

# Responsible Investment Policy

## Desjardins Group Pension Plan

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## 1. GENERAL STATEMENT

Responsible investment (RI) consists in incorporating environmental, social and governance (ESG) factors into investment selection and management. Desjardins Group has been a pioneer in responsible investment since the 1990s. Its approach is in line with its mission, vision and values, which aim to improve the economic and social well-being of people and communities. As key players, Desjardins Group employees are actively involved in this mission.

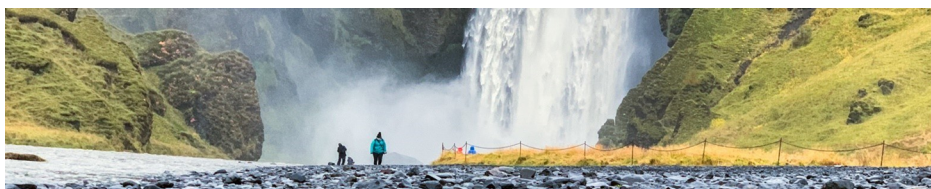
The Desjardins Group Pension Plan (DGPP), within the compatible limits of its field of activity and fiduciary responsibility, supports Desjardins Group's commitments to RI and sustainable finance.

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*As a long-term investor, the DGPP believes that efficiently managing ESG risks and opportunities can have both a positive impact on the financial returns of its investments and a real positive impact on communities.*

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In this context, this policy (Policy) defines the framework enabling the DGPP to incorporate RI into its asset management. It is related to the *DGPP Investment Policy and the Desjardins Group Pension Plan Policy on the Exercise of Proxy Voting Rights*.



## 2. OBJECTIVES

The purpose of this Policy is to:

- Provide a framework for implementing the RI strategy in the DGPP's activities
- Formalize the DGPP's expectations for portfolio managers in incorporating RI best practices
- Clarify the roles and responsibilities of RI governing bodies and stakeholders
- Define the monitoring and reporting mechanisms related to DGPP's RI activities

## 3. TERMINOLOGY

Definitions of certain terms and expressions used in this Policy are set out in Appendix A.

## 4. SPECIFICS OF THE POLICY

### 4.1 Positions

The DGPP RI strategy is based on the following positions:

- The DGPP believes that communities face major challenges, such as climate change and increasing inequality, which pose significant systemic risks and require coordinated international responses.
- The DGPP recognizes that financial and economic activities have a normative impact on our society, meaning that they do (or do not) facilitate the transition to a more sustainable and low-carbon economy.
- The DGPP believes that taking ESG factors into account in its financial decisions is an important dimension of its fiduciary responsibility.
- The DGPP believes that it would be useful for regulators and legislators to clarify expectations for integrating ESG factors applicable to pension plans into their investment activities.
- It is important to increase the quality and comparability of the ESG performance of companies in a portfolio, namely by strengthening mandatory ESG reporting.
- The DGPP wishes to be recognized as a leader among its peers and collaborates with them to enhance RI expertise in Quebec, Canada and around the world.

### 4.2 Objectives of the RI strategy

The DGPP RI strategy sets out 2 main objectives.

#### 4.2.1 Preserve the DGPP's financial position in the long term

ESG factors can have a significant impact on the performance of the public and private companies in which the DGPP invests. It is essential to properly consider these factors when making financial decisions for at least 2 reasons:

- To minimize ESG risks and optimize the DGPP's approach to risk/return analysis
- To take advantage of business opportunities related to the emergence of an unprecedented sustainable energy transition

#### 4.2.2 Increase the DGPP's positive impact on society

Through the ongoing development of indicators that seek to measure the impact of investment strategies on society and the environment, investors can increase the positive externalities of their investments while seeking to limit the negative ones. In line with existing RI best practices, the DGPP contributes to develop these indicators within the scope of its fiduciary role and with the expectation of financial results comparable to the markets.

## 4.3 Implementation of the DGPP RI strategy

The DGPP RI strategy is consistent with its commitment to the Principles for Responsible Investment (PRI) and its desire to advance the consideration of ESG factors in the DGPP's financial decision-making.

The Policy applies to all DGPP asset classes. However, ESG integration practices and methodologies may vary across asset classes, depending on the nature or geography of the investments, the type of vehicle and the investment strategy of the portfolio.

