

RESPONSIBLE INVESTMENT POLICY



Desjardins Global Asset Management
1 Complexe Desjardins, South Tower, 20th Floor
P.O. Box 153, Montreal, Quebec H5B 1B3
dgam.ca

 **Desjardins**
Global Asset Management

Table of Contents

1.	STATEMENT AND OBJECTIVES	3
2.	CONVICTIONS.....	3
3.	GOVERNANCE	3
3.1	ROLES AND RESPONSIBILITIES	3
3.2	COMPENSATION LINKED TO ESG PERFORMANCE.....	4
4.	BROAD SUSTAINABILITY THEMES	5
4.1	SUPPORTING THE TRANSITION TO A LOW-CARBON ECONOMY	5
4.2	PROTECTING BIODIVERSITY AND NATURAL CAPITAL	5
4.3	BUILDING A JUST, EQUITABLE AND INCLUSIVE ECONOMY.....	5
4.4	ENSURING STRONG, HONEST AND RESILIENT GOVERNANCE.....	5
5.	RESPONSIBLE INVESTMENT APPROACHES	6
5.1	ESG INTEGRATION.....	6
5.2	NEGATIVE OR POSITIVE SCREENING.....	6
5.2.1	<i>Negative screening</i>	6
5.2.2	<i>Positive screening</i>	7
5.3	STEWARDSHIP.....	7
5.3.1	<i>Dialogue</i>	7
5.3.2	<i>Proxy voting</i>	8
5.3.3	<i>Progress monitoring</i>	9
5.3.4	<i>Escalation process</i>	9
5.4	SPECIFIC ESG OBJECTIVES AND THEMATIC INVESTMENTS	9
6.	RI APPROACH BY CATEGORY	10
7.	SELECTION OF PARTNERS AND EXTERNAL MANAGERS	11
8.	COLLABORATION AND OTHER LEVERS OF INFLUENCE	11
9.	REPORTING	12
10.	RESPONSIBILITY.....	12
11.	SCOPE OF THE POLICY	12
12.	EFFECTIVE DATE AND REVISION.....	13

1. Statement and objectives

In carrying out its portfolio management activities, Desjardins Global Asset Management (DGAM) is committed to implementing the best practices in responsible investment (RI). DGAM firmly believes that taking into account environmental, social and governance (ESG) factors provides a better understanding of the market, improves risk management, and allows opportunities to be seized across all asset classes, thereby increasing a portfolio's long-term return potential. RI is an integral part of DGAM's mandate as a portfolio manager and is consistent with its commitment to sustainable prosperity.

In this context, the Policy sets out the framework enabling DGAM to incorporate RI into its asset management. Its objectives are as follows:

- **Provide a framework** for implementing the RI strategy, commitments, and approaches in DGAM's activities.
- **Clarify the roles and responsibilities** related to RI.
- **Formalize DGAM's expectations** of its investment professionals, partners, and external portfolio managers in implementing RI approaches based on the mandates entrusted to them.
- **Define the monitoring and reporting mechanisms** related to RI activities.

2. Convictions

- **RI is a core part of our fiduciary duty:** Incorporating ESG factors into investment analysis, selection and monitoring is part of our mandate as an asset manager.
- **DGAM's approach hinges on action and innovation:** To innovate, actions must be grounded in facts and rely on a comprehensive research process.
- **Stewardship is an essential practice:** Dialogue and proxy voting can influence issuers and encourage them to adopt best practices, which can lead to an improved risk-return profile.
- **Sustainable performance requires a long-term vision:** A long-term RI vision enables us to focus on sustainability.

3. Governance

3.1 Roles and responsibilities

DGAM's RI convictions are deeply rooted within the organization. DGAM is committed to promoting these convictions internally with a governance structure that includes RI as an integral part of the Executive Committee's functions and that clearly defines the roles and responsibilities of subcommittees and teams. Integrating these responsibilities across the board helps DGAM implement its action plan, develop and share knowledge, and engage with stakeholders.



To support the implementation of the strategy, commitments, and approaches to RI, DGAM has established a dedicated department and team. These RI professionals come from a variety of fields and have complementary expertise in finance, actuarial science, engineering, sustainability, climate change, environment, human rights, governance, shareholder engagement, ESG data science, etc. The RI department reports to DGAM’s President and Chief Operating Officer. Its members work closely with all analysts and portfolio managers.

