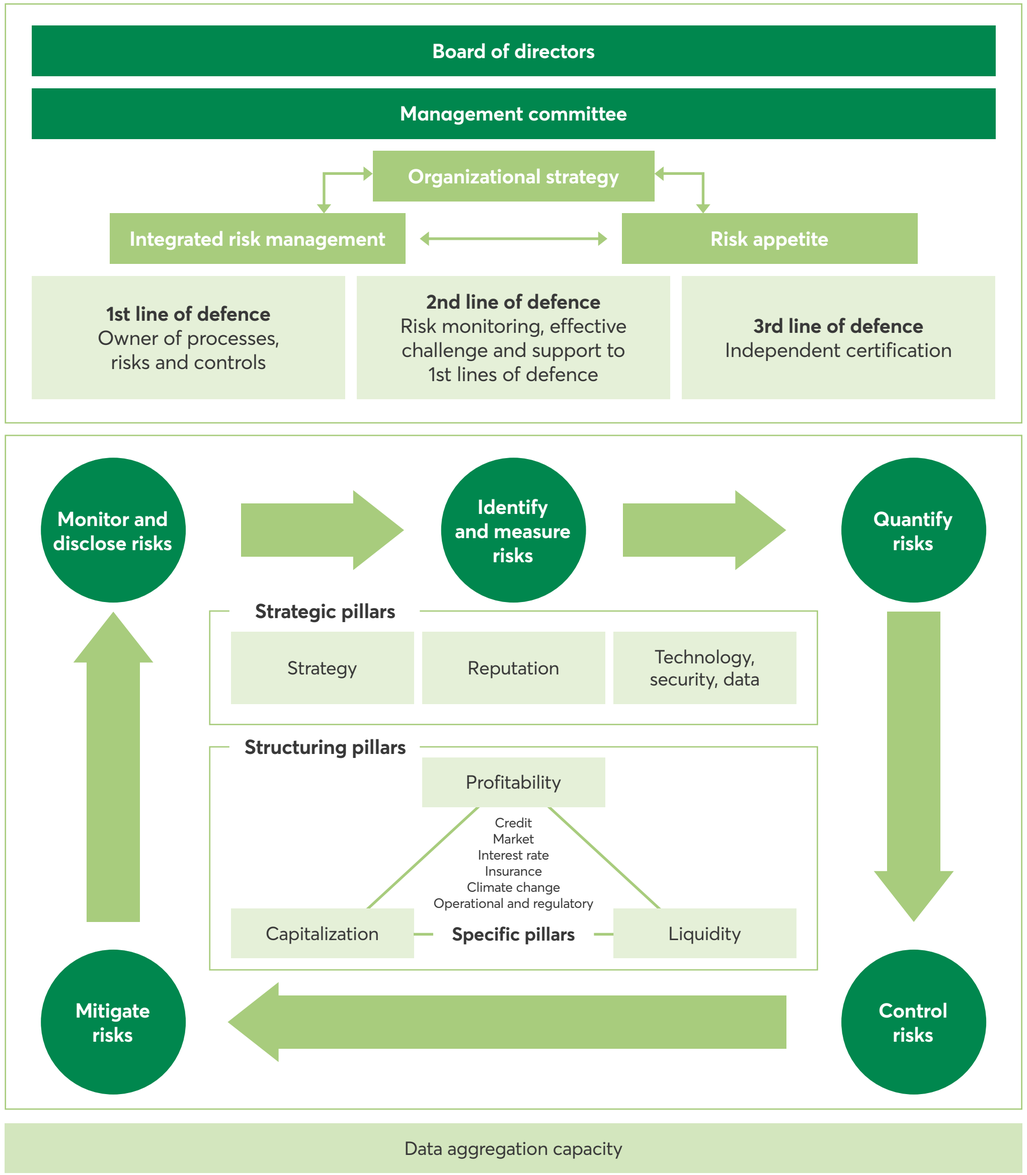
We have a risk register that lists categories and subcategories of risk affecting the organization. The register is updated at least once a year and serves as the basis for the quantitative and qualitative assessment of the materiality of risks, the determination of our risk profile and the implementation of appropriate strategies to mitigate risks. The register includes environmental and social risk, to which climate-related risk, for which we improved the taxonomy in 2022, is an external risk factor. Since climate change can affect our future performance, it's considered both a main risk and an emerging risk and is followed up on quarterly by senior management.