### 4.3.1 Integration of ESG factors

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***The DGPP considers ESG risks and opportunities throughout its investment process: from developing the asset allocation strategy to the selection and monitoring of its portfolio managers and investments.***

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In particular, the DGPP assesses the ability of portfolio managers to focus on the factors most likely to have a material impact on the results of the companies they analyze, including through reference frameworks from organizations such as the Sustainability Accounting Standards Board (SASB) or the International Sustainability Standards Board (ISSB).

The DGPP also ensures that it has a long-term view of systematic ESG risks that can influence its financial returns, notably by implementing the recommendations of the [Task Force on Climate-related Financial Disclosures](#) (TCFD).

The DGPP seeks to refine its understanding and integration of investment strategies in order to increase the positive impact of its investments.

The DGPP may exclude the securities of certain companies. These exclusions apply when a company's products are restricted under Canadian law or by international treaties. Similarly, the DGPP may exclude certain securities based on ESG factors when it deems necessary, consistent with the ESG positions adopted by Desjardins Group.

### 4.3.2 RI influence strategy

#### ***Proxy voting rights***

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***As a shareholder, the DGPP has adopted a proxy voting rights policy that includes positions on corporate governance and certain social and environmental issues.***

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In order to ensure consistent execution of its portfolio, the DGPP, where possible, repatriates and exercises its voting rights.

## Shareholder engagement

The DGPP works with its partners and portfolio managers to incorporate ESG factors into its investment management.

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*The DGPP believes that it is appropriate for a portfolio manager to maintain open and constructive dialogue with the companies in its portfolio about ESG factors relevant to its business model and to promote best practices specific to each industry, asset class or portfolio strategy.*

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The DGPP would like these engagement practices to include an escalation process when engagement results are deemed unsatisfactory.

## Collaboration

The DGPP recognizes that sustainability challenges and issues are complex and often require international consideration.




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*Within its means, the DGPP works with partners and recognized players in the RI community to refine its expertise and share best practices.*

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In a manner consistent with its RI leadership and Desjardins Group's commitments, the DGPP ratifies strategic collaboration initiatives, when deemed appropriate.

### 4.3.3 Training

In order to foster a robust RI strategy across its investment activities, there is a continuing education program for members of DGPP's governing bodies and teams to ensure that they consider RI in their decision-making process and in their respective business practices.



## 4.4 Expectations for external managers

In order to carry out its mission, the DGPP works with a large number of portfolio managers, which allow access to a very diversified repertoire of investment strategies, geographies and asset classes.

Consistent with the objectives of the Policy, the DGPP expects its managers to demonstrate leadership and competency in RI by:

- Implementing appropriate RI governance, with a strong implication of senior management and the board of directors
- Incorporating material ESG risks and opportunities into their investment processes in a robust manner consistent with best practices applicable to their area of expertise
- Implementing issuer engagement processes to optimize the management of ESG risks and opportunities
- Using leading-edge ESG data and research in their fields of expertise
- Promoting best practices and collaboration toward sustainability with peers, issuers and regulators, including enhancing ESG reporting efforts
- Communicating RI approaches and results in a sustained, robust, and public way
- Seeking out investments that generate positive social and environmental benefits

By sharing its RI expectations, the DGPP wishes to provide a clear perspective on how it will evaluate the RI performance of its managers and how it will support them in the ongoing improvement of their RI program.

## 4.5 Roles and responsibilities of RI stakeholders

### 4.5.1 Desjardins Group Retirement Committee (DGRC)

The DGRC is the administrator of the DGPP and the trustee of the pension fund. Its role is to provide financial management and administration for the DGPP by taking appropriate measures to protect the rights of plan members and beneficiaries, and to safeguard and grow the assets of the pension fund.

With respect to RI, the DGRC:

- Adopts the Policy
- Adopts the RI strategic positions, including the exclusions
- Provides oversight of the RI approach through regular updates from the DGPP Division

#### 4.5.2 Investment Management Committee (IMC)

The DGRC delegates the majority of its authority over the management and monitoring of the DGPP's assets to the IMC. The IMC is responsible for making investment decisions in accordance with applicable legal provisions, the *DGPP Investment Policy* and other policies specific to the DGPP and the limits set out in its mandate.

