ASSESSMENT

18 December 2025

Send Your Feedback

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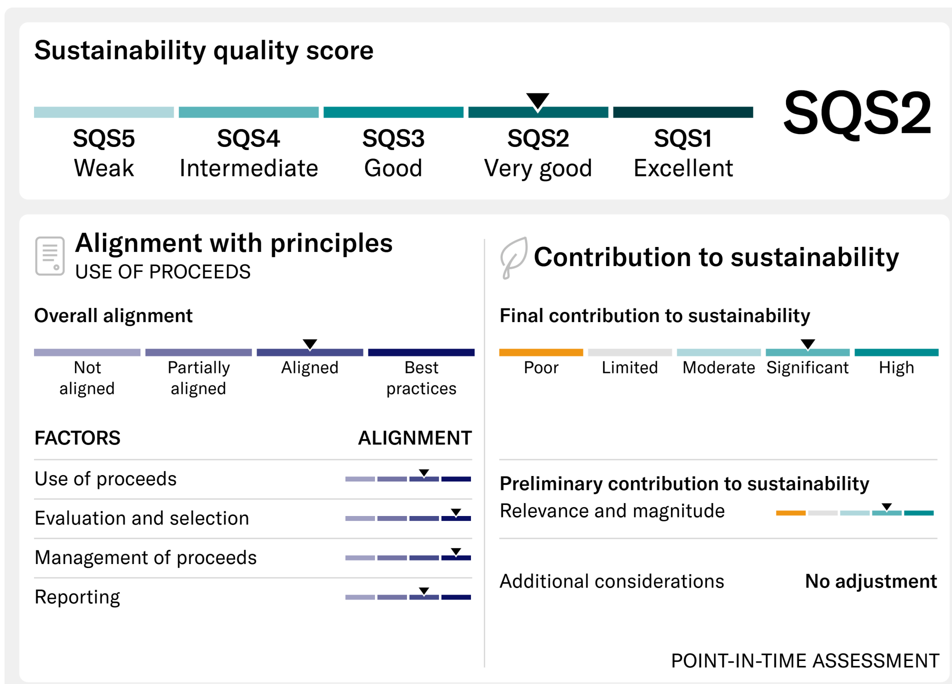
Desjardins Group

Second Party Opinion – Sustainable Bond Framework Assigned SQS2 Sustainability Quality Score

Summary

We have assigned an SQS2 sustainability quality score (very good) to Desjardins Group's ("Desjardins" or "the Group") sustainable bond framework dated December 2025. The group has established a use-of-proceeds framework with the aim of financing projects across nine eligible green categories and three eligible social categories. The framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2025 and Social Bond Principles (SBP) 2025. The framework demonstrates a significant contribution to sustainability.



Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of Desjardins' sustainable bond framework, including the framework's alignment with the ICMA's GBP 2025 and SBP 2025. Under its framework, Desjardins plans to issue use-of-proceeds green and social bonds to finance projects across nine green categories and three social categories, as outlined in Appendix 3 of this report.

Our assessment is based on the last updated version of the framework received on 21 November 2025, and our opinion reflects our point-in-time assessment[1] of the details contained in this version of the framework, as well as other public and non-public information provided by the company.

We produced this SPO based on our Assessment Framework: Second Party Opinions on Sustainable Debt, published in October 2025.

Issuer profile

The Desjardins Group – which is comprised of the Desjardins caisses in Québec, Caisse Desjardins Ontario Credit Union Inc., the Fédération des caisses Desjardins du Québec and its subsidiaries, and the Fonds de sécurité Desjardins – is the sixth largest financial institution in Canada (by asset size) with assets of CAD471 billion as of 31 December 2024, and is based in the Canadian province of Québec. The Group serves more than 7.8 million members and clients, through 203 individual credit unions ("caisses") in Québec and the Province of Ontario. Through its Personal and Business Services, Wealth Management and Life and Health Insurance, and Property and Casualty Insurance business segments, Desjardins Group offers a full range of financial services to members and clients.

Desjardins' principal environmental risks stem from its investment and lending portfolio exposure to physical risks through its exposure to the real estate sector while exposure to carbon transition risks is connected to its exposure to the energy and oil and gas sectors. Although the group has lower energy exposures relative to Canadian banking peers, it does have higher agriculture exposures. In line with peers, the group is facing mounting business risks and stakeholder pressure to meet more demanding carbon transition targets. Desjardins has a broadly diversified loan portfolio, which helps mitigate carbon transition risks.

Strengths

» Most of the proceeds under this framework are likely to be allocated to projects in the renewable energy and affordable housing categories which have significant sustainability impact

» Comprehensive and transparent process for project evaluation and selection as well as robust mechanisms to assess potential environmental and social risks

» High likelihood of timely and consistent reporting for future issuances, given the group's track record of post-issuance reporting for its previous sustainable bonds

Challenges

» Some eligible categories lack granular details or thresholds on specific assets or projects to be financed

» Although the framework is in line with current market practices, the inclusion of general corporate purpose loans through pureplay lending introduces potential specific challenges

» Reported impact metrics in annual sustainable bond report are not externally verified, a market best practice

Alignment with principles

Desjardins' sustainable bond framework is aligned with the four core principles of ICMA's GBP 2025 and SBP 2025. For a summary alignment with principles scorecard, please see Appendix 1.

- [x] Green Bond Principles (GBP)
- [ ] Green Loan Principles (GLP)
- [x] Social Bond Principles (SBP)
- [ ] Social Loan Principles (SLP)
- [ ] Sustainability-Linked Bond Principles (SLBP)
- [ ] Sustainability Linked Loan Principles (SLLP)

Use of proceeds

Not aligned	Partially aligned	Aligned ▼	Best practices

Clarity of the eligible categories – ALIGNED

Desjardins has clearly communicated the nature of the expenditures, the eligibility and exclusion criteria for a majority of proceeds to be financed, as well as the target populations for the social categories. The net proceeds from sustainable bonds will be allocated to finance or refinance, in whole or in part, future and existing eligible projects that meet the eligibility criteria under the framework. The group has articulated the eligibility criteria for nearly all projects which includes general project descriptions and technical threshold. However, the criteria for projects under the environmentally responsible management of natural resources and pollution control category is broadly defined. Exclusion criteria are explicit in the framework, with additional exclusions specified for individual categories where relevant. Eligible projects will be located in Desjardins' operational footprint, primarily in Canada with a geographic concentration in the provinces of Québec and Ontario, the US as well as emerging and low income countries for social focused loans.

The cornerstone of the ICMA's GBP and SBP is the full utilization of net bond proceeds to eligible projects with clear environmental or social benefits. Desjardins' framework includes general corporate purpose loans to pure-play companies that derive at least 90% of their revenue from activities that adhere to the eligibility criteria in the framework. In the selection process for loans to such businesses, the group will apply the exclusion criteria defined in the framework, with loans going to businesses whose primary operations focus on eligible activities as defined in the framework. Loans are subject to annual review for continued compliance with the eligibility criteria set out in the framework, and will be subject to environmental and social risk monitoring according to Desjardins' risk management approach. The group has shared that it expects to allocate a majority of proceeds under the framework to support general corporate purpose loans given its role as a lender.

In our view, pure play lending represents a non-standard use of proceeds that introduces potential challenges related to asset-level adherence to sustainability objectives, allocation and traceability, impact reporting, as well as an increased risk of double counting. The group has provided information that demonstrates suitable measures to identify, select and allocate net proceeds to general corporate purpose facilities that adhere to the sustainability objectives and benefits targeted in the framework, and also to track and report on the associated sustainability benefits. The group commits to report on its pro-rata share of financing or investments to pure players to minimize the risk of double counting of allocation and benefits. With these practices in place, coupled with the 90% revenue threshold, we consider the group's internal processes to be in line with current market practices and sufficient to largely mitigate the potential associated risks.