In keeping with our integrated risk management framework, our first line of defence is a team specialized in sustainable development and responsible finance that helps the business sectors account for climate-related risks as they manage their specific risks.

A climate-related risk team, in collaboration with teams from other types of risk (insurance, credit, etc.), is positioned as the second line of defence to oversee, manage and monitor the inclusion of climate-related risk in our organization's main processes. Climate-related risk gets its own treatment in the quarterly report to senior management. It's also subject to an annual disclosure to the Desjardins Group Finance and Risk Management Committee. The Climate Change Risk Committee, which reports to the Finance and Risk Management Committee, monitors climate-related risk and the maturity of its management on a monthly basis, as well as the various initiatives, action plans and roadmaps covering climate-related risk management.

Our third line of defence is the Desjardins Group Monitoring Office. In 2019, this office conducted an internal audit on the implementation of our sustainable development policy, which resulted in several recommendations focusing on climate change. In 2022 the office performed an internal audit on the integration of ESG factors into our business model and operations (see the **Governance** section).

Integrated risk management framework



METRICS AND TARGETS

Overview 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 business sectors and support functions. The primary ones are summarized below:

Area	Metric	Target	2022	2021	2020
Investments	Carbon intensity of our own investments compared to benchmark indexes (weighted average carbon intensity)	-25%	-40.0%	-38.1%	-32.0%
	Amount invested in renewable energy (our own investments and the Desjardins Group Pension Plan's investments)	$2B in 2025	$1.7B (Q3 2022)	$1.5B	$1.2B
Investments	Exposure at default to carbon-intensive sectors (% and $)		19% ($71B)	N/A	N/A
	Exposure at default to carbon-intensive sectors (% and $, fossil fuels only)		0.6% ($2.1B)	0.6% ($2.1B)	0.7% ($2.2B)
	Total exposure at default to electricity production ($, % renewables/fossil/other)		$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	40%	31%	28%
	Cumulative biomethanization projects financed	6 projects in 2025	2	1	1
	Total sustainable bonds issued		$500M	$500M	$0M
Financial activities (GHG emissions)	Residential mortgages ($ktCO_2e$ and $tCO_2e/$ outstanding, PCAF data quality score 5)[1]		394 $ktCO_2e$ 3.2 $tCO_2e/$M$	401 $ktCO_2e$ 3.5 $tCO_2e/$M$	399 $ktCO_2e$ 3.2 $tCO_2e/$M$
	Consumer loans for motor vehicles ($ktCO_2e$ and $tCO_2e/$ outstanding, PCAF data quality score 3)		466 $ktCO_2e$ 103 $tCO_2e/$M$	474 $ktCO_2e$ 113 $tCO_2e/$M$	553 $ktCO_2e$ 126 $tCO_2e/$M$
	Commercial real estate (loans and investments, $ktCO_2e$ and $tCO_2e/$ outstanding or invested, PCAF data quality score 1 to 5)[1]		561 $ktCO_2e$ 11.2 $tCO_2e/$M$	564 $ktCO_2e$ 12.1 $tCO_2e/$M$	528 $ktCO_2e$ 12.1 $tCO_2e/$
	Stocks and corporate bonds (our own investments, $ktCO_2e$ and $tCO_2e/$ outstanding or invested, PCAF data quality score 1 to 4)[2]		314 $ktCO_2e$ 29.6 $tCO_2e/$M$	375 $ktCO_2e$ 35.2 $tCO_2e/$M$	369 $ktCO_2e$ 41.0 $tCO_2e/$M$

: Indicators monitored by the ESG Steering Committee.
N/A: Data not available.