3.2 Compensation linked to ESG performance

Since 2022, the incentive compensation (bonus) program for all Desjardins employees has included an assessment of the organization’s ESG performance. All DGAM employees, including senior management and investment teams, have one or more RI-related objectives in their performance management plan, which is an integral part of the annual compensation evaluation and monitoring process. DGAM’s incentive compensation program also includes an ESG performance criterion for the portfolios.

4. Broad sustainability themes

DGAM has adopted four broad sustainability themes linked to the Sustainable Development Goals (SDGs) and materiality assessments for various sectors. These themes guide the implementation of the RI strategy, engagements, and approaches. They guide ESG analyses, support stewardship activities with issuers, and inspire research and development of new solutions for clients. By aligning its actions with global issues deemed critical for a sustainable future, DGAM helps create long-term value.

4.1 Supporting the transition to a low-carbon economy

DGAM supports the climate commitments of its clients and Desjardins Group and takes a long-term view of climate- and transition-related risks and opportunities in the management of its investments. Climate and underlying data are taken into account through various RI approaches, including ESG integration, negative and positive screening, and stewardship. DGAM bases its actions and analyses on the following pillars: governance, strategy, risk management, metrics, and targets.

4.2 Protecting biodiversity and natural capital

In keeping with its commitment to the Finance for Biodiversity Pledge, DGAM incorporates biodiversity and natural capital risks, opportunities, impacts, and dependencies into its RI practices and analytical frameworks. Material issues include pollution, water and waste management, plastics use, soil degradation, and deforestation. DGAM actively engages with issuers and encourages them to address these issues in their business practices. DGAM strives to align its approach with research findings and best practices, while taking into account current market realities.

4.3 Building a just, equitable and inclusive economy

DGAM focuses its RI efforts on four priority areas that aim to support a coordinated international response to social inequality issues:

- **Equity, diversity and inclusion (EDI):** DGAM supports the Canadian Investor Statement on Diversity & Inclusion and encourages issuers to implement EDI policies and strategies within their organizations.
- **Human rights:** DGAM encourages issuers to align their activities with recognized national and international standards, such as the United Nations Universal Declaration of Human Rights.
- **Relations with Indigenous peoples:** DGAM encourages issuers to consider the rights of Indigenous peoples, including the right to free, prior, and informed consent, as set out in the United Nations Declaration on the Rights of Indigenous Peoples.
- **Responsible use of technology:** DGAM encourages the establishment of guidelines and practices with respect to the responsible use of technology, including artificial intelligence.

4.4 Ensuring strong, honest and resilient governance

DGAM asks issuers to comply with the governance practices set out in its [Policy on the Exercise of Proxy Voting Rights](#). These expectations are based on best practices established by the Canadian Coalition for Good Governance.

5. Responsible investment approaches

DGAM's RI approaches, detailed below, are based on CFA Institute standards and the Principles for Responsible Investment (PRI), to which DGAM has been a signatory since 2017. Various RI approaches may apply to a mandate, as they are not mutually exclusive. For example, a listed equity mandate may combine several RI approaches, such as ESG integration, negative screening, and stewardship.

5.1 ESG Integration

ESG integration involves taking into account the ESG practices and performance of businesses, real estate and infrastructure assets, as well as external partners and managers, when conducting analysis. The ESG factors analyzed vary by sector and are determined based on specific indicators inspired by the Sustainability Accounting Standards Board (SASB) and United Nations Global Compact (UNGC) standards. By providing a better understanding of the target investment, this analysis allows for better risk management and seizing of opportunities that could influence the value of these assets or managers over the long term.

DGAM's ESG integration process includes both quantitative and qualitative approaches¹. The resulting ESG rating is one of the inputs used in the investment and monitoring process. Issuers or assets with major ESG deficiencies (either absolute or relative to peers) may be eligible for investment solutions, provided they are added to DGAM's shareholder engagement program with the objective of improving ESG practices, or that the company implements measures that will lead to near-term improvement. In the absence of commitment or sufficient measures demonstrating progress, or in the event of a major controversy that presents a high degree of risk, issuers or assets may be excluded from DGAM's investable universe until progress is observed.

Practices of companies whose operations are exposed to a sector deemed sensitive, but not excluded, are assessed on a case-by-case basis. For example, companies with activities related to coal-fired or nuclear electricity generation could be excluded following DGAM's ESG integration process, as described above.

DGAM's ESG integration work draws from several sources of information, including company disclosures, data from recognized specialized suppliers, reports from specialized research firms, and information obtained through dialogue conducted by the teams.