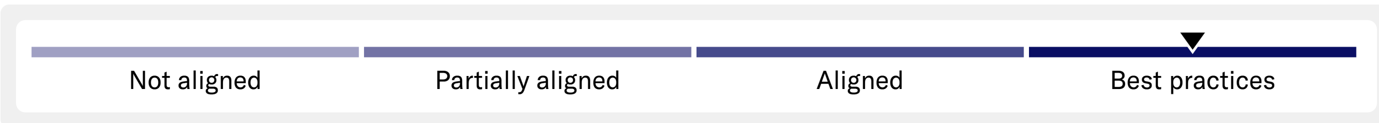
Clarity of the environmental or social objectives – BEST PRACTICES

The group has clearly outlined the environmental and social objectives associated with all eligible categories. All eligible categories are relevant to the respective objectives to which they aim to contribute. The objectives are coherent with recognized international standards, including the United Nations' (UN) Sustainable Development Goals (SDGs).

Clarity of expected benefits – ALIGNED

Desjardins has identified clear expected benefits for all eligible categories, and these are relevant based on the projects likely to be financed under each category. The benefits are measurable for all project categories, and the issuer will quantify them in its annual post-issuance reporting. Although the group will disclose the share of refinancing in its annual sustainable bond reporting, disclosure of the estimated share will not be provided prior to issuance, a market best practice. The look back period for refinancing is defined in the framework as 24 months.

Process for project evaluation and selection

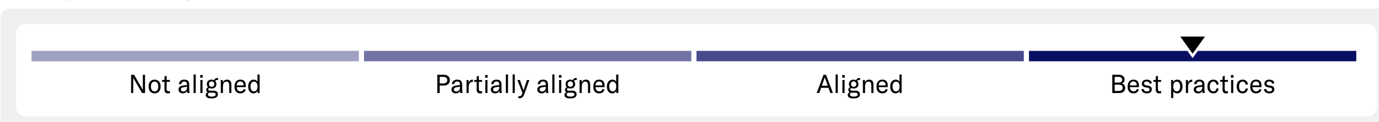


Transparency and clarity of the process for defining and monitoring eligible projects – BEST PRACTICES

The issuer's decision-making process for the evaluation and selection of projects is clear and structured, and outlined in its framework. Desjardins' Sustainable Finance Working Group (SFWG), composed of senior representatives from relevant departments, is responsible for the implementation of the framework and the review, validation and monitoring for the continued compliance of eligible assets. Portfolio monitoring will be performed on an annual basis through the life of the instrument. In case an eligible asset becomes no longer eligible, the group will use its best efforts to substitute for another eligible asset.

Desjardins has established a comprehensive environmental and social (E&S) risk mitigation process including the monitoring, identification and management for sector-specific E&S risks. The process is articulated both in the framework and in public documentation and includes details on how the group monitors and identifies such risks, as well as measures in place to correct potential issues.

Management of proceeds

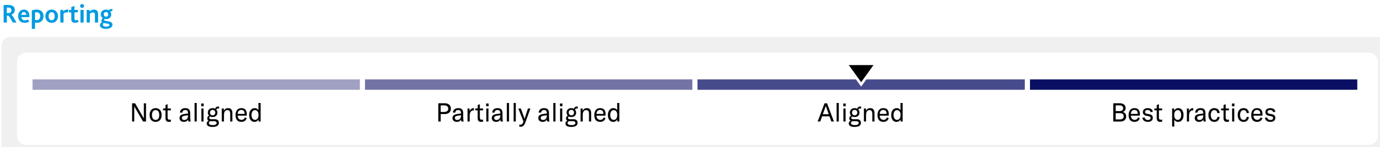


Allocation and tracking of proceeds – BEST PRACTICES

The group has defined a clear process for the management and allocation of proceeds for eligible assets in its framework. Net proceeds from labeled issuances will be earmarked toward eligible assets and tracked by the SFWG through a sustainable bond portfolio. The allocation period is 24 months, in line with the market best practice.

The group commits to make quarterly adjustments of proceeds to projects until all proceeds are allocated. Temporarily unallocated proceeds will be held in line with Desjardins' general liquidity guidelines until allocation to eligible assets.

Reporting



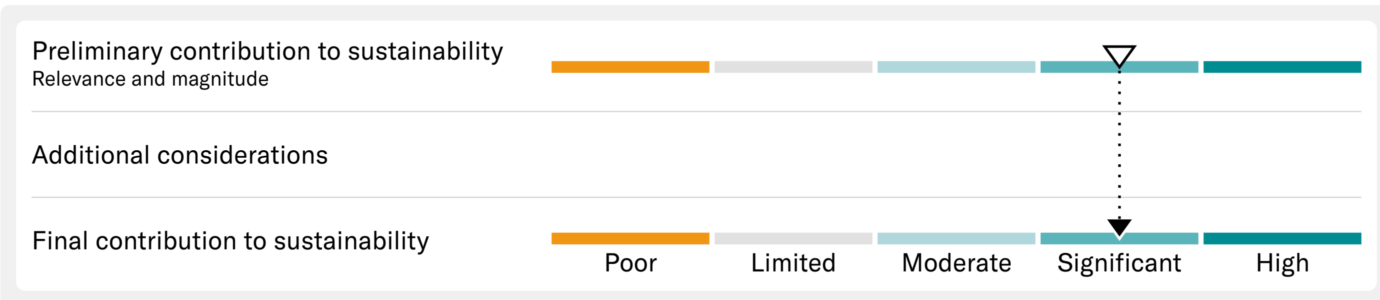
Reporting transparency – ALIGNED

Desjardins will publish annual sustainable bond reports, which will include allocation and impact reporting. This reporting will be made publicly available on the group's website. Both allocation and impact reporting will occur as long as there are outstanding sustainable bonds. The reporting is exhaustive and includes details on net proceeds raised from each sustainable bond, aggregate amount of proceeds allocated to each eligible project category, allocation by geographic location, the share of refinancing versus new financing, the balance of unallocated proceeds and types of temporary placements, and expected environmental and social benefits. Relevant metrics are disclosed for impact reporting. However, we do not have visibility on whether the calculation methodology for the impact metrics will be disclosed. An external independent party will verify the allocation of funds to eligible projects. However, the reported impact metrics will not be externally verified.

Desjardins is an experienced sustainable bond issuer. The group has issued three sustainable bonds and one green bond since 2021, with its most recent sustainable bond in August 2025 sized at CAD500 million. The group's annual post-issuance reporting on its labeled issuances follows the commitments in its prior sustainable bond framework, suggesting a high likelihood of continued timely and consistent reporting for future issuances.

Contribution to sustainability

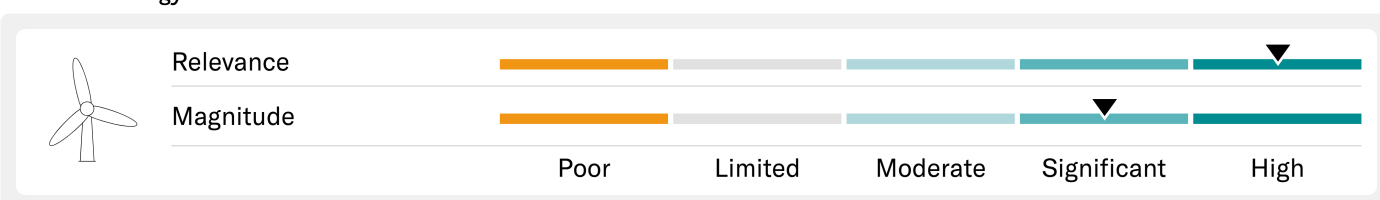
The framework demonstrates a significant overall contribution to sustainability. This reflects a preliminary contribution to sustainability score of significant, based on the relevance and magnitude of the eligible project categories, and we have not made an adjustment to the preliminary score based on additional contribution to sustainability considerations.