[1] 2020 and 2021 values reflect updated GHG emission factors from Natural Resources Canada.
[2] 2020 and 2021 values were updated after obtaining data that allowed for increased portfolio coverage and quality of data.

Area	Metric	Target	2022	2021	2020
Operations	Direct GHG emissions (Scope 1, tCO_2e)[1]	-41% 2019-2025	5,404*	6,144[5]	6,935[5]
	Indirect GHG emissions (Scope 2, tCO_2e)[2]		1,218*	1,267[5]	2,261[5]
	Indirect GHG emissions (Scope 3, tCO_2e)[2]		12,816*	9,625	15,030
	• Paper (Scope 3, Categories 1 and 5)		8,298*	7,989	11,553
	• Business travel (Scope 3, Category 6)		4,518*	1,636	3,477
	Total GHG emissions (tCO_2e)[4]		19,438*	17,036[5]	24,226[5]
	Emission intensity (Scopes 1 and 2, $kgCO_2e/m^2$)[6]		4.5	5.0	6.2
	Energy intensity (Scopes 1 and 2, GJ/m^2)		0.76	0.78	0.83
	Renewable energy purchased (GWh and %)		277 (95%)	280 (95%)	294 (95%)
	Share of energy mix from renewable energy (%)		89%	86%	84%
	Internal carbon price ($/$tCO_2e$)		$16/$tCO_2e$	$14/$tCO_2e$	$14/$tCO_2e$
	Residual waste sent to landfills		728 t	708 t	945 t
	Residual waste recycled or repurposed		2,208 t	1,996 t	1,985 t

: Indicators monitored by the ESG Steering Committee.
N/A: Data not available.

*PwC conducted a limited assurance engagement on these indicators.

[1] 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.

[2] 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 (CO_2), methane (CH_4) and nitrous oxide (N_2O). All emissions are calculated using the location-based method.

[3] 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.

[4] 2022 data covers all of Desjardins Group and was collected for the following components:

- Caisse network and centres
- Desjardins Investment Product Operations
- Desjardins Real Estate Group
- Desjardins Global Asset Management
- Desjardins General Insurance Group
- Desjardins Financial Security
- Desjardins Capital Management Inc.
- Desjardins Investments
- Desjardins International Development
- Fédération des caisses Desjardins du Québec
- Desjardins Shared Services Group
- Desjardins Technology Group
- Desjardins Securities

Any Desjardins Group components not listed are not included in the calculations. Gases included in carbon dioxide equivalent (CO_2e) are carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O).

[5] The corrections we made in 2020 and 2021 only involved recalculating the energy consumption of offices rented 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 (from 25,062 to 24,226 tCO_2e for the 2020 total and from 17,547 to 17,036 tCO_2e for the 2021 total). These adjustments were not part of the PwC limited assurance engagement.

[6] GHG emission intensity is measured by dividing total emissions (Scopes 1 and 2; CO_2, CH_4 and N_2O) by the total area of buildings in the operational scope.

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 scores, 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. We'll add our science-based targets to the list once they've been verified by the SBTi.

Where relevant, the indicators and associated targets are included in the annual objectives of senior 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.

We use internal carbon pricing for certain large 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 2022, the average price was $15.90/tCO2e (for compensated emissions generated in 2021).

We also track other indicators related to climate action and a just energy transition, like the percentage of our investments and lending in carbon-intensive 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 operational emissions went up 14% from 2021 to 2022. This increase was mainly due to resuming activities that had been put on hold during the COVID-19 pandemic. For example, 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 transportation-related emissions. We'll keep a vigilant eye on the increases we've observed and have identified measures to reverse the trend in the coming years.