With respect to RI, the IMC:

- Ensures that ESG factors are incorporated into investment activities
- Recommends the Policy to the DGRC
- Recommends RI strategic positions, including exclusions, to the DGRC
- Adopts the RI priority areas
- Adopts a policy on the exercise of proxy voting rights
- Reports to the DGRC about its activities

#### 4.5.3 DGPP Division

The DGRC has mandated the DGPP Division to support it in its various responsibilities. RI responsibilities within the DGPP Division are shared among the RI Committee, the RI team, senior management, the investment team and the strategy and risk management team.

##### **RI Committee:**

- Promotes the adoption of RI best practices
- Proposes the RI priority areas to the IMC
- Validates the RI influence strategy
- Proposes RI policies and strategic positions to governing bodies
- Comments on the annual RI action plan and reviews its implementation
- Reviews industry trends and best practices
- Monitors RI performance indicators

***RI team:***

- Plans and coordinates the implementation of the RI action plan
- Coordinates RI relations with Desjardins Group
- Assesses the RI performance of external managers and portfolio investments
- Participates in the selection and search for strategic partners
- Coordinates and implements the RI influence strategy
- Oversees the implementation of RI training programs, provides coaching and develops RI performance indicators
- Supports and equips investment teams
- Develops and maintains leading-edge expertise

***Senior management:***

- Promotes RI within the DGPP
- Supervises the implementation of RI frameworks and action plans
- Monitors RI performance indicators
- Allocates the resources needed to implement the action plan

***Investment team:***

- Ensures the execution of its RI action plan and participates in the execution of the RI influence strategy
- Integrates RI throughout the investment process, from selection to monitoring of portfolio managers and investments
- Collaborates in the evaluation of external managers' RI performance and investments
- Monitors the top RI managers
- Helps collect relevant ESG data from portfolio managers

***Strategy and risk management team:***

- Ensures the implementation of its RI action plan
- Integrates the analysis of RI risks and value-added opportunities into the strategic asset allocation process
- Participates in the development and analysis of climate-related risk scenarios
- Helps monitor best practices in the field



## 4.6 Reporting and communication

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*The DGPP annually informs its stakeholders (employer and plan members) of activities and progress in implementing RI.*

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Also, in accordance with its commitments, particularly with respect to the Principles for Responsible Investment, the DGPP files any public disclosure deemed relevant.

## 4.7 Conflicts of interest

All members of the DGRC and the IMC are required to comply with the *Desjardins Group Retirement Committee Code of Professional Conduct*. Also, all DGPP employees are required to respect the *Desjardins Code of Professional Conduct* and the Fédération des caisses Desjardins du Québec's *Conflict of Interest Management Directive*.

## 5. RESPONSIBILITY, ENFORCEMENT AND REVIEW

The DGRC adopts the Policy and any amendments to it based on the recommendations of the IMC, where applicable.

The DGPP Division is responsible for the application of the Policy. It structures and supports its implementation.

The DGRC and the Investment Management Committee are responsible for overseeing the application of the Policy.

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*The content of the Policy is reviewed at least once every 2 years.*

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## 6. DELEGATION

The IMC may adopt 1 or more directives for the application of this policy.

## 7. EFFECTIVE DATE

The Policy comes into effect on the date it is adopted.

## 8. APPENDICES

### Appendix A – Terminology

#### **DGPP Division**

Desjardins Group Pension Plan Division, a business unit of the Fédération des caisses Desjardins du Québec

#### **Environmental factors**

Address the direct or indirect impact of the company's activities on the environment

#### **Governance factors**

Address the way in which the company is managed, administered and controlled, including its relations with its shareholders, board of directors and management

#### **Pension fund**

A fund maintained by employee and employer contributions, the purpose of which is to provide members with benefits under a pension plan

#### **PRI**

United Nations-sponsored Principles for Responsible Investment ([www.unpri.org](http://www.unpri.org))

#### **RI performance indicator**

Dataset to evaluate team or individual RI performance

#### **RI priority area**

RI topic of interest that guides action plan execution (climate change, diversity and inclusion, etc.)

#### **RI strategic position**

Public commitment with a strategic scope and an obligation of results made by the DGPP (signing of the PRI, exclusions, carbon footprint, etc.)

#### **Social factors**

Address the direct or indirect impact of the company's activity on stakeholders with reference to universal values (human rights, international labour standards, anti-corruption, etc.)