5.2 Negative or positive screening

5.2.1 Negative screening

Negative screening is used to exclude certain investments based on established criteria. Using this approach, DGAM may exclude certain companies from its funds and other mandates, particularly if their activities are subject to sanctions or applicable Canadian law. DGAM may also exclude issuers following its ESG integration process and based

¹ DGAM's qualitative ESG integration approach mainly applies when a mandate employs a fundamental bottom-up approach or when the quantitative approach applied to any type of mandate reveals major ESG issues requiring further analysis. The qualitative approach can also be applied before a dialogue, when a security is up for an in-depth review, or when a controversy arises.

on specific factors, such as major controversies involving human rights, worker rights, the environment or anti-corruption practices, in accordance with the United Nations Global Compact.

For example, issuers or assets in the following industries are excluded from most DGAM solutions.

- **Non-conventional weapons**²: Activities that are related to the manufacturing of non-conventional weapons (or their components), which are generally considered weapons of mass destruction, or covered by conventions or treaties ratified by Canada.
- **Tobacco**: Activities related to the processing or production of tobacco or vaping products.

DGAM uses specific criteria to identify issuers or assets subject to exclusions. These criteria are reviewed periodically.

Additional exclusions may be applied for certain mandates, based on the objectives and/or the terms and conditions set out in the client's investment policy.

5.2.2 Positive screening

Unlike negative screening, positive screening involves selecting investments based on established criteria, such as companies with the best ESG practices in their industry.

5.3 Stewardship

Stewardship is a powerful tool that allows DGAM to encourage issuers and partners to improve their ESG practices. It involves two key activities:

1. Dialogue
2. Exercising voting rights

5.3.1 Dialogue

Dialogue is used across all asset classes and includes a process during which investment teams and RI professionals meet with issuers, partners, and asset managers to discuss ESG matters related to their operations, projects, and governance. The topics discussed are determined based on DGAM's four broad sustainability themes and priorities established in the context of ESG integration, the exercise of voting rights, controversies, situations requiring additional information, or material changes by the company or manager.

These dialogues are planned in advance as part of an annual engagement plan and are generally ongoing, except under special circumstances or when organized at the request of companies or partners. The frequency of dialogue with an issuer, partner or external manager varies depending on the issues to be addressed. Dialogue selection criteria include client needs, the importance of the issue, the relative size of the investment in DGAM's portfolio, the ability to influence, and the target holding period. For real estate, infrastructure and other illiquid asset classes, dialogue is

² DGAM excludes the following categories of non-conventional weapons: anti-personnel mines, cluster munitions, chemical and biological weapons, incendiary weapons, blinding lasers, and nuclear weapons, in accordance with the 1968 Treaty on the Non-Proliferation of Nuclear Weapons (NPT). More specifically, securities whose place of incorporation is in a country that is not an NPT signatory are excluded.

based on the expectations and commitments established when the agreement was implemented. DGAM expects regular reports when dialogue is conducted by an external manager, such as in private equity.

Dialogue can be individual or collaborative, depending on availability and the circumstances. For example, when dialogue is conducted as part of a collaborative engagement in which DGAM participates³, other investors are involved. Collaborative dialogues require that investors jointly prepare for the topics to be discussed.

DGAM considers the following six categories of outcomes as priorities:

- Improving ESG disclosure
- Mitigating ESG risks
- Capturing ESG opportunities
- Aligning with internationally recognized standards
- Promoting positive outcomes
- Tracking ESG commitments, such as targets or other improvement intentions

The dialogues target stakeholders from the issuer, partner, or asset manager, depending on the issues to be discussed.

- Communications with the board of directors: Governance, compensation, succession, company sustainability, monitoring mechanisms, and oversight of critical ESG issues.
- Communications with senior management: Strategic issues related to ESG management, transparency, and operational resilience.
- Communications with internal experts: Operational matters related to ESG management and data collection.

Interactions can take various forms, including one-on-one meetings (in person or online), written correspondence, meetings with other investors, or site visits.

Dialogue led by DGAM or in which DGAM participates can also take the form of broad engagement efforts targeting more than just one company. Engagement efforts may target stakeholders, such as sustainable finance associations or initiatives, non-governmental organizations, or regulators (see Section 8. Collaboration and other levers of influence).