The pandemic incited us to allow hybrid work arrangements that have had a positive impact on the total energy footprint of our buildings while also requiring less space and reducing, to a lesser extent, the energy consumption of the buildings.

Total paper consumption decreased slightly in 2022 compared to 2021. However, despite the best efforts of our procurement teams, a shortage of 100% recycled paper generated a 4% increase in paper consumption emissions.

GHG emissions from our financial activities

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.

In 2021 and 2022, our teams were active participants in PCAF working groups and they applied *Global GHG Accounting and Reporting Standard for the Financial Industry* (first edition, 2020) methodology to the 6 asset classes covered by the guide. We've studied the changes to the methodology in the second edition of the guide published in December 2023 and will be integrating them into our future disclosures.

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, 2022)

Asset class (December 31, 2022)	**Emissions** (Scopes 1 & 2, $ktCO_2e$	**Assets under management/ outstanding** ($ billions)	**% coverage**	**Intensity** ($tCO_2e/$M)	**PCAF score**
Mortgages	**394**	**126.4**	**96%**	**3.2**	**5**
Vehicle financing	**466**	**7.5**	**60%**	**103.4**	**3**
Commercial real estate (financing)	**545**	**55.6**	**86%**	**11.4**	**5**
Total financing	**1,405**	**189.4**	**92%**	**8.1**	
Commercial real estate (investments)	**16**	**2.1**	**100%**	**7.6**	**1 (47%)** **4 (53%)**
Listed equity and corporate bonds (our own investments)	**314**	**12.1**	**88%**	**29.6**	**1 (68%)** **2 (26%)** **3 (1%)** **4 (5%)**
Total investments	**330**	**14.2**	**89%**	**26.2**	

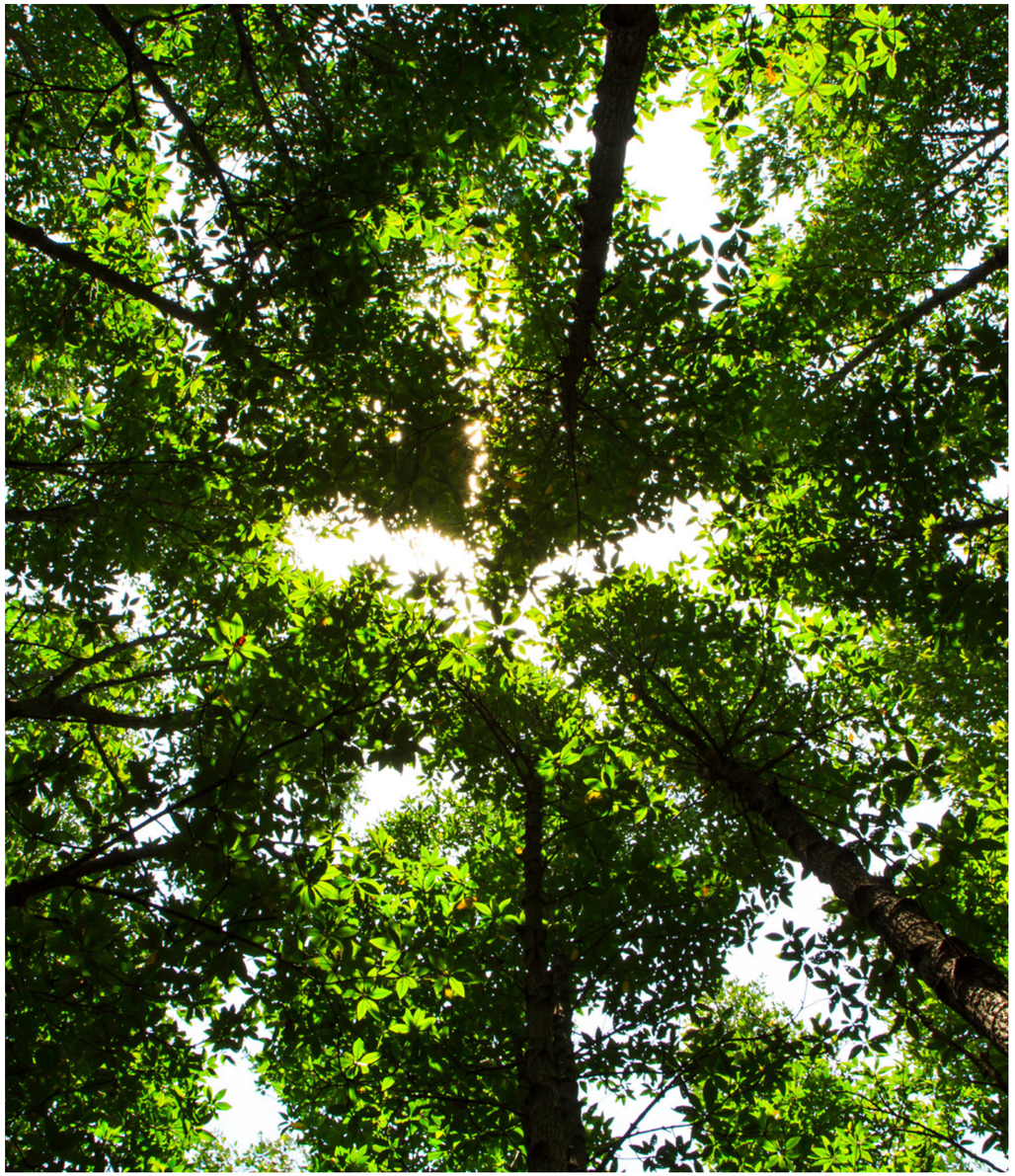
These results are based on the best available data and the methodology deemed most appropriate for our portfolio; they have not been audited by a third party. Any calculation error or update resulting from a change in methodology or addition of new data that produces significantly different results from what has been published will be addressed and corrected in future publications.