Preliminary contribution to sustainability

The preliminary contribution to sustainability is significant, based on the relevance and magnitude of the eligible project categories. Based on information provided by the group, we expect proceeds from forthcoming issuances to be allocated to the renewable energy and affordable housing project categories. We have therefore assigned higher weights to those categories in our assessment of the overall framework's contribution to sustainability. A detailed assessment by eligible category has been provided below.

Renewable energy



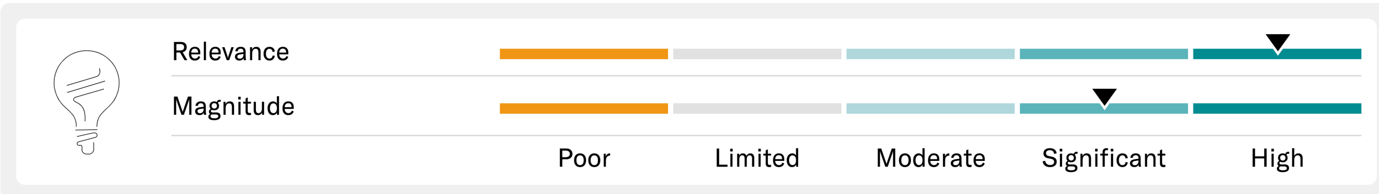
Investments in low-carbon and renewable energy are highly relevant to the banking sector, given its critical role in mobilizing capital to address climate change and drive the decarbonization of energy systems. According to the International Energy Agency (IEA), the share of renewables in total electricity generation globally will need to increase to over 60% in 2030 and to nearly 90% in 2050 under its net zero by 2050 scenario.[2] Although hydro and nuclear power are dominant sources of electricity generation in the provinces of Québec and Ontario, respectively, a significant portion of the broader Canadian and US grids are still heavily reliant on fossil fuel sources. Renewable energy projects are a key focus for the bank where renewable sources account for most of its lending and investment exposure to the electricity sector.

The magnitude is significant as the financed projects under this category are likely to have long-term environmental benefits to decarbonize the power sector. Desjardins has communicated that it anticipates that most of the proceeds under this category will be allocated to best in class technologies such as wind and solar power.

For bioenergy projects such as biomethane, the eligibility criteria focuses on animal manure feedstocks which offers a pathway to mitigate methane emissions from agriculture. Excluded feedstocks are also defined in the framework, such as first generation feedstocks. Although bioenergy projects are likely to contribute positively to climate change mitigation, the criteria do not include carbon intensity thresholds or a minimum percentage reduction in emissions, which limits our view of the likely extent of the projects' benefits. Other eligible projects include green hydrogen produced through electrolysis from renewable sources that comply with the carbon intensity thresholds under Natural Resources Canada's Clean Fuels Program at 36gCO2e/MJ. Although green hydrogen projects are likely to generate long term positive impact, the carbon intensity criterion referenced does not reference the most stringent thresholds for limiting emissions from hydrogen production.

Transmission and distribution, geothermal and hydropower assets follow market recognized thresholds to contribute to climate change mitigation. Hydropower projects are subject to E&S impact assessments which are likely to minimize potential E&S related risks.

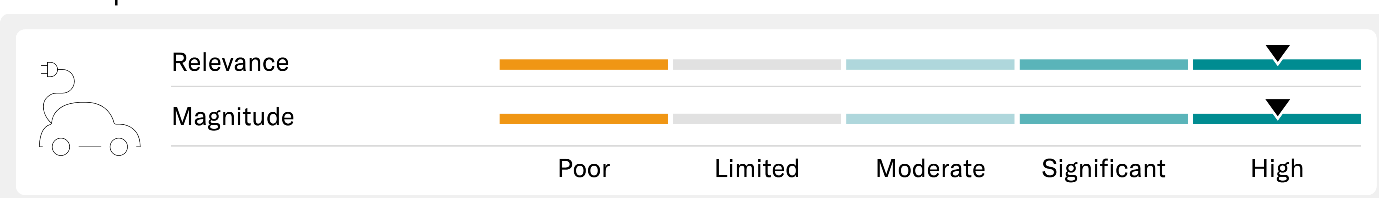
Energy efficiency



Investments in this category are highly relevant to support the reduction of energy-related emissions across the broader economy. Energy efficiency initiatives support and are aligned with Canada's 2030 goal of cutting GHG emissions by 40-45% from baseline 2005 levels and its commitment to achieve net zero emissions by 2050.[3] Globally, the IEA identifies energy efficiency improvements as the single largest measure to curb energy demand, underscoring their significance in mitigating climate change.[4] The eligibility criteria include projects to improve energy efficiency in the buildings and electricity grid systems, and Desjardins, with a large exposure to these sectors, plays an important role in financing energy efficiency initiatives.

The magnitude is significant. Eligible lending and investments in this category would target projects and activities that would result in at least 30% improvement in energy efficiency in buildings. Desjardins has specified that financing include individual building measures such as energy-efficient HVAC systems, lighting and electrical equipment. The group will also finance projects that reduce energy losses in the grid by at least 30%, including smart grid systems, energy storage and demand response measures to enhance energy efficiency and stability of grid systems. Although Desjardins will prioritize projects that do not lock in fossil fuel technologies, some transmission and distribution assets may be supported by dual-power systems to reduce peak demand. Other eligible assets include projects that enable the monitoring of energy consumption such as smart meters, sensors and building information systems, which are effective energy demand management measures to optimize energy use.

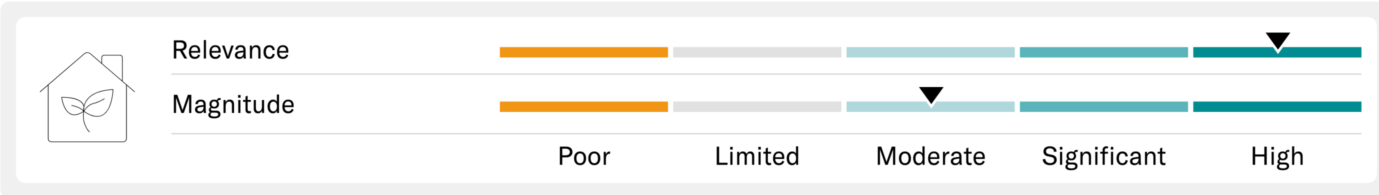
Clean transportation



Projects in this category are highly relevant investments to decarbonize the transportation sector, which accounted for 24% of global carbon emissions in 2023.[5] The transportation sector is responsible for nearly a quarter of Canada's total emissions,[6] highlighting the need to decarbonize the sector. The transportation sector is identified as one of three high-emitting sectors that is targeted under Desjardins' long-term goal to achieve net zero emissions by 2040, highlighting the category's importance to the group's climate ambition.

The magnitude for the category is high, reflecting the likely long-term impact of the financed assets to decarbonize the transportation sector. The category includes financing of electrified zero direct emissions private vehicle and public transportation, as well as non-motorized transport such as pedestrian and biking infrastructure, that aligns with best in class decarbonization measures for the sector. Eligible freight transport assets will follow the emissions thresholds of <25 gCO2e per ton-kilometer declining to <21 gCO2e/ton-km in 2030, which are in line with recognized market thresholds. While we lack details into their end-use, the group commits to screen for vehicles that are not dedicated to fossil fuel transport. According to the group, funding to freight assets are likely to represent a minor share within the category.