5.3.2 Proxy voting

Proxy voting is an integral part of our fiduciary duty as a portfolio manager. It allows DGAM to express its views on proposals included on the agenda at shareholder meetings, whether annual or special. DGAM pays particular attention to voting and recognizes the importance of making informed and consistent decisions on each proposal, in line with its ambition to demonstrate responsible leadership and promote sustainable prosperity. Voting positions are guided by the [Policy on the Exercise of Proxy Voting Rights](#), which is based on the corporate governance best practices and broad sustainability themes outlined in this Policy.

³ DGAM is part of several collaborative engagement groups that aim to engage with issuers, including Climate Engagement Canada, Climate Action 100+, and Nature Action 100.

DGAM discloses a summary of its stewardship activities annually in its Responsible Investment Report (see Section 9. Reporting).

5.3.3 Progress monitoring

In addition to monitoring voting results after shareholder meetings, DGAM has developed processes to measure and report on the progress made as a result of its engagement activities. Progress related to dialogue objectives is rated on a scale composed of four levels: negative, neutral, positive, and achieved.

Information relating to dialogues conducted by the teams is logged into an internal database that investment teams can access. This information can also be used for tracking, disclosing activities, and reporting on progress to clients and the public.

5.3.4 Escalation process

When dialogue or voting on important issues is unsuccessful, DGAM implements a formal escalation process that includes various levers:

- Collaborating with other investors
- Supporting shareholder proposals
- Voting against the election or re-election of one or more board members
- Submitting shareholder proposals
- Fully or partially divesting from the company

DGAM favours dialogue over divestment, so that it retains the ability to support issuers and encourage them to improve their practices. Divestment is a last resort, when other strategies fail and the issuer proves uninterested in improving its ESG practices.

5.4 Specific ESG objectives and thematic investments

These two complementary approaches are used to inform the construction of portfolios, based on the specific priorities and objectives of the mandate or client:

- **Specific ESG objectives**

This approach involves including specific ESG targets, such as a decarbonization pathway, into the investment strategy. Specific objectives are used to guide investment decisions and portfolio construction, while ensuring that financial objectives are met.

- **Thematic investing**

This approach involves identifying themes related to sustainability issues (e.g., water management, renewable energy, circular economy) that are deemed strategic based on the scope of the mandate or the client's specifications. These themes influence security selection and portfolio construction, ensuring alignment with themes that are relevant to our clients. DGAM uses its sustainability framework to select eligible investments.

These approaches allow us to propose tailored strategies that reflect clients' expectations and ESG commitments.

6. RI approach by category

DGAM's RI approaches are adapted depending on asset class, style (bottom-up, top-down, quantitative, index-based), the markets in which portfolios are invested (public or private), and clients' investment policy objectives. They are also used at various stages of the investment process. For example, ESG integration is included in the pre-investment analysis, while voting rights are exercised only once the security is held. Dialogue, on the other hand, can take place before or after an investment is made.

Here are a few examples of how DGAM uses RI approaches for different asset classes:

- **Fundamental strategy/liquid equities**

ESG factors are incorporated into issuer selection using a proprietary methodology that combines quantitative and qualitative approaches (see Section 5.1 ESG Integration). ESG ratings and metrics are provided to the portfolio managers, who can effectively incorporate them into their analysis and portfolio construction.

- **Quantitative strategy/liquid equities**

This approach is based on a multifactor model and statistical tools to improve the risk-return profile of the portfolios. Quantitative ESG factors with set performance thresholds are defined in advance and incorporated into the model to determine the investable universe. This universe is used for portfolio construction and optimization. The portfolio is updated periodically based on changes in quantitative data and performance. Proxy voting rights are exercised in the same way as for any other liquid equity strategy. The strategy can also include dialogue.

- **Fixed income**

The bond credit analysis process includes a fundamental qualitative analysis of targeted issuers, with an emphasis on credit quality and business risk, including ESG factors that could have a material impact. Issuer ESG ratings are provided to portfolio managers for consideration in their analyses and portfolio construction.

DGAM uses a proprietary framework to assess sustainable bonds; it defines the eligibility criteria, the basis for dialogues with issuers and the essential steps for monitoring these bonds. This framework takes into account credit quality, ESG ratings and financed projects, while excluding controversial activities.

- **Real estate**

ESG considerations are incorporated into every stage of the real estate asset life cycle, from acquisition to disposition, whether the properties are held directly by managers or through the DGAM Canadian Private Real Estate Fund. ESG targets are set and monitored for all assets. Property managers are assessed using a proprietary matrix that includes targets, audits, environmental footprint, and data availability. ESG guidelines are provided to property managers to help them improve their sustainability practices.