Despite these issues, the estimates reveal the following:

- Listed equity and corporate bonds (our own investments): Energy, utilities, materials and industrials account for nearly 91% of this portfolio's emissions, although they comprise only 33% 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 1,272 $ktCO_2e$, or approximately 6.5 times the Scope 1 and Scope 2 emissions from these sectors.

- Commercial real estate and residential mortgages: These portfolios are concentrated in Quebec, where electricity is produced from renewable energy sources (in 2021: 98% hydroelectric, 1.7% 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 the highest 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 (39%) represents recreational vehicles (ATVs, boats, etc.), for which there is no recognized approach for estimating emissions.
- Business loans and project financing: In the absence of actual emission data and high quality estimates, it's impossible for us to publish a satisfactory calculation of our financed emissions for this asset class this year. 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 1–2) 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 by nature 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] 2022. Faits sur l'électricité d'Hydro-Québec - 2021 (hydroquebec.com) (in French only)

Targets

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 Business Ambition for 1.5°C. Many of these targets were introduced in the **Strategy** section and earlier in the **Metrics and targets** section. The table below summarizes.

Quantitative medium-term objectives and targets

2023

- Train 85% of our employees on the principles of sustainable development

2025

- Allocate 35% of our energy sector lending to renewables
- Directly invest $2 billion in renewable energy infrastructure (+66% compared to 2020)
- Participate in 5 additional biomethanization projects
- Achieve our science-based target (1.5°C) of reducing our operational GHG emissions by 41% compared to 2019 levels

Definition in progress

- Set science-based emissions targets for our own investments and lending activities (2025 or 2030)

Ongoing

- Keep the carbon intensity of our own investments at least 25% below the benchmark index

Desjardins climate strategy: Net zero emissions by 2040

- Extended operations: buildings, business travel and supply chain
- Lending activities and own investments (targeted sectors: energy, transportation and real estate)

Our 2050 net zero emissions objective: Business Ambition for 1.5°C