Green buildings

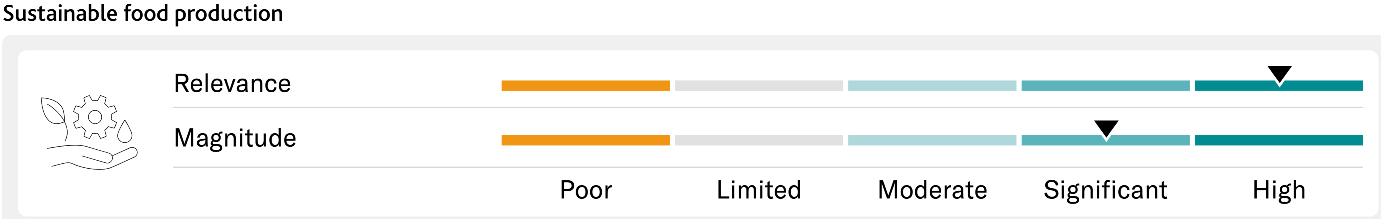


The relevance of this category is high. The IEA reports that operational energy use in buildings accounts for 30% of global final energy consumption and 26% of energy-related emissions, primarily from heating and electricity.[7] In Canada, operational building emissions represent significant share at 18%[8] underscoring the need for greater investment in sustainable, energy-efficient construction. According to Desjardins' 2024 Climate Action report,[9] the real estate sector is responsible for most of the group's financed emissions across lending and investments assets, highlighting the importance of green building financing to reduce building-related emissions at the group and regional level.

We expect the eligible green building projects will have a moderately positive impact on reducing building emissions. For new and existing buildings, the eligibility criteria include assets that have received or are expected to receive green building certifications such as LEED. However the use of certifications in and of itself do not provide the highest assurance of energy performance, thereby limiting the overall impact of emissions reduction. While some of the eligible certifications do not exclusively reference the most stringent rating within the certification system (e.g., LEED Gold or above), other eligible certification standards, such as the CAGBC's Zero Carbon Building Standard bâtiment à carbone zéro (BCZ) standard, would ensure that some of the financed buildings follow best in class sustainable building standards within the local jurisdiction. The framework also includes other market recognized eligibility criteria to decarbonize buildings, such as buildings that are within the top 15% of buildings performance in the region, or achieving a 30% reduction in emissions or energy below the National Energy Code of Canada. Under the framework, eligible renovation projects would result in 30% reduction in energy consumption or emissions, in line with market standards for minimum improvement after renovation.

The group anticipates that most assets would meet financing eligibility through the certification and energy or emissions reduction criteria. The framework does not explicitly require the combination of criteria to be eligible, however, meaning that not all financed assets would consistently have the highest impact. Measures to address building embodied emissions are considered, but are not explicitly required for eligibility.

Sustainable food production

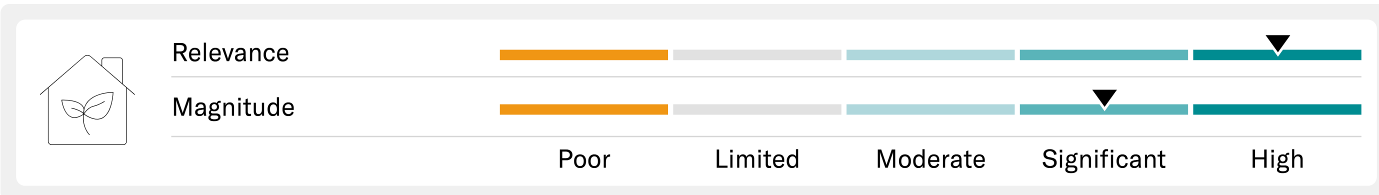


Projects under this category are highly relevant to reduce emissions in the agriculture sector. Globally, the agriculture forestry and other land uses (AFOLU) sector accounted for 13-21% of total net anthropogenic GHG emissions.[10] The sector is responsible for roughly 10% of emissions in Canada, reflecting the emissive activities from crops and livestock production, while excluding emissions from the use of fossil fuels or fertilizer production.[11] The banking sector plays an important role to channel capital into programs to support sustainable agriculture production. According to Desjardins' 2024 annual report,[12] the cooperative is a leader in agricultural financing with an estimated 42% market share.

The magnitude is significant because the financed projects are likely to contribute positively to sustainable agriculture and food production. The category covers sustainable agricultural crop, fishery and aquaculture operations that have achieved market recognized sustainability certifications. These certifications provide assurance that operations adhere to sustainable standards that address biodiversity, soil health and ecosystem resilience. However, the scope of the sustainability standards under the certifications varies. For example, Ecocert focuses on carbon reduction efforts through the value chain for sustainable maple production while other certifications may focus on the sustainability quality of upstream activities only. Desjardins has shared that eligible maple production activities cover its value chain with a focus on carbon neutral production through use of electric boilers in the processing and boiling of syrup, tackling the primary source of emissions in maple production.

Other eligible agriculture practices such as advanced irrigation technologies, precision farming and regenerative agriculture activities are likely to contribute positively to sustainable food production systems. The category also includes financing of activities that advance the production and consumption of alternative proteins such as plant-based proteins with lower life-cycle emissions compared with a comparative meat production activity, which reinforces the positive impact that are likely to be generated from the category.

Data centers



Data centers are associated with high energy and resource consumption, as well as a large carbon footprint. Canada has seen a recent surge in data centers with growth exceeding 10 GW in capacity compared to under 2 GW in capacity in the first quarter of 2024, due in part to its relatively low electricity costs in certain regions, abundant renewable resources and a cool climate.[13] As demand for data centers surges, banks can play a pivotal role by financing energy-efficient, renewables-powered facilities. Projects in this category are therefore highly relevant to support the build out of data centers to meet demand, while managing resource consumption. Most of Desjardins' financed data centers are likely to be concentrated in the provinces of Québec and Ontario, which are areas with low water stress and with access to clean energy sources.

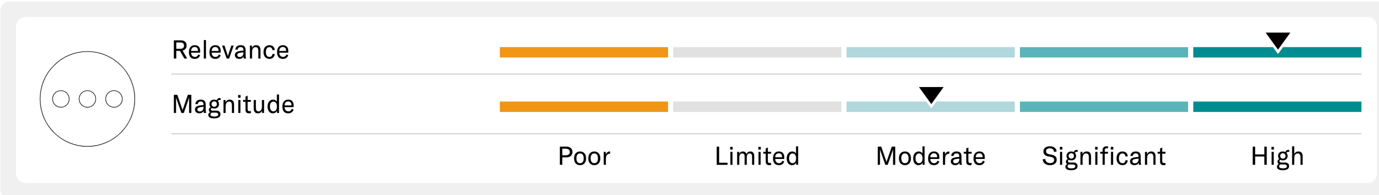
The magnitude is significant because the category employs eligibility criteria that cover holistic environmental parameters for sustainable data centers such as the energy source, energy efficiency and water efficiency. According to Desjardins, eligible data centers must comply with all four criteria as established in its framework.

The first criteria references a design power usage effectiveness (PUE) threshold of 1.3 or below which is below the 2025 global average PUE of 1.54[14] and in line with the Climate Neutral Data Center Pact's PUE criteria for new data centers operating at full capacity in cold climates. The criteria also considers water efficiency of financed assets, defined as data centers that meet a water usage effectiveness (WUE) threshold of less than 1.8L/kWh. The framework will prioritize water-efficient and low-impact cooling technologies such as closed-loop cooling, hybrid cooling, air-cooled, adiabatic, liquid immersion, geothermal and solar-assisted cooling technologies, to name a few. The group also considers the facility's use of non-potable, recycled or greywater sources to reduce the potable water footprint, as well as technologies that reduce chemical treatment needs of water sources.

The category also requires financed data centers to be powered by renewable energy sources, which can be met either through direct grid connection or through verified long-term power purchase agreements. Financed facilities are likely to be connected to low carbon sources because the electric grids in the provinces of Québec and Ontario are mainly supplied by hydroelectric and nuclear power, respectively. Although the site's access to renewable energy sources is likely to result in lower emissions, we note the absence of specific thresholds guaranteeing a minimum share of renewables for eligible projects. Sourcing from unbundled renewable energy credits is not considered, which enhances the quality of the energy sourcing criteria. Finally, we view positively the requirement for assets to demonstrate no new fossil-fuel connection.