- **Infrastructure**

ESG factors are integrated into all stages of the infrastructure asset management process, whether the assets are held directly or through funds such as the DGAM Global Private Infrastructure Fund. These considerations are included in the process used to select assets, managers and partners, as well as in contracts. ESG performance indicators, commitments, and action plans are monitored on a regular basis. The RI team, working in partnership with portfolio managers, uses a due diligence questionnaire in its ESG assessments. The information collected is used to complete a proprietary assessment grid prior to investment.

7. Selection of partners and external managers

DGAM sometimes calls on the expertise of a partner or external manager to complement its line of investment solutions and meet a specific need. Its selection criteria favour partners and managers whose investment process integrates ESG factors and who are able to apply certain exclusion criteria, where applicable. For mandates with specific ESG objectives, DGAM selects partners and managers who share the conviction that consideration of ESG factors contributes to risk management and value creation. DGAM includes ESG criteria in its contracts and letters of agreement, where applicable. In addition, partners and managers are expected to produce reports on ESG objectives.

DGAM has developed a proprietary ESG questionnaire for partners and external managers, as well as an assessment matrix. This matrix, along with the completed ESG questionnaires, is used to assess partner and external manager quality based on several criteria, as well as their maturity with respect to RI. To complement these assessments, the teams hold regular conversations with partners and external managers. They also follow up with them on answers they obtain and on subsequent assessments.

8. Collaboration and other levers of influence

DGAM deploys its levers of influence by taking part in various initiatives and playing an active role in the sustainable finance ecosystem. DGAM prioritizes initiatives that aim to define and promote rigorous RI and sustainability practices, especially ESG integration, innovation, and transparency. These initiatives are consistent with the four broad sustainability themes described in this Policy.

DGAM contributes primarily by:

- **Supporting collaborative engagement:** DGAM acts with other institutional investors to jointly encourage issuers to adopt or improve on sustainable practices.
- **Participating in industry groups:** DGAM takes part in sustainable finance groups to discuss ESG issues with peers.
- **Consulting with regulators:** DGAM contributes to regulator-led consultations, mainly indirectly through associations, industry groups, or Desjardins Group.
- **Building awareness in the financial community:** DGAM regularly speaks at conferences, writes various publications and maintains a presence on social media, among other means of communication.

- **Sharing knowledge and expertise:** DGAM supports various initiatives aimed at educating the financial community and the next generation of investment professionals.
- **Supporting RI research:** DGAM collaborates with university programs and research projects to advance talent and research in the RI field.

The list of initiatives in which DGAM takes part and the organizations with which it collaborates is updated annually in its Responsible Investment Report (see Section 9. Reporting).

9. Reporting

DGAM believes it is essential to report on its RI activities in a transparent and relevant manner, regularly disclosing its results and progress through various means.

- **RI Report:** DGAM regularly provides reports to its clients and publishes an annual Responsible Investment Report, which is available on DGAM's [website](#).
- **Report on the Exercise of Proxy Voting Rights:** Every year, DGAM publishes its voting positions with respect to the issuers in its portfolios. These voting positions are also available on its service provider's [proxy voting disclosure platform](#).
- **PRI questionnaire:** DGAM completes the PRI questionnaire at the frequency required by the organization, i.e., at least every two years. DGAM's most recent public Transparency Report is available on the [PRI website](#).
- **Desjardins Group reporting:** Some of DGAM's activities related to RI and climate change are included in Desjardins Group's annual Social and Cooperative Responsibility Report and Climate Action at Desjardins report, both of which are available on the Desjardins Group [website](#).

10. Responsibility

DGAM's Board of Directors adopts the Responsible Investment Policy and any amendments thereto. Implementation of the Policy is the responsibility of the Responsible Investment Department, under the supervision of DGAM's Executive Committee.

11. Scope of the Policy

This Policy sets out DGAM's framework for incorporating RI into its asset management. The Policy covers all asset classes for which one or more RI approaches are applied, with the exception of certain investments, such as derivatives, for which access to data is complex and methodologies are still not widely standardized. DGAM's RI approaches are adapted to asset classes, management style (active, index-based, etc.), markets in which the portfolios are invested (public or private), and clients' investment policy objectives.

12. Effective date and revision

This Policy was adopted on June 21, 2023, and is reviewed at least every five years.
Last revision date: November 26, 2025.