While the screening criteria employed are in line with market standards for sustainable data centers, the extent of the impact from co-location facilities, which is an eligible type of data center, will be dependent on the operational efficiency of tenant servers and hardware to achieve optimal energy use. The group has shared it intends to monitor operational PUE levels to ensure that performance is consistent with the PUE criteria.

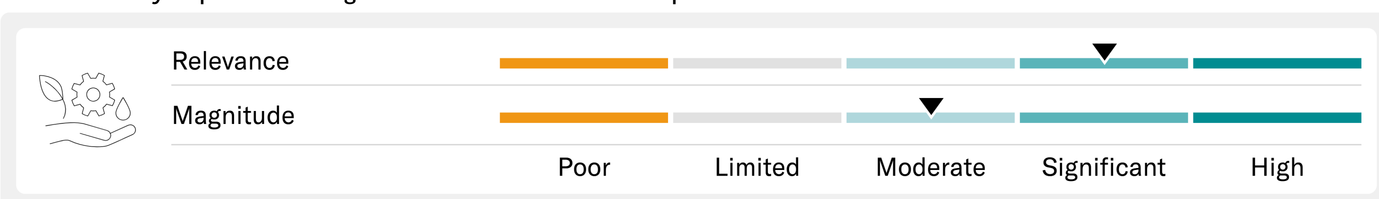
Nuclear energy



Nuclear energy investments in the category are highly relevant to support a low-carbon energy future. Although wind and solar sources are expected to generate most of the clean energy under a net zero scenario, nuclear capacity is projected to double between 2020 and 2050, with a share of generation just below 10%.[15] According to the IEA, failing to meet the projected needed capacity from nuclear sources would place an additional burden on wind and solar sources for carbon free generation. Within the regional context, nuclear plays an important role in the US and Canada's energy grids, generating 18%[16] and 14%[17] of electricity, respectively. Furthermore, the banking sector plays a critical role to provide financing for high capital costs associated with large scale nuclear plants as well as to mobilize capital to support research and development of advanced nuclear technologies for power generation.

The magnitude is moderate, balancing the long-term climate mitigation potential of low-carbon energy against the category's eligibility criteria and the potential inherent environmental and social externalities associated with nuclear projects. Desjardins intends to focus financing on nuclear projects in Canada and the US, jurisdictions with established national regulatory controls and risk frameworks that address environmental and social externalities inherent to nuclear projects. Although the eligibility criteria can include new or existing baseload nuclear plants, the group has shared that it expects to allocate mainly to small modular reactors, which are advanced nuclear technologies that allow for flexible deployment. Nevertheless, the moderate magnitude captures the relatively broad nature of project eligibility and our limited visibility on whether the most advanced technologies and risk management practices will always be employed for financed assets. In addition to complying with national regulatory standards, the group conducts internal due diligence to ensure that the project or operator complies with best practices and standards for nuclear risk management.

Environmentally responsible management of natural resources and pollution control



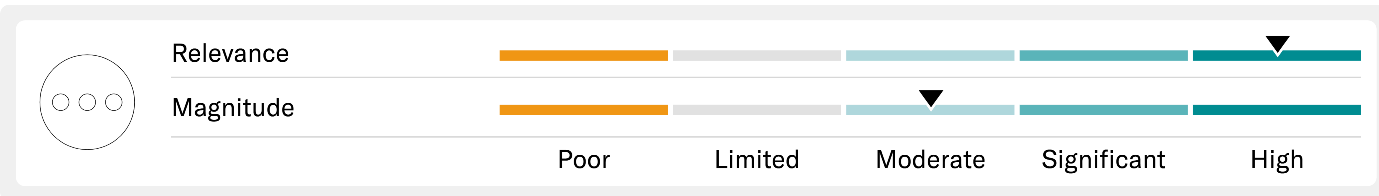
The relevance of this category is significant because projects related to forestry, waste and pollution control address important sustainability challenges in the local context. Canada has rich forest ecosystems which are crucial to support biodiversity, carbon sequestration and soil health. Addressing air pollution and resource efficiency through waste and circular economy practices are vital to reduce further degradation in ecosystems from improper waste disposal or from environmentally damaging material extraction activities. Despite the ecological importance of the projects under the category, Desjardins has limited exposure to the forestry and waste sectors, which reduces the category's overall relevance.

Projects in this category will have a moderate impact reflecting the varying degrees of project quality. The group anticipates that majority of funding will be allocated to forestry and waste management activities. In terms of forestry activities, the category will aim mostly to finance conservation and preservation activities, which will promote the development of biodiversity and enhance carbon sinks that adhere to relevant sustainability certifications. Although we acknowledge the benefits associated with the promotion of sustainable forestry practices, commercial forestry operations could be subject to risks during forest development and harvesting, including biodiversity risks.[18]

Eligible water projects are likely to improve water quality through collection and distribution facilities and to enhance climate resilience through flood infrastructure. However, the screening criteria do not include minimum performance thresholds for water loss or energy efficiency for water treatment facilities. We expect that the eligible waste management projects are likely to reduce pollution and improve air quality. However, there is no visibility on whether the most influential projects will be prioritized in accordance with the waste hierarchy, and the category lacks defined technologies and thresholds to assess the extent of the project's additional contribution to pollution prevention and control. Favorably, eligible circular economy initiatives, such as projects that focus on recycling of plastics and the refurbishment of electronic products, can promote reduction in material extraction, use of virgin materials and landfill waste.

Finally, the category includes financing of carbon capture and storage (CCS) projects that adhere to eligibility criteria that are in line with market standards. Eligible CCS projects are deployed to targeted high-emitting hard-to-abate sectors such as heavy industry to support decarbonization efforts. The application of CCS projects for enhanced oil recovery and fossil fuel production is excluded. While we recognize the potential climate benefits of CCS projects, there is uncertainty on the capture efficiency of CCS because of the nascency of the technology, limiting the likely impact of these projects.

Low-carbon fuels

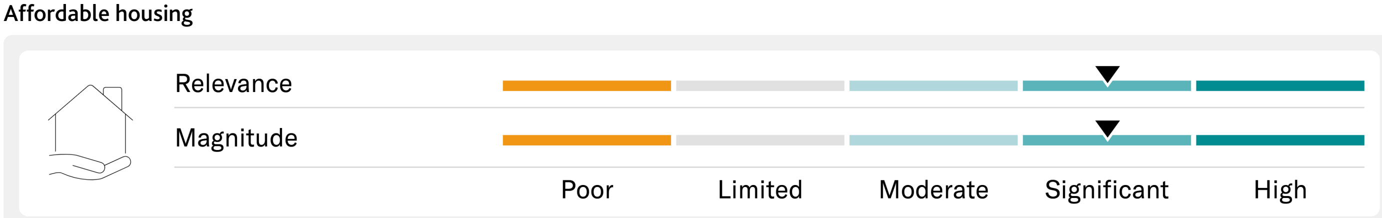


Investments in low carbon fuels are highly relevant solutions to decarbonize emissions from hard-to-abate sectors. Although low carbon fuels account for less than 5% of Canada's energy supply, they are projected to meet 60% or more of national energy demand under the country's net-zero by 2050 goal.[19] Banks play a critical role in enabling the growth, development and adoption of low carbon fuels to curb emissions and to support alignment with Canada's net zero pathway.

The magnitude of this category is moderate. The low-carbon fuel thresholds in this category align with Natural Resources Canada's Clean Fuels Program which will support the development of fuels under the national regulatory framework. Although the projects will likely reduce negative impacts and support the decarbonization of hard-to-abate sectors the eligibility thresholds are aligned with moderately ambitious market standards and are not necessarily adhering to the most stringent thresholds for emissions reduction for some of the criteria. For example, the life-cycle carbon intensity threshold for liquid biofuels not intended for aviation is 35 gCO_2e/MJ which is significantly above the Climate Bond Initiative's (CBI) criteria of 18.8 gCO2e/MJ for facilities producing biofuels for transport.

For green hydrogen projects produced by electrolysis and renewables, the carbon intensity threshold of 35 gCO_2e/MJ, or roughly 4.2$kgCO_2e/kgH_2$, is slightly above the recognized market threshold (3 kgCO2 e/kgH) for substantial contribution. Nevertheless, the production of low carbon fuels still represents a positive contribution to mitigating the emissions from hard to abate transport, aviation and heavy industry sectors.

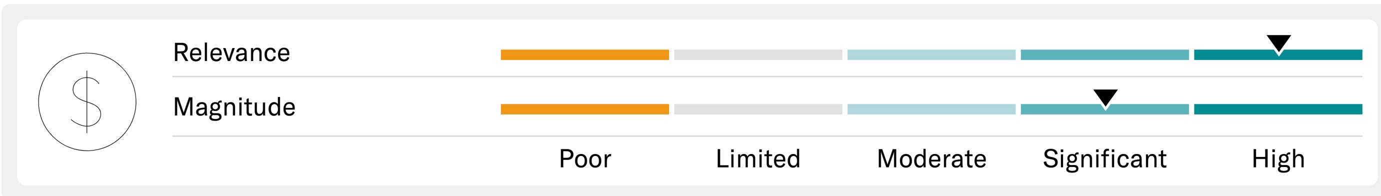
Affordable housing



National data shows that one in five Canadian households live in unaffordable housing, defined as spending 30% or more of before-tax household income on shelter.[20] While Canada benefits from stronger housing access compared to global averages, there are still vulnerable areas within provinces where housing deficits have constrained affordability for many residents. This underscores the ongoing need to expand affordable housing solutions in affected regions.

The magnitude is significant because the projects will provide structural improvement to the housing challenges faced by a vulnerable population. The group participates in housing programs in relevant Canadian jurisdictions or provinces, such as through the Société d'habitation du Québec program or other regional equivalents. The Société d'habitation du Québec promotes access to housing by providing low- and modest income households a range of affordable housing programs that support homeownership. Housing affordability is defined as dwellings for which the fixed rent cost do not exceed 30% of the median or before-tax household income of beneficiaries. Under the Société d'habitation du Québec program, maximum rents by unit size are set for the local area which ensures housing affordability for eligible beneficiaries. Although the projects provide housing solutions to a vulnerable population, the category does not exclusively target the housing needs of the most vulnerable communities or those at the lowest income band.

Socioeconomic progress and dynamism

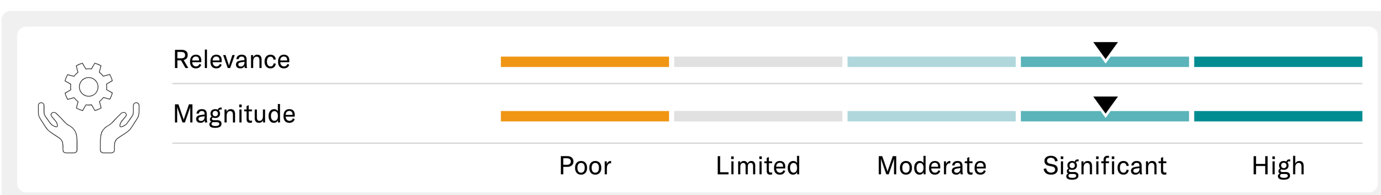


The relevance for this project category is high. Loans directed to businesses that are at least 51% owned by women or Indigenous Peoples are important to support these groups' growth, financial inclusion and participation in the national economy. Supporting microfinance lending in low- and middle-income economies can help address a critical social challenge in the local context, given the greater need for capital in emerging markets compared to advanced economies to support socioeconomic advancement.

The magnitude of the category is significant. Under this category, Desjardins aims to support the socioeconomic development and the financial inclusion of vulnerable target populations, defined as businesses that are at least 51% owned and operated by Indigenous Peoples' or businesses that are at least 51% owned by women. Projects to be financed may include power, transmission and distribution and associated infrastructure projects. The group participates in Indigenous-led projects and financing structures that support equity partnership and promote economic reconciliation for Indigenous Peoples. Previous transactions include projects that support the development of wind and battery projects in partnership with the Indigenous People's communities. Although the framework does not require projects to follow the relevant sustainability criteria under the framework, the group will ensure that projects financed are coherent with the framework.

Although lending to women-owned businesses is likely to contribute positively to the relevant social objective, loans are not exclusively focused on the most vulnerable women-owned businesses, such as micro or small women-owned businesses. We view positively the group's microfinance lending to financial cooperatives in low- and middle-income countries as defined by the World Bank. Lending caps on microcredit loans are likely to reduce the risk of over-indebtedness to eligible borrowers. Additionally, financial literacy training and business guidance are provided to strengthen eligible borrowers' ability to manage debt and cash flow.

Access to essential services



The project category has significant relevance. The provision of essential services is not a major social challenge in Canada given strong institutions, resources and programs for healthcare and education in line with those of other advanced economies. Still, continued investments in the social infrastructure will be critical in maintaining quality of services in the national context.

The magnitude of projects is significant because the projects will likely benefit a vulnerable target population over the long term. Projects are expected to benefit the general Canadian population covering vulnerable groups. Eligible projects for financing include public, not-for-profit, free or subsidized healthcare and education services and facilities. Canada's universal healthcare and publicly funded education systems provide assurance of the accessibility and affordability of services for the target population. However, more specific affordability programs for the most vulnerable population can drive higher social impact.

Additional contribution to sustainability considerations

We have not made an adjustment to the preliminary contribution to sustainability score based on additional considerations.

The issuer has a robust due diligence process to identify and manage E&S risks associated with the financed projects. ESG risk considerations are incorporated into Desjardins' integrated risk management framework. ESG factors are also embedded into the cooperative's governance policies, such as the sustainable development policy, which is publicly available on the company's website.

The framework is coherent with the sustainability strategy of the issuer. Projects to be financed under Desjardins' framework align with the cooperative's overall sustainability objectives and ESG strategy. Desjardins has validated science-based targets and commits to reduce absolute scope 1 and 2 GHG emissions 50% by 2030 from a 2020 base year. In addition, the cooperative has a target to achieve net zero emissions in its operations and financial activities in three carbon-intensive sectors (energy, real estate and transportation) by 2040. These sectors represent 47% of Desjardins' total assets. Projects to be financed under the social categories also support the bank's broader social commitments, including promoting economic empowerment worldwide and supporting the socioeconomic development for the Indigenous Peoples and their communities. Desjardins is a signatory to the Principles for Responsible Investment, the Principles for Responsible Banking, the Principles for Sustainable Insurance, and Net Zero Asset Managers Initiative.

Appendix 1 - Alignment with principles scorecard for Desjardins' sustainable bond framework

Factor	Sub-factor	Component	Component score	Sub-factor score	Factor score
Use of proceeds	Clarity of the eligible categories	Nature of expenditure	A	Aligned	Aligned
		Definition of content, eligibility and exclusion criteria for nearly all categories	A		
		Location	A		
		BP: Definition of content, eligibility and exclusion criteria for all categories	No		
	Clarity of the objectives	Relevance of objectives to project categories for nearly all categories	A	Best practices	
		Coherence of project category objectives with standards for nearly all categories	A		
		BP: Objectives are defined, relevant and coherent for all categories	Yes		
	Clarity of expected benefits	Identification and relevance of expected benefits for nearly all categories	A	Aligned	
		Measurability of expected benefits for nearly all categories	A		
		BP: Relevant benefits are identified for all categories	Yes		
		BP: Benefits are measurable for all categories	Yes		
		BP: Disclosure of refinancing prior to issuance and in post-allocation reporting	No		
		BP: Commitment to communicate refinancing look-back period prior to issuance	Yes		
Process for project evaluation and selection	Transparency and clarity of the process for defining and monitoring eligible projects	Clarity of the process	A	Best practices	Best practices
		Disclosure of the process	A		
		Transparency of the environmental and social risk mitigation process	A		
		BP: Monitoring of continued project compliance	Yes		
Management of proceeds	Allocation and tracking of proceeds	Tracking of proceeds	A	Best practices	Best practices
		Periodic adjustment of proceeds to match allocations	A		
		Disclosure of the intended types of temporary placements of unallocated proceeds	A		
		BP: Disclosure of the proceeds management process	Yes		
		BP: Allocation period is 24 months or less	Yes		
Reporting	Reporting transparency	Reporting frequency	A	Aligned	Aligned
		Reporting duration	A		
		Report disclosure	A		
		Reporting exhaustivity	A		
		BP: Allocation reporting at least until full allocation of proceeds, and impact reporting until full bond maturity or loan payback	Yes		
		BP: Clarity and relevance of the indicators on the sustainability benefits	Yes		
		BP: Disclosure of reporting methodology and calculation assumptions	No		
		BP: Independent external auditor, or other third party, to verify the tracking and allocation of funds	Yes		
		BP: Independent impact assessment on environmental and social benefits	No		
Overall alignment with principles score:					**Aligned**

Legend: BP - Best practice, A - Aligned, PA - Partially aligned, NA - Not aligned

Appendix 2 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The 12 eligible categories included in Desjardins' framework are likely to contribute to 12 of the United Nations' Sustainable Development Goals (SDGs), namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 3: Good Health and Well-being	*Access to Essential Services*	3.8: Achieve universal health coverage with access to quality and affordable essential health-care services and medicines for all
GOAL 4: Quality Education	*Access to Essential Services*	4.A: Build and upgrade education facilities that provide safe and effective learning environments for all
GOAL 5: Gender Equality	*Socioeconomic Progress and Dynamism*	5.A: Establish women's equal rights to economic resources, access to ownership and control over property and financial services
GOAL 6: Clean Water and Sanitation	*Environmentally Responsible Management of Natural Resources and Pollution Control*	6.4: Increase water-use efficiency across all sectors and ensure sustainable supply of freshwater to reduce water scarcity
GOAL 7: Affordable and Clean Energy	*Nuclear Energy, Renewable Energy, Low-carbon Fuels*	7.2: Increase substantially the share of renewable energy in the global energy mix
	Green Buildings, Energy Efficiency	7.3: Double the global rate of improvement in energy efficiency
GOAL 8: Decent Work and Economic Growth	*Socioeconomic Progress and Dynamism*	8.3: Promote policies that support productivity, job creation, entrepreneurship, innovation, and encourage the growth of SMEs
GOAL 9: Industry, Innovation and Infrastructure	*Data Centers; Low-carbon Fuels*	9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with all countries taking action
GOAL 10: Reduced Inequality	*Affordable Housing, Socioeconomic Progress and Dynamism*	10.2: Empower and promote the social, economic and political inclusion of all
GOAL 11: Sustainable Cities and Communities	*Affordable Housing*	11.1: Ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
	Clean Transportation	11.2: Provide access to safe, affordable, accessible and sustainable transport systems for all
	Green Buildings, Energy Efficiency	11.B: Increase number of cities with plans towards inclusion, resource efficiency, and climate change and disaster resiliency
GOAL 12: Responsible Consumption and Production	*Environmentally Responsible Management of Natural Resources and Pollution Control; Data Centers*	12.2: Achieve the sustainable management and efficient use of natural resources
GOAL 13: Climate Action	*Data Centers, Nuclear Energy, Environmentally Responsible Management of Natural Resources and Pollution Control, Low-carbon Fuels, Green Buildings, Clean Transportation, Energy Efficiency, Renewable Energy*	13.3: Improve awareness and human and institutional capacity on climate change mitigation, adaptation and impact reduction
GOAL 15: Life on Land	*Environmentally Responsible Management of Natural Resources and Pollution Control, Sustainable Food Production*	15.A: Mobilize and increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems

The United Nations' Sustainable Development Goals (SDGs) mapping in this SPO considers the eligible project categories and associated sustainability objectives/benefits documented in the group's financing framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance and the UN SDG targets and indicators.

Appendix 3 — Summary of eligible categories in Desjardins' framework

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Renewable Energy	Lending or investments dedicated to the acquisition, construction, development, operation, production, transmission, distribution, renovation, or maintenance of energy generation or storage assets, including: - Wind - Solar - Hydropower with power density > 5W/m2 -Tidal Power - Waste biomass - Geothermal energy, with direct emissions below 100 gCO_2/kWh - Green hydrogen (produced by electrolysis using renewable energy)	Climate change mitigation	- Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) - Capacity of renewable energy plant(s) constructed or rehabilitated in MW - Capacity of renewable energy plant(s) to be served by transmission systems (MW) - Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent
Energy Efficiency	-Lending or investments that reduce energy consumption, including: I. Energy efficient heating, ventilation, air conditioning, refrigeration, lighting, and electrical equipment that result in at least 30% energy savings II. Projects that reduce losses in the delivery of bulk energy services by at least 30% or enhance integration of intermittent renewables such as energy storage using batteries, smart grids, demand response III. Projects that enable monitoring and optimization of the amount and timing of energy consumption such as smart meters, load control systems, sensors or building information systems	Climate change mitigation	- Annual energy savings in MWh/GWh or percentage - Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent
Clean Transportation	Lending or investments intended for the acquisition, construction, development, operation, renovation, or maintenance of assets dedicated to low-carbon modes of transportation (including associated infrastructure), including: I. Private Transport: Zero direct emission vehicles and associated infrastructure (incl. hydrogen, fuel cell, electric) II. Infrastructure for cycling or walking III. Public Transport: Rolling stock and vehicles for electrified public transport, such as electrified rail, including associated infrastructure Freight transportation vehicles with direct emissions <25gCo2e/KM	Climate change mitigation	- Passenger-kilometres (i.e. the transport of one passenger over one kilometre) and/or passengers - Number of clean vehicles deployed (e.g., electric) - Annual GHG emissions reduced/avoided in tCO2e p.a. - Reduction of air pollutants: particulate matter (PM), sulphur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs) - Length of railways built

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Green Buildings	Lending or investments in new or existing buildings that have received, or expect to receive based on its design, construction and operational plans, certification according to third party verified green building standards, such as: I. LEED Gold or Platinum standard II. BOMA 360, Best Gold or Best Platinum certification III. BREEAM performance rating of 5 or 6 stars (Excellent and Outstanding, respectively) IV. BCZ V.ENERGY STAR (score of 85 or higher) VI. other equivalent certification schemes for residential buildings, such as Novoclimat Renovation projects that achieve, or aim to achieve, at least a 30% reduction in emissions, based on third-party assessment. Achieved, based on third party assessment, greenhouse gas emission or energy performance 30% lower than the lasted NECB (National Energy Code of Canada for buildings). Achieved, based on third party assessment, greenhouse gas emission performance in the top 15% of their city, province/state or country. Energy loop projects that enable sharing between buildings and recovery of heat generated from renewable energy sources.	Climate change mitigation	- Number of green buildings of each certification - Area of certified green buildings in square feet and by certification level - Annual amount of waste that is prevented, minimised, reused or recycled before and after the project in % of total waste and/or in absolute amount in tonnes p.a - Annual absolute (gross) water use before and after the project in m3/a, reduction in water use in % - Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m3/a and p.e./a and as % - Annual Absolute (gross) GHG emissions from the project in tonnes of CO2 equivalent - Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent
Sustainable Food Production	Food production, including agricultural crop, fishery and aquaculture operation, certified with: I. Agriculture and maple production with recognized third-party sustainability certifications such as EU Organic, USDA Organic, Canada Organic, Rainforest Alliance, Round Table on Responsible Soy Association Standard (RTRS) or Ecocert II. Aquaculture and fisheries with recognized third-party sustainability certifications such as Aquaculture Stewardship Counsel (ASC), Best Aquaculture Practices (BAP) (2 stars or more) or Marine Stewardship Council (MSC) III. Agricultural activities, facilities and technologies that improve resource use efficiency including energy and water, and/or reduce GHG emissions, or improve climate resilience, such as: - Advanced irrigation technologies - Precision farming - Protected agriculture - Use of smart seeds, natural pesticides and herbicides - Regenerative agriculture activities, including soil health, no-till farming and cover cropping IV. Activities that advance sustainable production and consumption of alternative proteins	Protection and restoration of biodiversity and ecosystems, Climate change mitigation	- Total surface financed (hectares), with reference to specific certification schemes where relevant - Number of maple trees tapped - Amount of organic products produced (metric tons or litres) - Number of organic products offered

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Data Centers	Lending or investments in the design, modernization, or operation of data centers are eligible if they meet the following criteria: I. The facility achieves a Power Usage Effectiveness (PUE) that is below 1.3 II. The facility utilizes efficient water cooling systems that minimize water consumption and environmental impact III. The facility is powered by renewable energy sources, either through direct procurement (e.g., on-site solar or wind) or verified power purchase agreements (PPAs) IV. No dedicated fossil fuel-based power generation is developed or used to supply energy to the data center	Climate change mitigation	- Measured PUE during operation, with reference to regional benchmarks - Percentage of total energy consumption sourced from or matched with renewable energy, including direct procurement or power purchase agreements (PPAs) - Volume of water used per unit of IT energy consumption, highlighting efficiency measures and alignment with water conservation goals
Nuclear Energy	*Note: Desjardins shall identify at issuance if it intends to finance eligible nuclear energy projects with the proceeds of a given instrument* I. Safe construction and operation of new nuclear facilities, including small modular reactors (SMRs), intended for the production of electricity, heat, or hydrogen, subject to strict standards for safety and waste management II. Refurbishment, life extension, and efficiency improvement of existing nuclear power plants, provided that these investments enhance operational safety and environmental performance III. Research, development, and demonstration projects focused on advanced nuclear technologies aimed at reducing greenhouse gas emissions and waste across the entire lifecycle IV. Investments in the supply chain supporting the deployment of clean nuclear technologies, including innovations in fuel cycle and safety systems	Climate change mitigation	- Installed nuclear generation capacity (MW) financed or modernized - Annual electricity production (MWh) from financed nuclear sources - Estimated in GHG emissions avoided and/or reduced (tonnes of CO_2e) compared to equivalent fossil fuel sources - Number of reactors modernized or extended in operational life - Share of nuclear energy in the low-carbon energy mix supported by the financed projects

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Environmentally Responsible Management of Natural Resources and Pollution Control	Lending or investments aimed at improving the protection and restoration of ecosystems, such as: I. Forestry operations or forest products that are independently certified for sustainable development, such as those certified by the Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification (PEFC), or the Sustainable Forestry Initiative (SFI), which is affiliated with PEFC II. Restoration projects aimed at reestablishing ecological functions and enhancing human well-being in deforested or degraded forest areas Lending or investments aimed at improving water quality, water recovery, or climate resilience, such as: I. Technologies, projects and infrastructure for the collection, distribution, treatment, recycling or reuse of water, rainwater or wastewater II. Infrastructure for flood prevention, flood defence or stormwater management Lending or investments aimed at reducing and managing emissions and waste, such as: I. Technologies or projects for collection, sorting, treatment, recycling or reuse of emissions, waste, hazardous waste, or contaminated soil II. Technologies or projects for recovering, utilizing, reusing, and recycling waste and diverting it from landfills, including circular economy systems III. Technologies or projects for carbon capture and storage (CCS), with permanent underground geological storage of CO_2 and a capture efficiency of 90% or more	Protection and restoration of biodiversity and ecosystems, Climate change mitigation	- Total surface financed (hectares), with reference to specific certification schemes where relevant - Annual avoided and/or sequestered GHG emissions in tCO2/year - Environmentally sensitive areas protected (acres) - Number of trees saved by certified forestry products - Annual absolute (gross) water use before and after the project in m3/a, reduction in water use in % - Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m3/a and p.e./a or as % - Tons of waste reduced - Tons of secondary raw materials or compost produced - Absolute or % reduction in air/water pollutants - Number of people or % of population provided with improved municipal waste treatment or disposal services - Number of people or % of population with access to waste collection under the project - The absolute amount or % of residual non-separated waste before and after the project - Added monetary value created using waste
Low-carbon Fuels	I. Production, distribution, and infrastructure related to low-carbon fuels, including: - Green hydrogen (produced by electrolysis using renewable electricity) - Advanced biofuels derived from residual or non-food feedstocks - Synthetic fuels (e-fuels) produced from captured CO_2 and green hydrogen II. Development of technologies that improve energy efficiency or reduce emissions associated with the use of alternative fuels III. Conversion or adaptation of equipment and vehicles for the use of low-carbon fuels	Climate change mitigation	- Estimated reduction in GHG emissions (tonnes of CO_2e) compared to equivalent fossil fuels - Volume of low-carbon fuels produced or distributed (liters or tonnes) - Share of low-carbon fuels in the energy mix of targeted sectors (transportation, industry, aviation) - Number of vehicles, equipment, or facilities converted to the use of low-carbon fuels - Avoided emissions through the use of synthetic fuels or advanced biofuels

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Affordable Housing	Lending or investments for the construction or renovation of housing that meets the definition of affordable housing in the relevant Canadian jurisdiction or province. These projects are intended to accelerate and support community development, promote social inclusion, and foster socio-economic progress.	Affordable housing	- Number of beneficiaries - Number of affordable housing units built or refurbished
Socioeconomic Progress and Dynamism	I. Indigenous Peoples' Business and Community Lending: - Indigenous Peoples' bands, councils, governments and/or businesses that are at least 51% owned and operated by such an organization or individual II. Women-Owned Business Lending: - At least 51% of the business is owned and operated by women III. Developing and Emerging Countries Lending: - Micro-finance in Low- or Middle-income economies as defined by the World Bank	Socioeconomic advancement and empowerment	- Number and value of loans to MSMEs - Number of beneficiaries in the case of Indigenous Peoples' bands, councils, or governments - Number of jobs supported/created/retained
Access to Essential Services	Lending or investments that enhance access to essential services, with a focus on public, not-for-profit, free or subsidized essential services, including: I. Infrastructure for healthcare and social support, such as hospitals, laboratories, clinics, healthcare, childcare and elder care centres, and other facilities that provide services accessible to underserved or vulnerable populations, which prioritize affordability and equity II. Infrastructure for education and vocational training, including facilities for child, youth, or adult education, and skills development programs. Eligible investments should support inclusive access, particularly in public or subsidized contexts, and contribute to long-term socio-economic empowerment	Access to essential services	-Number of beneficiaries - Additional number of beds in hospitals - Number of hospital and other healthcare facilities built/upgraded - Number of health checks provided - Number of residents benefitting from healthcare which is otherwise not accessible - Number of educational institutions funded, location and type - Number of students supported or spots made available in schools

Endnotes

1 Point-in-time assessment is applicable only on date of assignment or update.

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